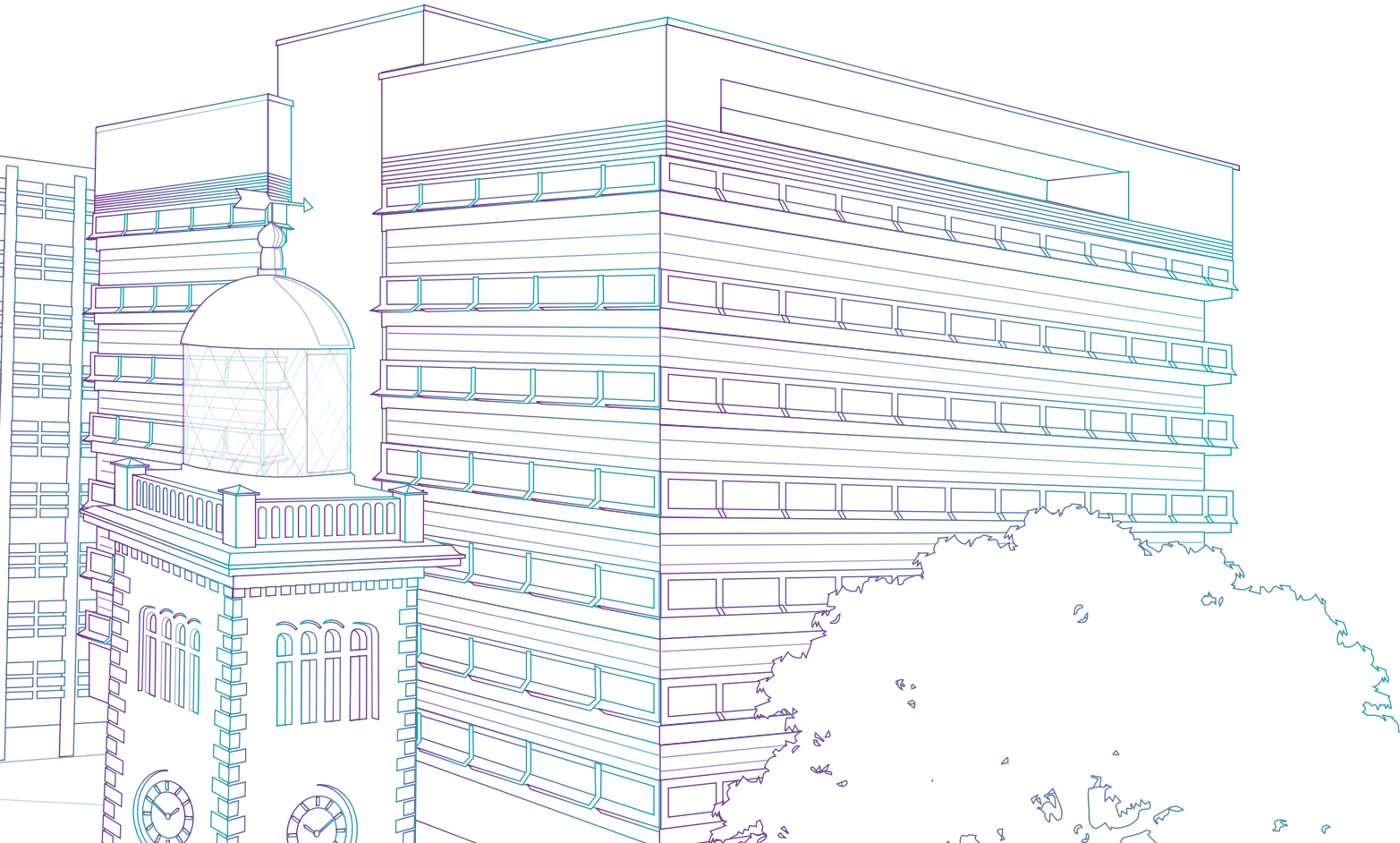




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CENTRAL BANK OF SRI LANKA

Financial Statements and Operations 2024



Financial Statements and Operations Central Bank of Sri Lanka 2024

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, Planning and Economic Development the Annual Financial Statements for the year ended 31 December 2024 approved by the Governing Board, and certified by the Auditor General. The report also provides an update on the operations of the Central Bank in 2024.



