

## Financial Performance and Accountability

The Central Bank of Sri Lanka (CBSL) serves inter-alia as the nation's authority for monetary policy, financial system oversight, payment system regulation, foreign exchange operations and issuing currency. It was established under the Monetary Law Act, No. 58 of 1949 and is currently governed by the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA). This Act stipulates achieving and maintaining domestic price stability as the prime objective, while identifying securing financial system stability as the other objective. The Bank's success is measured by the effectiveness of its policies and actions in attaining these objectives, not necessarily by its profitability. This distinction separates CBSL from other public or private entities. Focusing on profitability could incentivise actions that compromise its objectives, as the Bank possesses the unique ability to generate profits through its monetary policy instruments, influencing interest rates and exchange rates. In this background the Central Bank's financial statements reflect gains or losses incurred due to its policies and operations particularly in the implementation of monetary policy, exchange rate policy, and currency issuance etc. at the values as realized. This context is crucial for interpreting and understanding the Bank's financial performance as presented in these statements.

Part XVI (sections 92 to 99) of CBA contains financial provisions relating to CBSL including those relating to the preparation, submission and publication of Annual Financial Statements (section 99). In terms of Section 101 of CBA, accounts of CBSL shall be audited by the Auditor-General and the opinion of the Auditor-General shall be published together with the Annual Financial Statements. Further, in terms of Section 103 (4) (d) of CBA, the Audit Committee is entrusted to review the annual financial statements with the auditors.

Accordingly, the Annual Financial Statements presented have been prepared, reviewed and audited in compliance with the provisions of CBA.

## The Highlights of the Financial Statements for the Year ended 2023 in Comparison to the Year 2022.

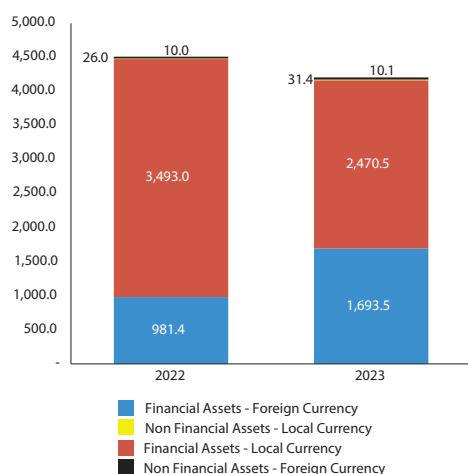
### Statement of Financial Position

#### Composition of Assets

Total assets decreased by Rs. 305.0 bn (6.8%) from Rs. 4,510.4 bn in 2022 to Rs. 4,205.4 bn in 2023. This decline was primarily driven by a substantial decrease in the local currency financial assets of Rs. 1,022.5 bn. This decrease stemmed mainly from the conversion of CBSL's Treasury bill holdings and outstanding Provisional Advances to the Government (PA) into longer tenor Treasury bonds, consequent to the Domestic Debt Optimization (DDO) of the Government of Sri Lanka. The replacement of new Treasury bills and Treasury bonds of which fair value amounting to Rs. 1,946.7 bn against the existing Treasury bills and PA amounting to Rs. 2,368.4 bn and Rs. 344.7 bn, respectively, resulted in a day one loss of Rs. 766.4 bn. Improved liquidity conditions in the domestic money market resulted in a decrease in the securities purchased under reverse repurchase agreements by Rs. 364.1 bn.

However, foreign currency assets have increased due to the increase in CBSL foreign reserves by USD 1.63 bn to USD 3.48 bn (compared to USD 1.85 bn at end 2022). This resulted in an increase in the cash balances by Rs. 547.3 bn and an increase in Fixed Income Securities (FIS) and Treasury bills by Rs. 212.5 bn. However, the appreciation of the Sri Lanka Rupee against the Special Drawing Rights (SDR) (form LKR 483.3276 at end 2022 to LKR 437.9894 at end 2023) led to a decrease in International Monetary Fund (IMF) related assets by Rs. 16.1 bn in LKR terms.

### Composition of Total Assets (Rs. Bn)



### Composition of Liabilities

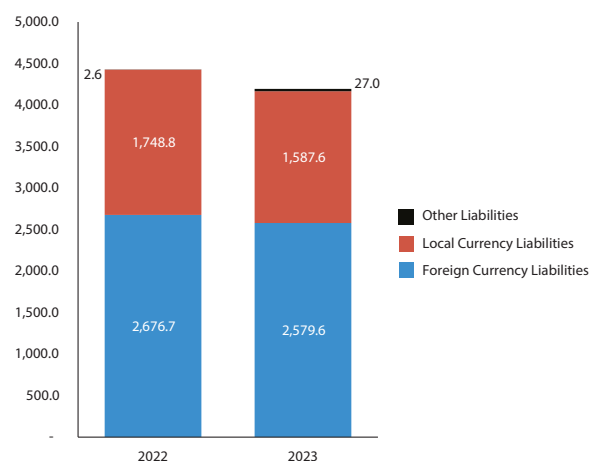
The total liabilities of the CBSL contracted by Rs. 233.9 bn from Rs. 4,428.1 bn in 2022 to Rs. 4,194.2 bn in 2023 representing a decrease of 5.3%. This decrease was primarily due to the reduction in local currency financial liabilities. Local currency financial liabilities decreased by Rs. 161.2 bn due to the reduction in the Balances of Commercial Banks and Other Financial Institutions with the CBSL by Rs. 180.7 bn primarily as a result of the reduction of the Statutory Reserve Ratio (SRR) from 4% to 2% effective from August 2023 and reduction in the Standing Deposit Facility (SDF) balances by Rs. 103.6 bn. The decrease in SDF balances was due to the changes in liquidity distribution among banks. The reductions in liabilities were partially offset by the increase in Currency in Circulation amounting to Rs. 159.9 bn.

Foreign currency financial liabilities decreased by Rs. 97.1 bn, mainly due to the reduction in the balance payable to the Asian Clearing Union (ACU) by Rs. 736.2 bn and a decrease in IMF Liabilities by Rs. 160.6 bn. The balance payable to ACU was converted into a new SWAP facility with the Reserve Bank of India (RBI Special SWAP) combining with the existing payable

to RBI in the foreign liabilities recorded under 'Other' category. The decrease in IMF liabilities was attributed to the loan repayments made during the year under the previous IMF Extended Fund Facility (EFF) and the appreciation of the Sri Lanka Rupee (LKR) against the Special Drawing Rights (SDR) by 10.8%.

The decrease in foreign currency liabilities was partially offset by the increase in foreign liabilities recorded under 'Other' category by Rs. 914.8 bn. This increase was mainly due to the increase in new RBI Special SWAP by Rs. 800.5 bn and the increase in the balance in the Deputy Secretary -Treasury (DST) account by Rs. 247.7 bn held with the CBSL Account in the Federal Reserve Bank, consequent to the receipt of funds to the Government from the IMF, Asian Development Bank (ADB), and the International Development Association (IDA).

### Composition of Total Liabilities (Rs. Bn)



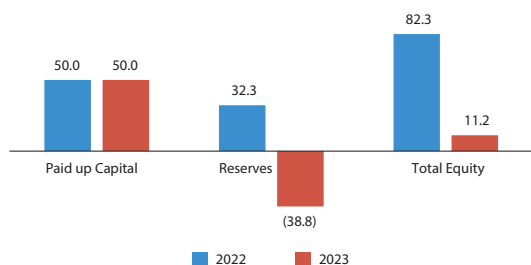
### Total Equity

Total equity of CBSL comprised of Capital Funds and Reserves which decreased from Rs. 82.3 bn in 2022 to Rs. 11.2 bn in 2023. This decline was primarily driven by two factors. Firstly, the net loss incurred in 2023 amounting to Rs. 114.4

bn, due to the Day One Loss of Rs. 766.4 bn accounted in September 2023 as a result of the DDO. Secondly, the actuarial losses amounting to Rs. 24.6 bn from post-employment benefit plans which was charged against the retained earnings as per the accounting standards. However, these losses were partially offset by increases in marked-to-market gains on Fair Value Through Other Comprehensive Income (FVOCI) instruments of Rs. 63.6 bn and gains on revaluation of property, plant, and equipment of Rs. 4.8 bn.

Section 97 of CBA stipulates that if the CBSL's audited annual financial statements reflect that the value of its assets falls below the sum of its monetary liabilities and paid-up capital, a capital restoration requirement would be triggered. The monetary liabilities include currency in circulation, and deposits held by licensed commercial banks and government agencies in CBSL. Accordingly, for the year ended 31 December 2023, CBSL's assets exceeded its monetary liabilities and paid-up capital by a healthy margin of Rs. 2,837.1 bn.

Composition of Equity (Rs. Bn)



## Income Statement

### Income, Expenses and Net Profit/(Loss)

CBSL reported a net loss of Rs. 114.4 bn in 2023 compared to the net loss of Rs. 374.3 bn in 2022, mainly due to the exchange revaluation gain of Rs. 140.1 bn in 2023 as opposed to the exchange revaluation loss of

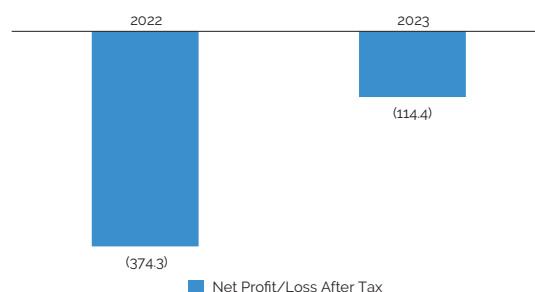
Rs. 610.1 bn in 2022. Higher interest income earned due to the increased level of foreign reserves, increased trading gains and higher unrealized mark-to-market gains from Forex (FX) and FX SWAPS resulted in increased net operating income.

Further, CBSL earned higher interest income from government securities during 2023 as a result of higher average daily holdings of government securities and the high interest rates that prevailed in the market.

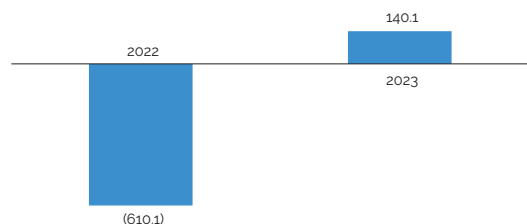
The interest expenses on foreign currency liabilities increased by Rs. 110.2 bn in 2023 mainly due to increased interest expenses on ACU liabilities (Rs. 66.2 bn) and RBI SWAP (Rs. 26.1 bn). This has been partly offset by the reduction in local interest expenses by Rs. 15.8 bn as a result of the reduction in interest expenses of SDF due to lower transaction volumes due to the restrictions imposed on SDF. The operating expenses also recorded a reduction of Rs. 15.5 bn stemming from the reduction of personnel expenses due to the reversal of provision for post-employment contribution plans based on the Actuarial Valuation carried out in 2023.

However, the Day One Loss of DDO of Rs. 766.4 bn resulted in a net loss of Rs. 114.4 bn which could have otherwise ended up in a net profit for the year 2023.

Net Profit/ (Loss) After Tax (Rs. Bn)



**Net Foreign Exchange Gain/Loss (Rs.Bn)**



**Profits Available for Distribution**

The bank generated a net loss after tax in 2023. Section 95 of CBA requires to exclude the unrealized gains on price revaluations and unrealized exchange gains and losses from the Net profit after tax. Consequently, the distribution of profits of CBSL is calculated as per section 96 of CBA before the expiration of sixty days after the end of each financial year. Accordingly, the distributable earnings are allocated firstly to establishing special reserves as the Governing

Board may deem fit. Secondly, an amount equivalent to hundred percent of distributable earnings remaining after allocation to special reserves shall be credited to the general reserve account until the sum of the paid-up capital and general reserve is at least six per cent of the total monetary liabilities of the CBSL. Thirdly, any remaining distributable earnings shall, as determined by the Governing Board in consultation with the Minister, either be applied in liquidation of any outstanding Government dues to the CBSL or be paid and credited to the Consolidated Fund. As per section 96 (1) (b) of CBA, the ratio of the sum of the paid up capital and general reserve to total monetary liabilities stood at 6.1% as of 31 December 2023. However, there was no profit available for distribution in 2023 as per section 96 of CBA.

The opinion of the Auditor General on the financial statements and the audited financial statements are presented hereafter.



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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எனது இல. }  
My No. }

BAN/G/CBSL/1/23/1

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Your No. }

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திகதி }  
Date }

16 April 2024

The Honorable Minister of Finance

### Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Bank of Sri Lanka for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018

#### 1. Financial Statements

##### 1.1 Opinion

The audit of the financial statements of Central Bank of Sri Lanka (the “Bank”), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018, Section 13(1) of the Finance Act, No. 38 of 1971 and Section 101(4) of the Central Bank of Sri Lanka Act, No. 16 of 2023. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course. To carry out this audit, I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

##### 1.2 Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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### 1.3 Responsibilities of Governing Board and Those Charged with Governance for the Financial statements

Governing Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Governing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Governing Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Bank.

### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Governing Board.



- Conclude on the appropriateness of Governing Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

## 2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018, includes specific provisions for following requirements:

2.1.1 I have obtained all the information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of Section 12(a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of the Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all material recommendations made by me in the previous year as per the requirement of the Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention:

2.2.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered in to by the Bank which are out of the normal course of business as per the requirement of Section 12 (d) of the National audit Act, No. 19 of 2018;



- 2.2.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of the Section 12 (f) of the National Audit Act, No. 19 of 2018;
- 2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018;
- 2.2.4 to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of the Section 12 (h) of the National Audit Act, No. 19 of 2018.

W. P.C. Wickramaratne

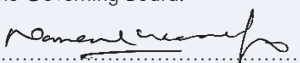
Auditor General



# STATEMENT OF FINANCIAL POSITION

As at 31 December		2023	2022
Assets	Note	Rs. 000	Rs. 000
<b>Foreign Currency Financial Assets</b>			
Cash & Cash Equivalents	8	1,198,979,570	651,687,864
Securities at Fair Value through Other Comprehensive Income	9	223,406,791	10,867,425
Derivative Financial Instruments	10	5,775,226	401,580
IMF Related Assets	11	265,339,197	281,421,074
Other Receivables		-	37,022,631
<b>Total Foreign Currency Financial Assets</b>		<b>1,693,500,784</b>	<b>981,400,574</b>
<b>Local Currency Financial Assets</b>			
Sri Lanka Government Securities	12	2,044,347,592	2,498,995,015
Securities Purchased under Resale Agreements	13	333,951,940	698,069,219
Provisional Advances to Government	14	-	235,638,700
Equity Investments in Financial and Other Institutions	15	2,169,541	1,817,132
Loans to Banks	16	47,795,687	28,257,902
Other Assets	17	42,184,721	30,182,560
<b>Total Local Currency Financial Assets</b>		<b>2,470,449,481</b>	<b>3,492,960,528</b>
<b>Total Financial Assets</b>		<b>4,163,950,265</b>	<b>4,474,361,102</b>
<b>Foreign Currency Non-Financial Assets</b>			
Gold	18	10,120,756	10,031,610
<b>Non-Financial Assets</b>			
Inventories	19	5,433,838	4,788,407
Other Receivables and Prepayments		1,526,263	1,222,568
Property, Plant and Equipment	20	23,723,256	19,035,278
Intangible Assets	21	689,883	908,137
<b>Total Non-Financial Assets</b>		<b>41,493,996</b>	<b>35,986,000</b>
<b>Total Assets</b>		<b>4,205,444,261</b>	<b>4,510,347,102</b>
<b>Liabilities and Equity</b>			
<b>Foreign Currency Financial Liabilities</b>			
Banks and Financial Institutions	22	54,113,792	146,408,028
Derivative Financial Instruments	10	48,947,900	71,697,994
Asian Clearing Union	23	-	736,258,129
International Monetary Fund	24	967,325,212	1,127,925,092
Others	25	1,509,255,772	594,383,451
<b>Total Foreign Currency Financial Liabilities</b>		<b>2,579,642,676</b>	<b>2,676,672,694</b>
<b>Local Currency Financial Liabilities</b>			
Deposits of Banks and Financial Institutions	26	142,472,582	323,046,181
Deposits of Government and Governmental Entities	27	2,073,290	221,411
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	28	227,035,873	330,637,059
Currency in Circulation	29	1,186,503,181	1,026,567,252
Other Payables	30	29,507,806	68,320,347
<b>Total Local Currency Financial Liabilities</b>		<b>1,587,592,732</b>	<b>1,748,792,250</b>
<b>Total Financial Liabilities</b>		<b>4,167,235,408</b>	<b>4,425,464,944</b>
<b>Other Liabilities</b>			
Deferred Grants	31	2,475	1,834
Pension and Other Post - Employment Benefit Plans	32	26,395,012	1,772,429
Miscellaneous Liabilities and Accruals	33	626,310	855,043
<b>Total Other Liabilities</b>		<b>27,023,797</b>	<b>2,629,306</b>
<b>Total Liabilities</b>		<b>4,194,259,205</b>	<b>4,428,094,250</b>
<b>Equity</b>			
Capital Funds		50,000,000	50,000,000
Other Reserves	34	252,773,117	(191,184,970)
Retained Earnings		(291,588,061)	223,437,822
<b>Total Equity</b>		<b>11,185,056</b>	<b>82,252,852</b>
<b>Total Liabilities and Equity</b>		<b>4,205,444,261</b>	<b>4,510,347,102</b>

The Governor and the Chief Accountant of the Central Bank of Sri Lanka authorized these financial statements for issue on 05 April 2024 and signed on behalf of the Governing Board.

  
Dr. P. Nandalal Weerasinghe – Governor

  
D. S. L. Sirimanne - Chief Accountant

The accounting policies and notes on pages 12 to 87 form an integral part of these Financial Statements.

# INCOME STATEMENT

For the year ended 31 December		2023	2022
	Note	Rs. 000	Rs. 000
<b>Operating Income :</b>			
<b>Income from Foreign Currency Financial Assets</b>			
Interest Income	36	18,031,111	1,579,295
Gain/(Loss) from Unrealized Price Revaluations	37	29,165,459	(127,286,104)
Gain/(Loss) from Realized Price Changes		39,013,468	(9,968,941)
<b>Total Income from Foreign Currency Financial Assets</b>		<b>86,210,038</b>	<b>(135,675,750)</b>
<b>Expenses on Foreign Currency Financial Liabilities</b>			
Interest Expense	38	(142,515,856)	(32,293,277)
Reversal/(Charge) of Expected Credit Losses on Foreign Currency Financial Assets	39	(86,696)	(763,218)
<b>Total Expenses on Foreign Currency Financial Liabilities</b>		<b>(142,602,552)</b>	<b>(33,056,495)</b>
Net Foreign Exchange Revaluation Gain/(Loss)		140,077,201	(610,149,293)
<b>Foreign Currency Investment Income</b>		<b>83,684,687</b>	<b>(778,881,538)</b>
<b>Net Income from Local Currency Financial Assets</b>			
Interest Income	36	595,962,421	482,676,527
Gain/ (Loss) from Realised Price Changes		(1,293,472)	(7,866,974)
Interest Expense	38	(21,810,330)	(37,619,594)
Disposal Gain/ (Loss) of DDO		6,775,702	-
DDO Day One Gain/ (Loss)		(766,413,281)	-
Reversal/ (Charge) of Expected Credit Losses on Local Currency Financial Assets	39	396,659	497,432
<b>Net Income from Local Currency Financial Assets</b>		<b>(186,382,301)</b>	<b>437,687,391</b>
Other Income	40	1,585,485	2,454,218
Other Expense	40.1	(3,536,359)	(10,260,110)
<b>Total Net Operating Income</b>		<b>(104,648,488)</b>	<b>(349,000,039)</b>
<b>Operating Expenses:</b>			
Personnel Expenses:	41		
- Salaries and Wages		(7,253,093)	(6,691,770)
- Defined Contribution Plan Costs		3,949,834	(11,550,422)
- Post Employment Benefit Plan Costs		(891,177)	(2,091,404)
		<b>(4,194,436)</b>	<b>(20,333,596)</b>
Depreciation and Amortization		(715,321)	(737,304)
Cost of Inventory (Cost of New Currency Issue)		(2,108,575)	(2,339,653)
Administration and Other Expenses	42	(2,763,994)	(1,910,381)
<b>Total Operating Expenses</b>		<b>(9,782,326)</b>	<b>(25,320,934)</b>
<b>Loss Before Tax</b>		<b>(114,430,814)</b>	<b>(374,320,973)</b>
Tax	43	-	-
<b>Loss for the Year</b>		<b>(114,430,814)</b>	<b>(374,320,973)</b>

Figures in brackets indicate deductions

The accounting policies and notes on pages 12 to 87 form an integral part of these Financial Statements.

## STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December		2023 Rs. 000	2022 Rs. 000
	Note		
Loss for the Year		(114,430,814)	(374,320,973)
<b>Other Comprehensive Income (OCI)</b>			
<b>Items that are or may be re-classified subsequently to Profit/(Loss)</b>			
Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income	34	1,266,198	(1,189,382)
Net Fair Value Gain/(Loss) on Government Securities at Fair Value through Other Comprehensive Income	34	61,897,210	11,225,713
		63,163,408	10,036,331
<b>Items that will not be re-classified subsequently to Profit/(Loss)</b>			
Gain on revaluation of Property, Plant & Equipment		4,752,685	-
Post-Employment Benefit Plan (Cost)/Income Recognized in Other Comprehensive Income	32	(24,625,742)	14,163,877
Net Fair Value Gain on Equity Investments at Fair Value through Other Comprehensive Income	34	352,408	145,915
		(19,520,649)	14,309,792
Other Comprehensive Income/(Expense)		43,642,759	24,346,123
<b>Total Comprehensive Income /(Expense)</b>		<b>(70,788,055)</b>	<b>(349,974,850)</b>

Figures in brackets indicate deductions  
The accounting policies and notes on pages 12 to 87 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Contributed Capital	Other Reserves	Retained Earnings	Total
	Rs.000	Rs.000	Rs.000	Rs.000
<b>Balance as at 1 January 2022</b>	50,000,000	315,128,226	98,490,818	463,619,044
Loss for the year	-	-	(374,320,973)	(374,320,973)
Transfer to RTGS Sinking Fund	-	438,146	(438,146)	-
Post-Employment Benefit Plans cost recognized in Other Comprehensive Income	-	-	14,163,877	14,163,877
Transfer of Net Foreign Exchange Revaluation Gain/(Loss) (IRR)	-	(610,149,293)	610,149,293	-
Transfer to CBSL Internal Funds	-	-	(355,494)	(355,494)
Net Fair Value Loss on Securities at Fair Value through Other Comprehensive Income	-	(1,189,382)	-	(1,189,382)
Transfer of Funds from Retained Earnings to Market Revaluation Reserve	-	49,638,590	(49,638,590)	-
Transfer of Funds to General Reserve	-	27,526,076	(27,526,076)	-
Transfer of Funds to MLTCF for the RDD operations as per the profit appropriation BP of 2021	-	15,000,000	(15,000,000)	-
Profit appropriation for the year 2021 - Recovery of outstanding GOSL obligations from 2021 profit	-	-	(31,035,788)	(31,035,788)
Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund	-	-	(60)	(60)
Transfer to Reserve for funding purposes of Post-Employment Benefits	-	1,051,039	(1,051,039)	-
Gain on Market Valuation of Government Securities Classified at Fair Value through Other Comprehensive Income	-	11,225,713	-	11,225,713
Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income	-	145,915	-	145,915
<b>Balance as at 31 December 2022</b>	<u>50,000,000</u>	<u>(191,184,970)</u>	<u>223,437,822</u>	<u>82,252,852</u>
<b>Balance as at 1 January 2023</b>	50,000,000	(191,184,970)	223,437,822	82,252,852
Transfer of CBSL distributable Profit for the year 2022 to Surplus	-	235,034,628	(235,034,628)	-
Loss for the year	-	-	(114,430,814)	(114,430,814)
Transfer to RTGS Sinking Fund	-	512,228	(512,228)	-
Post-Employment Benefit plans cost recognized in other Comprehensive Income	-	-	(24,625,742)	(24,625,742)
Transfer of Net Foreign Exchange Revaluation Gain/(Loss) (IRR)	-	140,077,201	(140,077,201)	-
Transfer to CBSL Internal Funds	-	-	(345,219)	(345,219)
Transfer to Fixed asset revaluation reserve	-	4,752,685	-	4,752,685
Net Fair Value Gain on Securities at Fair Value through Other Comprehensive Income	-	1,266,198	-	1,266,198
Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund	-	-	(51)	(51)
Gain on Market Valuation of Government Securities Classified at Fair Value through Other Comprehensive Income	-	61,897,210	-	61,897,210
Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income	-	352,408	-	352,408
Expected Credit Losses on FVOCI Investments	-	65,529	-	65,529
<b>Balance as at 31 December 2023</b>	<u>50,000,000</u>	<u>252,773,117</u>	<u>(291,588,061)</u>	<u>11,185,056</u>

Figures in brackets indicate deductions  
The accounting policies and notes on pages 12 to 87 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December			2023	2022
Cash Flows from Operating Activities		Note	Rs. 000	Rs. 000
<b>Receipts:</b>				
Interest Received - Foreign Currency			15,104,897	1,550,703
Interest Received - Local Currency - Others			19,813,449	3,498,481
Liquidity Management and Trading Income			37,719,996	(17,835,915)
Realised Exchange Loss			60,713,515	(179,967,468)
Other Income Received			1,571,269	8,020,273
			<b>134,923,125</b>	<b>(184,733,926)</b>
<b>Disbursements:</b>				
Interest Paid - Foreign Currency			146,093,995	23,170,613
Interest Paid - Local Currency			19,520,364	40,437,692
Payments to Employees			11,295,646	12,435,846
Payments to Suppliers			50,131,974	(31,924,158)
			<b>227,041,978</b>	<b>44,119,993</b>
<b>Net Cash Flows generated from Operating Activities</b>		44	<b>(92,118,853)</b>	<b>(228,853,919)</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
Net Increase in Other Local Currency Financial Assets			(3,508,310)	(2,431,705)
Principal Recoveries from Loans and Advances to Other Institutions			2,134	49,642
Proceeds on disposal of Property, Plant and Equipment			1,923	(234)
Net Increase/ (Decrease) in Securities Sold under Resale Agreements/Standing Deposit Facility			(103,511,000)	229,574,179
			<b>(107,015,255)</b>	<b>227,191,882</b>
<b>Disbursements:</b>				
Net Decrease in Foreign Currency Securities			173,612,101	31,403,136
Net Increase/ (Decrease) in Other Foreign Currency Financial Assets			10,037,550	(42,189,977)
Net (Increase)/ Decrease in Other Foreign Currency Financial Liabilities			(182,850,778)	(704,622,720)
Net (Increase)/ Decrease in Other Local Deposits and Payables			(17,173)	(3,660)
Purchase of Property, Plant and Equipment, net of Grants			430,029	3,773
Purchase of Intangible Assets			6,557	879,377
Net Decrease in Gold Inventory			-	(26,108,952)
Net Loans and Advances Granted to/ (Recovered from) Other Institutions			19,370,476	(61,796,952)
			<b>20,588,761</b>	<b>(802,435,975)</b>
<b>Net Cash Flows generated from Investing Activities</b>			<b>(127,604,016)</b>	<b>1,029,627,857</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts :</b>				
Issue of Circulating Currency			469,219,521	347,595,479
Withdrawal of Circulating Currency			(309,283,592)	(326,127,293)
Net Issue of Circulating Currency			159,935,930	21,468,186
<b>Disbursements:</b>				
Net Issues of Circulating Currency on Government Transactions		45	(932,498,697)	851,954,489
Net Issues/(Withdrawals) of Circulating Currency on Transactions with Banks and Financial Institutions		46	180,573,600	(22,342,019)
Net Issues of Circulating Currency			<b>(751,925,097)</b>	<b>829,612,470</b>
<b>Net Decrease in Circulating Currency</b>			<b>911,861,027</b>	<b>(808,144,284)</b>
<b>Disbursements:</b>				
Grant/(Repayment) of Foreign Currency Term Liabilities			54,502,758	27,384,295
Payments to Other Funds			51	60
Payments to Pension Fund			-	3,363,735
Transfer of Profits to Consolidated Fund			-	30,000,000
			<b>54,502,809</b>	<b>60,748,090</b>
<b>Net Cash Flows used in Financing Activities</b>			<b>857,358,218</b>	<b>(868,892,374)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>			<b>637,635,350</b>	<b>(68,118,436)</b>
Exchange Rate Effect on Cash and Cash Equivalents			(20,232,669)	(3,321,000)
Cash and Cash Equivalents at the Beginning of the Year			126,065,050	197,504,486
<b>Cash and Cash Equivalents as at 31 December</b>		8	<b>743,467,730</b>	<b>126,065,050</b>

Figures in brackets indicate deductions

The accounting policies and notes on pages 12 to 87 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. REPORTING ENTITY AND STATUTORY BASE

The Central Bank of Sri Lanka ("Bank" or "CBSL") was established under the Monetary Law Act No. 58 of 1949 of Sri Lanka as amended ("MLA") to confer and impose upon the Monetary Board of the Central Bank powers, functions and responsibilities necessary for the purposes of administration and regulation and other connected matters. However, with the intention to review several provisions in the MLA in line with global best practices, Central Bank of Sri Lanka Act (CBA) was enacted in 2023 as a result of economic developments and the overall evolution of central banking. Accordingly, CBA repealed the MLA and it is in force effective from 15th September 2023.

