

# Financial Statements and Operations

Central Bank of Sri Lanka

# 2023



CENTRAL BANK OF SRI LANKA

# Financial Statements and Operations of the Central Bank of Sri Lanka

## 2023

In accordance with section 99(2) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank of Sri Lanka hereby submits to the Minister of Finance, Economic Stabilisation and National Policies, the Annual Financial Statements for the year ended 31 December 2023 approved by the Governing Board, which have been examined and certified by the Auditor-General. The report also provides an update on the operations of the Central Bank in 2023.



**CENTRAL BANK OF SRI LANKA**

## NOTE TO THE READER

In place of the Annual Report hitherto published under Monetary Law Act, No. 58 of 1949, the Central Bank of Sri Lanka, commencing from the financial year 2023, will be publishing two separate reports, namely, "Financial Statements and Operations of the Central Bank of Sri Lanka" and "Annual Economic Review", in fulfilment of the statutory provisions of the Central Bank of Sri Lanka Act, No. 16 of 2023, enacted in September 2023,

This publication, "Financial Statements and Operations of the Central Bank of Sri Lanka 2023", consists of the financial statements of the Central Bank as at 31 December 2023, along with an update on the operations and activities of the Bank during 2023.

The "Annual Economic Review 2023" analyses the state of the economy during the year 2023 emphasising the policy objectives and the condition of the financial system.

Together, these publications serve to enhance transparency, accountability, and information dissemination in relation to the Central Bank's operations, its policy objectives, their impact on the economy and the financial system.

**The online version of this publication can be accessed through:**

*<https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/financial-statements-operations>*



## PREFACE

The Central Bank of Sri Lanka (Central Bank) is the apex financial sector regulatory authority in Sri Lanka established under the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA), which came in to operation on 15<sup>th</sup> September 2023 by repealing the Monetary Law Act, No. 58 of 1949. The Central Bank is a body corporate with perpetual succession and shall be responsible for the administration of the monetary, financial and payment systems of Sri Lanka.

The new governing structure of the Central Bank comprises two parallel decision-making bodies, namely, (i) the Governing Board (GB) and (ii) the Monetary Policy Board (MPB), both of which are headed by the Governor.

- GB – oversees the administration and management of the affairs of the Central Bank and determines general policies of the Central Bank other than the monetary policy;
- MPB – formulates monetary policy of the Central Bank and implements a flexible exchange rate regime in line with the flexible inflation targeting framework to maintain domestic price stability.

Under the Central Bank of Sri Lanka Act, the objectives of the Central Bank are:

- to achieve and maintain domestic price stability as its primary objective, wherein the Central Bank shall consider the stabilization of output to reach its full potential.
- to secure the stability of the financial system as the other objective wherein, the Central Bank shall consider the development and efficiency of the financial system.

The Governor of the Central Bank continues to function as the Chief Executive Officer of the Central Bank. In addition to the Governor, the Senior Management is comprised of Deputy Governors, Assistant Governors and Heads of Departments. The Central Bank has 29 Departments and 6 Regional Offices and the departments are headed by Directors, reporting to the Governor or a Deputy Governor through an Assistant Governor.

## GOVERNOR'S MESSAGE

It is with great pleasure that I present the first publication of Financial Statements and Operations Report of the Central Bank of Sri Lanka (Central Bank) for the year 2023 subsequent to the enactment of the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA).

This report contains the financial statements of the Central Bank, prepared in accordance with the International Financial Reporting Standards, and duly audited by the Auditor General. It also includes details of the operations carried out by the Central Bank in 2023, ensuring transparent communication to stakeholders regarding the organization's activities.