CENTRAL BANK OF SRI LANKA



Our Vision

A credible and dynamic central bank contributing to the prosperity of the people of Sri Lanka



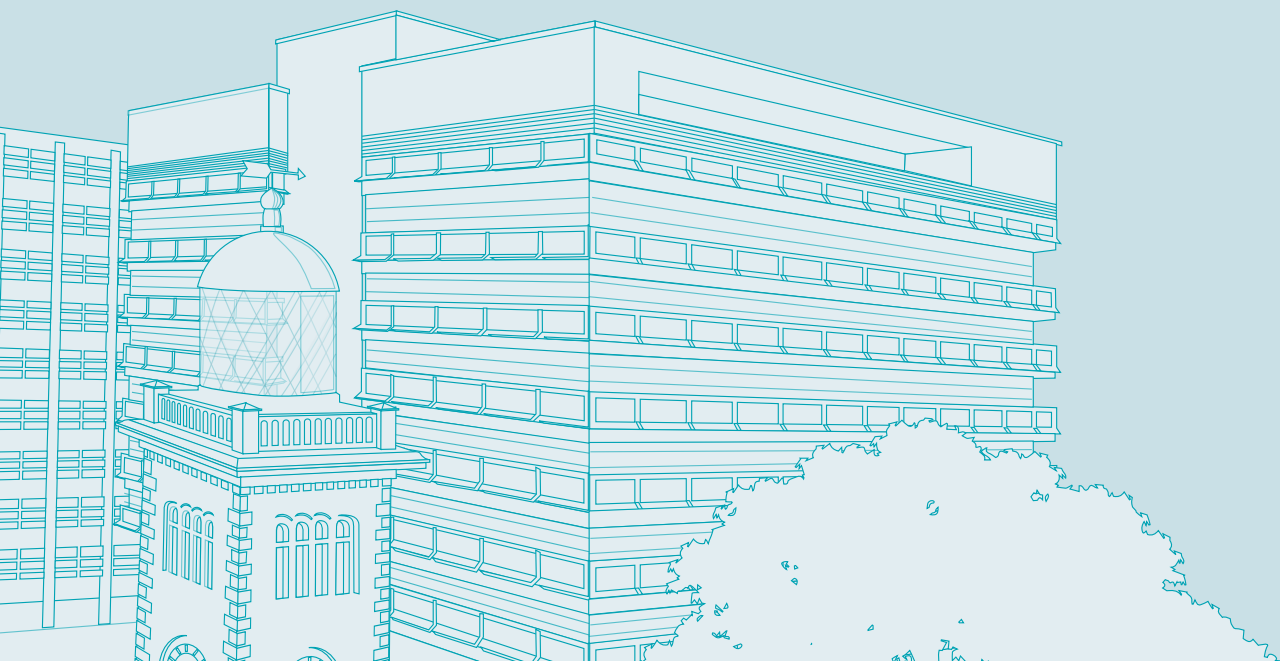
Our Mission

Maintaining domestic price stability and securing financial system stability to support inclusive and sustainable growth



Our Values

Integrity:	Accountability and Transparency:	Inclusiveness:
Ethical conduct	Responsibility	Progressive
Trustworthiness	Ownership	Integration
Consistency	Commitment	Teamwork
Leadership	Transparency	
Professionalism	Governance	
Technical excellence		
Independence of views		



Note to the reader

We are pleased to present the "Financial Statements and Operations of the Central Bank of Sri Lanka 2024". This report is published in accordance with the statutory requirements outlined in the Central Bank of Sri Lanka Act No. 16 of 2023 (CBA). It comprises the financial statements of the Central Bank of Sri Lanka (CBSL) as at 31 December 2024, together with an update on the Bank's operations and activities during the year 2024.

As stipulated under Section 99(2) and 99(3) of the CBA, the financial statements contained herein have been approved by the Bank's Governing Board (GB), signed by the Governor and the Chief Accountant, and audited by the Auditor-General. CBA mandates that these financial statements be submitted to the Minister of Finance within four months after the close of each financial year and subsequently laid before Parliament within fourteen days of receipt by the Minister if Parliament is in session. In the event that Parliament is not in session, the statements must be presented at the commencement of the next parliamentary session.

As per Section 7(1)(l) of the CBA, Central Bank adheres to its duty to inform Parliament, the Government, and the public about the Bank's policies and operations through this comprehensive report.

The Financial Statements and Operations 2024 report of the Central Bank of Sri Lanka provides a comprehensive overview of the institution's financial performance, operational activities, and strategic initiatives. It includes detailed analyses of the balance sheet, income statement, and cash flow statement, offering insights into the

monetary policy measures, financial system oversight, and operations conducted throughout the year. Additionally, the report highlights key priorities of the Bank.