CBA has identified CBSL as an authority responsible for the administration, supervision and regulation of the monetary, financial and payment systems of Sri Lanka. CBA has established the Governing Board of the Central Bank and Monetary Policy Board of the Central Bank repealing the Monetary Board of the Central Bank established through MLA. The Governing Board is charged with the responsibility of overseeing the administration and management of the affairs of the Central Bank and the determination of general policy of the Central Bank other than the monetary policy whilst the Monetary Policy Board of the Central Bank is charged with the formulation of monetary policy of the Central Bank and implementation of a flexible exchange rate regime in line with the flexible inflation targeting framework in order to achieve and maintain domestic price stability.

These financial statements were authorized for issue by the Governor and Chief Accountant for and on behalf of the Governing Board on 05th April 2024.

### 1.1 Principal Activities

CBA has special provisions to improve the central bank's independence, to increase its openness and accountability, and to reinforce the monetary policy framework to maintain continued price stability in Sri Lanka. The objectives of the CBSL were also changed accordingly.

As per CBA, the primary objective of CBSL is to achieve and maintain domestic price stability. Further, the other objective of the CBSL is to secure the financial system stability.

Other than above primary and other objective, the Bank is also primarily responsible for the administration, supervision, regulation of monetary, financial and payment system of Sri Lanka and also acts as the fiscal agent of the Government. Accordingly, the activities of the Bank mainly include determining and implementing monetary and exchange rate policies, issuing and managing the currency of Sri Lanka, hold and ensure the prudent and effective management of the official international reserves of Sri Lanka, administer, supervise and regulate payment systems and ensure the safety, effectiveness, and efficiency of such payment systems, register, license, regulate and supervise financial institutions and resolve financial institutions regulated and supervised by the Central Bank and some other powers, duties and functions as described under the section 7 (1) of CBA.

The above activities carried out in order to achieve the 'primary objective' and 'other objective' of CBSL can be broadly segregated into foreign currency and local currency activities. Results of these activities are presented under the financial statements of CBSL.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Statement of Compliance

These financial statements of the Bank for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS).

### 2.2 Basis of Preparation

The financial statements are prepared on the historical cost basis, except for the following,

- Gold is measured at fair value through profit or loss (FVTPL).

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- Derivative financial instruments and non-derivative financial instruments held at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- Liability for defined benefit obligations is measured as the present value of the defined benefit obligation less the fair value of the plan assets.

### 2.3 Reporting Format

The Bank presents financial assets and financial liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency operations. In the Statement of Financial Position, assets and liabilities are presented broadly in order of liquidity within such distinguished categories. The Bank considers that this reporting approach provides appropriate reporting of the Bank's activities which are more fully described in Note 7.

### 2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Bank's functional currency. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand. There was no change in the Bank's presentation and functional currency during the year under review.

### 2.5 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

### 2.6 Offsetting

Financial assets and liabilities are offset and the net amount presented in Statement of Financial Position when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.7 Comparative Information

The comparative information is reclassified whenever necessary to conform with the current year's presentation.

## 3. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the Financial Statements are described in the following notes.

### 3.1 Classification and Impairment of Financial Assets

The Bank used judgements when assessing of the business model within which the assets are held and whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Bank also used judgements when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

### 3.2 Pensions and Other Post Employment Benefit Plans

The cost of defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future compensation increases, mortality rates and future pension increases. Due

to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used in the actuarial valuation are disclosed in Note 32 to the Financial Statements.

### 3.3 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives.

## 4. CHANGES TO MATERIAL ACCOUNTING POLICY INFORMATION

There were no changes to the accounting policies and accounting policies adopted are consistent with those of the previous financial year.

## 5. MATERIAL ACCOUNTING POLICY INFORMATION

### 5.1 Foreign Currency Translations and Balances

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the rate of exchange prevailing at the reporting date. The foreign currency translation gain or loss on monetary items are taken to the Income Statement. For the purposes of retranslation, as at the reporting date, the following Sri Lankan Rupee exchange rates for major currencies were used:

Currency	2023 Rs.	2022 Rs.
1 Australian Dollar	220.2031	247.0237
1 Canadian Dollar	245.1179	268.4335
1 Euro	357.4170	388.3461
1 Japanese Yen	2.2983	2.7703
1 Special Drawing Rights (SDR)	437.9894	483.3276
1 Sterling Pound	412.2896	437.4023
1 United States Dollar	323.9233	363.1100
1 Chinese Yuan (Offshore)	45.6377	52.6513

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 5.2 Fair Value Measurement

The Bank measures financial instruments, such as, foreign securities, derivatives, and non-financial assets such as gold, at fair value at each reporting date. The fair values of financial instruments measured at amortised cost are disclosed in Note 50.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a

non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 5.3 Financial Assets and Financial Liabilities

The Bank presents financial assets and liabilities, and the associated income and expense streams, by distinguishing between foreign currency and local currency activities.

Foreign currency activities mainly arise from the Bank's foreign reserves management function. Local currency activities mainly reflect the assets and liabilities associated with monetary policy implementation, issuing currency and banking activities.

The separate reporting of these activities is considered to provide a better presentation of the Bank's financial position, financial performance and risk profile. The Bank considers that the combined reporting of foreign and local currency activities would weaken the informational value of the financial statements.

#### 5.3.1 Recognition and Initial Measurement

All financial assets and liabilities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. All regular way purchases and sales of financial assets and liabilities are recognised on the trade date respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 5.3.2 Classification

##### Financial Assets

On initial recognition, Bank classifies the financial assets as measured at;

- Amortized Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are Solely Payment of Principle and Interest.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.



- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cashflows that are Solely Payment of Principle and Interest.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. All other financial assets are classified as measured at FVTPL.

### Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes but not limited to:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest

The Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. For the purpose of this assessment, ‘Principal’ is defined as the fair value of the financial asset at initial recognition and ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

### 5.3.3 Derecognition

#### Financial Assets

Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

### Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

#### 5.3.4 Impairment of Financial Assets

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets at Fair Value through Other Comprehensive Income
- Financial Assets at Amortized Cost
- Credit guarantee contracts of Regional Development Department

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to 12 months ECL for investments which are in investment grade (rated Baa3/BBB- and above). Majority of the investments of the Bank which are classified as Fair value through other comprehensive income and Amortized cost are above Baa3/BBB- rate. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Life time ECL is calculated for those instruments which are below the investment grade at initial recognition or whose credit risk deteriorates below Baa3/BBB- or when a doubling of the probability of default has occurred after initial recognition. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments". Life time ECL would also be computed for credit impaired assets which would be referred to as "Stage 3 financial instruments".

### Measurement of ECL

The mechanism of the ECL calculations are outlined below with the key elements.

**Probability of Default (PD):** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The Bank uses specific equity PD's of issuers/counterparties from Bloomberg for all its foreign investments at FVOCI and amortized cost and in the absence of equity PDs, the PD's applicable to the rating of the specific issuer/counterparty from the Bloomberg common PD table at a given reporting date.

**Exposure at Default:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

**Loss Given Default (LGD):** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Bank has an approved internal policy in applying the LGD for different types of Financial Assets based on their risk exposure to the Bank.

**Economic Factor Adjustment:** Bank uses the Economic Factor Adjustment for the conversion of through the cycle PD to point in time PD and the Bank mainly uses GDP, Inflation and Interest rate data as the main economic factors in stimulating the PD.

#### Assessing the Significant Increase in Credit Risk (SICR)

Bank will consider that the financial instruments have Significant Increase in Credit Risk (SICR) when doubling of PD has occurred from initial recognition and any rating downgrade below BBB- after initial recognition. This is based on the observation that all ratings downgrades from an investment grade rating to a non-investment grade rating, including the marginal one notch downgrade from Baa3 to Ba1, results in a two-fold or greater increase of PD.

#### Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, at FVOCI, and credit guarantees are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

#### Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Investments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in Other Comprehensive Income.
- Credit guarantee contracts: generally, as a provision.

#### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Income Statement and OCI.

#### 5.4 Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading are included in the category "securities at fair value through profit or loss". Upon initial recognition, attributable transaction cost are recognized in profit or loss as incurred. These securities are subsequently valued at quoted market prices. Changes in market values are recognised as an increase or decrease in the value of the securities in the Statement of Financial Position while resulting gains and losses are recognised in the Income Statement.

Where the security is still owned, the gain or loss is reported as "Gain/(Loss) from Unrealised Price Revaluations". Where the gain or loss has been realised (through selling the security), it is reported as "Gain / (Loss) from Realised Price Revaluations".

### 5.5 Financial Assets at Fair Value through Other Comprehensive Income

Investments at Fair Value through Other Comprehensive Income are non-derivative investments that are designated as Fair Value through Other Comprehensive Income or are not classified as another category of financial assets. Investments at Fair Value through Other Comprehensive Income comprise of equity securities and debt securities.

Foreign Currency debt securities at Fair Value through Other Comprehensive Income are subsequently valued at quoted market prices. Changes in market value are recognized as an increase or decrease in the value of the Investments at Fair Value through Other Comprehensive Income in the Statement of Financial Position.

The equity investments at Fair Value through Other Comprehensive Income are subsequently valued based on the Net Assets of the respective institutions due to the non-availability of quoted prices.

Gains and losses arising from changes in the market value of Foreign and Local Currency debt securities and Equity Investments at Fair Value through Other Comprehensive Income are recognised directly in equity (Other Comprehensive Income) which is shown under Other Reserves in the Statement of Financial Position until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as equity is included in Income Statement with the exception of fair value changes in equity investments which will not be recycled to Income Statement upon derecognition. Interest income is recognised in Income Statement using the effective interest method.

### 5.6 Instruments held at Amortized Cost

The items that are held within the business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms give rise to cash flows on specific dates that are solely principle and interest are classified as instruments held at amortized cost. These instruments are subsequently measured at amortized cost using the effective interest method.

### 5.7 Derivative Instruments

The Bank uses derivatives such as cross currency swaps and forward foreign exchange contracts for risk management purposes and not for speculative purposes. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Gain / (Loss) from Unrealized Price Revaluations'.

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 difference) in 'Gain / (Loss) from Unrealized Price Revaluations'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when inputs become observable, or when the instrument is derecognised.

### 5.8 International Monetary Fund (IMF) Related Balances

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as the depository of the Government of Sri Lanka. All transactions by the Bank with the IMF have been included in these financial statements on that basis.

The bank records the quota with the IMF as an asset and the amount payable to the IMF for quota is recorded as a liability of the Bank. The cumulative allocation of SDRs by the IMF is treated as a liability. The IMF quota asset and the SDR holding is classified as FVTPL while other IMF related assets and liabilities are recognized at amortised cost using the effective interest method. Exchange gains and losses arising on revaluation of IMF assets and liabilities at the exchange rate applying at reporting date as published by the IMF are recognised in the Income Statement.

All other charges and interest pertaining to balances with the IMF are recorded immediately in the Income Statement.

## 5.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at foreign banks and financial institutions, short-term deposits and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments and cash equivalents are carried at amortized cost in the Statement of Financial Position.

As a part of local currency activities CBSL generates certain income and incurs expenses, which do not involve in movement of cash. Those activities result in certain assets and liabilities and mainly comprise of the transactions with the Government of Sri Lanka (GOSL) and transactions with domestic banks and financial institutions. Transactions with GOSL include the purchase of Treasury bills and bonds that are issued by the Government as a monetary policy mechanism. Such purchases, disposals or interest thereon are reflected as mere book entries in the records of CBSL. These are disclosed separately in Note 45 and Note 46 to the Financial Statements.

As the sole statutory authority, CBSL issues currency to the public in line with CBA. Currency issued by CBSL represents a claim on the Bank in favor of the holder. This is a liability on the part of the CBSL while it is an item of cash in the hands of the holder.

Movement in circulation currency is included as part of financing activities in line with prevailing industry practices among those central banks which present cash flow statements.

CBSL through the cash/pay order process disburses cash in the form of notes and coins or cheques drawn on CBSL, to various drawees including suppliers and employees for goods and services obtained, which is either added to the currency in circulation liability or deposits by banks and financial institutions. Such forms of utilization of currency for the purposes of CBSL's payments form part of cash outflows of CBSL.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash/ pay order outflows.

## 5.10 Repurchase and Reverse-Repurchase Transactions

Securities sold under agreements to repurchase continue to be recorded as assets in the Statement of Financial Position. The obligation to repurchase (Securities Sold under Agreements to Repurchase) is recognised as a liability. The difference between the sale and repurchase price in repurchase transactions and the purchase price and sale price in reverse-repurchase transactions represents an expense and income respectively and recognised in the Income Statement .

Securities held under reverse-repurchase agreements are recorded as an asset in the Statement of Financial Position (Securities Purchased under Resale Agreements). Both repurchase and reverse-repurchase transactions are reported at amortized cost inclusive of any accrued income or expense.

## 5.11 Standing Deposit and Lending Facilities

With effect from 1 February 2014, Standing Deposit Facility (former Standing Repurchase (Repo) Facility) was converted in to a 'clean deposit' with no allocation of collateral. Hence, participating institutions invest their excess funds in the Standing Deposit Facility as a clean deposit on daily basis at standing deposit facility rate.

The procedures of Standing Lending Facility (Formerly Standing Reverse Repurchase (Reverse Repo) Facility) are identical to the Standing Reverse Repurchase Facility and both are recognized at amortized cost in the Statement of Financial Position.

## 5.12 CBSL Securities

The Bank issues CBSL Securities from time to time under its Monetary Policy operations to absorb excess liquidity in the market. The securities issued are recorded as a liability.

## 5.13 Sri Lanka Government Securities

Sri Lanka Government Securities consists of Treasury Bills and Bonds purchased from GOSL. Investments in Sri Lanka Government Securities is recorded in the Statement of Financial Position at Fair value through Other Comprehensive Income.

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**5.14 Provisional Advances to Government**

As stipulated by the CBA, under the Section 127, the Central Bank may make new direct provisional advances to the Government to finance expenditures authorized to be incurred out of the Consolidated Fund within the first month of the financial year. Every such new advance shall be repaid within a period of not exceeding six months.

**5.15 Loans to Other Institutions**

Loans granted to Other Institutions are recognized and carried at amortized cost.

**5.16 Securities Borrowings and Securities Lending**

Bank borrows Government Securities from time to time under its monetary policy operations from major institutional investors. The borrowed securities are used by the Bank for repurchase operations to absorb excess liquidity in the market.

The securities borrowings is an unconditional blanket guarantee from the Bank for return of securities, payment of agreed fee and on compensation at market rate (as per the market rates communicated to the primary market participants by the Public Debt Department of the Bank) in the events of any failure in delivery.

The market values of the securities borrowed and not used for the repurchase operations at a particular time are recorded as a contingent liability. The commission paid is expensed on accrual basis.

Transfer of securities to counterparties under lending transactions is only reflected on the Statement of Financial Position if the risks and rewards of ownership are also transferred.

**5.17 Staff Loans**

Bank employees are entitled to loan facilities under concessionary interest rates. These loans which were granted from 2008 onwards are fair valued as per IFRS 9 "Financial Instruments" using discounted cash flows.

**Discount rate** - Average Weighted Prime Lending Rate (AWPR) is used as the discount rate and it varies with the period of the loans.

The difference between the present value of the staff loan as at the end of a year and beginning of the year have been amortized yearly to record the expense incurred by the Bank in providing these loans at concessionary rates and equivalent amount is recorded as other income to record the income that would have been earned by the Bank if these loans were granted at market rates.

**Assumptions used for computation of fair valuation**

- The date of staff loan granted is considered as 1 January.
- There were no amendments or early settlements.

**5.18 Gold**

Section 40 (2) of the CBA which specifies the management of the international reserves states that gold including credit balances representing such gold may be held by the CBSL as part of the international reserves. Section 94 (3) describes that the unrealized gains arising from market price revaluation due to its positions in gold recorded in the income statement in line with the internationally recognized financial reporting framework as approved by the Governing Board, prior to distribution of profits. As this gold is part of the International Reserve and not used as a commodity which is traded during the normal course of business, gold is fair valued and the gains or losses are transferred to the Income Statement. Prior to appropriation of profits, the unrealized gains from gold are transferred to the relevant reserve account.

**5.19 Currency Inventory**

Inventories of the Bank include new currencies that are not yet issued to the circulation. Cost related to production and design of new currency notes and coins are initially recognized at cost. Cost of new currency notes and coins which

are issued to the circulation is determined on a weighted average basis and at the time of issue it is charged to Income Statement. Allowance is made for slow moving inventories.

## 5.20 Other Inventories

Other inventories are carried at lower of cost and net realisable value. Cost is determined on a weighted average basis.

## 5.21 Property, Plant and Equipment

Property, Plant and Equipment excluding land & buildings are stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such Property, Plant and Equipment when that cost is incurred if the recognition criteria are met.

Land and buildings are measured at revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Except for the freehold land, depreciation is calculated on a straight-line method over the following estimated useful lives.

Class of Asset	Useful Life
Buildings on Freehold Land	Over 50 Years
Buildings on Leasehold land	Lower of 50 years or over the lease term
Plant & Plant Integrals	20 Years
Furniture & Equipment	10 Years
Motor Vehicles	5 Years
Motor Vehicles acquired 2014 onwards	10 Years
Computer Hardware	4 Years
Others	3 Years

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Policy for revaluation of Land & Building of the Bank is at least once in three years or at any shorter interval when a significant valuation adjustment becomes evident. Any revaluation surplus is credited to the Revaluation Reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in Income Statement, in which case the increase is recognized in Income Statement. A revaluation deficit is recognized in Income Statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the Revaluation Reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is de-recognized. The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, regularly.

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

## 5.22 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

**Bank acting as a lessee**

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the lands or office premises.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- Exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise an extension option, and penalties for early termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in Income Statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in "Property Plant and Equipment" (Note 20) and lease liabilities in "Miscellaneous Liabilities and Accruals" (Note 33) in the Statement of Financial Position.

**5.23 Intangible Assets**

Computer software not integral to computer hardware are shown as intangible assets and recognized at cost. Following initial recognition these intangible assets are carried at cost less any accumulated amortization and accumulated impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in Income Statement on a straight-line basis over the useful life of 4 years, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.



- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development

#### 5.24 Other Assets

Other assets are carried at expected realisable values.

#### 5.25 Impairment of Non-Financial Assets

The Bank assesses at each end of reporting period if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in Income Statement.

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 5.26 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### 5.27 Currency in Circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for Currency in Circulation is recorded at face value in the Statement of Financial Position.

#### 5.28 Defined Benefit Plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan. Bank operates defined benefit schemes for Pension, Widows' and Orphans' Pensions (W&OP), Widowers' and Orphans' Pensions (WR&OP), Retirement Gratuity and Post Employment Medical Benefits. The Bank and eligible beneficiaries make contributions, to separately administered funds in respect of the first three schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The Bank's obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the valuation date on Government Bonds that have maturity dates approximating to the average remaining years of service. All principal actuarial assumptions disclosed in Note 32 are revised annually.

**5.29 Defined Contribution Plans**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The Bank contributes 24% and 3% of employees' gross emoluments to Employees' Provident Fund and Employees' Trust Fund respectively which are separately administered defined contribution plans.

Obligations for contributions to defined contribution plans are recognized as expense in the Income Statement as and when they are due.

**5.30 Grants**

Grants recognised at their fair value (where there is a reasonable assurance that the grant will be received and all attaching conditions, if any, will be complied with) are shown under equity. When the grant relates to an expense item it is recognised in the Income Statement over the periods necessary to match them to the expenses it is intended to compensate on a systematic basis. Where the grant relates to an asset, the fair value is credited to a deferred government grant account and is released to the Income Statement over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation policy of the related asset.

**5.31 Contingent Liabilities and Commitments**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. All guarantees of indebtedness, forward foreign exchange transactions and other commitments, which are not recognized in Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities and Capital Commitments items. Where applicable, such amounts are measured at best estimates.

**5.32 Revenue and Expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the result for the year.

The following specific recognition criteria must also be met before revenue and expenses are recognised:

**5.32.1 Interest Income and Expenses**

Interest income and expense are recognised in the Income Statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price unless collectability is in doubt. Interest income includes coupons earned on fixed income investments and securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection. Such income is excluded from interest income until received.

**5.32.2 Dividends**

Dividend income is recognized when the Bank's right to receive the payment is established.

**5.32.3 Miscellaneous Income and Expenses**

Miscellaneous income and expenses are recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

**5.32.4 Personnel Expenses**

Personnel expenses include the full cost of all staff benefits. Salaries and related expenses due at year-end are included in other local payables.

**5.32.5 Income Tax Expense**

The income of the Bank is exempted from tax under section 116 of the CBA and as per section 9 (1) of Inland Revenue Act No. 24 of 2017 and subsequent amendment as per Inland Revenue (Amendment) Act No. 10 of 2021 , Inland Revenue (Amendment) Act No. 45 of 2022 and as per Inland Revenue (Amendment) Act No. 04 of 2023. In terms of the Economic Service Charge (amendment) Act No. 07 of 2017, the Bank is liable for ESC commencing from 1 April 2017. However, unrealized gain on exchange rate and unrealized marked to market gain on foreign currency financial assets are exempted from ESC with effect from October 2018 as per the ESC (amendment) Act, No 33 of 2018. Further, the Bank is exempted from Value Added Tax on supply of financial services as per Value Added Tax (Amendment) Act No.17 of 2013.

ESC was abolished with effect from 1 January 2020.

**5.33 Events Occurring after the Reporting Date**

All material subsequent events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

**STATEMENT OF CASH FLOWS**

The cash flow statement has been prepared by using the "Direct Method" of preparing of cash flow statement in accordance with the IAS 7 - Statement of Cash Flow.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash/pay order outflows.

**6. NEW ACCOUNTING STANDARD AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AS AT REPORTING DATE**

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2023 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements. Further, the Bank does not expect that these standard amendments and interpretations will have a material impact on the Bank's financial statements.

**7. NATURE AND EXTENT OF ACTIVITIES****7.1 Foreign Currency Activities**

Foreign currency activities result mainly from the CBSL's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves management portfolio comprises of foreign currency assets held for foreign exchange intervention purposes and other foreign currency assets held for trading purposes.

The foreign currency assets are held in various currencies. The majorities are denominated in United States Dollars, Australian Dollars, Euros, Sterling Pounds, Japanese Yen and New Zealand Dollars.

New Zealand Dollars. The financial instruments held within these foreign currency portfolios consist mainly of sovereign securities, securities held under reverse-repurchase transactions or balances held with other central banks, commercial banks and custodial institutions.

The Bank also holds, from time-to-time, foreign currency assets and liabilities that arise from international market operations.

**7.2 Local Currency Activities**

Local currency activities arise as follows:

- (i) Liquidity management operations: Liquidity management largely involves the CBSL offsetting the daily net flows to or from government or market by advancing funds to or withdrawing funds from the banking system. Most of this business is undertaken through daily open market operations.
- (ii) Holding an investment portfolio comprising of Sri Lanka government securities to support the liability for currency in circulation. The Bank's policy is to hold these investments for monetary operations and not for trading.

**7.3 Trust and Custodial Activities**

Amounts administered by the CBSL under custodial and administration arrangements are not included in these financial statements, as they do not form part of elements of financial statements of the Bank.

**8. CASH AND CASH EQUIVALENTS**

	2023 Rs. 000	2022 Rs. 000
Cash Balances with Banks	239,279,034	7,626,592
Time Deposits with Banks	486,868,385	-
Overnight Placements	16,422,911	118,410,171
Interest Receivable on Cash and Cash Equivalents	897,400	28,287
<b>Cash and Cash Equivalents for Cash Flow Purpose</b>	<b>743,467,730</b>	<b>126,065,050</b>
Cash and Cash Equivalents available for Restricted Use (Note 8.1)	456,377,841	526,467,646
Less: Expected Credit Losses on Cash and Cash Equivalents (Note 8.2)	(866,001)	(844,832)
<b>Total</b>	<b>1,198,979,570</b>	<b>651,687,864</b>

8.1 The cash balance available for restricted use represents the CNY 10 billion received under the bilateral currency swap agreement between CBSL and the PBoC as explained in Note 25.5. The amount received under this arrangement can be used to finance trade and direct investment between the two countries and for other purposes agreed upon by both parties.

**8.2 Movement in Expected Credit Losses on Cash and Cash Equivalents**

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January	841,441	3,392	844,833	52,009	33,359	85,368
Charge/ (Reversal) during the year	(206,032)	227,200	21,168	789,432	(29,967)	759,465
<b>Balance as at 31 December</b>	<b>635,409</b>	<b>230,592</b>	<b>866,001</b>	<b>841,441</b>	<b>3,392</b>	<b>844,833</b>

**9. INVESTMENTS IN FOREIGN SECURITIES**

	2023 Rs. 000	2022 Rs. 000
<b>Securities at Fair Value through Other Comprehensive Income</b>		
-Investment in Foreign Securities	223,406,791	10,867,425
<b>Total Investment in Foreign Securities</b>	<b>223,406,791</b>	<b>10,867,425</b>
Expected Credit Loss on Securities at Fair Value through Other Comprehensive Income (Note 9.1)	70,273	4,744

**9.1 Movement in Expected Credit Losses on Securities at Fair Value through Other Comprehensive Income**

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January	4,744	-	4,744	995	-	995
Charge/ (Reversal) during the Year	65,529	-	65,529	3,749	-	3,749
<b>Balance as at 31 December</b>	<b>70,273</b>	<b>-</b>	<b>70,273</b>	<b>4,744</b>	<b>-</b>	<b>4,744</b>

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

10.1 The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are indicative of neither the market risk nor the credit risk.

	2023			2022		
	Assets Rs. 000	Liabilities Rs. 000	Notional Amount Rs. 000	Assets Rs. 000	Liabilities Rs. 000	Notional Amount Rs. 000
Currency SWAPS	5,775,226	46,740,483	396,845,081	401,580	71,669,551	208,591,719
Forex Forward	-	2,207,417	72,882,743	-	28,443	1,724,773
<b>Total</b>	<b>5,775,226</b>	<b>48,947,900</b>	<b>469,727,824</b>	<b>401,580</b>	<b>71,697,994</b>	<b>210,316,492</b>

10.2 The above derivatives consisting of Currency Swaps and Foreign Exchange Forward Contracts that were used for the purpose of managing market and liquidity risks in foreign reserves held by the Bank in line with the statutory objectives of maintenance of foreign reserves. The Bank entered into swap transactions and forward contracts with Licensed Banks, Foreign Central Banks, Foreign Banks and Financial Institutions in order to maintain international stability of the Sri Lankan rupee, to strengthen the financial system stability of the country, to enhance the economic and financial cooperation among regional countries and to improve foreign exchange inflows to the country.

10.3 Derivatives are financial contracts that derive their value in response to changes in interest rates, financial instruments prices, commodity prices, foreign exchange rates, credit risk and indices.

10.4 A significant part of derivatives portfolio of the Bank consists of currency swaps entered into as a strategy to manage exchange rate risk and the short-term liquidity requirements. In a currency swap, the Bank pays/ receives a specified amount of a currency on an agreed date in exchange of another currency at agreed rates.

10.5 From Foreign Exchange Forward contracts, the Bank gets the obligation to buy or sell specific amount of foreign currency on an agreed future date at an agreed rate.

10.6 The Bank's exposure to derivative contracts is closely monitored as part of the overall risk management of the Bank to ensure expected benefits from such derivatives are crystalized to the Bank.

### 10.7 Amounts due to Bank of Ceylon, People's Bank, DFCC Bank PLC, Commercial Bank of Ceylon PLC and National Development Bank PLC under Long-term USD/LKR Buy-Sell Swap Agreements

The Bank entered into long-term USD/LKR buy-sell swap agreements with licensed commercial banks with a view to build-up foreign reserves. As at 31 December 2023, the outstanding of such long-term buy-sell swap agreements of the Bank with licensed commercial banks are as follows.

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Bank	Date of Agreement	Outstanding Amount (USD mn)	Last Maturity Date on Tranche-wise	Tenor/ Conditions	Underlying Transaction
Bank of Ceylon	15-Aug-23	225.00	12-Aug-25	<ul style="list-style-type: none"> <li>Execute a 2-year outright forward transaction on the date of exchange of bonds (15 August 2023) to buy USD 225 million from BOC, where the far leg date and the far leg exchange rate coincide with the far leg date and the far leg exchange rate of the above swap transaction and in a way that both USD and LKR amounts of the two far leg transactions to be net settled.</li> </ul>	Facilitated the exchange of their Sri Lanka Development Bonds (SLDBs) investment into LKR denominated government bonds under the Domestic Debt Optimization (DDO) program.
Bank of Ceylon	22-Apr-21	35.00	15-Dec-27	<ul style="list-style-type: none"> <li>6 years at zero cost.</li> </ul>	Loan received under Asian Infrastructure Investment Bank (AIIB) COVID 19 Emergency and Crisis Response Project.
Bank of Ceylon	29-Jun-21	44.78		<ul style="list-style-type: none"> <li>Settlements in 5 tranches and approximately USD 10 mn is expected to be settled in every 6 months.</li> </ul>	
People's Bank	23-Apr-21	35.00			
People's Bank	30-Sep-21	44.78			
DFCC Bank PLC	15-Nov-21	118.75	15-Aug-28	<ul style="list-style-type: none"> <li>7 years at zero cost.</li> <li>Settlements in 20 tranches and USD 6.25 mn is expected to be settled in every 3 months.</li> </ul>	Loan received from the United States International Development Finance Corporation (DFC).
Commercial Bank of Ceylon PLC	17-Nov-21	35.00	23-Nov-26	<ul style="list-style-type: none"> <li>5 years, at zero cost for the first 18 months and, a semi-annual premium of Rs. 1.00 per USD thereafter.</li> <li>One off settlement at maturity.</li> </ul>	Loan received from CDC PLC, UK.
National Development Bank PLC	18-Mar-22	33.00	19-Mar-29	<ul style="list-style-type: none"> <li>7 years, at a premium of Rs. 1.00 per USD for first 18 months and henceforth, a semi-annual premium of Rs. 1.00 per USD for remaining five and half years of the loan.</li> <li>Settlements in 12 tranches and USD 3.00 mn is expected to be settled in semi-annually.</li> </ul>	Loan received from DFC

## 11. IMF RELATED ASSETS

	2023 Rs. 000	2022 Rs. 000
<b>Measured at Fair Value through Profit or Loss</b>		
IMF Quota (Note 11.1)	253,508,295	279,779,554
Holding of Special Drawing Rights (Note 11.2)	10,991,665	626,461
	<b>264,499,960</b>	<b>280,406,015</b>
<b>Measured at Amortized Cost</b>		
Deposits with IMF (Note 11.3)	345,479	377,081
Prepaid Charges - IMF Loans	493,765	637,986
<b>Less: Expected Credit Losses on IMF Related Assets (Note 11.4)</b>	<b>(7)</b>	<b>(8)</b>
	<b>839,237</b>	<b>1,015,059</b>
	<b>265,339,197</b>	<b>281,421,074</b>

### 11.1 IMF Quota

The IMF Quotas (capital subscriptions) are the primary source of IMF resources received from its member countries. Each country's quota is determined broadly on the basis of the relative economic size of the country. Upon joining the IMF, a country must pay 25 per cent of its quota in widely accepted foreign currencies or SDRs, and the remaining 75 per cent in its own currency. The IMF quota represents an asset of the Bank as it transacts with the IMF on its own account on behalf of the Government as per Articles of the IMF.