The year 2023 marked a significant turning point for our country's economy, following the severe socio-economic crisis in the previous year. Despite the challenges, a notable improvement in terms of economic and price stability was witnessed due to the effective and timely adoption of appropriate policy measures. With clear signs of macroeconomic stability, particularly the sharp disinflation and re-anchoring of inflation expectations, monetary policy was eased, supporting economic activity further. Improved monetary policy communications during the year helped enhance monetary transmission, anchor inflation expectations and intensify transparency on Central Bank's activities. Smooth currency operations were ensured to maintain the public confidence and proper functioning of the economy. The enactment of the CBA in 2023 enshrined flexible inflation-targeting as the Central Bank's monetary policy framework along with a flexible exchange rate, while enhancing the Central Bank's independence and accountability.

Despite many challenges faced by the financial sector in 2023 due to the effects of the socio-economic crisis, the stability of the financial system was secured through robust regulatory interventions, vigilant oversight and effective policy measures, while endeavoring to enhance the sector's progression and inclusiveness. Further, under CBA, the Central Bank has been designated as the Macroprudential Authority and the Resolution Authority, and given the responsibility to promote financial inclusion, expanding its mandate and scope in securing financial system stability. Furthermore, measures were implemented aiming to protect the financial consumers while fostering fair and ethical practices among financial service providers. Activities connected to combatting financial fraud and pyramid schemes continued in collaboration with law enforcement authorities, and with public support.

Our responsibilities in the areas of public debt management, foreign exchange, employees' provident fund and the financial intelligence were carried out diligently, distributing the benefits to the respective stakeholders and to the national economy.

Further the operations of the Central Bank ensured compliance with the laws and regulations, minimised its exposure to numerous risks, simultaneously safeguarded its property and employees. Measures were initiated to recruit and elevate employee satisfaction to ease the challenges of high attrition on human-resources.

As we reflect on the achievements of 2023, I am confident that this report accurately captures our efforts to deliver the mandate of the Central Bank. Moving forward, our focus remains on contributing to the continued progress of the economy. In this endeavor, I have full confidence in the policy measures already adopted and to be adopted by the Central Bank on a forward-looking and data-driven manner to meet the challenges ahead as we strive to drive economic advancement. We also intend to focus on advanced technology for increased effectiveness and efficiency in all areas of operations while aligning our activities with international green standards.

I extend my sincere gratitude to the members of the Governing Board, the Monetary Policy Board and the former Monetary Board for their valuable guidance and to our dedicated team at the Central Bank for their commitment and contribution. Moreover, I thank our valued stakeholders, including the citizens of our nation, for their unwavering support and the confidence placed in us throughout this journey.



**Dr. P. Nandalal Weerasinghe**  
Governor

24 April 2024

## CORPORATE STRATEGY

The Central Bank through its strategic planning process has linked its overarching mandates for practical execution to achieve their objectives. This process integrates both top-down directives and bottom-up inputs from various departments, ensuring alignment with the objectives, mission, and vision of the Bank.

In 2023, substantial improvements were introduced to the methodology of identifying strategic priorities within the Central Bank, marking a notable evolution in its modus operandi of managing priorities. Through a careful analysis and a systematic approach to identify vitally important issues encompassing a wide range of concerns, the Central Bank outlined its priorities for the next three years, i.e., 2024-2026. Under each priority, a three-year priority plan, with specific actions, expected outcomes, outputs, and Key Performance Indicators was prepared to steer their execution. Individual departments prepared annual Departmental Action Plans for 2024 including all activities related to priority plans and other department specific strategies and operations.

Besides this, to ensure timely completion of the plans, progress monitoring was continued in 2023. Accordingly, while progress review meetings on priority plans were conducted biannually, discussions on the progress of Departmental Action Plans with individual departments were conducted on a quarterly basis. This monitoring mechanism furnishes valuable insights for informed decision-making by the management and drives continued progress towards achieving the Central Bank's set targets.

By employing this iterative and adaptive approach, the Central Bank showcased its dedication to fulfilling its mandate and objectives in a dynamic and evolving economic landscape in 2023. By aligning strategic plans with its objectives and remaining responsive to internal and external challenges, the Central Bank fosters resilience, agility, and sustained success in fulfilling its vital role within the Sri Lankan economy.

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