Central Bank is committed to maintaining transparency, accountability, and independence in all aspects of its financial and operational activities. This commitment ensures that all stakeholders, including policymakers, researchers, financial analysts, and the public, have access to accurate and timely information about the Bank's performance and initiatives. By upholding these principles, Central Bank aims to foster trust and confidence in its role as the Central Bank of the country, ensuring that its actions are guided by integrity and objectivity, free from undue influence.

The online version of this publication can be accessed through: <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/financial-statements-operations>

To get detailed information on the state of the economy, an assessment of Central Bank policies, and the condition of the financial system, reader may refer to the Annual Economic Review (AER) published in terms of Section 80(3) of the CBA. The online version of AER 2024 can be accessed through: <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-economic-review>



Thank you for your interest in the Financial Statements and Operations 2024. We look forward to your continued engagement with our publications.

Message from the Governor



“ **The achievements of 2024 stand as a testament to the collective commitment and perseverance of all stakeholders, from policymakers and financial institutions to businesses and the general public** ”

With the turmoil of the 2022 crisis now largely behind us, Sri Lanka is on a steady recovery path, having collectively made considerable progress in undoing a series of historical policy missteps. While much remains to be done, the Central Bank of Sri Lanka (CBSL) can be justifiably proud of its contribution to this remarkable story of recovery. As the country's monetary authority operating with a degree of autonomy, we take full ownership of the monetary and financial sector policy measures that we intend to implement in the years ahead to facilitate the nation's progress towards prosperity. Barring any unforeseen circumstances and provided that the nation continuous on its current path of ongoing reforms, inclusive, equitable, and sustainable development will not be far behind. It is against this backdrop of profound optimism that I present to you our second Financial Statements and Operations Report, following the enactment of the Central Bank of Sri Lanka Act No. 16 of 2023.

This year's report continues the practice of publicising the Bank's financial statements prepared in accordance with

the International Financial Reporting Standards (IFRS) and audited by the Auditor General. Going beyond mere financial data, this comprehensive report demonstrates how the Central Bank is creating sustainable value for all stakeholders including the economy, financial system, and the society at large. By integrating environmental, social, and governance considerations into its decision-making process across the value chain, Central Bank deepens its commitment to responsible and forward-thinking measures for stability.

To say that Sri Lanka has undergone a transformative period in recent years would be an understatement. The circumstances the country found itself in, demanded a hitherto unseen degree of self-reflection, the results of which are only now becoming apparent. Looking back on 2024, a year that saw the country emerge from an economic quagmire unlike any before, we can take pride in the resilience and adaptability we have demonstrated as a nation – not to mention the courage needed to endure painful reforms. Equally important is our own unrelenting commitment as the apex financial sector regulator to stabilising and revitalising the financial system. The measures taken by Central Bank to restore macroeconomic stability through long-overdue reforms, monetary policy measures and micro- and macro-prudential efforts have positioned Sri Lanka on a far stronger footing than would have seemed possible at the outset of the crisis.

The successful completion of the debt restructuring process, both on the domestic and external fronts, alongside the continued implementation of the Extended Fund Facility arrangement with the International Monetary Fund, has proved instrumental in normalising relations with creditors and restoring investor confidence, which had eroded in the recent past. These efforts were further reinforced by the upgrading of Sri Lanka's sovereign rating in 2024, which has served to reduce the country's risk premium, signalling growing international recognition of our commitment to sound economic governance.

As a result of decisive monetary policy actions since April 2022, inflation, which had ravaged the national economy for the better part of two years, declined steadily in 2024. This welcome development allowed the Bank to adopt a more accommodative monetary policy approach by further reducing interest rates, supporting economic expansion and bringing much-needed relief to individuals and businesses, including the SME sector. Meanwhile, Sri Lanka's external sector demonstrated extraordinary resilience in 2024, with the country recording a current account surplus for the second year running. Official

international reserves were strengthened significantly during the year, reaching approximately USD 6.1 Bn. by end-2024. These gains spoke to the continuing stability of our economy, which remained consistently robust throughout the reporting period. Further, the improved macroeconomic environment, proactive regulatory reforms and enhanced risk management frameworks contributed to a decline in non-performing loans, while credit to the private sector expanded as market interest rates adjusted in response to improved macroeconomic conditions.