The IMF, based on the General Quota Review Agreement, decided to increase the quotas of each of the IMF's 189 members in January 2016 (Currently there are 190 IMF member countries). As a result, Sri Lanka's IMF quota increased to SDR 578.80 Mn on 17 February 2016 from the previous quota amount of SDR 413.40 Mn.

The amounts payable in respect of the IMF Quota is shown under the heading Quota Liability in Note 24. A member's quota determines that country's financial and organizational relationship with IMF, including:

Should a member withdraw from the IMF, its quota subscription is refunded to the extent it is not needed to settle the net obligations to the IMF. However, members are not entitled for an interest on the IMF quota and hence there is no compensation for the time value of money. Therefore, under IFRS 9, this is classified as Fair Value Through Profit or Loss. Since there is no maturity period to compute the fair value, fair value would be equal to the amortized cost value.

- (i) **Subscriptions:** A member's subscription to IMF resources is equal to its quota and determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full; up to 25 per cent must be paid in reserve assets specified by the IMF (SDRs or usable currencies), and the rest in the member's own currency.
- (ii) **Voting power:** The quota defines a member's voting power in IMF decisions. IMF member's votes comprise basic votes plus one additional vote for each SDR 100,000 of quota. The 2008 reform fixed the number of basic vote at 5.50 per cent of total votes.
- (iii) **Access to financing:** The amount of financing a member can obtain from the IMF (access limits) is based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 145 per cent of its quota annually (temporarily increased to 245 percent of quota through end 2021 as part of the Fund's COVID-19 response) and 435 per cent cumulatively. Access to finance may be higher in exceptional circumstances.
- (iv) **SDR allocations:** Members' shares of SDR allocations are established in proportion to their quotas. A general SDR allocation equivalent to about US dollars 650 billion was made to IMF members that are participants in the SDR Department in proportion to their existing quotas in the IMF, which became effective on 23 August 2021. Of this general SDR allocation Sri Lanka's share amounted to SDR 554.80 million.

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### 11.2 Holding of Special Drawing Rights

Holding of Special Drawing Rights (SDR) is potentially a claim on the freely usable currencies of IMF members in which holders of SDRs can exchange their SDRs for these currencies. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs, and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on freely usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market. The amount shown above represents the total holding of the Bank as at the respective reporting dates.

The characteristics of holding of SDR have traits similar to cash. Hence under IFRS 9, this is classified as Fair Value Through Profit and Loss. Since there is no maturity period to compute the fair value, fair value would be equal to the ammmortized cost value.

### 11.3 Deposits with IMF – PRGF – HIPC Trust Deposit

The PRGF – HIPC (Poverty Reduction and Growth Facility for the Heavily Indebted Poor Countries) Trust Deposit was made under the agreement between the GOSL and the IMF on 21 April 2000 by transferring SDR 788,783 from Sri Lanka's deposit in the post SCA-2 (Special Contingent Account) administered account with the IMF. This account was created under the guidance of the IMF by transferring the balance held in SCA-2 against Sri Lanka when it was decided to wind up SCA-2 by the IMF. The IMF requested the countries that had balances in the Post SCA-2 account to consider providing the balances in that account to the PRGF/HIPC Trust either as outright grant or as a means of providing a subsidy for PRGF/HIPC Loan. Accordingly GOSL agreed to transfer the funds from Post SCA-2 accounts to PRGF/HIPC Trust account, not as an outright grant, but as an interest free deposit until 2018. This was later extended until 2024.

### 11.4 Movement in Expected Credit Losses on IMF Related Assets

	2023 Rs. 000	2022 Rs. 000
<b>Stage 1</b>		
Balance as at 1 January	8	3
Charge/(Reversal) for the Year	(1)	5
<b>Balance as at 31 December</b>	<b>7</b>	<b>8</b>

## 12. SRI LANKA GOVERNMENT SECURITIES

The Central Bank purchases government securities in the secondary market as per Section 86 (4) and in the primary market under Section 86 (5) of the Central Bank of Sri Lanka Act No. 16 of 2023.

	2023 Rs. 000	2022 Rs.000
Treasury Bills	208,344,310	2,480,822,291
Treasury Bonds	1,804,175,760	17,708,352
Interest Receivable	31,827,522	464,372
	<b>2,044,347,592</b>	<b>2,498,995,015</b>

The Bank's local government securities portfolio is classified as Fair Value Through Other Comprehensive Income (FVOCI) instruments and was subject to the Domestic Debt Optimization (DDO) on 21 September 2023. On initial recognition, the new instruments were fair valued and a day one loss of Rs.776.4 bn was charged to the Income Statement. The fair valuation takes into consideration the market risk, credit risk and therefore, any credit losses related to the government securities portfolio has been considered through the day one loss and accounted for in the Income Statement for the financial year 2023.



## 12.1 Impact of Domestic Debt Optimimization on Sri Lanka Government Securities

As part of the Domestic Debt Optimization (DDO), CBSL's Provisional Advances to the Government of Sri Lanka and Treasury Bills purchased from the Government amounting to Rs. 345 billion and Rs.2,368 billion respectively were restructured and converted into new Treasury Bonds and Bills with a stepped down coupon interest profile on 21 September 2023.

Treasury bills received consisted of a maturity dates varied between February 2024 - September 2024 and Treasury Bonds received consisted of maturities between 6 years to 15 years at step coupon interest of 12.4% until 2024 (incl.), 7.5% until 2026 (incl.) and 5% from 2027 until maturity.

The above restructure resulted in a day one loss amounting to Rs.766.4 bn as the transaction price differed from the fair value of the new instruments. This day one loss has been charged to Income Statement in line with the requirements of IFRS 9 – Financial Instruments.

In deriving at the fair value of the new instrument a level 2 input was used in line with IFRS 13 – Fair Value Measurement. Level 2 inputs refer to inputs other than quoted prices included within Level 1 that are observable for the asset. Interest Rate yield curve have been considered as the observable input based on the term of the bond, and adjustments have been made for the known changes such as the interest rate profile between the stepped coupon instrument and fixed coupon instrument.

The following table demonstrates the reasonable possible change in the key assumptions, employed with all other variables held constant in the day one loss computation.

The sensitivity of the Income Statement is the effect of the assumed changes in discount rate as depicted below.

### Sensitivity Analysis at 1% on the Day One Loss of DDO

Effect of “-” change in discount rate - Rs. 652.8 bn

Effect of “+” change in discount rate - Rs. 869.7 bn

## 13. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2023 Rs. 000	2022 Rs.000
Securities Purchased under Resale Agreements	332,862,000	691,637,000
Interest Receivable on Securities Purchased under Resale Agreements	1,089,940	6,432,219
	<u>333,951,940</u>	<u>698,069,219</u>

## 14. PROVISIONAL ADVANCES TO GOVERNMENT

As stipulated by CBA, under the Section 127, the Central Bank may make new direct provisional advances to the Government to finance expenditures authorized to be incurred out of the Consolidated Fund within the first month of the financial year. Every such new advance shall be repaid within a period of not exceeding six months. The total amount of such advances outstanding shall not exceed ten per centum of the revenue of the first four months of the preceding financial year, as reported in the half yearly report published by the Ministry of the Minister under the Fiscal Management (Responsibility) Act, No. 3 of 2003 for the relevant period. Such new advances shall bear interest at prevailing market-related rates as determined by the Central Bank.

## 15. EQUITY INVESTMENTS IN FINANCIAL AND OTHER INSTITUTIONS

These investments are made in terms of Section 114(2) (a) of CBA. Under this Section, the Bank is empowered to acquire and hold shares in any company which, in the opinion of the Governing Board, was formed for the advancement and promotion of human resources and technological development in the banking and financial sector or to facilitate clearance of transactions among commercial banks operating in Sri Lanka.

**15.1 Investment position**

Company	Nature of the Business	2023			2022		
		No. of Shares	Fair Value Rs. 000	Fair Value per share Rs. 000	No. of Shares	Fair Value Rs. 000	Fair Value per share Rs. 000
Lanka Pay (Private) Limited	Automated Clearing	2,986,824	938,965	314.37	2,986,824	769,866	257.75
Lanka Financial Services Bureau Limited	Automated Fund Transfers	500,000	-	(0.81)	500,000	-	(4.60)
Credit Information Bureau of Sri Lanka Limited	Provision of Credit Information	48,244	1,230,576	25,507.33	48,244	1,047,266	21,707.69
			<u>2,169,541</u>			<u>1,817,132</u>	

The equity investments were carried at fair value as at 31 December 2023.

**16. LOANS TO BANKS**

	2023 Rs. 000	2022 Rs. 000
Loans to Banks (Note 16.1)	47,931,158	28,601,832
Less: Expected Credit Loss on Loans to Banks (Note 16.2)	(135,471)	(343,930)
	<u>47,795,687</u>	<u>28,257,902</u>

**16.1 Loans To Banks**

These are the loans granted in terms of Part IIIA of Chapter V of the Monetary Law Act No. 58 of 1949 to facilitate lending for productive purposes. However, with the enactment of the new CBA, the loans will be governed under the savings provisions i.e. Section 134 of the new Act.

	2023 Rs. 000	2022 Rs. 000
Medium & Long Term Credit Scheme		
- Related Parties	16,039	18,173
Repair of Damaged Houses North & East		
- Related Parties	8,448	42,260
Saubagya COVID-19 Renaissance Facility (Note 16.1.1)		
- Related Parties	34,612	1,337,217
- Others	38,215	484,532
Saubagya COVID-19 Renaissance Refinance Facility (Note 16.1.2)		
- Related Parties	576,334	11,207,691
- Others	212,185	2,570,533
Saubagya Loan Scheme (Note 16.1.3)		
- Related Parties	12,356,860	10,469,090
- Others	1,455,216	2,087,594
Loans Recognized under Credit Guarantee Scheme of CBSL		
- Related Parties	101,226	86,307
- Others	9,091	-
Domestic Agriculture Development Pilot Phase (DAD-PP) Loan Scheme (Note 16.1.4)		
- Related Parties	508,007	227,305
- Others	114,925	71,130
Liquidity Support Facility to Banks (Note 16.1.5)	32,500,000	-
	<u>47,931,158</u>	<u>28,601,832</u>

- 16.1.1** Saubagya Covid-19 Renaissance Facility : This new credit scheme was introduced by Central Bank under the Section 83 of the Monetary Law Act No.58 of 1949 to support the revival of the economy affected by COVID-19 outbreak, on the condition that Licensed Commercial Banks lend to businesses adversely affected by COVID-19 outbreak.
- 16.1.2** Saubagya Covid-19 Renaissance Refinance Facility : The Central Bank launched this new refinance facility under the Saubagya Loan scheme to revive the Micro, Small and Medium Sector enterprises adversely affected by the COVID-19 outbreak and to promote economic activity in the country.
- 16.1.3** Saubagya Loan Scheme : Regional Development Department introduced Saubagya ('The Prosperity') loan scheme with a view to provide credit facilities for agriculture, livestock, micro, small and medium scale enterprises (MSMEs) and MSMEs affected by disaster in Sri Lanka In terms of section 88A of the Monetary Law Act No.58 of 1949.
- 16.1.4** Domestic Agriculture Development Pilot Phase Loan Scheme (DAD-PP) : Regional Development Department implemented DAD-PP, in terms of section 88A of the Monetary Law Act, to promote inclusive development of the agriculture sector in Sri Lanka by providing affordable financing facilities for the smallholder farmer community along with a range of technical assistance and better market opportunities through well connected value chains.
- 16.1.5** The MB at its meeting 20.12.2022 approved providing a liquidity facility to all Licensed Commercial Banks (LCBs) and National Savings Banks under the Section 83(1) of the MLA, on a case by case basis. Further, this position has been further elaborated under Section 36 of the CBA.

## 16.2 Movement in Expected Credit Losses on Loans to Banks

	2023				2022			
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000
Balance as at 1 January	6,057	251,565	86,307	343,929	14,435	21,477	13,016	48,928
Charge/ (Reversal) during the year	8,639	(241,108)	24,011	(208,458)	(8,378)	230,088	73,291	295,001
<b>Balance as at 31 December</b>	<b>14,696</b>	<b>10,457</b>	<b>110,318</b>	<b>135,471</b>	<b>6,057</b>	<b>251,565</b>	<b>86,307</b>	<b>343,929</b>

## 17. OTHER ASSETS

	2023 Rs. 000	2022 Rs. 000
<b>Financial Assets</b>		
Investments by Internal Funds	21,441,883	18,557,124
Less: Expected Credit Loss on Investments by Internal Funds (Note 17.1)	(236)	(405)
Net Investment by Internal Funds	21,441,647	18,556,719
Investments of Schemes operated by RDD	-	-
Less: Expected Credit Loss on Investments of RDD (Note 17.2)	-	-
Staff Loans at Amortized Cost	5,778,336	5,355,855
Receivable from Treasury and Other Ministries	8,698,715	3,540,585
Other Receivables	5,487,471	2,258,723
Less: Expected Credit Loss on Other Receivables (Note 17.3)	(2,226,887)	(2,226,887)
	17,737,635	8,928,276
	39,179,282	27,484,994
<b>Non Financial Assets</b>		
Deffered Asset on Staff Loan	3,005,439	2,697,566
	42,184,721	30,182,560

**17.1 Movement in Expected Credit Loss on Investments by Internal Funds**

	2023			2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance as at 1 January	86	319	405	39	241	280
Charge/ (Reversal) during the Year	(23)	(146)	(170)	47	78	125
<b>Balance as at 31 December</b>	<b>63</b>	<b>173</b>	<b>235</b>	<b>86</b>	<b>319</b>	<b>405</b>

**17.2 Movement in Expected Credit Losses on Investment Schemes Operated by RDD**

	2023	2022
	Stage 1 Rs. 000	Stage 1 Rs. 000
Balance as at 1 January	-	150
Charge during the year	-	(150)
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>

**17.3 Movement in Expected Credit Losses on Other Receivables**

	2023	2022
	Stage 3 Rs. 000	Stage 3 Rs. 000
Balance as at 1 January	2,226,887	2,226,887
Charge during the year	-	-
Transferred from schemes operated by RDD	-	-
<b>Balance as at 31 December</b>	<b>2,226,887</b>	<b>2,226,887</b>

**18. GOLD**

Section 40 (2) of the CBA which specifies the management of the international reserves states that gold including credit balances representing such gold may be held by the CBSL as part of the international reserves.

**19. INVENTORIES**

	2023	2022
	Rs. 000	Rs. 000
Notes for Circulation	3,433,564	2,485,880
Coins for Circulation	1,657,594	2,074,163
Notes in Transit from the Supplier	239,803	144,188
Cost Adjustments	3,344	-
	<b>5,334,305</b>	<b>4,704,231</b>
Less: Provision for Slow Moving Items	(415)	(2,446)
	<b>5,333,890</b>	<b>4,701,785</b>
Stationery and Sundry Inventory	99,948	86,622
<b>Total Inventories</b>	<b>5,433,838</b>	<b>4,788,407</b>

In 2023, inventories of Rs. 2,108.58 Mn (2022 - Rs. 2,339.65 Mn) were recognized as an expense during the year and included in "Cost of Inventory (Cost of New Currency Issue)" in the Income Statement.

**20. PROPERTY, PLANT AND EQUIPMENT**

Cost/Valuation	Land and Buildings	Plant & Plant Integrals	Furniture & Equipment	Vehicles	Computers	Right-of-use Assets	Others	Construction In progress	2023 Total	2022 Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>As at 1 January</b>	18,176,536	1,629,425	1,611,293	611,793	1,149,356	69,049	57,703	193,083	23,498,238	23,218,062
Additions during the Year	-	9,119	141,422	-	351,755	9,378	33	237,369	749,076	465,348
Disposals during the Year	-	-	(3,523)	-	(39,043)	-	-	-	(42,566)	(7,477)
Transfers during the Year	-	-	-	-	-	-	-	(327,335)	(327,335)	(177,699)
Transfer of accumulated depreciation on revalued assets	(657,379)	-	-	-	-	-	-	-	(657,379)	-
Revaluation gain during the year	4,760,946	-	-	-	-	-	-	-	4,760,946	-
Remeasurement of Right of Use Asset	-	-	-	-	-	(21,728)	-	-	(21,728)	-
<b>As at 31 December</b>	<b>22,280,103</b>	<b>1,638,544</b>	<b>1,749,192</b>	<b>611,793</b>	<b>1,462,068</b>	<b>56,699</b>	<b>57,736</b>	<b>103,117</b>	<b>27,959,252</b>	<b>23,498,234</b>
<b>Accumulated Depreciation</b>										
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>As at 1 January</b>	438,228	1,219,435	1,210,502	494,359	1,045,251	15,355	39,826	-	4,462,956	3,982,068
Depreciation for the Year	219,150	30,062	99,115	30,973	86,184	7,172	191	-	472,847	488,051
Disposals during the Year	-	-	(3,487)	-	(38,942)	-	-	-	(42,429)	(7,163)
Transfer of Accumulated Depreciation on revalued assets	(657,378)	-	-	-	-	-	-	-	(657,378)	-
<b>As at 31 December</b>	<b>-</b>	<b>1,249,497</b>	<b>1,306,130</b>	<b>525,332</b>	<b>1,092,493</b>	<b>22,527</b>	<b>40,017</b>	<b>-</b>	<b>4,235,997</b>	<b>4,462,956</b>
<b>Net Book Value</b>	<b>22,280,105</b>	<b>389,047</b>	<b>443,062</b>	<b>86,461</b>	<b>369,575</b>	<b>34,172</b>	<b>17,719</b>	<b>103,117</b>	<b>23,723,255</b>	<b>19,035,278</b>

The carrying values of Land and Buildings are recorded at fair value. The latest independent valuation was performed as at 31 December 2023 by Mr. A. A. M. Fathihu, Chartered Valuer, which was recorded as at 31 December 2023.

During the financial year, the Bank has acquired property, plant and equipment by means of cash with an aggregated cost of Rs.412.36 Mn (2022 - Rs. 617.28 Mn).

The value of the fully depreciated assets which are still in use as at 31 December 2023 was Rs. 3,399.34 Mn. (2022 - Rs. 2,939.00 Mn).

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**Valuation Approach and Significant Unobservable Inputs used in the Valuation of Freehold Land and Buildings and Buildings on Leasehold Land of the Bank**

Property	Name of the chartered valuation surveyor	Valuation approach	Estimated price per perch (Rs.)	Estimated price per square foot (Rs.)	Estimated rent per month (Rs.)	Outgoing expenses	Years Purchase	Fair Value as at 31 December 2023 (Rs. 000)
<b>Land &amp; Building</b>								
Head Office - Colombo 01	A. A. M. Fathihu	Market Approach & Cost Approach	21,000,000	14,000-23,500	-	-	-	12,914,256
Whiteaways Building - Colombo 01	-do-	Market Approach & Income Approach	18,500,000	-	7,596,000	40%	16.66	876,986
Central Point Building - Colombo 01	-do-	Market Approach & Income Approach	21,000,000	-	10,800,000	40%	16.66	1,196,644
Centre for Banking Studies - Rajagiriya	-do-	Market Approach & Cost Approach	5,000,000	4,000 - 15,000	-	-	-	3,507,578
Bank House - Colombo 07	-do-	Market Approach & Cost Approach	12,000,000	5,000 - 13,500	-	-	-	2,047,831
Regional Office - Matara	-do-	Market Approach & Cost Approach	2,250,000 - 4,500,000	5,000 - 12,000	-	-	-	445,062
Regional Office - Matale	-do-	Market Approach & Cost Approach	200,000 - 1,000,000	4,000 - 12,000	-	-	-	308,500
Holiday Home - Nuwara Eliya	-do-	Market Approach & Cost Approach	2,000,000	6,000 - 18,000	-	-	-	446,400
Holiday Home - Kataragama	-do-	Market Approach & Cost Approach	400,000	5,000 - 15,500	-	-	-	272,891
<b>Building on Leasehold Land</b>								
Regional Office - Anuradhapura	A. A. M. Fathihu	Cost Approach	-	5,800 - 12,500	-	-	-	53,625
Holiday Home - Anuradhapura	-do-	Cost Approach	-	9,050	-	-	-	18,953
Regional Office - Kilinochchi	-do-	Cost Approach	-	2,500 - 10,500	-	-	-	135,850
Holiday Home - Somawathiya	-do-	Cost Approach	-	15,900 - 16,000	-	-	-	55,529

**Composition of Land and Buildings**

	Carrying Value 2023 Rs. 000	Carrying Value 2022 Rs. 000
Freehold Land	14,197,619	10,855,725
Buildings on Freehold Land	7,874,058	6,593,850
Buildings on Leasehold Land	208,429	288,733
	<b>22,280,105</b>	<b>17,738,308</b>

The carrying amount of revalued land and buildings that would have been included in the financial statements had they been carried at cost less depreciation is Rs. 6,991.47 Mn (2022 - Rs. 7,133.73 Mn).

**21. INTANGIBLE ASSETS**

	2023			2022
	Intangible Assets Rs. 000	Intangible Assets - WIP Rs. 000	Total Rs. 000	Rs. 000
<b>Computer Software:</b>				
<b>Cost:</b>				
As at 1 January	1,962,918	197,500	2,160,418	1,564,916
Additions during the Year	6,557	23,434	29,991	1,209,009
Transfers during the Year	-	(6,000)	(6,000)	(613,507)
As at 31 December	<b>1,969,475</b>	<b>214,934</b>	<b>2,184,409</b>	<b>2,160,418</b>
<b>Amortization:</b>				
As at 1 January	1,252,281	-	1,252,281	1,003,284
Amortization Charge for the Year	242,245	-	242,245	248,997
As at 31 December	<b>1,494,526</b>	<b>-</b>	<b>1,494,526</b>	<b>1,252,281</b>
<b>Net Book Value:</b>				
As at 31 December	<b>474,949</b>	<b>214,934</b>	<b>689,883</b>	<b>908,137</b>

The Bank has acquired intangible assets by means of cash with an aggregated cost of Rs. 23.99 Mn during the year (2022 - Rs. 879.38 Mn).

The value of fully amortized intangible assets which are still in use as at 31 December 2023 was Rs. 1,004.92 Mn. (2022 - Rs. 982.69 Mn).

**22. BANKS AND FINANCIAL INSTITUTIONS**

	2023 Rs. 000	2022 Rs. 000
Payable to Foreign Banks	53,459,271	146,381,827
Payable to other Foreign Financial Institutions	654,521	26,201
	<u>54,113,792</u>	<u>146,408,028</u>

**23. ASIAN CLEARING UNION**

	2023 Rs. 000	2022 Rs. 000
ACU Liability	-	731,375,677
Interest Accrual	-	4,882,452
	<u>-</u>	<u>736,258,129</u>

The Asian Clearing Union (ACU) was established in 1974 at the initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The ACU was established as a mechanism to settle, on a multilateral net basis, the payments for intra-regional transactions, among Central Banks of participant countries. The participants of the ACU are Sri Lanka, Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal and Pakistan. The net settlement position (net position and accrued interest) of each ACU participant is settled at the end of each two-months settlement period. Interest is calculated on the daily outstanding balance and shall be credited or debited to the participants' accounts at the end of each settlement period. The settlement takes place within four working days of the following month. The applicable interest rate varied between 4.32% and 5.35% during the year 2023, in comparison to a range of 0.10% to 4.09% in 2022.

The Central Bank of Sri Lanka (CBSL) and the Reserve Bank of India (RBI) entered into a Special Swap Agreement in October 2023, combining outstanding amounts under the SAARCFINANCE Bilateral Currency Swap Framework (US dollars 0.4 billion) and deferred settlement of Asian Clearing Union (ACU) liabilities (US dollars 2.2 billion) amounting to a total outstanding liability of US dollars 2.6 billion. The position of this Special Swap facility as at 31.12.2023 is explained under notes 25 & 25.6.

**24. INTERNATIONAL MONETARY FUND**

	2023 Rs. 000	2022 Rs. 000
Interest bearing Loans (Note 24.1)	292,928,957	385,639,212
Allocation of Special Drawing Rights (Note 24.2)	416,183,699	459,264,653
Quota Liability (Note 24.3)	117,593,131	129,765,698
Other Amounts Payable to IMF (Note 24.4)	140,619,425	153,255,529
	<u>967,325,212</u>	<u>1,127,925,092</u>

**24.1 Interest bearing Loans** consist of the Extended Fund Facility (EFF) obtained from the IMF. Extended Fund Facility (EFF) is a three year facility provided by the IMF to support the Balance of Payments and Government's economic reform agenda. The IMF approved the EFF of SDR 1.10 Bn (approximately USD 1.50 Bn) in June 2016. This amount is equivalent to 185 per cent of the country's current quota with the IMF. The first tranche under the EFF amounting to SDR 119.89 Mn (approximately USD 168.10 Mn) was made available in June 2016. The second tranche to the value of SDR 119.89 Mn (approximately USD 162.56 Mn), third tranche to the value of SDR 119.89 Mn (approximately USD 167.20 Mn), fourth tranche to the value of SDR 177.77 Mn (approximately USD 251.40 Mn), the fifth tranche to the value of SDR 177.77 Mn (approximately USD 252.00 Mn), the sixth tranche to the value of SDR 118.50 Mn (approximately USD 164.10 Mn) and the seventh tranche to the value of SDR 118.50 Mn (approximately USD 164.00 Mn) were disbursed in November 2016, July 2017, December 2017, June 2018, May 2019 and November 2019, respectively. With the disbursement of the seventh tranche, a total of USD 1.31 Bn has been received by Sri Lanka on account of EFF. The interest rate applicable on the EFF comprises of the basic rate of charge, which is equivalent to the SDR interest rate (as of 31st December 2023, rate stands at 4.103 per cent per annum) plus 100 basis points.

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IMF Executive Board approved EFF arrangement on 20th March, 2023 amounting to SDR 2.3 billion ( USD 3 bn ) for direct budget financing of Sri Lanka. As per the Memorandum of Understanding (MOU) signed between Central Bank of Sri Lanka and Ministry of Finance (MoF), servicing of the obligations to the IMF that relates to the direct budget financing is fulfilled without a financial burden to the CBSL, thus not recoded in the CBSL Balance sheet. Repurchases and all costs and charges related to the financial assistance under the EFF, including interest and other charges are the responsibility of the Government of Sri Lanka and to be paid by the MoF on its behalf.

Two loan tranches have been received under EFF arrangement from IMF in the year of 2023. First loan tranche of SDR 254 million was received on 22nd March, 2023. Total USD equivalent amounting to USD 331,626,865.25 was transferred to DST's dollar account and the second loan tranche of SDR 254 mn was received on 14th December 2023 and transferred equivalent USD 337,800,661.18 to DST's dollar account.

The promissory notes signed by the Secretary, MoF have been issued in favor of IMF, when receiving each loan tranche from IMF. In accordance with the MOU, two promissory notes issued in March, 2023 and December 2023 are kept in the safe custody of the CBSL.

	Effective SDR interest rate as at 31.12.2023 %	Maturity	2023 Rs. 000	2022 Rs. 000
Extended Fund Facility	5.103	2029	292,928,957	385,639,212
<b>Total Interest bearing Loans</b>			<b>292,928,957</b>	<b>385,639,212</b>

**24.2 The Special Drawing Rights (SDR)** is a reserve asset created by the IMF in order to meet a long-term global need to supplement existing reserve assets. SDRs are allocated to member countries in proportion to their IMF quotas. SDR allocations can only be made to countries that participate in the IMF's SDR Department (an accounting unit within the IMF). The IMF created SDRs to supplement existing official reserve assets such as gold holdings, foreign exchange and reserve positions in the IMF. Under certain conditions, which are set in the Articles of Agreement signed on behalf of the Government of Sri Lanka by the Bank, the IMF may allocate SDRs to members in proportion to their IMF quotas. An allocation of SDRs by the IMF provides each member with a costless asset on which interest is neither earned nor paid. The Articles of Agreement also allow for cancellations of SDRs, but to date, this provision has not been used. Increases in Allocation of SDR represents increases in holding of SDR as described in Note 11. Members of IMF are obligated to pay to the IMF an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department at the point of termination or liquidation of IMF's SDR Department.