It bears repeating that macroeconomic stabilisation remains central to our policy framework. However, the road ahead demands a sharper focus on long-term transformation. The banking sector, as a key pillar of the financial system, must evolve to enhance financial intermediation with more inclusive financial services, support micro, small, and medium-sized enterprises, and advance digital financial solutions. In 2024, Central Bank continued to expand digital payment infrastructure and facilitate the transition towards a cash-lite economy, aiming to broaden access to financial services.

I must also stress that sustainability is an essential element of our policy agenda. As Sri Lanka integrates green finance initiatives and aligns financial sector policies with global sustainability standards, the onus is on commercial banks and other financial institutions to play a proactive role in driving investments in renewable energy, climate resilience, and environmental sustainability.

Looking ahead, Central Bank will remain committed to maintaining inflation around the target of 5%, in line with its flexible inflation targeting framework, ensuring price stability, and facilitating conditions for sustained economic expansion. Our monetary policy will remain forward-looking and data-driven, balancing the need for growth in a low inflation environment.

The new year, 2025, has brought to the fore the need to accelerate progress on a number of important initiatives. Among these is an effort to continue strengthening our ability to forecast macroeconomic outlook using modern techniques with enhanced data collection, data dissemination through modern technology, strengthening the monetary policy transmission mechanism through improvements to open market operations and the Statutory Reserve Requirement, and enhancing transparency and predictability in the foreign exchange market. Facilitating increased credit flows to the private sector at reasonable interest rates while ensuring responsible lending practices, protecting depositors, and enhancing macroprudential

“ **As we prepare to celebrate Central Bank's 75th anniversary, our focus will remain on ensuring stability as a foundation for prosperity** ”

regulations to sustain the resilience of the financial sector too remain top priorities. Further, plans are underway to increase financial inclusion initiatives, particularly for vulnerable communities and SMEs. Advancing digital financial transformation while reinforcing cybersecurity frameworks is also on the cards.

The achievements of 2024 stand as a testament to the collective commitment and perseverance of all stakeholders, from policymakers and financial institutions to businesses and the general public. As we prepare to celebrate Central Bank's 75th anniversary in 2025, our focus will remain on ensuring stability as a foundation for prosperity. It goes without saying that the progress made in restoring financial discipline and reinforcing economic governance must not only be preserved but further strengthened. In the years ahead, Sri Lanka has the opportunity to leverage its economic resilience and unlock its full growth potential, ensuring economic emancipation for all sections of society.

I take this opportunity to express my sincere gratitude to all stakeholders—including the government, government entities, domestic and international financial institutions, businesses, and, above all, the public—for their invaluable support and trust in the Bank's mission. A heartfelt thank you also goes to the dedicated staff of the Bank, whose hard work and commitment have been instrumental in achieving our shared goals.

Let us continue working together to build a brighter, more sustainable and prosperous future for all.

Nandalal Weerasinghe
Governor

About the Bank

Establishment and legal form

The Central Bank of Sri Lanka (CBSL) is a statutorily established body corporate with perpetual succession which functions as the authority responsible for the administration, supervision and regulation of the monetary, financial and payment systems of Sri Lanka, under the Central Bank of Sri Lanka Act, No.16 of 2023 (CBA), that came into effect on 15 September 2023 replacing the Monetary Law Act, No. 58 of 1949. The Bank operates independently, with administrative and financial autonomy.

Objectives

Central Bank's primary objective is to achieve and maintain domestic price stability, which involves keeping inflation low and stable.

The other objective is to secure financial system stability, ensuring that the financial system operates smoothly and efficiently.

Functions and powers

Central Bank formulates and implements monetary policy, manages the country's international reserves, issues currency, and regulates and supervises payment clearing and settlement system.

It also supervises and regulates financial institutions, ensuring they operate safely and soundly. Other entrusted functions include public debt management, managing the Employees' Provident Fund (EPF) as the custodian, and regulating foreign exchange.

Central Bank has the sole authority to issue currency in Sri Lanka, ensuring the integrity and stability of the national currency.

Governing structure

Central Bank is governed by two main boards: the Governing Board (GB) which oversees the administration and management of the Bank and the Monetary Policy Board (MPB) which formulates monetary policy.

The Governor of the Central Bank functions as its Chief Executive Officer (CEO). Other than the Governor, all members of the Governing Board and Monetary Policy Board are non-executive. Board members are appointed by the President on the recommendation of the Minister of Finance and with the approval of the Constitutional Council established under Article 41 A of the constitution.

In addition to the Governor, the Senior Management comprises of Deputy Governors, Assistant Governors, and Heads of Departments.

Accountability and transparency

Central Bank is accountable to Parliament and the public. Accountability is also ensured by rigorous auditing of its Financial Statements by the Auditor General.

Central Bank informs the public of its policies and operations regularly and submits regular reports to Parliament and parliamentary committees. The Bank also publishes a monthly balance sheet and annual audited financial statements.

International collaborations and engagements

Central Bank collaborates with institutions such as the International Monetary Fund (IMF), World Bank, Asian Development Bank (ADB) and Bank for International Settlements (BIS) to support capacity development, economic research, policy formulation, and financial stability initiatives. It also engages in bilateral and multilateral agreements with other central banks, regional financial institutions, and international regulatory bodies to foster economic cooperation, enhance financial inclusion, and ensure regulatory alignment. Active participation in global economic forums enables the country to remain connected to the international financial system while adapting to evolving economic challenges.

Public engagement and services

Central Bank actively engages with the public through regular press releases, printed and electronic media, social media, and publications. It conducts financial literacy programs, outreach initiatives, seminars, and educational programs to enhance public understanding of economic and financial matters. The Bank also maintains open communication channels for public inquiries, providing guidance on banking regulations, financial fraud prevention, and monetary policy. Additionally, it engages in consumer protection in the financial sector by setting standards for banking services and addressing concerns related to financial transactions.

Place of business

Central Bank has its principal place of business in Colombo 01 and have six regional offices in Anuradhapura, Matara, Matale, Nuwara Eliya, Kilinochchi and Trincomalee.

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This Financial Statements and Operations 2024 of CBSL is published within four months after the close of each financial year.


The comprehensive end-to-end interactive PDF version is also published.


Explore the interactive features within this PDF for a more engaging experience.





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Our strategy

Central Bank's strategic planning process has historically sought to link its overarching mandates with practical execution, integrating top-down directives and bottom-up inputs to achieve a workable degree of alignment with the Bank's objectives, mission, and vision. Thus, in 2024, the Bank commenced its 2024-2026 strategic planning cycle to meet emerging and evolving challenges head on, while consolidating the successes of recent years. Building on top of a solid foundation laid in 2023 in the aftermath of a crisis of existential proportions, Central Bank during the year under review embraced a more agile and adaptive strategy, incorporating insights from internal stakeholders and taking innovative, scientific approaches to achieving the Bank's core mandates.

In line with global best practices, the Bank in its strategic outlook remains deeply and keenly attuned to the unique challenges of the Sri Lankan economy, particularly in the wake of the various crises of the past several years, from the pandemic to the more recent economic downturn.

During the year under review embraced a more agile and adaptive strategy, incorporating insights from internal stakeholders and taking innovative, scientific approaches to achieving the Bank's core mandates

The process begins by defining strategic issues through an in-depth analysis of price stability, financial system stability, risk management, stakeholder perspectives, and internal capabilities including human resources and technology. Based on these analyses, Bank-wide strategic priorities are established targeting a medium-term time horizon. Each priority plan is subject to thorough peer review, focusing on practical implementation, risk assessment, impact evaluation, and integration needs. These are then discussed at the annual Strategic Planning Retreat (SPR) with the management and the Board members.

Strategic planning process

Figure – 01



At present, Central Bank's strategy is centred on two core strategic priorities which are directly linked to the Central Bank's mandate to ensure domestic price stability and financial system stability. In addition, the Bank has identified three enhancing priorities, strengthening internal and external communication for enhanced transparency, accountability and credibility, bridging current and emerging talent dynamics for a modern Central Bank and enhancing technological capacity of the Central Bank.

Maintaining domestic price stability which is essential for safeguarding purchasing power and the economic well-being of the population is the core priority of the Central Bank. Equally crucial is ensuring the stability of the financial system, which has been recognised as Central Bank's second strategic priority. Without a stable financial system, the entire economy could face severe disruptions. Safeguarding the structural integrity and resilience of the financial sector remains central to Central Bank's mission, as mandated by the Central Bank of Sri Lanka Act (CBA). The CBA has granted Central Bank statutory independence that has, consequently, resulted in much needed policy integrity.

Public trust is vital for the effective functioning of any Central Bank. CBSL actively builds confidence in its policies and mission through transparent communication and continuous stakeholder engagement. By fostering public understanding and trust, the Bank ensures greater

support for its monetary and financial stability measures, reinforcing its commitment to domestic price stability and financial system stability.