**24.3 Quota Liability :** The amounts payable in respect of the IMF Quota as described in Note 11.1.

**24.4 Other Payable to IMF** represent amounts owed by the Bank to IMF on account of operational and administrative transactions.

## 25. OTHERS

	2023 Rs. 000	2022 Rs. 000
DST - PRPIII under Escrow Agreement (Note 25.1)	-	179
DST - PRPIII Phase II under Escrow Agreement (Note 25.2)	-	30,071
DST Special Dollar A/C 2 (Note 25.3)	248,714,938	991,218
Amount due to Bangladesh Bank (BB) under swap facility (Note 25.4)	-	73,060,873
Amount due to People's Bank of China (PBoC) under swap facility (Note 25.5)	459,955,000	520,231,000
RBI Special SWAP (Note 25.6)	800,490,754	-
Other Foreign Liabilities	95,080	70,110
	<b>1,509,255,772</b>	<b>594,383,451</b>

### 25.1 Priority Road Project III under Escrow Agreement

This Facility Agreement was signed between the China Development Bank (CDB) and the Government of Sri Lanka on 11 March 2014 for USD 300.00 Mn. The purpose of this loan is to finance the cost of improvement and rehabilitation of Priority Road Project III-Phase I. As per the Facility Agreement, the Bank has been appointed as the



Banker to the Government of Sri Lanka. Accordingly, an account has been opened in its books of account for the sole purpose of depositing the loan and disbursing such received funds to the Road Project. During the year 2019, USD 19.13 Mn was disbursed. Several disbursements were made using these funds during 2020 resulting only USD 0.0004 Mn as the balance at 31 December 2020. There was no transaction during 2021 and 2022. Thus, the balance remains as USD 0.0004Mn as at 31 December 2022. In March 2023, the remained balance of USD 0.0004 Mn was refunded to CDB and thus, the balance is null as at 31 December 2023.

### 25.2 Priority Road Project III Phase II under Escrow Agreement

The Phase II of this agreement was received on 24 November 2014 for USD 100.00 Mn. During the year 2019, USD 20.24 Mn was disbursed. The disbursements amounting to USD 13.83 Mn were made during 2020. There was no disbursements during 2021 and 2022. The balance as at 31 December 2022 is only USD 0.082 Mn. In March 2023, the remained balance of USD 0.082 Mn was refunded to CDB and thus, the balance is null as at 31 December 2023.

### 25.3 DST Special Dollar A/C 2

This is a dollar account maintained on behalf of the Treasury Operations Department in order to credit the proceeds received on behalf of Treasury in USD. During the year 2023, two tranches of EFF loan were received from IMF for budget financing of Sri Lanka. Accordingly, USD 331.63Mn and USD 337.80Mn were credited corresponding to 1st and 2nd tranche of EFF loan respectively in the year of 2023. In addition, during the year 2023, miscellaneous US dollar receipts to treasury from various foreign and local organizations and interest income on investments made on these funds have been credited and utilized for repayment of loans and other disbursements on behalf of Government. The balance as at 31 December 2023 is USD 767.82 Mn.

### 25.4 Amount due to the Bangladesh Bank (BB) under the Bilateral Currency Swap Agreement (BCSA) signed between the BB and the CBSL

The CBSL and the BB entered into a BCSA and a subsequent Addendum to the same in August 2021 and May 2022, & February 2023 for a total amount of USD 200 million that was received in three tranches during August/September 2021, in exchange of an equivalent amount of LKR, for a period of three months which was rolled over seven times thereafter for similar tenors.

Accordingly, this swap facility matured in August/ September 2023, and the CBSL made necessary arrangements to settle the swap facility in full during August/ September 2023.

### 25.5 Amount due to the People's Bank of China (PBoC) under the Bilateral Currency Swap Agreement (BCSA) signed between the PBoC and the CBSL

Under the BCSA between the CBSL and the PBoC entered into in March 2021, CNY 10 billion (equivalent to approximately USD 1.4 Bn) was received from the PBoC in exchange of an equivalent amount of LKR for a period of one year in December 2021 and the CNY swap proceeds can be utilized for restricted use (Note 8.1).

Outstanding balance as of 31 December 2023 represents the CNY 10 billion swap rolled-over for the second time in December 2023 for another period of one year, and this facility is expected to mature in December 2024.

### 25.6 Amount due to the Reserve Bank of India under Special Swap Agreement signed between the RBI and the CBSL

As explained under note 23, CBSL and RBI entered into a Special Swap Agreement in October 2023. CBSL commenced monthly repayments with due interests from the latter part of 2023 and it is expected to settle this liability in full within three years.

## 26. DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

These are the deposits maintained by LCBs for the purpose of meeting Statutory Reserve Requirement under section 32 of CBA and deposits maintained by LCBs, Primary Dealers and the Employees' Provident Fund as participants of Real Time Gross Settlement System (RTGS) for honoring payments under the RTGS operated by the Bank as per the provisions of the CBA. Under the scheme, an interest free intra-day liquidity facility, fully collateralized by Government securities is available to participants to meet payment obligations within the day to facilitate smooth functioning of the settlement system. Although these deposits are classified as related parties (i.e., State owned Banks and institutions) and others for the purpose of accounting disclosure requirements, such deposits are maintained in terms of relevant statutory provisions and not because of specific business relationship of the Bank with those state institutions.

	2023 Rs. 000	2022 Rs. 000
<b>Deposits by Banks :</b>		
- Related Parties	93,734,580	240,719,873
- Others	36,014,842	70,817,929
	<u>129,749,422</u>	<u>311,537,802</u>
<b>Deposits by Financial Institutions :</b>		
- Related Parties	233	216
- Others	12,722,927	11,508,163
	<u>12,723,160</u>	<u>11,508,379</u>
<b>Total Deposits by Banks and Other Financial Institutions</b>	<u>142,472,582</u>	<u>323,046,181</u>

## 27. DEPOSITS OF GOVERNMENT AND GOVERNMENTAL ENTITIES

	2023 Rs. 000	2022 Rs. 000
Government Deposits	1,694,698	160,513
Government Agencies and Funds	378,592	60,898
	<u>2,073,290</u>	<u>221,411</u>

These are the deposits maintained in terms of Section 81 & 82 of CBA since the Bank is the official depository of the Government and/ or government agencies or institutions.

## 28. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS & STANDING DEPOSIT FACILITY

	2023 Rs. 000	2022 Rs. 000
Standing Deposit Facility	227,035,873	330,637,059
	<u>227,035,873</u>	<u>330,637,059</u>

Repurchase agreements are undertaken for Open Market Operations (OMO) to manage liquidity in the money market under Section 31 of Central Bank Act as part of conducting of the monetary policy. These repurchase agreements were engaged only in Government securities on over-night basis or term basis depending on the market liquidity management strategies of the Bank, decided from time to time. There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2023 (2022 – Nil).

Standing Deposit Facility (SDF) is also undertaken for OMO to manage liquidity in the money market. This facility is available to deposit participant's excess liquidity on an overnight basis. This is an uncollateralized facility which is only provided on over-night basis.

## 29. CURRENCY IN CIRCULATION

The Bank as the sole currency issuing authority in Sri Lanka continued to perform the function of issuing legal tender currency. The amount of currency issued by the Bank and in circulation at respective reporting dates are as follows:

Denomination	2023 Rs. 000	2022 Rs. 000
<b>Coins:</b>		
1 cent	3,631	3,631
2 cent	5,709	5,709
5 cent	23,267	23,267
10 cent	39,236	39,236
25 cent	122,475	122,475
50 cent	185,093	185,097
1 rupee	1,073,741	1,054,291
2 rupee	1,657,217	1,633,948
5 rupee	5,477,594	5,373,467
10 rupee	8,709,257	8,278,530
20 rupee	149,841	149,777
Commemorative coins	609,633	604,099
	<u>18,056,694</u>	<u>17,473,527</u>

**Notes:**

1 rupee	4,981	4,981
2 rupee	26,694	26,694
5 rupee	37,190	37,191
10 rupee	1,245,351	1,247,314
20 rupee	7,818,764	7,714,028
50 rupee	7,491,942	7,672,840
100 rupee	28,520,217	27,890,398
200 rupee	126,164	126,206
500 rupee	57,752,961	52,838,832
1000 rupee	160,871,342	154,427,683
2000 rupee	2,363,611	2,709,640
5000 rupee	902,187,270	754,397,918
	<u>1,168,446,487</u>	<u>1,009,093,725</u>
<b>Total Currency in Circulation</b>	<u><b>1,186,503,181</b></u>	<u><b>1,026,567,252</b></u>

**30. OTHER PAYABLES**

	2023 Rs. 000	2022 Rs. 000
Provision and Charges	895,496	7,910,908
Amounts received from Commercial Banks to Loan Settlements	3,231,613	-
Liability against Abandoned Property Transfers Received (Note 30.1)	20,788,599	15,415,255
Balances of Employee Benefit Plans (Note 30.2)	29,533	12,361
Other Payables (Note 30.3)	4,562,565	44,981,823
	<u>29,507,806</u>	<u>68,320,347</u>

**30.1** Payable in respect of Abandoned Properties represents the amounts collected from the Licensed Banks under the Banking Act Direction No.05 of 2009 - Identifying, Reporting, Transferring & Maintaining Abandoned Property of Licensed Commercial Banks. In the event of any further claims on Abandoned Properties, Bank is liable to pay deposits so collected with interest. Hence, the total deposit collected with the interest calculated on weighted average Treasury Bill interest rate is recorded as a liability of the Bank.

**30.2 Balances of Employee Benefit Plans**

The Bank, as a part of normal activities, provides current account facilities for its Employee Benefit Plans. The amounts held in credit of these separately administered current accounts and inter entity accounts of Employee Benefit Plans of the Bank, are as follows:

	2023 Rs. 000	2022 Rs. 000
Balances in CBSL Provident fund, Pension schemes and Widows' / Widowers' & Orphans' Pension Schemes	29,533	12,361
	<u>29,533</u>	<u>12,361</u>

### 31. DEFERRED GRANTS

	2023 Rs. 000	2022 Rs. 000
As at 1 January	1,834	1,178
Additions during the Year	1,404	1,288
Utilization during the year	(735)	-
Amortization during the Year	(28)	(632)
<b>As at 31 December</b>	<b>2,475</b>	<b>1,834</b>

Deferred grant is amortized over the period that matches with the depreciation policy of such assets. This includes the assets received by the Bank without any consideration. The fair value of the assets have been credited to a deferred grant account and taken to other income over the useful life of the relevant asset consistent with the depreciation policy of the related asset.

This includes a grant received by CBSL from Project Management Unit of SAPP as a grant for 70% of the Software development cost in implementation of New Automation System for SAPP Loan Schemes, three research grants received from the Knowledge Partnership Programme of the Bank of Korea amounting to Rs. 2.85Mn (received in 2020, 2021 & 2023) which will be utilized to cover the cost of local training programme of CBSL staff (during 2023 - Rs. 0.73Mn has been utilized) and Rs. 2.32 Mn received from the United Nations Development Programme which has been utilized for awareness programme on sustainable finance.

### 32. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS

The Bank operates seven defined benefit plans which cover all eligible employees. Under the Employees' Retirement Pension Scheme (old), employees who joined the Bank prior to 1 January 1998 and complete 10 years of service become eligible to the scheme. The employees who have joined the Bank after 1 January 1998 and complete 10 years of service become eligible for the new pension scheme. These Pension Schemes are non-contributory pension schemes where the cost of benefits is wholly borne by the Bank. The Widows' and Orphans' Pension Scheme for male employees and Widowers' and Orphans' Pension Scheme for female employees are open to employees of the Bank who had joined prior to 1 January 1998 whereas the new Widows' and Orphans and Widowers' and Orphans' Pension Scheme is open for employees of the Bank who joined after 1 January 1998. Eligible Employees under the Widows' and Orphans Pension Scheme (old) and Widowers' and Orphans' Pension Scheme (old) plans who were recruited before 1 August 1994 contribute 5% of the monthly basic salary & employees who were recruited on or after 01 August 1994 contribute 10% of the monthly basic salary whereas the eligible employees under the new Widows' and Orphans and Widowers' and Orphans' Pension Scheme contribute 5.5% of the monthly basic salary.

The Bank also provides gratuity benefits to employees who have completed five years of service in the Bank and who are not eligible for a monthly pension payment under the Employees' Retirement Pension Schemes. In order to meet this liability, a provision is carried forward in the Statement of Financial Position, equivalent to the liability calculated using the actuarial valuation.

The Bank has a Post-Employment Medical Benefit Scheme which provides reimbursement of certain medical expenses incurred by retired employees on account of themselves, their spouses, their parents and by widows/widowers.

The Bank employed an Independent Actuary M/s K. A. Pandit, Consultant & Actuary (Mumbai) to re-assess the defined benefit obligations and the current service costs attributable to the Employees' Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme, new Widows' and Orphans' and Widowers' and Orphans' Pension scheme, Gratuity Scheme and Medical Benefit Scheme during the year.

Funds of the Employee Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme are managed separately and separate books are maintained. However, Gratuity Scheme and Medical Benefit Scheme are not separated from the books of accounts of the Bank. Further, investments and investment income are recorded separately for these funds in the Bank books and the income earned from the investments are transferred back to these funds and reinvested without being distributed.

The total present value of all benefit obligations of Rs. 75,377.83 Mn (2022 – Rs. 40,853.23 Mn) exceeds the total fair value of plan assets/investments of Rs. 55,571.05 Mn (2022 – Rs. 43,838.73 Mn) at the end of the reporting period resulting in a deficit of Rs. 19,806.78 Mn (2022 – Excess of Rs. 2,985.49 Mn).

As at 31 December 2023								
Benefit (Asset)/Liability	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Present Value of Benefit Obligation	52,618,936	2,964,009	12,463,640	1,310,948	966,603	562,315	4,491,378	75,377,829
Fair Value of Plan Assets/ Investments	(31,615,810)	(7,471,123)	(7,618,333)	(3,238,555)	(1,781,443)	(239,112)	3,606,677	55,571,053
<b>Net Benefit Liability/ (Asset)</b>	<b>21,003,126</b>	<b>(4,507,114)</b>	<b>4,845,307</b>	<b>(1,927,607)</b>	<b>(814,840)</b>	<b>323,203</b>	<b>884,701</b>	<b>19,806,776</b>

The balance shown under Pension and Other Post Employment Benefit Plans in Statement of Financial Position differs from the net liability as per the actuary due to the following reasons:

- The net asset position of the Widowers' and Orphans' Pension Scheme is not reflected in the financial statements due to remote possibility of distributing any residual balance of the fund to the Bank.
- For both gratuity and medical benefit schemes, the financial statements represent the gross liability position and not the net liability as per actuary, since the Bank does not keep relevant assets in a separate fund (internally maintained).

	2023 Rs. 000	2022 Rs. 000
Employee Retirement Pension Scheme	21,003,126	1,609,738
Employee Retirement Pension Scheme-New	(4,507,114)	(4,147,765)
Widows' and Orphans' Pension Scheme	4,845,307	1,018,938
Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New*	-	(455,747)
Gratuity Scheme (Gross)	562,315	316,311
Medical Benefit Scheme (Gross)	4,491,378	3,430,954
	<b>26,395,012</b>	<b>1,772,429</b>

\*Rs. 455.75 bn adjusted to other comprehensive income in year 2023 as actuarial valuation adjustment.

Movement in the Benefit Liability/(Asset)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2023	1,609,738	(4,147,766)	1,018,938	(1,382,294)	(844,696)	105,741	654,844	(2,985,495)
Net Benefit Expense/(Income)	305,850	(767,483)	159,280	(268,352)	(258,672)	42,575	139,566	(647,236)
Amount recognized in Other Comprehensive Income	19,317,266	908,895	3,667,089	(276,961)	288,528	174,887	90,291	24,169,995
Contribution Paid	(229,728)	(500,761)	-	-	-	-	-	(730,489)
<b>As at 31 December 2023</b>	<b>21,003,126</b>	<b>(4,507,115)</b>	<b>4,845,307</b>	<b>(1,927,607)</b>	<b>(814,840)</b>	<b>323,203</b>	<b>884,701</b>	<b>19,806,775</b>

Movement in the Present Value of Projected Benefit Obligations	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2023	28,743,485	742,361	6,594,557	769,222	256,344	316,311	3,430,954	40,853,234
Interest Cost	5,461,262	141,049	1,252,966	146,152	48,705	60,099	651,881	7,762,114
Current Service Cost	-	20,592	-	-	-	22,484	49,063	92,139
Benefit Paid From the Fund	(4,117,977)	(24,216)	(949,036)	(69,192)	(1,102)	(77,904)	(511,274)	(5,750,701)
Actuarial Gains on Obligations	22,532,166	2,084,223	5,565,153	464,766	662,656	241,325	870,754	32,421,043
<b>As at 31 December 2023</b>	<b>52,618,936</b>	<b>2,964,009</b>	<b>12,463,640</b>	<b>1,310,948</b>	<b>966,603</b>	<b>562,315</b>	<b>4,491,378</b>	<b>75,377,829</b>

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Movement in Fair Value of Plan Assets/ Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2023	27,133,747	4,890,127	5,575,619	2,151,516	1,101,040	210,570	2,776,110	43,838,729
Interest Income	5,155,412	929,124	1,059,368	408,788	209,198	40,008	527,461	8,329,359
Contributions by the Employer	229,728	500,761	-	-	-	-	-	730,489
Contributions by the Employees	-	-	34,318	5,716	98,179	-	33,917	172,130
Benefit Paid from the Fund	(4,117,977)	(24,216)	(949,036)	(69,192)	(1,102)	(77,904)	(511,274)	(5,750,701)
Return on Plan Assets/ Investments excluding Interest Income	3,214,900	1,175,328	1,898,064	741,727	374,128	66,438	780,463	8,251,048
<b>As at 31 December 2023</b>	<b>31,615,810</b>	<b>7,471,124</b>	<b>7,618,333</b>	<b>3,238,555</b>	<b>1,781,443</b>	<b>239,112</b>	<b>3,606,677</b>	<b>55,571,054</b>
Expenses/(Income) Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2023	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme - New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Actuarial (Gains)/Losses on Obligations for the Year</b>								
Due to Change in Financial Assumptions	23,834,427	2,076,957	5,697,363	719,047	708,123	241,566	1,369,209	34,646,692
Due to Experience	(1,302,261)	7,266	(132,210)	(254,281)	(45,467)	(241)	(498,455)	(2,225,649)
Return on Plan Assets/ Investments excluding Interest Income	(3,214,900)	(1,175,328)	(1,898,064)	(741,727)	(374,128)	(66,438)	(780,463)	(8,251,048)
<b>Net (Income)/Expense for the Year Recognized in OCI</b>	<b>19,317,266</b>	<b>908,895</b>	<b>3,667,089</b>	<b>(276,961)</b>	<b>288,528</b>	<b>174,887</b>	<b>90,291</b>	<b>24,169,995</b>
Benefit Expense for the Year Ended 31 December 2023	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost on Benefit Obligation	5,461,262	141,049	1,252,966	146,152	48,705	60,099	651,881	7,762,114
Interest Income on Plan Assets/Investments	(5,155,412)	(929,124)	(1,059,368)	(408,788)	(209,198)	(40,008)	(527,461)	(8,329,359)
Current Service Cost	-	20,592	-	-	-	22,484	49,063	92,139
Contributions by the Employees	-	-	(34,318)	(5,716)	(98,179)	-	(33,917)	(172,130)
<b>Benefit Expense/(Income)</b>	<b>305,850</b>	<b>(767,483)</b>	<b>159,280</b>	<b>(268,352)</b>	<b>(258,672)</b>	<b>42,575</b>	<b>139,566</b>	<b>(647,236)</b>
Composition of the Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investment in Government Securities	30,555,775	7,218,808	7,485,779	3,045,981	1,751,938	233,868	3,469,118	53,761,267
Investment in Reverse Repo	495,113	31,143	83,296	136,060	9,102	-	59,935	814,649
Investment in Debentures	561,664	217,706	46,234	52,506	17,431	5,244	77,624	978,409
Investment in Fixed Deposits	-	-	-	-	-	-	-	-
Balances Remaining in Current Accounts	3,258	3,467	3,024	4,008	2,971	-	-	16,729
<b>Total Plan Assets/Investments as at 31 December 2023</b>	<b>31,615,810</b>	<b>7,471,124</b>	<b>7,618,333</b>	<b>3,238,555</b>	<b>1,781,442</b>	<b>239,112</b>	<b>3,606,677</b>	<b>55,571,054</b>

As at 31 December 2022								
Movement in the Benefit Liability/(Asset)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2022	15,142,138	(3,589,011)	2,649,217	(1,147,643)	(455,747)	53,957	291,888	12,944,799
Net Benefit Expense/(Income)	1,753,459	(336,011)	258,156	(146,789)	(175,238)	35,323	1,131,049	2,519,949
Amount recognized in Other Comprehensive Income	(11,675,870)	342,225	(1,777,027)	(87,862)	(213,711)	16,461	(768,093)	(14,163,877)
Contribution Paid	(3,609,989)	(564,969)	(111,408)	-	-	-	-	(4,286,366)
<b>As at 31 December 2022</b>	<b>1,609,738</b>	<b>(4,147,766)</b>	<b>1,018,938</b>	<b>(1,382,294)</b>	<b>(844,696)</b>	<b>105,741</b>	<b>654,844</b>	<b>(2,985,495)</b>
Movement in the Present Value of Projected Benefit Obligations								
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2022	47,559,244	2,047,071	10,151,236	1,537,384	801,139	379,275	3,803,864	66,279,213
Interest Cost	5,507,360	237,051	1,175,513	178,029	92,772	43,920	440,487	7,675,132
Current Service Cost	-	79,596	-	-	-	29,075	63,979	172,650
Past Service Cost	-	-	-	-	-	-	1,040,563	1,040,563
Benefit Paid From the Fund	(4,024,579)	(10,118)	(844,658)	(62,097)	(803)	(68,904)	(327,305)	(5,338,464)
Actuarial Gains on Obligations	(20,298,540)	(1,611,239)	(3,887,534)	(884,094)	(636,764)	(67,055)	(1,590,634)	(28,975,860)
<b>As at 31 December 2022</b>	<b>28,743,485</b>	<b>742,361</b>	<b>6,594,557</b>	<b>769,222</b>	<b>256,344</b>	<b>316,311</b>	<b>3,430,954</b>	<b>40,853,234</b>
Movement in Fair Value of Plan Assets/Investments								
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
As at 1 January 2022	32,417,106	5,636,082	7,502,019	2,685,027	1,256,886	325,318	3,511,976	53,334,414
Interest Income	3,753,901	652,658	868,734	310,926	145,547	37,672	406,687	6,176,125
Contributions by the Employer	3,609,989	564,969	111,408	-	-	-	-	4,286,366
Contributions by the Employees	-	-	48,623	13,892	122,463	-	7,293	192,271
Benefit Paid from the Fund	(4,024,579)	(10,118)	(844,658)	(62,097)	(803)	(68,904)	(327,305)	(5,338,464)
Return on Plan Assets/Investments, Excluding Interest Income	(8,622,670)	(1,953,464)	(2,110,507)	(796,232)	(423,053)	(83,516)	(822,541)	(14,811,983)
<b>As at 31 December 2022</b>	<b>27,133,747</b>	<b>4,890,127</b>	<b>5,575,619</b>	<b>2,151,516</b>	<b>1,101,040</b>	<b>210,570</b>	<b>2,776,110</b>	<b>43,838,729</b>
Expenses Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2022								
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Actuarial (Gains)/Losses on Obligations for the Year								
Due to Change in Financial Assumptions	(21,280,959)	(1,681,421)	(5,338,738)	(821,271)	(690,550)	(149,497)	(1,908,889)	(31,871,325)
Due to Experience	982,419	70,182	1,451,204	(62,823)	53,786	82,442	318,255	2,895,465
Return on Plan Assets/Investments, excluding Interest Income	8,622,670	1,953,464	2,110,507	796,232	423,053	83,516	822,541	14,811,983
<b>Net (Income)/Expense For the Year Recognized in OCI</b>	<b>(11,675,870)</b>	<b>342,225</b>	<b>(1,777,027)</b>	<b>(87,862)</b>	<b>(213,711)</b>	<b>16,461</b>	<b>(768,093)</b>	<b>(14,163,877)</b>

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Benefit Expense for the Year Ended 31 December 2022	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Interest Cost on Benefit Obligation	5,507,360	237,051	1,175,513	178,029	92,772	43,920	440,487	7,675,132
Interest Income on Plan Assets/Investments	(3,753,901)	(652,658)	(868,734)	(310,926)	(145,547)	(37,672)	(406,687)	(6,176,125)
Current Service Cost	-	79,596	-	-	-	29,075	63,979	172,650
Past Service Cost	-	-	-	-	-	-	1,040,563	1,040,563
Contributions by the Employees	-	-	(48,623)	(13,892)	(122,463)	-	(7,293)	(192,271)
<b>Benefit Expense / (Income)</b>	<b>1,753,459</b>	<b>(336,011)</b>	<b>258,156</b>	<b>(146,789)</b>	<b>(175,238)</b>	<b>35,323</b>	<b>1,131,049</b>	<b>2,519,949</b>
Composition of the Plan Assets/Investments	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Investment in Government Securities	25,156,360	4,598,490	5,063,782	1,955,169	1,072,593	196,145	2,658,415	40,700,954
Investment in Reverse Repo	112,927	42,808	33,002	2,015	9,225	9,252	43,525	252,754
Investment in Debentures	817,628	222,411	342,261	58,157	17,361	5,173	74,170	1,537,161
Investment in Fixed Deposits	1,043,051	24,187	134,333	134,847	968	-	-	1,337,386
Balances Remaining in Current Accounts	3,781	2,231	2,241	1,328	893	-	-	10,474
<b>Total Plan Assets/Investments as at 31 December 2022</b>	<b>27,133,747</b>	<b>4,890,127</b>	<b>5,575,619</b>	<b>2,151,516</b>	<b>1,101,040</b>	<b>210,570</b>	<b>2,776,110</b>	<b>43,838,729</b>
The principal assumptions used in determining Employee Benefit Obligations for all the plans are shown below:								
		<b>2023</b>	<b>2022</b>					
Discount Rate		12.60%	19.00%					
Expected Rate of Return on Assets		12.60%	19.00%					
Rate of Salary Increases - Gratuity and Old Pension Schemes		7% - 17.98%	7.00%					
Rate of Salary Increase - Pension New		6.50%	6.50%					
Future Pension Increases - Old Pension Scheme		6% - 16.00%	6.00%					
Future Pension Increases - New Pension Scheme		2.5% - 12.50%	2.50%					
Attrition Rate		2.00%	2.00%					
Medical Cost Inflation Rate		4.00%	4.50%					
Average Remaining years of Service								
CBSL Pension		26 Years	26 Years					
CBSL Pension - New		38 Years	39 Years					
W & OP Pension Scheme		26 Years	26 Years					
WR & OP Pension Scheme		26 Years	26 Years					
W & OP and WR & OP Pension Scheme - New		39 Years	39 Years					
Gratuity Scheme		17 Years	17 Years					
CBSL Medical Benefit Scheme		27 Years	27 Years					
Retirement Age		60 Years	60 Years					



Sensitivity Analysis at 0.5% (As at 31 December 2023)	Employee Retirement Pension Scheme	Employee Retirement Pension Scheme-New	Widows' and Orphans' Pension Scheme	Widowers' and Orphans' Pension Scheme	Widows' and Orphans' and Widowers' Pension Scheme - New	Gratuity Scheme	Medical Benefit Scheme
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Projected benefit obligation on current assumptions</b>	<b>52,618,936</b>	<b>2,964,009</b>	<b>12,463,640</b>	<b>1,310,948</b>	<b>966,603</b>	<b>562,315</b>	<b>4,491,378</b>
Effect of "+" change in discount rate	(1,810,742)	(254,862)	(456,757)	(63,684)	(100,615)	(16,814)	(165,170)
Effect of "-" change in discount rate	1,932,210	286,405	490,367	68,908	116,062	17,775	178,470
Effect of "+" change in attrition rate	-	-	-	-	-	116,333	-
Effect of "-" change in attrition rate	-	-	-	-	-	(125,769)	-
Effect of "+" change in salary escalation rate	-	-	-	-	59,664	18,581	-
Effect of "-" change in salary escalation rate	-	-	-	-	(55,192)	(17,688)	-

### 33. MISCELLANEOUS LIABILITIES AND ACCRUALS

Miscellaneous liabilities and accruals include the lease payables, deferred income on credit guarantees, accounts payable balances, contract retention and deposits taken as refundable tender deposits.

	2023 Rs. 000	2022 Rs. 000
Lease Liability (Note 33.1.4)	24,602	60,142
Provision for Credit Guarantees (Note 33.2)	31,293	220,347
Other Liabilities	570,415	574,554
	<b>626,310</b>	<b>855,043</b>

#### 33.1 Leases

The Bank leases several lands and buildings of which the lease periods range from 2 to 30 years with the option to renew some of those leases after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Information about the leases for which the bank is a lessee is presented below.

##### 33.1.1 Right of Use Assets

Right of Use assets relate to leased land and buildings that are presented within Property, Plant and Equipment (Note 20).