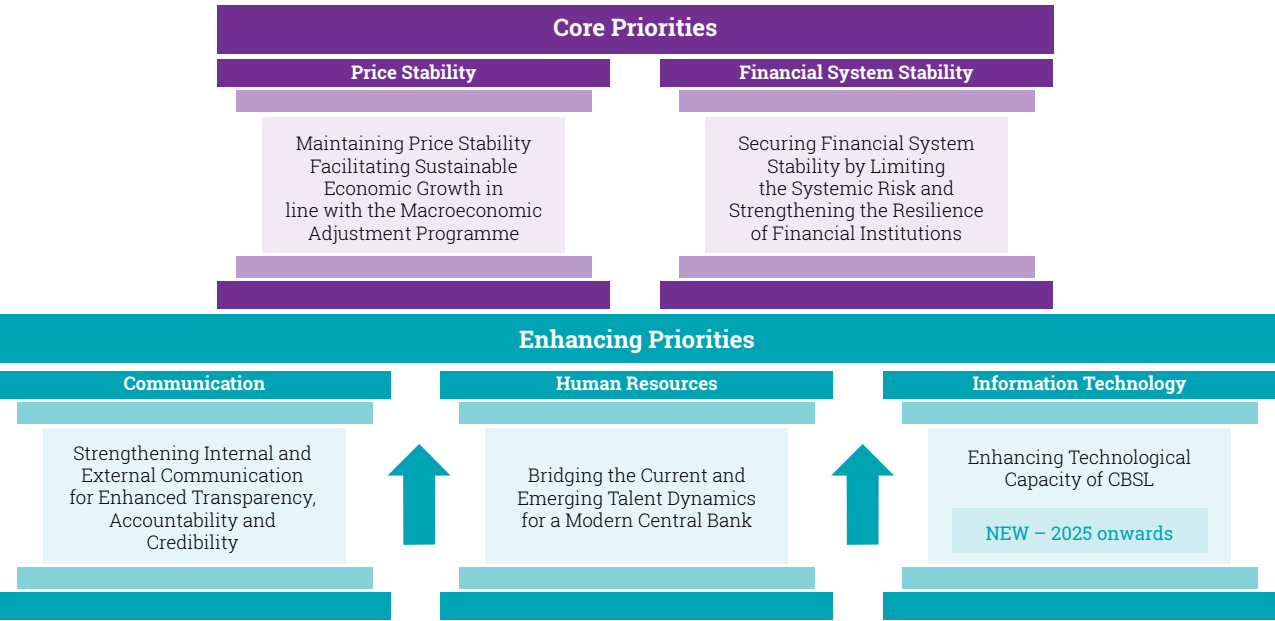
Revitalising CBSL as an institution is fundamental to advancing its strategic agenda. The Bank undertakes extensive modernisation efforts to enhance its operational framework and governance structures, improving efficiency and accountability. Therefore, the Bank's human capital strategy is of the utmost importance, particularly toward bridging current and emerging talent gaps.

Recognising the critical role of technology in central banking, Central Bank introduced "Enhancing Technological Capacity of CBSL" as a new strategic priority at the end of 2024, with implementation set to begin in 2025. Regular upgrades to IT infrastructure are essential for data-driven decision-making, while reinforced cybersecurity measures strengthen confidence in Central Bank's digital initiatives. By advancing its technological capabilities, the Bank aims to improve efficiency, security, and adaptability in an increasingly digital financial landscape.

In 2024, the first year of the 2024-2026 cycle, Central Bank made significant progress towards the achievement of its strategic objectives. Progress on strategic priorities was monitored biannually, with two review rounds conducted in May and October 2024. These reviews enable the management and the Board to evaluate the success of the Central Bank's outcomes of the priority plans.


Strategic priorities 2024-2026

Figure – 02



Our strategic priorities 2024-2026

CORE PRIORITIES



Maintaining price stability facilitating sustainable economic growth in line with the Macroeconomic Adjustment Programme

Objective

Maintain domestic price stability

Output


- Enhanced monetary policy decisions
- Reduction in net credit to the government
- Effective implementation of monetary policy tools
- Strong CBSL balance sheet ensuring independence, restoration of stakeholder confidence, and credibility of CBSL

Outcome

- Meeting targeted inflation
- Well-anchored inflation expectations
- Less volatile exchange rate
- Higher foreign exchange reserves
- Minimum liquidity stress in the banking system

Expected Impact

Achieving sustainable economic growth



Securing financial system stability by limiting the systemic risk and strengthening the resilience of financial institutions