##### 33.1.2 Amounts Recognised in the Statement of Income

	2023 Rs. 000	2022 Rs. 000
Interest on lease liability	5,908	6,030
Amortisation of right-of-use assets	7,172	7,161

##### 33.1.3 Amounts Recognised in the Statement of Cash Flows

	2023 Rs. 000	2022 Rs. 000
Total cash outflow for leases	6,418	7,032

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**33.1.4 Lease Liability**

	2023 Rs. 000	2022 Rs. 000
Balance as at 1 January	60,142	61,144
Additions during the year	9,378	-
Remeasurement during the year	(44,408)	-
Interest charges during the year	5,908	6,030
Lease payments during the year	(6,418)	(7,032)
<b>Balance as at 31 December</b>	<b>24,602</b>	<b>60,142</b>

**33.1.5 Maturity Analysis of Lease Liability**

	2023 Rs. 000	2022 Rs. 000
Non-current	19,182	57,642
Current	5,420	2,500
<b>Balance as at 31 December</b>	<b>24,602</b>	<b>60,142</b>

**33.1.6 Maturity Analysis based on Contractual Undiscounted Cash Flows**

	2023 Rs. 000	2022 Rs. 000
Less than one year	7,861	8,303
One to five years	11,379	23,198
More than five years	35,235	119,492
<b>Total undiscounted lease liabilities</b>	<b>54,475</b>	<b>150,993</b>

**33.2 Provision for Credit Guarantees**

	2023 Rs. 000	2022 Rs. 000
Deferred Income on Credit Guarantee Schemes operated by RDD	-	1,023
Expected Credit Loss on Credit Guarantees (Note 33.2.1)	31,293	219,324
<b>Balance as at 31 December</b>	<b>31,293</b>	<b>220,347</b>

**33.2.1 Movement in Expected Credit Losses on Credit Guarantees**

	2023 Stage 1 Rs. 000	2022 Stage 1 Rs. 000
Balance as at 1 January	219,324	1,011,732
Reversal during the Year	(188,031)	(792,408)
<b>Balance as at 31 December</b>	<b>31,293</b>	<b>219,324</b>

**34. EQUITY**
**Nature of Equity Items**
**34.1 Capital Funds**

Contributed Capital - The capital account represents the capital of the Bank in accordance with section 6 of the Monetary Law Act (MLA). As per the section 6 of the MLA (Amendment) Act No. 15 of 2014, the capital of the Bank has been increased to Rs. 50.00 Bn. Accordingly, the Bank has increased its capital up to Rs. 50.00 Bn by capitalizing the Bank's reserves with the concurrence of Minister of Finance in September 2014. In terms of CBA, section 4 applies to capital of CBSL.

**34.2 Fixed Assets Revaluation Reserve**

This reserve is made up of the revaluation surpluses of Property, Plant and Equipment as per IAS 16 - Property, Plant and Equipment.

### 34.3 Other Reserves comprise the following;

- i) **International Revaluation Reserve (IRR)** - International Revaluation Reserve is a reserve established in accordance with section 94 (3) & 95 of the Central Bank Act which requires that any unrealised gain or loss arising from the revaluation of net assets and liabilities of CBSL in gold or foreign currency shall not be considered in computing the net profit of the Bank, instead such profit or loss should be transferred to the IRR.
- ii) **Market Revaluation Reserve (MRR)** - Market Revaluation Reserve was set up as per the Monetary Board decision of 30 January 2003, to transfer the price valuation gains from marking to market the foreign assets, in order to meet any adverse effects of volatilities in the international markets leading to adverse movements in market prices of the foreign financial assets. The Monetary Board has decided to build up this reserve to a maximum of 10% of the gross foreign reserves of the Bank.

Further, on proposed amendments to the Profit Distribution Policy of the Bank, where Monetary Board deems necessary, transfer may be made from the MRR to Retained Earnings, in the case of negative Retained Earnings due to significant unrealized marked to market losses.

Considering the marked to market gains recorded in 2021, an amount of Rs. 49.64 Bn was transferred to MRR from Retained Earnings in 2022 as per the Monetary Board decision dated 24 February 2022. With the enactment of CBA, sections 94 & 95 applies to MRR.

- iii) **Other Reserves** - Other reserves include General Reserve, Building Reserve and Credit Guarantee Reserve. General Reserve includes the amounts set a side from the retained earnings by the Monetary Board.
- iv) **Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income**- Unrealized gains and losses on the fair valuation of securities designated as fair value through other comprehensive income are transferred to this reserve.
- v) **RTGS Sinking Fund** - This fund is built up with the charges collected from the participants for the use of the RTGS system.
- vi) **Pension Fund Reserve** - This reserve is made up by transferring an additional Rs.3.00 Bn from 2007 profits to be used to meet any shortfalls in the pension fund given the vulnerability of the income generating capacity of the Bank to external risks. Another Rs.1.00 Bn have been transferred to this reserve from 2011 profits. During June 2015, Rs.2.00 Bn has been transferred from Pension Fund Reserve to New Pension Liability Account to implement the new pension scheme as per Monetary Board decision.
- vii) **Technical Advancement Reserve** - This reserve is built up from 2007 profits specifically to be used for technical advancement requirements, modification or upgrading of the IT systems currently used by the Bank i.e., General Ledger, RTGS, Treasury Management System and Scripless Securities Settlement system. During March 2018, an additional Rs.2.00 Bn was transferred from 2017 profits to this reserve.
- viii) **Special Credit Guarantee Scheme Reserve** - This reserve was set up in the year 2014 by transferring Rs.2.00 Bn from Medium and Long Term Credit Fund, of which Rs.1.00 Bn is allocated to support restructure of Saubaghya Loan Scheme, Awakening North Loan Scheme (phase II), Resumption of Economic Activities in the East (phase II) and Repair of Damaged Houses in North and East operated by Regional Development Department of the Bank. The balance of Rs.1.00 Bn is allocated to implement a special credit guarantee scheme to support lending to Small and Medium Enterprises by Commercial Banks.
- ix) **Reserve for Funding purpose of Post Employment Benefit Plans** - As per Monetary Board decision dated 16.12.2016, it is proposed to allocate 50 per cent of the benefit expenses of the actuary of a given year (starting from 2016) to a separate reserve, if there are adequate distributable profits with a view to compensate the possible negative impact to the equity attributed to actuarial losses and benefit expenses. An allocation of Rs.1,051.04 Mn was made to this fund in February 2022, from the distributable profits of year 2021.
- x) **Medium and Long Term Credit Reserve** - In accordance with the Monetary Board decisions dated 15 April 2020 and dated 11 June 2020, Rs. 15.46 Bn from the General Reserve and the Building Reserve, Rs. 1.96 Bn from the Special Credit Guarantee Scheme Reserve, Rs. 3.00 Bn from the Technical Advancement Reserve and Rs. 4.33 Bn from the Reserve for Funding Purposes of Post Employment Benefit Plans was transferred during 2020 to the Medium and Long Term Credit Reserve to support the refinance lending programs initiated by the Bank to overcome the effects of COVID 19 Pandemic.

Further, based on the RDD net asset incorporation performed on 31st December 2021 in accordance with the Monetary Board decision dated 24 February 2022, the net impact of such absorption for a value of Rs.15.00 Bn was subsequently transferred to this reserve from the distributable profit of year 2021.

The movements in the other reserves are as follows:

	Medium and Long Term Credit Reserve	Market Revaluation Reserve	Other Reserves	Special Credit Guarantee Scheme Reserve	RTGS Sinking Fund	Fixed Asset Revaluation Reserve	IRR	Net Fair value Gain/ (Loss) on FVOCI Securities	Pension Fund Reserve	Reserve for Funding Purposes of Post Employment Plans	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Balance as at 1 January 2023</b>	44,577,739	136,676,102	31,527,302	40,000	3,678,072	11,902,670	(428,113,261)	3,971,781	2,000,000	2,554,624	(191,184,970)
Transfer to RTGS Sinking Fund	-	-	-	-	512,228	-	-	-	-	-	512,228
Transfer of distributable Profits of year 2022 to Surplus Reserve	-	-	235,034,628	-	-	-	-	-	-	-	235,034,628
Transfer of Net Foreign Exchange Revaluation Gain/ (Loss)	-	-	-	-	-	-	140,077,201	-	-	-	140,077,201
Net Fair Value Loss on Securities at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	1,266,198	-	-	1,266,198
Market Valuation Reserve - Government Securities Classified at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	61,897,210	-	-	61,897,210
Incremental adjustment on ECL of FVOCI Instruments	-	-	-	-	-	-	-	65,529	-	-	65,529
Gain on Revaluation of Property, Plant and Equipment	-	-	-	-	-	4,752,685	-	-	-	-	4,752,685
Market Valuation Reserve - Equity Investments Classified at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	352,408	-	-	352,408
<b>Balance as at 31 December 2023</b>	<b>44,577,739</b>	<b>136,676,102</b>	<b>266,561,930</b>	<b>40,000</b>	<b>4,190,300</b>	<b>16,655,355</b>	<b>(288,036,060)</b>	<b>67,553,126</b>	<b>2,000,000</b>	<b>2,554,624</b>	<b>252,773,117</b>

### 35. PROFIT DISTRIBUTION

- i. In terms of Section 95 of CBA, the following adjustments are made to the net profit/ (loss) for the year to arrive at distributable profit.
- The earnings available for distribution shall be determined by deducting from the net profits after tax the total amount of unrealized revaluation gains arising from price revaluations and unrealized revaluation gains and losses arising from exchange rates, and by allocating an equivalent amount to the respective unrealized revaluation reserve accounts.
  - Exchange revaluation losses shall be transferred to the respective unrealized revaluation reserve account until such revaluation reserve account has a zero balance, after which the losses shall be covered by the retained earnings.
- ii. Any other adjustment arising from Sec. 96 of CBA.
- Further, any other adjustment as required by accounting standards and management decisions are adjusted in arriving at the distributable profit.
- Based on the above adjustments, the distributable profit for the year ended 31st December 2023 is as follows,

Item	2023 Rs. 000
<b>Part I - Calculation of Distributable Profit/ (Loss)</b>	
<b>Accounting Profit/(Loss)</b>	(114,430,814)
<b>Less:</b>	
a). Transfer of exchange gain to International Revaluation Reserve (IRR) as per section 94.3 & 95.2 (a)	140,077,201
b). Transfer of "marked to market" gain on foreign assets to Market Revaluation Reserve (MRR) as per section 94.3 & 95.2 (a)	33,746,758
c). Transfer of interest income on internal Funds to respective Funds	857,637
Charged against Retained Earnings - OCI (As per IAS 19 - Employee Benefits)	<b>24,625,742</b>
<b>Distributable Profit/(Loss) as per new CBA</b>	<b>(313,738,153)</b>

Due to the no profits available for distribution in 2023, no transfers are made to the reserves, no recovery of government obligations of Rs. 7.4 bn and no transfer to the Consolidated Fund.

**36. INTEREST INCOME FROM FINANCIAL ASSETS**

	2023 Rs. 000	2022 Rs. 000
<b>Interest Income from Foreign Currency Financial Assets</b>		
Cash and Short Term Deposits	14,709,026	1,229,509
Financial Assets	3,322,085	349,787
<b>Total Interest Income from Foreign Currency Financial Assets</b>	<b>18,031,111</b>	<b>1,579,295</b>
<b>Interest Income from Local Currency Financial Assets</b>		
Sri Lanka Government Securities	522,475,608	357,442,399
Securities Purchased under Resale Agreements	51,508,176	117,769,763
Other Loans and Advances	2,743,852	5,661,688
Interest Income on Liquidity Support Facility to Banks	16,749,184	-
Interest Income from Other Assets	2,485,601	1,802,677
<b>Total Interest Income from Local Currency Financial Assets</b>	<b>595,962,421</b>	<b>482,676,527</b>
<b>Total Interest Income from Financial Assets</b>	<b>613,993,532</b>	<b>484,255,823</b>

Total Interest Income calculated using the effective interest method during 2023 was Rs.525,759.07 Mn (2022 - Rs. 357,606.08 Mn).

**37. GAIN/(LOSS) FROM UNREALIZED PRICE REVALUATIONS**

	2023 Rs. 000	2022 Rs. 000
Gold	1,041,718	(3,106,177)
Forex & Currency SWAPS	28,123,741	(124,179,927)
<b>Total Gain/(Loss) from Unrealized Price Revaluations</b>	<b>29,165,459</b>	<b>(127,286,104)</b>

	2023 Rs. 000	2022 Rs. 000
Derivative Financial Instruments - Assets	5,775,226	401,580
Derivative Financial Instruments - Liabilities	48,947,900	71,697,994
<b>Net Assets / (Liability) Position</b>	<b>(43,172,674)</b>	<b>(71,296,415)</b>

	2023 Rs. 000	2022 Rs. 000
Opening Net Assets/ (Liability) Position	(71,296,415)	52,883,513
Closing Net Assets/ (Liability) Position	(43,172,674)	(71,296,415)
<b>Gain/Loss from Unrealised Price Revaluations - Forex and Currency Swats (Note 37)</b>	<b>28,123,741</b>	<b>(124,179,927)</b>

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**38. INTEREST EXPENSES ON FINANCIAL LIABILITIES**

	2023 Rs. 000	2022 Rs. 000
<b>Interest Expense on Foreign Currency Financial Liabilities</b>		
Asian Clearing Union	79,303,654	13,109,060
IMF Related Liabilities	32,155,485	14,332,873
Other Foreign Payables	31,056,717	4,851,344
<b>Total Interest Expense on Foreign Currency Financial Liabilities</b>	<b>142,515,856</b>	<b>32,293,277</b>
<b>Interest Expense on Local Currency Financial Liabilities</b>		
Securities Sold Under Repurchase Agreements	-	465,598
Standing Deposit Facility	15,893,789	29,948,163
Abandoned Property	4,480,200	3,072,799
Miscellaneous Interest Expenses	1,436,341	4,133,034
<b>Total Interest Expense on Local Currency Financial Liabilities</b>	<b>21,810,330</b>	<b>37,619,594</b>
<b>Total Interest Expense on Financial Liabilities</b>	<b>164,326,186</b>	<b>69,912,871</b>

**39. REVERSAL/(CHARGE) OF EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS**

	2023 Rs. 000	2022 Rs. 000
<b>Foreign Currency Financial Assets</b>		
Financial Assets at Amortized Cost		
Cash & Cash Equivalents (Note 8.2)	(21,168)	(759,464)
IMF Related Assets (Note 11.4)	1	(5)
Securities at Fair Value through Other Comprehensive Income (Note 9.2)	(65,529)	(3,749)
<b>Total Expected Credit Loss Reversal/(Charge) on Foreign Currency Financial Assets</b>	<b>(86,696)</b>	<b>(763,218)</b>
<b>Local Currency Financial Assets</b>		
Financial Assets at Amortised Cost		
Loans to Banks (Note 16.2)	208,458	(295,001)
Investments by Internal Funds (Note 17.1 & 17.2)	170	25
Credit Gurantee Provision (Note 33.2.1)	188,031	792,408
<b>Total Expected Credit Loss Charge on Local Currency Financial Assets</b>	<b>396,659</b>	<b>497,432</b>
<b>Total Expected Credit Loss Reversal/(Charge) on Financial Assets</b>	<b>309,963</b>	<b>(265,786)</b>

**40. OTHER INCOME**

	2023 Rs. 000	2022 Rs. 000
Dividend Income - Related Party	135,642	138,037
Amortization of Assets received from Grants	28	28
Licensing Fees of Financial Institutions	718,550	673,300
Rent Income	208,276	207,766
Charges collected from RTGS Participants	76,269	71,809
Other income from the RDD net asset incorporation	-	597,118
Miscellaneous Income	438,459	766,160
Net Gains on Revaluation of Property, Plant and Equipment	8,261	-
<b>Total Other Income</b>	<b>1,585,485</b>	<b>2,454,218</b>

#### 40.1 OTHER EXPENSE

	2023 Rs. 000	2022 Rs. 000
Incentives on Inward Foreign Remittances	3,536,359	10,260,110
	<u>3,536,359</u>	<u>10,260,110</u>

With an objective of encouraging more workers' remittances to the country through formal fund transferring channels, the Central Bank of Sri Lanka decided to grant an incentive for Sri Lankans working abroad by reimbursing the transaction cost incurred on account of inward workers' remittances. Accordingly, the total transaction cost reimbursed to all Licensed Banks by CBSL during the year 2023 & 2022 are disclosed under other expense.

#### 41. PERSONNEL EXPENSES

	2023 Rs. 000	2022 Rs. 000
Wages and Salaries	7,253,093	6,691,770
Defined Contribution Plan Costs	(3,949,834)	11,550,422
Post Employee Defined Benefit Plan Costs	891,177	2,091,404
<b>Total Personnel Expenses</b>	<u>4,194,436</u>	<u>20,333,596</u>

#### 42. ADMINISTRATION AND OTHER EXPENSES

	2023 Rs. 000	2021 Rs. 000
Repairs and Maintenance	1,883,442	1,277,530
Operating Expenses for Reuters, Bloomberg, SWIFT etc.	266,933	285,862
Travelling	27,499	48,967
Rental Expenses	375	-
Printing	55,016	61,428
Statutory Audit Fees	9,499	12,338
Remuneration to Members of the Governing Board/Sub Committees	5,750	4,500
Advertising Cost	43,359	50,765
Consultancy, Communication, Advisory and Professional Fees	97,074	220,071
Interest Expense on Lease Liability	5,908	6,030
Miscellaneous Expenses	369,139	(57,110)
<b>Total Administration and Other Expenses</b>	<u>2,763,994</u>	<u>1,910,381</u>

#### 43. TAX

The Bank is not liable for the income tax as per section 9 (1) of Inland Revenue Act No. 24 of 2017 and subsequent amendments as per Inland Revenue (Amendment) Act No. 10 of 2021, Inland Revenue (Amendment) Act No. 45 of 2022 & Inland Revenue (Amendment) Act No. 04 of 2023.

During the year 2023, the Bank did not pay any taxes (2022 - Nil).

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**44. RECONCILIATION OF OPERATING PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES**

	2023 Rs. 000	2022 Rs. 000
<b>Reported Profit from Operating Activities</b>	(114,430,814)	(374,320,973)
<b>Add/(Less) : Non-Cash Items</b>		
Depreciation and Amortization	715,321	737,304
Interest Receivable – Local Currency – Investment Portfolio	(573,983,784)	(475,212,162)
Net Provision for Defined Employee Benefit Plans	(7,306,344)	7,810,442
Gross Unrealised Foreign Exchange Gain	(79,363,686)	430,181,826
Loss/ (Profit) on Sale of Property, Plant and Equipment	(1,787)	548
Provisions and Accruals	(34,383,058)	43,215,464
Expected Credit Loss Provision on Financial Assets	(309,962)	265,786
Deferred Grants	641	656
Losses on Revaluation	(8,261)	-
Amortization of PRGF Deposit	(3,671)	(3,953)
Amortization Expense of Fixed Income Securities	(2,051,097)	(9,800)
Other income Net Impact from the RDD net asset incorporation	(1,137)	5,568,805
Disposal Gain/(Loss) of DDO	(6,775,702)	-
DDO Day One Gain/(Loss)	766,413,281	-
<b>Add/(Less) : Movements in Other Working Capital Items</b>		
Decrease in Inventories	(645,431)	140,126
Decrease in Interest Receivable	34,439,321	(33,191,964)
Increase in Miscellaneous Liabilities	(1,634,405)	(6,324,458)
Increase in Interest Payable	811,875	12,431,642
Increase in Other Receivables	(44,434,691)	32,570,689
<b>Add/(Less) : Investing and Financing Activities</b>		
Net Unrealised Market Value Changes	(29,165,459)	127,286,104
<b>Net Cash Flows from Operating Activities</b>	<b>(92,118,853)</b>	<b>(228,853,919)</b>

**45. NET ISSUES/(WITHDRAWALS) OF CIRCULATION CURRENCY ON GOVERNMENT TRANSACTIONS**

	2023 Rs. 000	2022 Rs. 000
Purchase of Sri Lanka Government Securities	(390,878,737)	1,132,877,429
Interest Received – Local Currency – Sri Lanka Government Securities	(648,857,381)	(367,603,730)
Decrease in Advances to GOSL	109,089,300	85,509,900
(Increase)/Decrease in Balances with Government and Government Entities	(1,851,878)	1,170,890
	<b>(932,498,697)</b>	<b>851,954,489</b>

**46. NET ISSUES/(WITHDRAWALS) OF CIRCULATION CURRENCY ON BANK AND FINANCIAL INSTITUTIONS TRANSACTIONS**

	2023 Rs. 000	2022 Rs. 000
(Increase)/Decrease in Deposits by Banks and Financial Institutions	180,573,600	(22,342,019)
	<b>180,573,600</b>	<b>(22,342,019)</b>



**47. CONCENTRATIONS OF FUNDING**

The Bank's concentrations of funding as at reporting date were as follows:

47.1 Balance as at 31 December 2023	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Government	Foreign Banks & Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Assets</b>								
Cash and Cash Equivalents	-	-	-	657,775,375	211,612,258	329,591,937	-	1,198,979,570
Securities at Fair Value through Other Comprehensive Income	-	-	-	175,243,644	-	48,163,147	-	223,406,791
Derivative Financial Instruments	-	-	5,775,226	-	-	-	-	5,775,226
IMF Related Assets	-	-	-	-	-	265,339,197	-	265,339,197
<b>Total Foreign Currency Financial Assets</b>	-	-	5,775,226	833,019,019	211,612,258	643,094,281	-	1,693,500,784
<b>Local Currency Financial Assets</b>								
Sri Lanka Government Securities	2,044,347,592	-	-	-	-	-	-	2,044,347,592
Securities Purchased under Resale Agreements	-	-	333,951,940	-	-	-	-	333,951,940
Equity Investments in Financial and Other Institutions	-	-	-	-	-	-	2,169,541	2,169,541
Loans to Banks	-	-	47,795,687	-	-	-	-	47,795,687
Other Assets	29,493,288	-	458,824	-	-	-	12,232,609	42,184,721
<b>Total Local Currency Financial Assets</b>	<b>2,073,840,880</b>	-	<b>382,206,451</b>	-	-	-	<b>14,402,150</b>	<b>2,470,449,481</b>
<b>Total Financial Assets</b>	<b>2,073,840,880</b>	-	<b>387,981,677</b>	<b>833,019,019</b>	<b>211,612,258</b>	<b>643,094,281</b>	<b>14,402,150</b>	<b>4,163,950,265</b>
<b>Foreign Currency Non - Financial Assets</b>								
Gold	-	-	-	10,120,756	-	-	-	10,120,756
	-	-	-	10,120,756	-	-	-	10,120,756
<b>Non - Financial Assets</b>								
Inventories	-	-	-	-	-	-	5,433,838	5,433,838
Other Receivables and Prepayments	-	-	-	-	-	-	1,526,263	1,526,263
Property, Plant and Equipment	-	-	-	-	-	-	23,723,256	23,723,256
Intangible Assets	-	-	-	-	-	-	689,883	689,883
<b>Total Non - Financial Assets</b>	-	-	-	-	-	-	<b>31,373,240</b>	<b>31,373,240</b>
<b>Total Assets</b>	<b>2,073,840,880</b>	-	<b>387,981,677</b>	<b>843,139,775</b>	<b>211,612,258</b>	<b>643,094,281</b>	<b>45,775,390</b>	<b>4,205,444,261</b>
<b>47.2 Balance as at 31 December 2022</b>								
	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Government	Foreign Banks & Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Assets</b>								
Cash and Cash Equivalents	-	-	-	647,504,532	643,040	3,540,292	-	651,687,864
Securities at Fair Value through Other Comprehensive Income	-	-	-	9,777,301	-	1,090,124	-	10,867,425
Derivative Financial Instruments	-	-	401,580	-	-	-	-	401,580
IMF Related Assets	-	-	-	-	-	281,421,074	-	281,421,074
Other Receivables	-	-	37,022,631	-	-	-	-	37,022,631
<b>Total Foreign Currency Financial Assets</b>	-	-	37,424,211	657,281,833	643,040	286,051,490	-	981,400,574
<b>Local Currency Financial Assets</b>								
Sri Lanka Government Securities	2,498,995,015	-	-	-	-	-	-	2,498,995,015
Securities Purchased under Resale Agreements	-	-	698,069,219	-	-	-	-	698,069,219
Provisional Advances to Government	235,638,700	-	-	-	-	-	-	235,638,700
Equity Investments in Financial and Other Institutions	-	-	-	-	-	-	1,817,132	1,817,132
Loans to Banks	-	-	28,257,902	-	-	-	-	28,257,902
Other Assets	21,460,386	-	448,729	-	-	-	8,273,445	30,182,560
<b>Total Local Currency Financial Assets</b>	<b>2,756,094,101</b>	-	<b>726,775,850</b>	-	-	-	<b>10,090,577</b>	<b>3,492,960,528</b>
<b>Total Financial Assets</b>	<b>2,756,094,101</b>	-	<b>764,200,061</b>	<b>657,281,833</b>	<b>643,040</b>	<b>286,051,490</b>	<b>10,090,577</b>	<b>4,474,361,102</b>
<b>Foreign Currency Non - Financial Assets</b>								
Gold	-	-	-	10,031,610	-	-	-	10,031,610
	-	-	-	10,031,610	-	-	-	10,031,610
<b>Non-Financial Assets</b>								
Inventories	-	-	-	-	-	-	4,788,407	4,788,407
Other Receivables and Prepayments	-	-	-	-	-	-	1,222,568	1,222,568
Property, Plant and Equipment	-	-	-	-	-	-	19,035,278	19,035,278
Intangible Assets	-	-	-	-	-	-	908,137	908,137
<b>Total Non-Financial Assets</b>	-	-	-	-	-	-	<b>25,954,390</b>	<b>25,954,390</b>
<b>Total Assets</b>	<b>2,756,094,101</b>	-	<b>764,200,061</b>	<b>667,313,443</b>	<b>643,040</b>	<b>286,051,490</b>	<b>36,044,967</b>	<b>4,510,347,102</b>

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47.3 Balance as at 31 December 2023	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Government	Foreign Bank and Financial Institution	Supranational Financial Institutions	Other	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Liabilities</b>								
Banks and Financial Institutions	644,173	-	-	-	53,447,345	-	22,274	54,113,792
Derivative Financial Instruments	-	-	44,366,600	-	-	4,581,300	-	48,947,900
IMF	-	-	-	-	-	967,325,212	-	967,325,212
Other	248,714,938	-	-	1,260,445,754	-	95,080	-	1,509,255,772
<b>Total Foreign Currency Financial Liabilities</b>	<b>249,359,111</b>	<b>-</b>	<b>44,366,600</b>	<b>1,260,445,754</b>	<b>53,447,345</b>	<b>972,001,592</b>	<b>22,274</b>	<b>2,579,642,676</b>
<b>Local Currency Financial Liabilities</b>								
Deposits of Banks and Financial Institutions	-	-	129,749,422	-	-	-	12,723,160	142,472,582
Deposits of Government and Government Entities	2,073,199	91	-	-	-	-	-	2,073,290
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	-	-	209,235,873	-	-	-	17,800,000	227,035,873
Currency in Circulation	-	1,186,503,181	-	-	-	-	-	1,186,503,181
Other Payables	259,101	-	3,231,613	-	-	-	26,017,092	29,507,806
<b>Total Local Currency Financial Liabilities</b>	<b>2,332,300</b>	<b>1,186,503,272</b>	<b>342,216,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,540,252</b>	<b>1,587,592,732</b>
<b>Total Financial Liabilities</b>	<b>251,691,411</b>	<b>1,186,503,272</b>	<b>386,583,508</b>	<b>1,260,445,754</b>	<b>53,447,345</b>	<b>972,001,592</b>	<b>56,562,526</b>	<b>4,167,235,408</b>
<b>Other Liabilities</b>								
Deferred Grants	-	-	-	-	-	-	2,475	2,475
Pension and Other Post - Employment Benefit Plans	-	-	-	-	-	-	26,395,012	26,395,012
Miscellaneous Liabilities and Accruals	-	-	-	-	-	-	626,310	626,310
<b>Total Other Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,023,797</b>	<b>27,023,797</b>
<b>Total Liabilities</b>	<b>251,691,411</b>	<b>1,186,503,272</b>	<b>386,583,508</b>	<b>1,260,445,754</b>	<b>53,447,345</b>	<b>972,001,592</b>	<b>83,586,323</b>	<b>4,194,259,205</b>
<b>47.4 Balance as at 31 December 2022</b>								
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Liabilities</b>								
Banks and Financial Institutions	20,312	-	-	146,368,457	-	-	19,259	146,408,028
Derivative Financial Instruments	-	-	71,697,994	-	-	-	-	71,697,994
Asian Clearing Union	-	-	-	-	-	736,258,129	-	736,258,129
IMF	-	-	-	-	-	1,127,925,092	-	1,127,925,092
Other	1,021,468	-	-	593,291,873	-	69,173	937	594,383,451
<b>Total Foreign Currency Financial Liabilities</b>	<b>1,041,780</b>	<b>-</b>	<b>71,697,994</b>	<b>739,660,330</b>	<b>-</b>	<b>1,864,252,394</b>	<b>20,196</b>	<b>2,676,672,694</b>
<b>Local Currency Financial Liabilities</b>								
Deposits of Banks and Financial Institutions	-	-	311,537,802	-	-	-	11,508,379	323,046,181
Deposits of Government and Government Entities	221,406	5	-	-	-	-	-	221,411
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	-	-	330,637,059	-	-	-	-	330,637,059
Currency in Circulation	-	1,026,567,252	-	-	-	-	-	1,026,567,252
Other Payables	86,808	-	-	-	-	-	68,233,539	68,320,347
<b>Total Local Currency Financial Liabilities</b>	<b>308,214</b>	<b>1,026,567,257</b>	<b>642,174,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,741,918</b>	<b>1,748,792,250</b>
<b>Total Financial Liabilities</b>	<b>1,349,994</b>	<b>1,026,567,257</b>	<b>713,872,855</b>	<b>739,660,330</b>	<b>-</b>	<b>1,864,252,394</b>	<b>79,762,114</b>	<b>4,425,464,944</b>
<b>Other Liabilities</b>								
Deferred Grants	-	-	-	-	-	-	1,834	1,834
Pension and Other Post - Employment Benefit Plans	-	-	-	-	-	-	1,772,429	1,772,429
Miscellaneous Liabilities and Accruals	-	-	-	-	-	-	855,043	855,043
<b>Total Other Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,629,306</b>	<b>2,629,306</b>
<b>Total Liabilities</b>	<b>1,349,994</b>	<b>1,026,567,257</b>	<b>713,872,855</b>	<b>739,660,330</b>	<b>-</b>	<b>1,864,252,394</b>	<b>82,391,420</b>	<b>4,428,094,250</b>

#### 48. RISK MANAGEMENT

In pursuing its policy objectives, CBSL faces various risks, both financial and non-financial in nature. Since the materialization of any of such risks could have an adverse impact on the achievement of objectives, financial position and the reputation of CBSL, having a properly designed risk management framework in place is vital. Accordingly, CBSL has established an Enterprise-wide Risk Management (ERM) Framework to ensure the risks faced by CBSL are properly managed.

The Risk Governance Framework which was approved by the Monetary Board comprises both a Risk Governance Structure and a Risk Management Structure covering financial and non-financial risks confronted by the Bank. The Risk Governance Structure consists of the Governing Board (GB) and two Board sub-committees, i.e. the Board Risk Oversight Committee (BROC) and the Audit Committee (AC). The GB holds the ultimate responsibility for the overall risk management function of the Bank and sets the "Tone at the Top".

The BROC oversees CBSL's overall Risk Management and Compliance Functions via a formal delegation from the GB and is responsible for laying the broad strategy and policies for the Bank's Risk Management and Compliance functions. The BROC also assists the GB to ensure a dedicated focus on risk management and compliance at the Bank.

The Risk Management Structure consists of a Non-Financial Risk Management Committee (NFRMC), Investment Oversight Committees (IOCs) and all departments. The CBSL follows the "Three Lines of Defence" risk management model where all departments form the first line of defense. In the first line of defense, operational departments are responsible for identifying, analysing, evaluating, treating, monitoring, reviewing and reporting financial and/or operational risks related to their functions, through their respective reporting channels, in line with the risk management structure of the CBSL. Risk Management Department, as a part of the second line of defense, is responsible for facilitating the risk management process related to financial and operational risks, by coordinating relevant activities to direct and guide CBSL in this regard. With regard to operational risks, RMD reports to the BROC, through the NFRMC and with regard to financial risks, RMD discusses the related matters at IOCs and reports to BROC. The Internal Audit Department (IAD), as the third line of defense, is responsible for providing independent objective assurance and recommendations to add value and improving the control environment relating to operations of the CBSL through audits. IAD reports the progress of the conduct of audits to the GB and AC, quarterly and submits information on audit reports issued to the Auditor General on quarterly basis through AC.

In line with the ERM framework, RMD has developed a Risk Management Policy Statement (RMPS) for the CBSL, setting out the policies for the implementation of risk management across CBSL. In this process, CBSL follows accepted standards and guidelines for managing risks, while assigning risk ownership and management among different stakeholders with clear accountability.

RMD is responsible for facilitating the financial risk management of the fund management activities of the International Reserves, and the Internal Investment Funds of CBSL, as well as the Employees' Provident Fund which is managed by CBSL as an agency function of the Government. Accordingly, RMD has formulated Investment Policy Statements (IPS), Strategic Asset Allocation (SAA) and Investment Guidelines (IGs) for all three funds and reviews them regularly to incorporate any required changes. RMD also independently monitors market and credit risks pertaining to these fund management activities to ensure these investments are within the stipulated limits specified by the GB approved SAA, IPS and IGs and reports to the respective Investment Oversight Committees, the BROC and the MB on a periodic basis. Further, the scope of RMD was expanded to assess the risk of CBSL balance sheet. Accordingly, RMD is in the process of developing a suitable framework and building required capacity to carry out this activity.

In facilitating the operational risk management, RMD reviews the Operational Risk Taxonomy of the CBSL on need basis, updating it including/excluding risk categories and incorporating any other changes required to suit the prevailing risk environment. To promote a risk culture within the bank, RMD conducts numerous risk awareness sessions for CBSL staff throughout the year at various fora. In addition, a biennial perception survey is conducted among selected staff of CBSL to determine the level of awareness with regard to the existing operational risk management mechanism in place. The survey results are used to design future awareness sessions appropriately, leading to enhancing the risk culture within CBSL and to further improve the operational risk management mechanism in use.

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Further, RMD works with departments to provide the facilitation for updating their Risk Registers on periodic basis. The risk profile of CBSL is developed incorporating departmental risk assessments and the expert opinion of the Senior Management. RMD has commenced developing a Risk Appetite Framework for CBSL, of which the activities have been phased out over a period of two (02) years.

RMD continuously administers incidents reported through the Incident Reporting System, enabling the development of a central repository of incidents and tracking progress on the implementation of corrective measures. The information gathered through this system helps in identifying possible risk trends, areas of vulnerabilities and improving related risk treatment measures.

#### 48.1 Credit Risk

##### (a) Concentrations of Credit Exposure by Geographical Area

The Bank's significant concentrations of credit exposure by geographical area (based on the entity's country of ownership) as at reporting date were as follows:

	2023 Rs. 000	2022 Rs. 000
Sri Lanka	2,476,224,707	3,530,384,740
USA	160,310,832	129,318,087
Japan	178,630,838	158,350
Britain	4,385,444	140,790
Europe	1,245,101	2,232,018
Supranational	643,094,281	284,961,366
Other	700,059,062	527,165,751
<b>Total Financial Assets</b>	<b>4,163,950,265</b>	<b>4,474,361,102</b>

##### (b) Concentrations of Credit Exposure by Institution

The Bank's significant concentrations of credit exposure by Institution type as at reporting date were as follows:

	2023 Rs. 000	2022 Rs. 000
Governments	2,906,859,899	3,413,375,934
Supranational Financial Institutions	643,094,281	268,051,490
Foreign Banks and Financial Institutions	211,612,258	643,040
Sri Lanka Banks & Financial Institutions	387,981,677	764,200,061
Other	14,402,150	10,090,577
<b>Total Financial Assets</b>	<b>4,163,350,265</b>	<b>4,474,361,102</b>

##### (c) Credit Exposure by Credit Rating

The following table represents the credit ratings of respective financial assets or issuers, based on the ratings of Standard and Poor's and Fitch Ratings. Under Standard & Poor's ratings and Fitch Ratings, AAA is the highest quality rating possible and indicates the lowest expectations of credit risk. It is assigned only in the case of exceptionally strong capacity for timely payment of financial commitment. AA is very high quality grade, indicating very low expectation of credit risk, and A is an upper medium grade, indicating a low expectation of credit risk; BBB is the lowest investment grade rating, indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters, ratings lower than AAA can be modified by + or - signs to indicate relative standing within the major categories. Uncured payment defaults or distressed debt exchanges on bonds, loans, or other significant financial obligations are indicated by RD ratings. NR indicates that Standard and Poor's or Fitch Rating have not rated the entity.

Credit Exposure by Credit Rating	Credit Rating	2023 Rs.000	%	2022 Rs.000	%
<b>Cash &amp; Cash Equivalents</b>					
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China					
		987,367,312	23.71%	651,044,824	14.55%
Other Counterparties					
	AAA	37,683,915	0.91%	-	0.00%
	AA-	104,984,678	2.52%	96,911	0.00%
	A+	68,374,063	1.64%	80,743	0.00%
	A	124,988	0.00%	-	0.00%
	A-	402,174	0.01%	353,258	0.01%
	BBB	1,094	0.00%	68,247	0.00%
	NR	41,346	0.00%	43,881	0.00%
		1,198,979,570	28.79%	651,687,864	14.56%
<b>Securities at Fair Value through Other Comprehensive Income</b>					
	AAA	64,574,785	1.55%	1,090,124	0.03%
	AA+	152,580,340	3.66%	9,777,301	0.23%
	AA-	6,251,666	0.15%	-	0.00%
		223,406,791	5.37%	10,867,425	0.24%
<b>Derivative Financial Instruments</b>					
Locally Rated					
	A	5,192,375	0.12%	343,437	0.01%
	A-	582,851	0.01%	58,143	0.00%
		5,775,226	0.14%	401,580	0.01%
<b>IMF Related Assets</b>					
		265,339,197	6.37%	281,421,074	6.29%
		265,339,197	6.37%	281,421,074	6.29%
<b>Other Receivables</b>					
	A	-	0.00%	37,022,631	0.83%
		-	0.00%	37,022,631	0.83%
<b>Total Foreign Currency Financial Assets</b>		<b>1,693,500,784</b>	<b>40.67%</b>	<b>981,400,574</b>	<b>21.93%</b>

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	Credit Rating	2023 Rs.000	%	2022 Rs.000	%
<b>Local Currency Financial Assets</b>					
Sri Lanka Government Securities	RD	2,044,347,592	49.10%	2,498,995,015	55.85%
Securities Purchased under Resale Agreements	AAA	2,890,380	0.07%	8,624,339	0.19%
	A	146,546,928	3.52%	650,453,702	14.54%
	A-	94,502,257	2.27%	15,966,586	0.36%
	BBB-	26,838,814	0.64%	3,327,832	0.07%
	NR	63,173,560	1.53%	19,696,760	0.44%
Provisional Advances to Government	RD	-	0.00%	235,638,700	5.27%
Equity Investments in Financial and Other Institutions	NR	2,169,541	0.05%	1,817,132	0.04%
Loans to Banks	AAA	-	0.00%	3,327	0.00%
	AA	32,499,239	0.78%	-	0.00%
	A	3,143,169	0.08%	12,416,991	0.28%
	A-	1,121,277	0.03%	5,473,684	0.12%
	BBB+	-	0.00%	79,516	0.00%
	BBB-	516,621	0.01%	1,134,172	0.03%
	BB+	653,159	0.02%	9,070,842	0.20%
	NR	9,862,224	0.24%	79,370	0.00%
Other Assets	AAA	188,269	0.00%	-	0.00%
	AA-	-	0.00%	188,211	0.00%
	A	305,936	0.01%	299,219	0.01%
	A-	152,888	0.00%	149,510	0.00%
	RD	29,493,288	0.71%	21,460,386	0.48%
	NR	12,044,339	0.29%	8,085,234	0.18%
<b>Total Local Currency Financial Assets</b>		<b>2,470,449,481</b>	<b>59.33%</b>	<b>3,492,960,528</b>	<b>78.07%</b>
<b>Total Financial Assets</b>		<b>4,163,950,265</b>	<b>100.00%</b>	<b>4,474,361,102</b>	<b>100.00%</b>
<b>(d) Summary by Major Credit Category</b>					
<b>Foreign Currency Financial Assets</b>					
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Risk Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China		987,367,312	23.71%	651,044,824	14.55%
<b>IMF Related Assets</b>		265,339,197	6.37%	281,421,074	6.29%
	AAA	102,258,700	2.45%	1,090,124	0.01%
	AA+/-	263,816,685	6.34%	9,874,212	0.22%
	A+/-	68,901,225	1.65%	434,001	0.01%
	BBB+/-	1,094	0.00%	68,247	0.00%
	NR	41,345	0.00%	43,881	0.00%
<b>Locally Rated</b>	A+/-	5,775,226	0.15%	37,424,211	0.85%
<b>Total Foreign Currency Financial Assets</b>		<b>1,693,500,784</b>	<b>40.67%</b>	<b>981,400,574</b>	<b>21.93%</b>
<b>Local Currency Financial Assets</b>					
	AAA	3,078,649	0.07%	8,627,666	0.19%
	AA+/-	32,499,239	0.78%	188,211	0.00%
	A+/-	245,772,455	5.89%	684,759,692	15.29%
	BBB+/-	27,355,435	0.66%	4,541,520	0.10%
	BB+/-	653,159	0.02%	9,070,842	0.20%
	RD	2,073,840,880	49.80%	2,756,094,101	61.60%
	NR	87,249,664	2.11%	29,678,496	0.67%
<b>Total Local Currency Financial Assets</b>		<b>2,470,449,481</b>	<b>59.33%</b>	<b>3,492,960,528</b>	<b>78.07%</b>
<b>Total Financial Assets</b>		<b>4,163,950,265</b>	<b>100.00%</b>	<b>4,474,361,102</b>	<b>100.00%</b>

<b>(e) Credit Quality Analysis</b>						
<b>Maximum exposure to credit risk by risk rating</b>						
The following tables set out information about the credit quality of financial assets measured at amortised cost and Fair Value through Other Comprehensive Income.						
	Credit Rating	Not Subject to ECL Rs.000	12 - Month ECL		2023 Total Rs.000	
			Stage 1 Rs.000	Life Time ECL Stage 2 Rs.000		Stage 3 Rs.000
<b>Foreign Currency Financial Assets</b>						
<b>Cash &amp; Cash Equivalents</b>						
Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China						
		-	808,019,166	180,161,106	-	988,180,272
	AAA	-	37,733,691	-	-	37,733,691
	AA-	-	104,986,173	-	-	104,986,173
	A+	-	68,375,609	-	-	68,375,609
	A	-	125,087	-	-	125,087
	A-	-	402,276	-	-	402,276
	BBB	-	1,096	-	-	1,096
	NR	-	41,336	-	-	41,336
Gross Carrying Amount		-	1,019,684,464	180,161,106	-	1,199,845,570
Loss Allowance		-	(635,408)	(230,592)	-	(866,000)
Carrying Amount		-	1,019,049,056	179,930,514	-	1,198,979,570
<b>Securities at Fair Value through Other Comprehensive Income</b>						
	AAA	-	64,574,785	-	-	64,574,785
	AA+	-	143,594,484	8,985,855	-	152,580,339
	AA-	-	6,251,667	-	-	6,251,667
		-	214,420,936	8,985,855	-	223,406,791
<b>IMF Related Assets</b>						
	NR	-	265,339,204	-	-	265,339,204
Gross Carrying Amount		-	265,339,204	-	-	265,339,204
Loss Allowance		-	(7)	-	-	(7)
Carrying Amount		-	265,339,197	-	-	265,339,197
<b>Local Currency Financial Assets</b>						
<b>Sri Lanka Government Securities</b>						
	Government Securities (Risk Free Investment)	2,044,397,592	-	-	-	2,044,397,592
		2,044,397,592	-	-	-	2,044,397,592
<b>Securities Purchased under Resale Agreements</b>						
	Other Risk Free Investment	333,951,940	-	-	-	333,951,940
		333,951,940	-	-	-	333,951,940
<b>Provisional Advances to Government</b>						
	Receivable from the Government (Risk Free Investment)	-	-	-	-	-
		-	-	-	-	-
<b>Loans to Banks</b>						
	AA	-	32,500,000	-	-	32,500,000
	A	-	556,927	2,587,458	-	3,144,385
	A-	-	1,022,713	99,352	-	1,122,065
	BBB-	-	12,442	506,153	-	518,595
	BB+	-	42,061	619,100	-	661,161
	NR	-	9,874,635	-	-	9,874,635
	Credit Guarantee Scheme of CBSL	-	-	-	110,317	110,317
Gross Carrying Amount		-	44,008,778	3,812,063	110,317	47,931,158
Loss Allowance		-	(14,696)	(10,458)	(110,317)	(135,471)
Carrying Amount		-	43,994,082	3,801,605	-	47,795,687

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	Credit Rating	Not Subject to ECL	12 - Month ECL	Life Time ECL		2023
		Rs.000	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
<b>Other Assets</b>						
	Government Securities (Risk Free Investment)	20,794,573	-	-	-	20,794,573
	Receivable from the Government (Risk Free Investment)	8,698,715	-	-	-	8,698,715
	Other Risk Free Receivable	12,044,340	-	-	-	12,044,340
Locally Rated	AA-	-	188,270	-	-	188,270
	A	-	156,420	149,640	-	306,060
	A-	-	1,875	151,124	-	152,999
	NR	-	-	-	2,226,887	2,226,887
Gross Carrying Amount		41,537,628	346,565	300,764	2,226,887	44,411,844
Loss Allowance		-	(63)	(173)	(2,226,887)	(2,227,123)
Carrying Amount		41,537,628	346,502	300,591	-	42,184,721
Comparative figures as at 31 December 2022 were as follows:						
	Credit Rating	Not Subject to ECL	12 - Month ECL	Life Time ECL		2022
		Rs.000	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
<b>Foreign Currency Financial Assets</b>						
<b>Cash &amp; Cash Equivalents</b>						
	Federal Reserve Bank - USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/ Deutsche Bundes Bank/ Bank of England/ Sveriges Riks Bank/ Bank of Canada/ Reserve Bank of New Zealand/ Reserve Bank of India/ People's Bank of China	-	649,672,094	2,217,173	-	651,889,267
	AA-	-	97,027	-	-	97,027
	A+	-	80,749	-	-	80,749
	A-	-	12,185	341,301	-	353,486
	BBB	-	68,279	-	-	68,279
	NR	-	43,887	-	-	43,887
Gross Carrying Amount		-	649,974,221	2,558,474	-	652,532,695
Loss Allowance		-	(841,440)	(3,391)	-	(844,831)
Carrying Amount		-	649,132,781	2,555,083	-	651,687,864
<b>Securities at Fair Value through Other Comprehensive Income</b>						
	AAA	-	1,090,124	-	-	1,090,124
	AA+	-	9,777,301	-	-	9,777,301
		-	10,867,425	-	-	10,867,425
<b>IMF Related Assets</b>						
	NR	-	281,421,082	-	-	281,421,082
Gross Carrying Amount		-	281,421,082	-	-	281,421,082
Loss Allowance		-	(8)	-	-	(8)
Carrying Amount		-	281,421,074	-	-	281,421,074
<b>Local Currency Financial Assets</b>						
<b>Sri Lanka Government Securities</b>						
	Government Securities (Risk Free Investment)	2,498,995,015	-	-	-	2,498,995,015
		2,498,995,015	-	-	-	2,498,995,015
<b>Securities Purchased under Resale Agreements</b>						
	Other Risk Free Investment	698,069,219	-	-	-	698,069,219
		698,069,219	-	-	-	698,069,219
<b>Provisional Advances to Government</b>						
	Receivable from the Government (Risk Free Investment)	235,638,700	-	-	-	235,638,700
		235,638,700	-	-	-	235,638,700



	Credit Rating	Not Subject to ECL	12 - Month ECL			Life Time ECL		2022
			Rs.000	Stage 1	Stage 2	Stage 3	Total	
				Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Loans to Banks</b>	AAA	-	-	3,333	-	-	3,333	
	A	-	5,513,369	6,906,357	-	-	12,419,726	
	A-	-	4,133,725	1,342,976	-	-	5,476,701	
	BBB+	-	-	79,786	-	-	79,786	
	BBB-	-	1,126,323	11,592	-	-	1,137,915	
	BB+	-	-	9,318,648	-	-	9,318,648	
	NR	-	79,416	-	-	-	79,416	
	Credit Guarantee Scheme of CBSL	-	-	-	-	86,307	86,307	
Gross Carrying Amount		-	10,852,833	17,662,692	86,307	-	28,601,832	
Loss Allowance		-	(6,057)	(251,566)	(86,307)	-	(343,930)	
Carrying Amount		-	10,846,776	17,411,126	-	-	28,257,902	
<b>Other Assets</b>								
	Government Securities (Risk Free Investment)	17,919,801	-	-	-	-	17,919,801	
	Receivable from the Government (Risk Free Investment)	3,540,585	-	-	-	-	3,540,585	
	Other Risk Free Receivable	8,085,234	-	-	-	-	8,085,234	
	AA-	-	188,293	-	-	-	188,293	
	A	-	130,285	168,989	-	-	299,274	
	A-	-	9,252	140,526	-	-	149,778	
	NR	-	-	-	2,226,887	-	2,226,887	
Gross Carrying Amount		29,545,620	327,830	309,515	2,226,887	-	32,409,852	
Loss Allowance		-	(86)	(319)	(2,226,887)	-	(2,227,292)	
Carrying Amount		29,545,620	327,744	309,196	-	-	30,182,560	

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**(f) Credit Exposure Movement - ECL Stage wise**

The following tables show reconciliations from the opening to closing balance of the allowance for impairment by class of financial instruments.

	2023				2022			
	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000	Stage 1 Rs. 000	Stage 2 Rs. 000	Stage 3 Rs. 000	Total Rs. 000
<b>Cash &amp; Cash Equivalents</b>								
Balance as at 1 January	841,441	3,391	-	844,832	52,009	33,359	-	85,368
Transfer to Stage 1	365	(365)	-	-	28,828	(28,828)	-	-
Transfer to Stage 2	-	-	-	-	(34)	34	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(206,397)	227,566	-	21,169	760,638	(1,174)	-	759,464
Balance as at 31 December	<u>635,409</u>	<u>230,592</u>	<u>-</u>	<u>866,001</u>	<u>841,441</u>	<u>3,391</u>	<u>-</u>	<u>844,832</u>
<b>Securities at Fair Value through Other Comprehensive Income</b>								
Balance as at 1 January	4,744	-	-	4,744	995	-	-	995
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	65,529	-	-	65,529	3,749	-	-	3,749
Balance as at 31 December	<u>70,273</u>	<u>-</u>	<u>-</u>	<u>70,273</u>	<u>4,744</u>	<u>-</u>	<u>-</u>	<u>4,744</u>
<b>IMF Related Assets</b>								
Balance as at 1 January	8	-	-	8	3	-	-	3
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(1)	-	-	(1)	5	-	-	5
Balance as at 31 December	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
<b>Loans to Banks</b>								
Balance as at 1 January	6,057	251,565	-	257,622	14,435	21,477	-	35,912
Transfer to Stage 1	233,219	(233,219)	-	-	-	-	-	-
Transfer to Stage 2	(865)	865	-	-	(4,804)	4,804	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(223,715)	(8,754)	-	(232,469)	(3,574)	225,285	-	221,711
Balance as at 31 December	<u>14,696</u>	<u>10,457</u>	<u>-</u>	<u>25,153</u>	<u>6,057</u>	<u>251,566</u>	<u>-</u>	<u>257,623</u>
<b>Claims paid under Credit Guarantee Scheme</b>								
Balance as at 1 January	-	-	86,307	86,307	-	-	13,016	13,016
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	-	-	24,011	24,011	-	-	73,291	73,291
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>110,318</u>	<u>110,318</u>	<u>-</u>	<u>-</u>	<u>86,307</u>	<u>86,307</u>
<b>Other Assets</b>								
Balance as at 1 January	86	319	2,226,887	2,227,292	189	241	2,226,887	2,227,317
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	(1)	1	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(23)	(146)	-	(169)	(102)	77	-	(25)
Balance as at 31 December	<u>63</u>	<u>173</u>	<u>2,226,887</u>	<u>2,227,123</u>	<u>86</u>	<u>319</u>	<u>2,226,887</u>	<u>2,227,292</u>
<b>Credit Guarantees</b>								
Balance as at 1 January	219,324	-	-	219,324	1,011,732	-	-	1,011,732
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(188,031)	-	-	(188,031)	(792,408)	-	-	(792,408)
Balance as at 31 December	<u>31,293</u>	<u>-</u>	<u>-</u>	<u>31,293</u>	<u>219,324</u>	<u>-</u>	<u>-</u>	<u>219,324</u>



**(i) Net carrying amount of credit impaired assets at amortized cost**

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired assets at amortized cost.

	2023 Rs. 000	2022 Rs. 000
Credit-impaired assets at amortized cost as at 1 January	-	-
Classified as credit-impaired during the year	73,291	73,291
Incorporation of credit impaired assets of schemes operated by RDD	-	-
Change in ECL allowance	(73,291)	(73,291)
<b>Credit-impaired assets at amortized cost at 31 December</b>	<b>-</b>	<b>-</b>

**48.2 Interest Rate Risk**
**(a) Foreign Currency Interest Rate Sensitivity**

**Interest rate risk is the risk of loss arising from the changes in interest rates.**

The interest rate sensitivity of a portfolio measures by the potential gain or loss that could incur due to a change in the interest rate by 10 basis points. Sensitivity of the risk exposure of the CBSL reserves is given below:

Portfolio Segment	Potential Loss (USD Mn)	
	2023	2022
CBSL reserves	0.77	0.09

RMD manages the interest rate risk of the foreign assets portfolio by employing the following strategies:

- i) While the interest rate sensitivity measures the effect of a change in interest rates on the foreign assets portfolio, the Bank uses Modified Duration (MD) as a measurement of interest rate risk which considers interest rates as well as the duration of an investment. The MD measures the change in price of a security for a 1% change in the interest rates (yield). A higher MD indicates a higher risk. Hence, the Bank sets an appropriate MD from time to time considering the developments in the financial markets, portfolio characteristics and the risk appetite of the bond portfolio. The MDs of the foreign assets portfolio are tabulated below:

Investment Segment	Modified Duration	
	2023	2022
CBSL reserves	0.22	0.05

- ii) Since the MD does not account for large changes in prices, another measure used for management of interest rate risk of the foreign reserves portfolio is convexity. Convexity measures the extent of deviation in bond price-yield curve from a straight line representing duration. It allows improving the duration approximation for bond price changes. Convexity is a change in duration for a change in yield. It measures the predictive error of Modified Duration. In other words, it is the second derivative of a security's price with respect to its yield.

**Convexity of the CBSL reserves portfolio**

Portfolio Segment	Potential Loss (USD Mn)	
	2023	2022
CBSL Reserves	0.0055	0.0023

**iii) Value at Risk (VaR)**

VaR summarizes in a single number the downside risk of the portfolio, under normal market conditions, from financial market movements. Therefore, VaR is the maximum loss over a target horizon such that there is a low, pre-specified probability that the actual loss will be larger. VaR gives a number, in terms of money, which can be aggregated across risks and positions. VaR is calculated for a 10 day period at 99% confidence interval using Historical and Parametric methods.

Portfolio Segment	Value at Risk (VaR)			
	2023		2022	
	Historical	Parametric	Historical	Parametric
CBSL Reserves	35.43	45.75	44.65	50.22

**iv) Trading & Open Position Limits**

Bank assigns specific dealer limits on intra-day and overnight position limits for individual dealers by way of "Dealing Authority".

**(b) Local Currency Interest Rate Sensitivity**

The Government Securities portfolio is recorded in the Statement of Financial Position of the Bank at Fair Value through Other Comprehensive Income as per the Business Model assessment under IFRS 9. This portfolio is not an investment portfolio, as the Bank does not purchase Government Securities with the intention of earning an interest income. The Bank purchases or sells Government Securities to inject rupee liquidity into the domestic market or to absorb liquidity from the market in the course of carrying out its monetary policy operations in relation to one of its core objectives, maintaining economic and price stability. Hence, the volume of Government Securities in the Bank's portfolio is largely determined by its monetary policy operations. However, the portfolio may include Government Securities purchased under Section 86(4) & 86(5) of CBA. In addition, the basic interest rates in the rupee market, the Standing Deposit Rate and the Standing Lending Rate are policy rates determined by the Bank in the course of implementing its monetary policy. Moreover, the Bank's actions in injecting rupee liquidity or absorbing liquidity from the market have a significant impact on general rupee market interest rates. Thus, changes in the interest income earned from the Government Securities portfolio, which arise from changes in the volume of the Bank's Government Securities portfolio, as well as changes in interest rates, are primarily a consequence of the Bank's monetary policy actions or monetary financing, rather than due to investment decisions. Therefore, the Bank does not consider interest rate sensitivities arising from local currency assets.