Objective

Secure the financial system stability

Output

- Stability of public deposit taking institutions contributing to efficient financial intermediation
- Establishment of sound macroprudential framework and policy
- Amendments to acts and regulations
- Implement resolution measures and establishing adequate safety net mechanisms
- Implement technologically driven supervisory tools

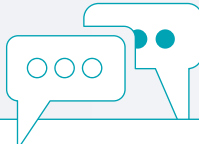
Outcome

- Adequately capitalised financial institutions
- Operationalised Macroprudential Authority
- Enhanced legal and regulatory frameworks
- Safe, effective and efficient payment system

Expected Impact

- Strong, resilient and agile financial institutions
- Public confidence in the stability and reliability of the financial system

ENHANCING PRIORITIES



Strengthening internal and external communication for enhanced transparency, accountability and credibility

Objective

Effective communication of CBSL policies for a better understanding, inclusion and engagement

Output

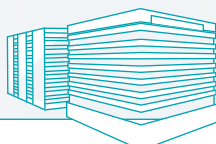
- Establish a Crisis Communication Framework for CBSL
- Publish non-technical summaries and bi-monthly op-eds
- Conduct media campaigns and events on financial literacy
- Provide stakeholder and audience analysis reports

Outcome

- Increased public understanding on the role of CBSL and its policies
- Enhanced financial literacy and inclusion
- Improved internal communication and preparedness

Expected Impact

Increased trust and credibility through transparency and accountability



Bridging the current and emerging talent dynamics for a modern Central Bank

Objective

Revamping the existing HR Strategy

Output

- Review of job structures and Human Capital Operating Model
- Establish functional clusters
- Conduct manpower plan based recruitment
- Revise Performance Evaluation mechanism
- Improve technical and leadership competency model

Outcome

- Healthy leadership pipeline for mission critical positions
- Expedited sourcing and moderating attrition at various levels and create an energising climate
- Greater employee engagement

Expected Impact

Aligned human resources strategy

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The story of recovery

► The story of recovery



Pulling a nation from the brink

Over the years, Sri Lanka has faced many economic challenges, but none as severe as the crisis in 2022. The recovery required a collective effort from all key stakeholders, with the Central Bank playing a pivotal role. Long lines formed for fuel and basic necessities as inflation soared to almost 70%. Power outages left the country in darkness for hours. This unprecedented downturn led to a political crisis, with the country on the brink of disintegration. With nearly all usable foreign exchange reserves depleted, the economy plunged into a balance of payment crisis, and urgent measures were needed.

The Central Bank had to act quickly to control inflation and stabilise the economy. Naturally, the Bank couldn't solve the crisis alone; all key stakeholders and the entire state machinery had to work together. Years of policy mistakes had to be corrected almost overnight to avoid a full-blown economic catastrophe.

Despite the grim situation, Sri Lanka's recovery has been swift and remarkable, with Central Bank playing a crucial role. After spending much of its 75-year history under fiscal dominance, Central Bank has gained the autonomy to steer Sri Lanka's economic future. From controlling inflation to ensuring financial stability and promoting sustainable growth, Central Bank's policy measures over the past two years have been significant.



The Bank's toughest test

In April 2022, amidst the balance of payments crisis, the Central Bank took initial steps to stabilize the economy. With the macroeconomy in freefall, the Bank and the state faced the challenge of stabilizing the macro environment quickly and restoring confidence. Investors had fled, and foreign creditors were demanding assurances that Sri Lanka couldn't provide. The rupee had reached its lowest point, reflecting the cumulative impact of longstanding structural challenges and constraints.

The Central Bank and other authorities acted swiftly. On the monetary policy side Central Bank implemented aggressive interest rate hikes, initially met with resistance, especially from the business community. However, within a few months this action stopped inflation from surging and the currency's rapid depreciation was curbed. The initial shock was hard, but

the public recognised the need for short-term sacrifices for long-term stability.

These efforts required a level of transparency previously unseen. Central Bank began to communicate more openly with the public, businesses, and external stakeholders, issuing regular updates on important developments. This transparency helped rebuild confidence that had eroded over time.



Addressing debt

Interest rate hikes and liquidity management alone couldn't address the root causes of Sri Lanka's crisis, primarily unsustainable debt. In 2022, the Government and the Central Bank negotiated a deal with the International Monetary Fund (IMF) for a USD 2.9 Bn. lifeline. This deal was about credibility, not just the funds. The reform programme agreed with the IMF Extended Fund Facility (EFF) directed the country into the right policy trajectory.