**(c) Assets and liabilities that will mature or re-price within the following periods**

Foreign Currency Interest Rate Sensitivity Gap:	Weighted Avg. Int. Rate %	2023 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
<b>Interest Sensitive Foreign Currency Financial Assets</b>							
Cash & Cash equivalents	2.5087	1,198,979,570	1,198,979,570	-	-	-	-
Securities at Fair Value through Other Comprehensive Income	2.3260	223,406,791	98,816,614	22,944,799	46,284,595	55,360,783	-
IMF Related Assets	4.0830	12,242,252	12,242,252	-	-	-	-
<b>Total Interest Sensitive Foreign Currency Financial Assets</b>		<b>1,434,628,613</b>	<b>1,310,038,436</b>	<b>22,944,799</b>	<b>46,284,595</b>	<b>55,360,783</b>	<b>-</b>
<b>Non Interest Sensitive Foreign Currency Financial Assets</b>							
IMF Related Assets		253,096,945	-	-	-	345,472	252,751,473
Derivative Financial Instruments		5,775,226	3,526,799	41,010	2,207,417	-	-
<b>Total non Interest Sensitive Foreign Currency Financial Assets</b>		<b>258,872,171</b>	<b>3,526,799</b>	<b>41,010</b>	<b>2,207,417</b>	<b>345,472</b>	<b>252,751,473</b>
<b>Total Foreign Currency Financial Assets</b>		<b>1,693,500,784</b>	<b>1,313,565,235</b>	<b>22,985,809</b>	<b>48,492,012</b>	<b>55,706,255</b>	<b>252,751,473</b>
<b>Interest Sensitive Foreign Currency Financial Liabilities</b>							
IMF	4.1030	292,928,957	34,755,557	34,755,557	69,511,115	153,906,728	-
Other Foreign Liabilities	9.3290	800,490,754	152,181,295	145,765,485	291,530,970	211,013,004	-
<b>Total Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>1,093,419,711</b>	<b>186,936,852</b>	<b>180,521,042</b>	<b>361,042,085</b>	<b>364,919,732</b>	<b>-</b>
<b>Non Interest Sensitive Foreign Currency Financial Liabilities</b>							
Banks and Financial Institutions		54,113,792	54,113,792	-	-	-	-
Derivative Financial Instruments		48,947,900	8,845,596	4,308,498	10,889,030	24,669,983	234,793
IMF		674,396,255	-	-	-	-	674,396,255
Other Foreign Liabilities		708,765,018	-	708,765,018	-	-	-
<b>Total non Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>1,486,222,965</b>	<b>62,959,388</b>	<b>713,073,516</b>	<b>10,889,030</b>	<b>24,669,983</b>	<b>674,631,048</b>
<b>Total Foreign Currency Financial Liabilities</b>		<b>2,579,642,676</b>	<b>249,896,240</b>	<b>893,594,558</b>	<b>371,931,115</b>	<b>389,589,715</b>	<b>674,631,048</b>
<b>Foreign Currency Interest Rate Sensitivity Gap</b>		<b>341,208,902</b>	<b>1,123,101,584</b>	<b>(157,576,243)</b>	<b>(314,757,490)</b>	<b>(309,558,949)</b>	<b>-</b>

Local Currency Interest Rate Sensitivity Gap :	Weighted Avg. Int. Rate %	2023 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
<b>Interest Sensitive Local Currency Financial Assets</b>							
Sri Lanka Government Securities	12.3977	2,044,347,592	153,187,295	74,440,866	7,336,054	4,651,050	1,804,732,327
Securities Purchased under Resale Agreements	10.0000	333,951,940	333,951,940	-	-	-	-
Loans to Other Institutions	1.0000	47,795,687	47,783,080	9,464	3,143	-	-
Other Assets - Staff Loans	3.3995	8,783,775	280,621	135,667	276,002	866,149	7,225,336
- Others	12.1308	21,441,646	3,605,935	1,436,378	1,358,935	8,451,966	6,588,433
<b>Total Interest Sensitive Local Currency Financial Assets</b>		<b>2,456,320,640</b>	<b>538,808,871</b>	<b>76,022,375</b>	<b>8,974,134</b>	<b>13,969,165</b>	<b>1,818,546,095</b>
<b>Non Interest Sensitive Local Currency Financial Assets</b>							
Provisional Advances to Government		-	-	-	-	-	-
Other Assets - Others		11,959,300	11,959,300	-	-	-	-
Investment in Equity Securities - Fair Value through Other Comprehensive Income		2,169,541	-	-	-	-	2,169,541
<b>Total Non Interest Sensitive Local Currency Financial Assets</b>		<b>14,128,841</b>	<b>11,959,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,169,541</b>
<b>Total Local Currency Financial Assets</b>		<b>2,470,449,481</b>	<b>550,768,171</b>	<b>76,022,375</b>	<b>8,974,134</b>	<b>13,969,165</b>	<b>1,820,715,636</b>
<b>Interest Sensitive Local Currency Financial Liabilities</b>							
Standing Deposit Facility	9.0000	227,035,873	227,035,873	-	-	-	-
<b>Total Interest Sensitive Local Currency Financial Liabilities</b>		<b>227,035,873</b>	<b>227,035,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Interest Sensitive Local Currency Financial Liabilities</b>							
Deposits of Banks and Financial Institutions		142,472,582	142,472,582	-	-	-	-
Deposits of Government and Governmental Entities		2,073,290	2,073,290	-	-	-	-
Currency in Circulation		1,186,503,181	1,186,503,181	-	-	-	-
Other Payables		29,507,806	29,507,806	-	-	-	-
<b>Total Non Interest Sensitive Local Currency Financial Liabilities</b>		<b>1,360,556,859</b>	<b>1,360,556,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Local Currency Financial Liabilities</b>		<b>1,587,592,732</b>	<b>1,587,592,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Local Currency Interest Rate Sensitivity Gap</b>		<b>2,229,284,767</b>	<b>311,772,998</b>	<b>76,022,375</b>	<b>8,974,134</b>	<b>13,969,165</b>	<b>1,818,546,095</b>

Comparative figures as at 31 December 2022 were as follows:

Foreign Currency Interest Rate Sensitivity Gap:	Weighted Avg. Int. Rate %	2022 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
<b>Interest Sensitive Foreign Currency Financial Assets</b>							
Cash & Cash equivalents	0.0000	651,687,864	651,687,864	-	-	-	-
Securities at Fair Value through Other Comprehensive Income	1.3005	10,867,425	34,125	1,076,988	-	9,756,312	-
IMF Related Assets	2.9160	2,006,502	2,006,502	-	-	-	-
<b>Total Interest Sensitive Foreign Currency Financial Assets</b>		<b>664,561,791</b>	<b>653,728,491</b>	<b>1,076,988</b>	<b>-</b>	<b>9,756,312</b>	<b>-</b>
<b>Non Interest Sensitive Foreign Currency Financial Assets</b>							
IMF Related Assets		279,414,572	29,523	-	-	377,081	279,007,968
Derivative Financial Instruments		401,580	401,580	-	-	-	-
Other Receivables		37,022,631	37,022,631	-	-	-	-
<b>Total Non Interest Sensitive Foreign Currency Financial Assets</b>		<b>316,838,783</b>	<b>37,453,734</b>	<b>-</b>	<b>-</b>	<b>377,081</b>	<b>279,007,968</b>
<b>Total Foreign Currency Financial Assets</b>		<b>981,400,574</b>	<b>691,182,225</b>	<b>1,076,988</b>	<b>-</b>	<b>10,133,393</b>	<b>279,007,968</b>
<b>Interest Sensitive Foreign Currency Financial Liabilities</b>							
IMF	3.9160	385,639,212	28,807,533	33,580,393	-	308,932,705	14,318,581
Asian Clearing Union	0.0100	736,258,129	736,258,129	-	-	-	-
<b>Total Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>1,121,897,341</b>	<b>765,065,662</b>	<b>33,580,393</b>	<b>-</b>	<b>308,932,705</b>	<b>14,318,581</b>
<b>Non Interest Sensitive Foreign Currency Financial Liabilities</b>							
Banks and Financial Institutions		146,408,028	146,408,028	-	-	-	-
Derivative Financial Instruments		71,697,994	5,537,140	5,238,797	11,469,456	40,991,347	8,461,254
IMF		742,285,880	-	-	-	-	742,285,880
Other Foreign Liabilities		594,383,451	73,060,874	521,322,577	-	-	-
<b>Total Non Interest Sensitive Foreign Currency Financial Liabilities</b>		<b>1,554,775,353</b>	<b>225,006,042</b>	<b>526,561,374</b>	<b>11,469,456</b>	<b>40,991,347</b>	<b>750,747,134</b>
<b>Total Foreign Currency Financial Liabilities</b>		<b>2,676,672,694</b>	<b>990,071,704</b>	<b>560,141,767</b>	<b>11,469,456</b>	<b>349,924,052</b>	<b>765,065,715</b>
<b>Foreign Currency Interest Rate Sensitivity Gap</b>		<b>(457,335,550)</b>	<b>(111,337,171)</b>	<b>(32,503,405)</b>	<b>-</b>	<b>(299,176,393)</b>	<b>(14,318,581)</b>

Supplementary Information

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Local Currency Interest Rate Sensitivity Gap :	Weighted Avg. Int. Rate %	2022 Total Rs. 000	6 Months or Less Rs. 000	6 to 12 Months Rs. 000	1 to 2 Years Rs. 000	2 to 5 Years Rs. 000	Over 5 Years Rs. 000
<b>Interest Sensitive Local Currency Financial Assets</b>							
Sri Lanka Government Securities	31.2439	2,498,995,015	2,481,264,384	-	15,768,874	1,961,757	-
Securities Purchased under Resale Agreements	15.5000	698,069,219	698,069,219	-	-	-	-
Loans to Banks	1.0000	28,257,902	26,398,994	196,759	1,561,865	100,284	-
Other Assets - Staff Loans	3.3688	8,053,421	261,770	226,096	461,704	1,469,430	5,634,421
- Others	9.0352	18,556,718	1,763,964	2,738,646	1,696,628	5,502,281	6,855,199
<b>Total Interest Sensitive Local Currency Financial Assets</b>		<b>3,251,932,275</b>	<b>3,207,758,331</b>	<b>3,161,501</b>	<b>19,489,071</b>	<b>9,033,752</b>	<b>12,489,620</b>
<b>Non Interest Sensitive Local Currency Financial Assets</b>							
Provisional Advances to Government		235,638,700	235,638,700	-	-	-	-
Other Assets - Others		3,572,421	3,572,421	-	-	-	-
Investment in Equity Securities - Fair Value through Other Comprehensive Income		1,817,132	-	-	-	-	1,817,132
<b>Total Non Interest Sensitive Local Currency Financial Assets</b>		<b>241,028,253</b>	<b>239,211,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,817,132</b>
<b>Total Local Currency Financial Assets</b>		<b>3,492,960,528</b>	<b>3,446,969,452</b>	<b>3,161,501</b>	<b>19,489,071</b>	<b>9,033,752</b>	<b>14,306,752</b>
<b>Interest Sensitive Local Currency Financial Liabilities</b>							
Standing Deposit Facility	14.5000	330,637,059	330,637,059	-	-	-	-
<b>Total Interest Sensitive Local Currency Financial Liabilities</b>		<b>330,637,059</b>	<b>330,637,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non Interest Sensitive Local Currency Financial Liabilities</b>							
Deposits of Banks and Financial Institutions		323,046,181	323,046,181	-	-	-	-
Deposits of Government and Governmental Entities		221,411	221,411	-	-	-	-
Currency in Circulation		1,026,567,252	1,026,567,252	-	-	-	-
Other Payables		68,320,347	68,320,347	-	-	-	-
<b>Total Non Interest Sensitive Local Currency Financial Liabilities</b>		<b>1,418,155,191</b>	<b>1,418,155,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Local Currency Financial Liabilities</b>		<b>1,748,792,250</b>	<b>1,748,792,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Local Currency Interest Rate Sensitivity Gap</b>		<b>2,921,295,216</b>	<b>2,877,121,272</b>	<b>3,161,501</b>	<b>19,489,071</b>	<b>9,033,752</b>	<b>12,489,620</b>



### 48.3 Foreign Currency Risk

Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserve management function. Volatility of the foreign exchange markets may expose the Bank to exchange risk. The Governing Board and International Reserves Investment Oversight Committee (IRIOC) have set percentage holdings of different currencies in its foreign Reserves. In deciding on the currency allocation, public debt repayment requirements are given due consideration. Accordingly, the Bank holds most major currencies such as US Dollars, Sterling Pounds, Japanese Yen, Euro, Australian Dollars, Chinese Yuan and New Zealand Dollars. Compliance with limits established for foreign currency positions are continuously monitored.

#### Net Exposure to Foreign Currencies

As at 31 December 2023, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2023	Currency									Total All Currencies Rs. 000
	United States Dollars Rs. 000	Euro Rs. 000	Japanese Yen Rs. 000	Sterling Pound Rs. 000	SDR Rs. 000	Australian Dollars Rs. 000	Canadian Dollars Rs. 000	New Zealand Dollars Rs. 000	Other Currencies Rs. 000	
<b>Foreign Currency Financial Assets</b>										
Cash & Cash Equivalents	415,748,240	746,105	32,129	4,892,576	-	2,429,557	1,777,619	2,436,400	771,782,944	1,199,845,570
Securities at Fair Value through Other Comprehensive Income	223,406,791	-	-	-	-	-	-	-	-	223,406,791
Derivative Financial Instruments	-	-	-	-	-	-	-	-	5,775,226	5,775,226
IMF Related Assets	-	-	-	-	265,339,204	-	-	-	-	265,339,204
Other Receivables	-	-	-	-	-	-	-	-	-	-
<b>Total Foreign Currency Financial Assets</b>	<b>639,155,031</b>	<b>746,105</b>	<b>32,129</b>	<b>4,892,576</b>	<b>265,339,204</b>	<b>2,429,557</b>	<b>1,777,619</b>	<b>2,436,400</b>	<b>777,558,170</b>	<b>1,694,366,791</b>
Proportion	37.72%	0.04%	0.00%	0.29%	15.66%	0.14%	0.10%	0.14%	45.89%	100%
<b>Foreign Currency Financial Liabilities</b>										
Banks and Financial Institutions	54,113,353	-	-	397	-	42	-	-	-	54,113,792
Derivative Financial Instruments	-	-	4,581,300	-	-	-	-	-	44,366,600	48,947,900
Asian Clearing Union	-	-	-	-	-	-	-	-	-	-
IMF	-	-	-	-	967,325,212	-	-	-	-	967,325,212
Other Foreign Liabilities	1,049,205,692	-	-	-	-	-	-	-	460,050,080	1,509,255,772
<b>Total Foreign Currency Financial Liabilities</b>	<b>1,103,319,045</b>	<b>-</b>	<b>4,581,300</b>	<b>397</b>	<b>967,325,212</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>504,416,680</b>	<b>2,579,642,676</b>
Proportion	42.77%	0.00%	0.18%	0.00%	37.50%	0.00%	0.00%	0.00%	19.55%	100%
<b>Net Foreign Currency Exposure</b>	<b>(464,164,014)</b>	<b>746,105</b>	<b>(4,549,171)</b>	<b>4,892,179</b>	<b>(701,986,008)</b>	<b>2,429,515</b>	<b>1,777,619</b>	<b>2,436,400</b>	<b>273,141,489</b>	<b>(885,275,885)</b>

Cash and Cash Equivalents include the foreign transactions entered into for buying and selling of various currencies of which the trade dates have been occurred in the current financial year and value dates to be fallen in the next financial year. Those transactions were as follows:

As at 31 December 2023	Sri Lanka Rupees Rs. 000	United States Dollars Rs. 000	Japanese Yen Rs. 000
Purchases	-	468,490,917	178,831,219
Sales	(453,174,711)	(174,329,665)	-

As at 31 December 2022, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2022	Currency									
	United States Dollars Rs. 000	Euro Rs. 000	Japanese Yen Rs. 000	Sterling Pound Rs. 000	SDR Rs. 000	Australian Dollars Rs. 000	Canadian Dollars Rs. 000	New Zealand Dollars Rs. 000	Other Currencies Rs. 000	Total All Currencies Rs. 000
<b>Foreign Currency Financial Assets</b>										
Cash & Cash Equivalents	118,593,473	2,002,372	130,117	373,692	-	62,567	17,653	10,635	531,342,187	652,532,696
Securities at Fair Value through Other Comprehensive Income	10,867,425	-	-	-	-	-	-	-	-	10,867,425
Derivative Financial Instruments	-	-	-	-	-	-	-	-	401,580	401,580
IMF Related Assets	-	-	-	-	281,421,082	-	-	-	-	281,421,082
Other Receivables	63,061,108	-	-	-	-	-	-	-	-	63,061,108
<b>Total Foreign Currency Financial Assets</b>	<b>192,522,006</b>	<b>2,002,372</b>	<b>130,117</b>	<b>373,692</b>	<b>281,421,082</b>	<b>62,567</b>	<b>17,653</b>	<b>10,635</b>	<b>531,743,767</b>	<b>1,008,283,891</b>
Proportion	19.09%	0.20%	0.01%	0.04%	27.91%	0.01%	0.00%	0.00%	52.74%	100.00%
<b>Foreign Currency Financial Liabilities</b>										
Banks and Financial Institutions	146,407,286	-	-	687	-	55	-	-	-	146,408,028
Derivative Financial Instruments	-	-	-	-	-	-	-	-	71,697,994	71,697,994
Asian Clearing Union	736,258,128	-	-	-	-	-	-	-	-	736,258,128
IMF	-	-	-	-	1,127,925,092	-	-	-	-	1,127,925,092
Other	74,083,264	-	-	-	-	12	-	-	520,300,174	594,383,450
<b>Total Foreign Currency Financial Liabilities</b>	<b>956,748,678</b>	<b>-</b>	<b>-</b>	<b>687</b>	<b>1,127,925,092</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>591,998,168</b>	<b>2,676,672,692</b>
Proportion	35.74%	0.00%	0.00%	0.00%	42.14%	0.00%	0.00%	0.00%	22.12%	100.00%
<b>Net Foreign Currency Exposure</b>	<b>(764,226,672)</b>	<b>2,002,372</b>	<b>130,117</b>	<b>373,005</b>	<b>(846,504,010)</b>	<b>62,500</b>	<b>17,653</b>	<b>10,635</b>	<b>(60,254,401)</b>	<b>(1,668,388,801)</b>

Cash and Cash Equivalents include the foreign transactions entered into for buying and selling of various currencies of which the trade dates have been occurred in the current financial year and value dates to be fallen in the next financial year. Those transactions were as follows:

As at 31 December 2022	Sri Lanka Rupees Rs. 000	United States Dollars Rs. 000	Sterling Pound Rs. 000
Purchases	38,782,950	242,870,513	5,467,529
Sales	(186,160,301)	(38,126,550)	-

The following significant exchange rates have been applied by the Bank.

Currency	Average Rate		Year-end Spot Rate	
	2023	2022	2023	2022
	Rs	Rs	Rs	Rs
1 USD	327.8228	328.1818	323.9233	363.1100
1 EUR	354.4458	343.2079	357.4170	388.3461
1 JPY	2.3263	2.4762	2.2983	2.7704
1 GBP	408.3245	400.7632	412.2896	437.4023
1 SDR	437.4372	436.4326	437.9895	483.3276
1 AUD	217.6064	226.3545	220.2031	247.0237

### Sensitivity Analysis

A reasonably possible strengthening (weakening) of the above currencies against the Sri Lanka Rupee as at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected the profit or loss by the amounts shown below.

	Profit or Loss	
	Strengthening	Weakening
	Rs. 000	Rs. 000
<b>31 December 2023</b>		
USD (5% movement)	(23,208,201)	23,208,201
EUR (5% movement)	37,305	(37,305)
JPY (5% movement)	(227,459)	227,459
GBP (5% movement)	244,609	(244,609)
SDR (5% movement)	(35,099,300)	35,099,300
AUD (5% movement)	121,476	(121,476)

	Profit or Loss	
	Strengthening	Weakening
	Rs. 000	Rs. 000
<b>31 December 2022</b>		
USD (5% movement)	(38,211,334)	38,211,334
EUR (5% movement)	100,119	(100,119)
JPY (5% movement)	6,506	(6,506)
GBP (5% movement)	18,650	(18,650)
SDR (5% movement)	(42,325,201)	42,325,201
AUD (5% movement)	3,125	(3,125)

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**48.4 Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities**

As at 31 December 2023, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows,

As at 31 December 2023	Less than 6 months	6 Months -1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Assets</b>						
Cash & Cash Equivalents	1,198,979,570	-	-	-	-	1,198,979,570
Securities at Fair Value through Other Comprehensive Income	95,203,787	27,139,807	49,401,366	58,705,161	-	230,450,121
IMF Related Assets	12,242,245	-	-	345,479	252,751,473	265,339,197
<b>Total un-discounted Foreign Currency Financial Assets</b>	<b>1,306,425,602</b>	<b>27,139,807</b>	<b>49,401,366</b>	<b>59,050,640</b>	<b>252,751,473</b>	<b>1,694,768,888</b>
<b>Local Currency Financial Assets</b>						
Sri Lanka Government Securities	320,828,212	234,538,446	193,637,980	876,898,558	3,264,975,031	4,890,878,227
Securities Purchased under Resale Agreements	333,951,940	-	-	-	-	333,951,940
Equity Investments in Financial and Other Institutions	-	-	-	-	2,169,541	2,169,541
Loans to Bank	36,143,621	2,568,815	4,453,674	5,644,633	16,169	48,826,912
Other Assets	18,484,179	2,755,895	3,738,926	14,740,341	31,331,199	71,050,540
<b>Total un-discounted Local Currency Financial Assets</b>	<b>709,407,952</b>	<b>239,863,156</b>	<b>201,830,580</b>	<b>897,283,532</b>	<b>3,298,491,940</b>	<b>5,346,877,160</b>
<b>Total un-discounted Financial Assets</b>	<b>2,015,833,554</b>	<b>267,002,963</b>	<b>251,231,946</b>	<b>956,334,172</b>	<b>3,551,243,413</b>	<b>7,041,646,048</b>
<b>Foreign Currency Financial Liabilities</b>						
Banks and Financial Institutions	54,113,792	-	-	-	-	54,113,792
IMF	55,902,352	55,562,774	108,073,407	282,754,804	1,147,893,395	1,650,186,732
Others	152,181,295	854,530,503	291,530,970	211,013,004	-	1,509,255,772
<b>Total un-discounted Foreign Currency Financial Liabilities</b>	<b>262,197,439</b>	<b>910,093,277</b>	<b>399,604,377</b>	<b>493,767,808</b>	<b>1,147,893,395</b>	<b>3,213,556,296</b>
<b>Local Currency Financial Liabilities</b>						
Deposits of Banks and Financial Institutions	142,472,582	-	-	-	-	142,472,582
Deposits of Government and Governmental Entities	2,073,290	-	-	-	-	2,073,290
Securities Sold Under Repurchase Agreements & Standing Deposits Facility	227,035,873	-	-	-	-	227,035,873
Currency in Circulation	1,186,503,181	-	-	-	-	1,186,503,181
Other Payables	29,507,806	-	-	-	-	29,507,806
<b>Total un-discounted Local Currency Financial Liabilities</b>	<b>1,587,592,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,587,592,732</b>
<b>Total un-discounted Financial Liabilities</b>	<b>1,849,790,171</b>	<b>910,093,277</b>	<b>399,604,377</b>	<b>493,767,808</b>	<b>1,147,893,395</b>	<b>4,801,149,028</b>
<b>Net un-discounted Financial Assets/ (Liabilities)</b>	<b>166,043,383</b>	<b>(643,090,314)</b>	<b>(148,372,431)</b>	<b>462,566,364</b>	<b>2,403,350,018</b>	<b>2,240,497,020</b>
	Less than 6 months	6 Months -1 Year	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
<b>As at 31 December 2023</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>
Derivative Financial Assets	174,664,046	40,640,896	14,563,988	41,970,522	860,760	272,700,212
Derivative Financial Liabilities	177,700,713	43,890,959	22,997,259	65,209,000	971,770	310,769,701
<b>Foreign Currency Conversions</b>						

All future cash flows related to Foreign Currency Financial Assets & Liabilities are converted to reporting currency using the rate of exchange prevailing at the reporting date.

As at 31 December 2022, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows,

As at 31 December 2022	Less than 6 months	6 Months -1 Year	1-2 Years	2-5 Years	Over 5 Years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Assets</b>						
Cash and Cash Equivalents	651,687,864	-	-	-	-	651,687,864
Securities at Fair Value through Other Comprehensive Income	76,939	1,166,269	122,550	11,138,399	-	12,504,157
IMF Related Assets	2,036,025	-	-	377,081	279,007,968	281,421,074
Other Receivables	37,022,631	-	-	-	-	37,022,631
<b>Total un-discounted Foreign Currency Financial Assets</b>	<b>690,823,459</b>	<b>1,166,269</b>	<b>122,550</b>	<b>11,515,480</b>	<b>279,007,968</b>	<b>982,635,726</b>
<b>Local Currency Financial Assets</b>						
Sri Lanka Government Securities	2,576,853,759	1,110,750	1,648,793	162,211	-	2,579,775,513
Securities Purchased under Resale Agreements	698,069,219	-	-	-	-	698,069,219
Provisional Advances to Government	235,638,700	-	-	-	-	235,638,700
Equity Investments in Financial and Other Institutions	-	-	-	-	1,817,132	1,817,132
Loans to Banks	17,790,731	2,406,273	3,778,538	5,463,674	-	29,439,216
Other Assets	10,080,599	2,433,073	4,303,462	12,088,605	108,728,649	137,634,388
<b>Total un-discounted Local Currency Financial Assets</b>	<b>3,538,433,008</b>	<b>5,950,096</b>	<b>9,730,793</b>	<b>17,714,490</b>	<b>110,545,781</b>	<b>3,682,374,168</b>
<b>Total un-discounted Financial Assets</b>	<b>4,229,256,467</b>	<b>7,116,365</b>	<b>9,853,343</b>	<b>29,229,970</b>	<b>389,553,749</b>	<b>4,665,009,894</b>
<b>Foreign Currency Financial Liabilities</b>						
Banks and Financial Institutions	146,408,028	-	-	-	-	146,408,028
Asian Clearing Union	736,258,129	-	-	-	-	736,258,129
IMF	42,676,142	47,398,218	102,078,683	264,345,549	994,038,353	1,450,536,945
Others	73,060,873	521,322,578	-	-	-	594,383,451
<b>Total un-discounted Foreign Currency Financial Liabilities</b>	<b>998,403,172</b>	<b>568,720,796</b>	<b>102,078,683</b>	<b>264,345,549</b>	<b>994,038,353</b>	<b>2,927,586,553</b>
<b>Local Currency Financial Liabilities</b>						
Deposits of Banks and Financial Institutions	323,046,181	-	-	-	-	323,046,181
Deposits of Government and Governmental Entities	221,411	-	-	-	-	221,411
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	330,637,059	-	-	-	-	330,637,059
Currency in Circulation	1,026,567,252	-	-	-	-	1,026,567,252
Other Payables	68,320,347	-	-	-	-	68,320,347
<b>Total un-discounted Local Currency Financial Liabilities</b>	<b>1,748,792,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,748,792,250</b>
<b>Total un-discounted Financial Liabilities</b>	<b>2,747,195,422</b>	<b>568,720,796</b>	<b>102,078,683</b>	<b>264,345,549</b>	<b>994,038,353</b>	<b>4,676,378,803</b>
<b>Net un-discounted Financial Assets/ (Liabilities)</b>	<b>1,482,061,045</b>	<b>(561,604,431)</b>	<b>(92,225,340)</b>	<b>(235,115,579)</b>	<b>(604,484,604)</b>	<b>(11,368,909)</b>
	<b>Less than 6 months</b>	<b>6 Months -1 Year</b>	<b>1 - 2 Years</b>	<b>2 - 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>	<b>Rs. 000</b>
As at 31 December 2022						
Derivative Financial Assets	27,845,531	5,982,333	14,498,792	51,034,302	6,360,968	105,721,926
Derivative Financial Liabilities	31,340,783	10,620,241	25,779,358	89,890,059	10,076,303	167,706,744

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#### 48.5 Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet commitments associated with financial instruments. Liquidity risk is also the risk that an entity will have to sell a financial asset quickly at much less than its fair value.

a) Liquidity is a key consideration in determining the composition of the Bank's foreign currency assets. This reflects the potential requirement to liquidate foreign reserves for intervention purposes and to settle other commitments such as public debt and IMF Loan repayments when the need arises. The Bank has adopted the following measures aimed at ensuring quick access to funds:

- Liquid asset ratios based on the liquidity characteristics of securities held
- Limits on maximum proportion of reserves that may be held in one currency and with one counterparty

b) In order to reduce the level of liquidity risk arising out of the local currency activities, particularly open market operations, the Bank uses highly liquid marketable instruments such as Treasury Bills and Treasury Bonds as collateral. It manages the daily liquidity position of the banking system by way of infusing into or withdrawal from the system, using instruments such as repo /reverse repo, CBSL securities and USD /LKR Swaps.

#### c) Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

31 December 2023	Encumbered Pledged as collateral Rs. 000	Unencumbered Available as collateral Rs. 000	Total Rs. 000
<b>Foreign Currency Financial Assets</b>			
Cash and Cash Equivalents	-	1,198,979,570	1,198,979,570
Securities at Fair Value through Other Comprehensive Income	3,749,003	219,657,788	223,406,791
Derivative Financial Instruments	-	5,775,226	5,775,226
IMF Related Assets	-	265,339,197	265,339,197
<b>Local Currency Financial Assets</b>			
Sri Lanka Government Securities	-	2,044,347,592	2,044,347,592
Securities Purchased under Resale Agreements	-	333,951,940	333,951,940
Equity Investments in Financial and Other Institutions	-	2,169,541	2,169,541
Loans to Banks	-	47,795,687	47,795,687
Other Assets	-	42,184,721	42,184,721
<b>Total Financial Assets</b>	<b>3,749,003</b>	<b>4,160,201,262</b>	<b>4,163,950,265</b>
<b>31 December 2022</b>			
	<b>Encumbered Pledged as collateral Rs. 000</b>	<b>Unencum- bered Available as collateral Rs. 000</b>	<b>Total Rs. 000</b>
<b>Foreign Currency Financial Assets</b>			
Cash and Cash Equivalents	-	651,687,864	651,687,864
Securities at Fair Value through Other Comprehensive Income	1,090,124	9,777,301	10,867,425
Derivative Financial Instruments	-	401,580	401,580
IMF Related Assets	-	281,421,074	281,421,074
Other Receivables	-	37,022,631	37,022,631
<b>Local Currency Financial Assets</b>			
Sri Lanka Government Securities	-	2,498,995,015	2,498,995,015
Securities Purchased under Resale Agreements	-	698,069,219	698,069,219
Provisional Advances to Government	-	235,638,700	235,638,700
Equity Investments in Financial and Other Institutions	-	1,817,132	1,817,132
Loans to Banks	-	28,257,902	28,257,902
Other Assets	-	30,182,560	30,182,560
<b>Total Financial Assets</b>	<b>1,090,124</b>	<b>4,473,270,978</b>	<b>4,474,361,102</b>

The restricted use balances of Rs. 456,377.84 million (2022 -Rs. 526,467.65 million) received under the bilateral currency swap agreement between CBSL and the PBoC are included in the cash balances as at 31 December 2023, as explained in Note 25.5. The amount received under this arrangement can be used to finance trade and direct investment between the two countries and for other purposes agreed upon by both parties.

**49. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**
**49.1 Classification of Financial Assets and Financial Liabilities**

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of Financial Instruments

31 December 2023	FVTPL Rs. 000	FVOCI - Debt Instruments Rs. 000	FVOCI - Equity Instruments Rs. 000	Amortized Cost Rs. 000	Total Rs. 000
<b>Foreign Currency Financial Assets</b>					
Cash and Cash Equivalents	-	-	-	1,198,979,570	1,198,979,570
Securities at Fair Value through Other Comprehensive Income	-	223,406,791	-	-	223,406,791
Derivative Financial Instruments	5,775,226	-	-	-	5,775,226
IMF Related Assets	264,499,960	-	-	839,237	265,339,197
<b>Total Foreign Currency Financial Assets</b>	<b>270,275,186</b>	<b>223,406,791</b>	<b>-</b>	<b>1,199,818,807</b>	<b>1,693,500,784</b>
<b>Local Currency Financial Assets</b>					
Sri Lanka Government Securities	-	2,044,347,592	-	-	2,044,347,592
Securities Purchased under Resale Agreements	-	-	-	333,951,940	333,951,940
Equity Investments in Financial and Other Institutions	-	-	2,169,541	-	2,169,541
Loans to Banks	-	-	-	47,795,687	47,795,687
Other Assets	-	-	-	42,184,721	42,184,721
<b>Total Local Currency Financial Assets</b>	<b>-</b>	<b>2,044,347,592</b>	<b>2,169,541</b>	<b>423,932,348</b>	<b>2,470,449,481</b>
<b>Foreign Currency Financial Liabilities</b>					
Banks and Financial Institutions	-	-	-	54,113,792	54,113,792
Derivative Financial Instruments	48,947,900	-	-	-	48,947,900
IMF	-	-	-	967,325,212	967,325,212
Other	-	-	-	1,509,255,772	1,509,255,772
<b>Total Foreign Currency Financial Liabilities</b>	<b>48,947,900</b>	<b>-</b>	<b>-</b>	<b>2,530,694,776</b>	<b>2,579,642,676</b>
<b>Local Currency Financial Liabilities</b>					
Deposits of Banks and Financial Institutions	-	-	-	142,472,582	142,472,582
Deposits of Government and Governmental Entities	-	-	-	2,073,290	2,073,290
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	-	-	-	227,035,873	227,035,873
Currency in Circulation	-	-	-	1,186,503,181	1,186,503,181
Other Payables	-	-	-	29,507,806	29,507,806
<b>Total Local Currency Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,587,592,732</b>	<b>1,587,592,732</b>

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31 December 2022	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Foreign Currency Financial Assets</b>					
Cash and Cash Equivalents	-	-	-	651,687,864	651,687,864
Securities at Fair Value through Other Comprehensive Income	-	10,867,425	-	-	10,867,425
Derivative Financial Instruments	401,580	-	-	-	401,580
IMF Related Assets	280,406,015	-	-	1,015,059	281,421,074
Other Receivables	-	-	-	37,022,631	37,022,631
<b>Total Foreign Currency Financial Assets</b>	<b>280,807,595</b>	<b>10,867,425</b>	<b>-</b>	<b>689,725,554</b>	<b>981,400,574</b>
<b>Local Currency Financial Assets</b>					
Sri Lanka Government Securities	-	2,498,995,015	-	-	2,498,995,015
Securities purchased under Resale Agreements	-	-	-	698,069,219	698,069,219
Provisional Advances to Government	-	-	-	235,638,700	235,638,700
Equity Investments in Financial and Other Institutions	-	-	1,817,132	-	1,817,132
Loans to Banks	-	-	-	28,257,902	28,257,902
Other Assets	-	-	-	30,182,560	30,182,560
<b>Total Local Currency Financial Assets</b>	<b>-</b>	<b>2,498,995,015</b>	<b>1,817,132</b>	<b>992,148,381</b>	<b>3,492,960,528</b>
<b>Foreign Currency Financial Liabilities</b>					
Banks and Financial Institutions	-	-	-	146,408,028	146,408,028
Derivative Financial Instruments	71,697,994	-	-	-	71,697,994
Asian Clearing Union	-	-	-	736,258,129	736,258,129
IMF	-	-	-	1,127,925,092	1,127,925,092
Others	-	-	-	594,383,451	594,383,451
<b>Total Foreign Currency Financial Liabilities</b>	<b>71,697,994</b>	<b>-</b>	<b>-</b>	<b>2,604,974,700</b>	<b>2,676,672,694</b>
<b>Local Currency Financial Liabilities</b>					
Deposits of Banks and Financial Institutions	-	-	-	323,046,181	323,046,181
Deposits of Government and Governmental Entities	-	-	-	221,411	221,411
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	-	-	-	330,637,059	330,637,059
Currency in Circulation	-	-	-	1,026,567,252	1,026,567,252
Other Payables	-	-	-	68,320,347	68,320,347
<b>Total Local Currency Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,748,792,250</b>	<b>1,748,792,250</b>

## 50. FAIR VALUE DISCLOSURES

### 50.1 Fair Value of Assets and Liabilities

'Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note 5.2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

**Level 3:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



The following table shows an analysis of assets and liabilities recorded at fair value hierarchy:

31 December 2023	Level 1 Rs. 000	Level 2 Rs. 000	Level 3 Rs. 000	Total Rs. 000
<b>Financial Assets</b>				
Securities at Fair Value through Other Comprehensive Income	223,406,791	-	-	223,406,791
Derivative Financial Instruments	-	5,775,226	-	5,775,226
IMF Related Assets	264,499,960	-	-	264,499,960
	<u>487,906,751</u>	<u>5,775,226</u>	-	<u>493,681,977</u>
<b>Foreign Currency Non-Financial Assets</b>				
Gold	10,120,756	-	-	10,120,756
	<u>10,120,756</u>	-	-	<u>10,120,756</u>
<b>Local Currency Financial Assets</b>				
Sri Lanka Government Securities	239,615,265	1,804,732,327	-	2,044,347,592
Equity Investments in Financial and Other Institutions	-	-	2,169,541	2,169,541
	<u>239,615,265</u>	<u>1,804,732,327</u>	<u>2,169,541</u>	<u>2,046,517,133</u>
<b>Other Non-Financial Assets</b>				
Land	-	-	14,197,619	14,197,619
Building	-	-	8,082,487	8,082,487
	-	-	<u>22,280,106</u>	<u>22,280,106</u>
<b>Financial Liabilities</b>				
Derivative Financial Instruments	-	48,947,900	-	48,947,900
	-	<u>48,947,900</u>	-	<u>48,947,900</u>
<b>31 December 2022</b>	<b>Level 1 Rs. 000</b>	<b>Level 2 Rs. 000</b>	<b>Level 3 Rs. 000</b>	<b>Total Rs. 000</b>
<b>Financial Assets</b>				
Securities at Fair Value through Other Comprehensive Income	10,867,425	-	-	10,867,425
Derivative Financial Instruments	-	401,580	-	401,580
IMF Related Assets	280,406,015	-	-	280,406,015
	<u>291,273,440</u>	<u>401,580</u>	-	<u>291,675,020</u>
<b>Foreign Currency Non-Financial Assets</b>				
Gold	10,031,610	-	-	10,031,610
	<u>10,031,610</u>	-	-	<u>10,031,610</u>
<b>Local Currency Financial Assets</b>				
Sri Lanka Government Securities	2,498,995,015	-	-	2,498,995,015
Equity Investments in Financial and Other Institutions	-	-	1,817,132	1,817,132
	<u>2,498,995,015</u>	-	<u>1,817,132</u>	<u>2,500,812,147</u>
<b>Other Non-Financial Assets</b>				
Land	-	-	10,855,725	10,855,725
Building	-	-	7,099,239	7,099,239
	-	-	<u>17,954,964</u>	<u>17,954,964</u>
<b>Financial Liabilities</b>				
Derivative Financial Instruments	-	71,697,994	-	71,697,994
	-	<u>71,697,994</u>	-	<u>71,697,994</u>
<b>Equity Investments in Financial and Other Institutions</b>				
Fair value of the equity investments were calculated using the Fair Value per Share valuation technique.				
<b>Significant unobservable input used</b>				
Fair Value per share				
<b>Sensitivity Analysis</b>				
A 10% increase in the Fair Value per share would increase the fair value by 10%.				
			2023 Rs. 000	2022 Rs. 000
Balance as at 1 January			1,817,133	1,671,218
Additions during the Year			-	-
Fair Value Gain Recognised in the Other Comprehensive Income			352,408	145,915
<b>Balance as at 31 December</b>			<u>2,169,541</u>	<u>1,817,133</u>

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## Land & Buildings

### Valuation Method

Land is valued using market approach with direct comparison method, whereby assets are compared to recent sales with no added or nominal added improvement value, making adjustments for points of difference to derive the fair value.

Depreciated Current Replacement Cost (DRC) method is used in valuing all the buildings except Central Point and White Aways considering that the assets controlled by the public sector entities that provide service to the community are not traded on an open liquid market.

Income approach is used to value the other buildings which values the property based on estimated future income, profits or cash flow that are converted (discounted) to a single current amount.

Under the Market Approach, estimated fair value would get increased/(decreased) if;

- Price per perch would get higher/(lower)
- Price per square foot would get higher/(lower)

Under Income Approach, estimated fair value would get increased/(decreased) if;

- Gross annual rentals would get higher/(lower)
- Years purchase would get higher/(lower)

### Derivatives

Derivative valuation models use forward prices (calculated by extrapolating the forward points available in the market) and discount rates calculated based on zero coupon yield curves of the respective currencies as of the valuation date. If the instrument that is valued contains a margin, adjustments are made to the forward prices and/or the interest rates to represent the impact of the margin rate.

### Gold

	2023 Rs. 000	2022 Rs. 000
Balance as at 1 January	10,031,610	35,151,981
Purchases/ (Sales) during the year	-	(26,108,952)
Foreign Exchange gains/ (losses)	(952,572)	4,094,758
Change in price of gold	1,041,718	(3,106,177)
<b>Balance as at 31 December</b>	<b>10,120,756</b>	<b>10,031,610</b>

### 50.2 Repurchase and Resale Agreements / Standing Deposit Facility

The reported value of repurchase and resale agreements is considered to approximate their fair value due to short term nature of the agreements. The carrying value of the provided Standing Deposit Facility as at 31 December 2023 was Rs.227,035.87 Mn (2022 - Rs. 330,637.06 Mn) and the carrying value of Sri Lanka Government Securities purchased under resale agreements as at 31 December 2023 was Rs. 333,951.94 Mn (2022 – Rs. 698,069.22 Mn). There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2023 (2022 – Nil).

### 50.3 Currency in Circulation

The fair value of Currency in Circulation is considered to be its face value as reported in the Financial Statements.

### 50.4 Deposits

The carrying value of deposits are considered to approximate their fair value as they are payable on demand.

## 50.5 Financial Instruments not measured at Fair Value

The following table sets out the financial instruments which are not measured at fair value.

	Carrying Amount		Fair Value	
	2023 Rs. 000	2022 Rs. 000	2023 Rs. 000	2022 Rs. 000
<b>Foreign Currency Financial Assets</b>				
Cash and Cash Equivalents	1,198,979,570	651,687,864	1,198,979,570	651,687,864
IMF Related Assets	11,830,901	1,641,520	11,817,285	1,632,712
Other Receivables	-	37,022,631	-	37,022,631
<b>Local Currency Financial Assets</b>				
Securities Purchased under Resale Agreements	333,951,940	698,069,219	333,951,940	567,532,312
Provisional Advances to Government	-	235,638,700	-	150,128,800
Loans to Banks	47,795,687	28,257,902	47,163,326	88,468,648
Other Assets	42,184,721	30,182,560	42,594,653	25,686,027
<b>Foreign Currency Financial Liabilities</b>				
Banks and Financial Institutions	54,113,792	146,408,028	54,113,792	146,408,028
Asian Clearing Union	-	736,258,128	-	736,258,128
IMF	967,325,212	1,127,925,092	967,325,212	1,127,925,092
Others	1,509,255,772	594,383,451	1,509,255,772	594,383,451
<b>Local Currency Financial Liabilities</b>				
Deposits of Banks and Financial Institutions	142,472,582	323,046,181	142,472,582	323,046,181
Deposits of Government and Governmental Entities	2,073,290	221,411	2,073,290	221,411
Securities Sold Under Repurchase Agreements & Standing Deposit Facility	227,035,873	330,637,059	227,035,873	330,637,059
Currency in Circulation	1,186,503,182	1,026,567,252	1,186,503,182	1,026,567,252
Other Payables	29,507,807	68,320,347	29,507,807	68,320,347

The fair values of the balances associated with the IMF deposits, loans granted to banks and internal fund investments differ from their carrying amounts.

The fair values of Cash and Cash Equivalents and Other Receivables presented under Foreign Currency Financial Assets, Securities Purchased under Resale Agreements and Provisional Advances to Government presented under Local Currency Financial Assets, Banks and Financial Institutions, Asian Clearing Union, IMF and Others presented under Foreign Currency Financial Liabilities and Deposits of Banks and Financial Institutions, Deposit of Government and Governmental Entities, Securities Sold under Repurchase Agreements, Currency in Circulation and Other Payables presented under Local Currency Financial Liabilities does not differ from their carrying values.

## 51. GOING CONCERN AND CAPITAL MANAGEMENT

### 51.1 Going Concern

The financial statements of CBSL has been prepared on the going concern basis. The Governing Board has assessed the key financial risks impacting the Bank as disclosed in the financial statements and has determined that there are no material uncertainties that may cast significant doubt about the Bank's ability to continue as a going concern and that therefore the going concern basis is an appropriate assumption to use in preparing the financial statements.

### 51.2 Capital management

As of 31 December 2023 total equity of the Bank amounted to Rs.11.1 Bn and the Governing Board is of the view that the Bank is sufficiently capitalized to continue the activities of the Bank. As per section 97 of CBA, in the event, the annual audited financial statements of the CBSL reflect that value of its assets falls below the sum of its monetary liabilities and its paid up capital, CBSL can request for a capital infusion from the Government to restore capital to an unimpaired level. In such event CBSL will assess the situation and decide the extent of the shortfall and with the approval of Governing Board request the Minister for a capital contribution to be made by the Government. The amount of capital in currency or in negotiable instruments issued at prevailing market related interest rates will be transferred after obtaining the approval of the Parliament.

## 52. RELATED PARTIES

### 52.1 Transactions with State and State Controlled Entities

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Sri Lanka (State as the ultimate owner of the CBSL), various government departments, and State controlled entities. Particulars of transactions, and arrangements entered into by the Bank with the State and State controlled entities which are individually significant and for other transactions that are collectively, but not individually, significant as per IAS 24 -Amended Related Party Disclosures are as follows:

Nature of the Transaction	2023 Rs. 000	2022 Rs. 000
<b>Transactions:</b>		
Outright purchases of Government Securities	1,394,499	-
Outright sales of Government Securities	-	242,099
CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales	13,979,231,698	143,913,767,948
Interest income/expenses on CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales	-	56,770,262
Liquidity Support Facility to Banks	32,500,000	-
Funds received on behalf of Government	599,128,330	210,540,495
Funds disbursed on behalf of Government	351,384,381	211,034,101
Cost of Printing currency notes, for the year ended 31 December (Note 52.1.3)	2,603,776	1,856,465
Payments for Goods, Services and Taxes, during the year ended 31 December (Note 52.1.4)	11,136,712	5,147,957
Gross Foreign Exchange Transactions during the period (Note 52.1.6)		
Sales	285,491,347	872,421,407
Purchases	912,234,278	695,124,187
USD/LKR Derivatives	10,742,797	595,270,456
External legal expenses	4,109	-
Funds Received in respect of Abandoned Property, during the year	572,600	365,405
Rent Income	208,276	207,763
Dividend Income	135,642	115,786
Other Transactions (Note 52.1.9)	912,255	794,842
<b>Balances:</b>		
Sri Lanka Government Securities held by CBSL (Note 52.1.7)	2,044,347,592	2,498,995,015
Provisional Advances to Government (Note 14)	-	235,638,700
Loans given under Covid - 19 Renaissance Refinance Scheme	14,435,008	1,821,749
Government Securities held for specific purposes	20,491,905	17,930,602
RTGS Balances with Banks and Financial Institutions (Note 26)	93,734,580	240,719,873
Nostro Balance with BOC London	41,368	43,888
Receivable from Treasury and other Ministries	8,698,715	3,540,670
Payable to Treasury and other Ministries (Note 25)	248,714,938	1,021,468
Current Account Balances with Government and Government Entities as at 31 December	(199)	(297)
Abandoned Property Balances	8,766,945	5,998,940
Other Balances (Note 52.1.9)	284,800	13,321,704

**52.1.1** As empowered under 61 of Part IX of the CBA and authorized by the Governing Board, the Bank Supervision Department carries out regulation and supervision of the banks licensed by CBSL.

The Department of Supervision of Non-Bank Financial Institutions of the Bank carries out its regulatory and supervisory functions in respect of Non-Bank Financial Institutions. Accordingly, related entities of state controlled or Government funded Non-bank Financial Institutions are under the supervision of this department.

**52.1.2** As per the Section 132 of CBA, the Central Bank shall continue to act as agent of the Government and be limited only in respect of the issuance of securities of the Government for the account of the Government and in respect of the management of public debt including servicing of both domestic and foreign debt until such date as the relevant law relating to public debt management agency or office comes into operation.

**52.1.3** The Bank has the sole right and authority to issue currency in Sri Lanka as per section 44 of the CBA. Accordingly, the Currency Department of the Bank functions as the sole issuing authority of the legal tender in Sri Lanka. Printing of the currency notes is carried out by De La Rue Lanka Currency and Security Print (Pvt) Ltd., of which 40% shareholding is owned by the Government.

**52.1.4** In carrying out the normal operations, the Bank enters into transactions to obtain various goods and services with Government entities or entities in which Government has significant influence or control.

**52.1.5** The Bank commonly acts as trustees that result in the holding or placing of assets and liabilities on behalf of Government, trusts, retirement benefit plans and other institutions, as explained in Note 56.

**52.1.6** In accordance with the provisions of the MLA (CBA with effect from 14 September 2023), International Operations Department of the Bank monitors the developments in the domestic foreign exchange market and net foreign exchange open positions of licensed commercial banks and National Savings Bank. In monitoring the domestic foreign exchange market developments, the Bank is supposed to be on both sides of the market to moderate the excessive volatility in the exchange rate of Sri Lankan rupee. However, the Bank intervention strategy mainly focused on purchasing foreign exchange due to the requirement of accumulating FX reserves particular to meet the Net Official International Reserves (NIR) target under the IMF-EFF program. During the first quarter, the Bank had to sell foreign exchange to the market aiming at financing the importation of essential commodities such as fuel and coal to assist maintaining economic activities in the country. The amounts of purchases and sales of foreign exchange represent results of such activities.

**52.1.7** The Domestic Operations Department of the Bank performs its direct functions of implementing the Bank's monetary policy mainly through open market operations as per Section 31 of CBA and enforcing Statutory Reserve Requirement as per Sections 32-34 of CBA and functions as the banker to both commercial banks where Government has shareholdings and certain other financial institutions and Governmental entities. The aggregate balances arising from this function as at 31 December 2023 is given in Notes 12. Interest earned on the Government securities is given in Note 36.

**52.1.8** The Bank also has custodial arrangements with one State-controlled bank, for which no charges were levied.

**52.1.9** Other Balances and transactions include the transactions carried out with the Government, Government departments and state controlled entities that are not individually significant.

## 52.2 Transactions with Key Management Personnel

Key Management Personnel of the Bank are the members of the Governing Board that includes Governor, Deputy Governors and Assistant Governors. Particulars of transactions with Key Management Personnel were as follows:

### 52.3 Compensations to the Key Management Personnel

	2023 Rs. 000	2022 Rs. 000
Short Term Employee Benefits	170,108	261,043

In addition to above compensation, the Bank also provides non cash benefits to Key Management Personnel in terms of the employment contracts with them.

### 52.4 Other Transactions with Key Management Personnel

	2023 Rs. 000	2022 Rs. 000
Outstanding Loans to Key Management Personnel	250,997	329,345
Loans granted during the year	153,118	203,018
Loans re-paid during the year	205,474	187,331

All the loans are adequately secured and carry interest ranging from 2% - 7% per annum depending on the loan category and are repayable monthly.

### 52.5 Transactions with Post-Employment Benefit Plans

	2023 Rs. 000	2022 Rs. 000
Contributions paid and payable	69,624	106,371

The Bank contributed various amounts to Pension and Other Post Retirement Plans as disclosed in Note 32 and paid Rs. 1,017.89 Mn (2022 – Rs. 986.99 Mn) to Employees Provident Fund. In the normal course of business, the Bank provides banking and financial services to its post employment plans. Amounts of balances with such plans are given in Note 30.2.

## 53. CONTINGENT LIABILITIES

### 53.1 Financial Guarantee Contracts

The Bank acting as an agent of the Government or its agencies and institutions, provides guarantees to various parties on the strength of counter guarantees issued to Bank by the General Treasury. There were no such outstanding guarantees as at 31 December 2023.

### 53.2 Credit Guarantees

The Regional Development Department (RDD) of the Bank performs the functions of providing refinance out of loan proceeds from external lines of credit to participating financial institutions for financing small and medium enterprises, issuing credit guarantees on loans to such enterprises, collecting guarantee premia, administering credit guarantee funds and undertaking post credit inspection and follow up action to ensure proper utilization of loan funds with a view of preventing defaults. During the year, RDD continued to provide refinance facilities under which the Bank provided guarantees against losses arising to a participating credit institution, which grants credit under this arrangement. This is not a guarantee on default by recipient of loans but against loss, which means that participating credit institutions should submit claims only in respect of amounts in loss after having pursued recovery action. The amount of contingent liabilities arising out of this arrangement are given below.

#### Local commercial banks - in respect of credit guarantees:

	Outstanding Guarantee Amount	
	2023 Rs. 000	2022 Rs. 000
Related Parties	114,763	1,989,471
Others	5,979	88,808
<b>Total Credit Guarantees</b>	<b>120,742</b>	<b>2,078,279</b>

The expected credit loss on credit guarantee is recognized for the year ended 31 December 2023 is recorded in Note 39.

### 53.3 Legal Claims

There were number of legal proceedings outstanding against the Bank as at 31 December 2023 and no provision has been made as the Bank is of the opinion that it is unlikely that any significant loss will arise.

## 54. COMMITMENTS

a) As at 31 December 2023, the Bank has capital commitments amounting to Rs. 64.78 Mn, in respect of the acquisition of Property, Plant and Equipment.

b) As at 31 December 2023, outstanding forward exchange transactions are as follows:

Forward exchange contracts		2023 '000	2022 '000
Forward Exchange Sales	USD	1,221,302	559,112
	GBP	-	12,500
	JPY	538,182	-
Forward Exchange Purchases	USD	225,000	4,750

## 55. TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Bank enters into transactions that result in the transfer of financial assets, primarily both foreign and local currency denominated debt securities. In accordance with the accounting policy set out in Note 5.3.3, the transferred financial assets continue to be recognised in their entirety or to the extent of the Bank's continuing involvement or are derecognised in their entirety.

The Bank transfers financial assets that are not derecognised in their entirety or for which the Bank has continuing involvement primarily through the following transactions:

- Securities Sold under Agreements to Repurchase
- Securities Lending
- Securities Pledged

### 55.1 Transferred Financial Assets that are not Derecognized in their Entirety

#### a. Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase transactions are performed as part of the Monetary Policy operations of the Bank and continues to be recognised in their entirety under "Sri Lanka Government Securities" in the Statement of Financial Position because it retains substantially all of the risks and rewards of ownership. The cash consideration to be paid and the interest accrued there on are recognized under Securities sold under repurchase agreements in the local financial liabilities of the Statement of Financial Position.

#### b. Securities Lending

Securities lending describes the established market practice by which, for a fee, securities are transferred temporarily from one party (the lender, i.e. CBSL), to another (the borrower); the borrower is obliged to return them either on demand or at the end of any agreed term. Currently a selected Clearing House (CH) functions as the custodian for the supranational bonds and bonds issued by different issuers. CBSL has signed an agreement which enable CH to lend at their wish depending on the demand for those bonds. Since the lending does not involve CBSL and CH lends them directly to the borrowers, the process is called auto bond lending. At the end of each month, custodian will send fee income for auto bond lending, if any for the bonds which they lent under auto bond lending programme. The Bank continues to recognize the securities in their entirety in the Statement of Financial Position because it retains substantially all of the risks and rewards of ownership. These securities are presented in the Statement of Financial Position as "Securities at Fair value through other Comprehensive Income".

#### c. Securities Pledged

In order to facilitate the securities settlement process, securities amounting to AUD 35.0 Mn were pledged by the Central Bank of Sri Lanka (CBSL) to Euroclear for a credit facility of USD 30.0 Mn until January 2017. At present, pledged securities held with Euroclear Bank amount to USD 3.0 Mn. The pledged securities are held in a separate account at Euroclear Bank.

#### Assets

Securities Pledged with Euroclear  
Carrying Amount of Assets

2023 Financial Assets at FVOCI	2022 Financial Assets at FVOCI
Rs. 000	Rs. 000
3,749,003	1,090,124
<u>3,749,003</u>	<u>1,090,124</u>

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## 56. TRUST AND CUSTODIAL ACTIVITIES

The Bank commonly acts as trustees that result in the holding or placing of assets and liabilities on behalf of the GOSL, trusts, retirement benefit plans and other institutions. The significant trust activities performed by the Bank are as follows:

- 56.1** The Bank handles disbursements and repayments of various foreign loans and grants under foreign funded development projects and credit schemes on behalf of the GOSL. It also collects counterparty funds under various foreign loans and grants on behalf of the GOSL and invests such funds in treasury bills on requests made by donor agencies.
- 56.2** The Bank shall have the custody of the moneys of the Employees Provident Fund (EPF). In terms of the statute, the functions of the Governing Board consist of receiving contributions, surcharges, income from investments, maintaining proper accounts of registered members of EPF, investing surplus funds and payment of benefits to the members.
- 56.3** The Bank administered the Deposit Insurance Scheme, which was a voluntary deposit insurance scheme opened to banking institutions licensed by the CBSL and cooperative societies registered under the Cooperative Societies Law No. 5 of 1972, which carry on banking business, and with effect from 1 October 2010 funds of this scheme have been transferred to the Sri Lanka Deposit Insurance Scheme, which was formed as per Gazette No: 1673/11 dated 28 September 2010.
- 56.4** In keeping with the above Gazette, CBSL established a Mandatory Deposit Insurance Scheme named the Sri Lanka Deposit Insurance Scheme as well as a Deposit Insurance Fund with effect from 1 October 2010 as an act of national interest to protect the funds of depositors.

With effect from 22 November 2013, this scheme was renamed as "Sri Lanka Deposit Insurance and Liquidity Support Scheme" and the Deposit Insurance Fund was renamed as "Sri Lanka Deposit Insurance and Liquidity Support Fund (SLDILSF)".

Further, as per Gazette No: 2239/52, new Regulations titled 'Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS) Regulations No. 02 of 2021 dated 06 August 2021 were issued by repealing and replacing the initial SLDILSS Regulations No. 01 of 2010 dated 28 September 2010, as amended.

With the Banking (Special Provisions) Act No. 17 of 2023 (BSPA) coming into operation from 15.11.2023, Sri Lanka Deposit Insurance Scheme (SLDIS) Directions No. 01 of 2023 were issued under the BSPA, repealing SLDILSS Regulations No. 02 of 2021.

All Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs) licensed under the Banking Act and Licensed Finance Companies (LFCs) licensed under the Finance Business Act, shall be members of this Scheme. Accordingly, 63 institutions are members of this Scheme as at 31 December 2023. In terms of Section 43 (2) of the BSPA, deposits to be insured include demand, time and savings deposit liabilities of the member institutions and exclude debt instruments including any promissory notes, hybrid equity and such other debt instruments as may be determined by CBSL and deposit liabilities as stipulated in Section 43(3) of the BSPA.

The deposit insurance fund was established on 1 October 2010 with the transfer of Rs. 350.20 Mn from the investments of the Voluntary Deposit Insurance Scheme and Rs. 1,168.31 Mn of investments made from collection of abandoned property funds of LCBs. As at 31 December 2023, the fund size of SLDIF is Rs. 110,117.96 Mn (unaudited, provisional) and reserve on financial instruments at fair value through other comprehensive income is Rs. 2,528.25 Mn. Accordingly, total equity balance of SLDIF as of 31 December 2023 is Rs. 112,646.21 Mn (unaudited, provisional). Currently, the amount of compensation payable per-depositor per-institution is limited to Rs. 1,100,000 or its equivalent in the case of foreign currency deposits. The payment of compensation shall not be a liability of CBSL, and CBSL shall not be responsible for any liability that exceeds the total amount lying to the credit of the SLDIF.

The Deposit Insurance Unit (DIU) is currently established in the Deposit Insurance and Resolution Department and is responsible for operation and management of the Scheme under the instructions and supervision of the Director of Deposit Insurance and Resolution in terms of Directions and policies as approved by the Governing Board from time to time. DIU shall maintain books and accounts distinctly separate from the Financial Statements of CBSL. The Auditor General shall be the Auditor of this Scheme.

- 56.5** On behalf of the Governing Board of the Bank, RDD acts as the exclusive agent of the GOSL with regard to the projects funded by GOSL and foreign donors as stipulated in the section 87(1) of the CBA. As at 31.12.2023, refinance granted to Participatory Finance Institutions (PFIs) amounted to Rs. 17,091.78 mn.