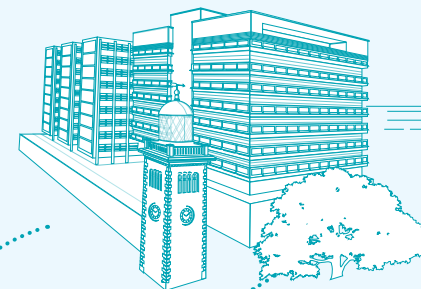
The Central Bank played a key role in restructuring Sri Lanka's external debt. This involved delicate negotiations with bilateral, multilateral, and private creditors, balancing the country's interests with those of other nations. The country began to regain a sense of relief as the complex debt restructuring process neared completion in late 2024, supported by improving sentiment in international markets, positive signals from credit rating agencies, and signs of restored confidence in Sri Lanka's financial outlook.



Fortifying financial stability

After the 2022 crisis, the Central Bank faced the challenge of maintaining the stability of the financial system. Recovery wouldn't be possible without a resilient banking system. Central Bank launched the Banking Sector Recapitalisation Strategy to shore up capital adequacy and ensure banks could meet their minimum capital requirements. To address temporary liquidity distress, the Central Bank rolled out the Emergency Liquidity Support Framework to prevent pressures on the banking sector from spiralling into systemic risk. The Central Bank also reinforced system stability through macroprudential policies for Domestic Systemically Important Banks (D-SIBs) to maintain additional capital buffers. The Banking (Special Provisions) Act (BSPA) provided the legal backbone for financial sector crisis management and established the Financial Stability Fund (FSF) as a safety net.

During and after the crisis, the Central Bank kept a close watch on the financial system, working alongside the Government and other institutions to offer relief through debt moratorium, restructuring of International Sovereign Bonds (ISBs), and liquidity support. The economy also benefited from measures taken before the 2022 downturn, such as Business Revival Units (BRUs) set-up in banks during COVID-19 pandemic. Over the past two years, the Central Bank focused on corporate governance reforms, required legislative changes, and proactive supervision as well to protect the financial system and lay the groundwork for sustainable growth.



A stronger Central Bank

Beyond the short-term measures, the Central Bank has been rebuilding the entire monetary framework. Over the past two years, the Bank has institutionalised a flexible inflation targeting regime with a flexible exchange rate, focusing on price stability. The forecasting models were upgraded continuously to make monetary policy decisions more data-driven, and forward-looking.

The Central Bank Act (CBA), passed in 2023, granted greater autonomy to the Bank, ensuring that its policy agenda is driven solely by macroeconomic fundamentals and enabling it to take harsh but necessary policy actions to steer the economy onto a path of recovery.



From recovery to growth

By 2024, the economic landscape had improved significantly, owing to the coordinated efforts of the Central Bank and the government, as well as the support of the IMF and other international partners. The inflation which had been out of control, was brought down to under 2% on average by end 2024. Interest rates, once high, eased gradually responding to Central Bank actions. Credit flows to the private sector were normalizing, and there was no monetary financing of fiscal deficits. Central Bank's role evolved from an emergency crisis response mode to a sustainability focused role contributing to macroeconomic stability. A major development was replacing the dual-policy rate system with a single overnight policy rate (OPR) in November, simplifying monetary policy communication and improving market efficiency.

Meanwhile, Sri Lanka's foreign reserves climbed past USD 6 Bn. by end 2024. Investor confidence was returning, bringing the prospect of real, long-term growth. The Sri Lankan Rupee, found its footing by responding to demand and supply conditions in the forex market. The uncertainty of the past years was fading, replaced by cautious optimism.

The road ahead

The collective efforts of the Central Bank, the government, and the public have been crucial in navigating the economy out of the crisis. Despite this progress, Sri Lanka's economy remains fragile unless the current economic reform agenda is effectively implemented. The public and businesses are dealing with increased living and production costs due to high inflation prevailed in 2022. Financial institutions, while stabilised, are still recovering from the crisis. Global economic challenges and geopolitical uncertainties also pose significant future risks.

What is certain is that a strong and independent monetary authority can stabilize a country. The 2022 crisis was a wake-up call, revealing the consequences of ignoring macroeconomic fundamentals. Central Bank's response to the crisis was decisive, marking a shift from reactive to proactive economic policy, redefining its role in Sri Lanka's economic future. While the country has not yet fully recovered, the progress made is real and tangible. The Central Bank stands as one of the key institutions that helped pull the country back from the brink, and in time, the public will come to appreciate that.

Maintaining domestic price stability

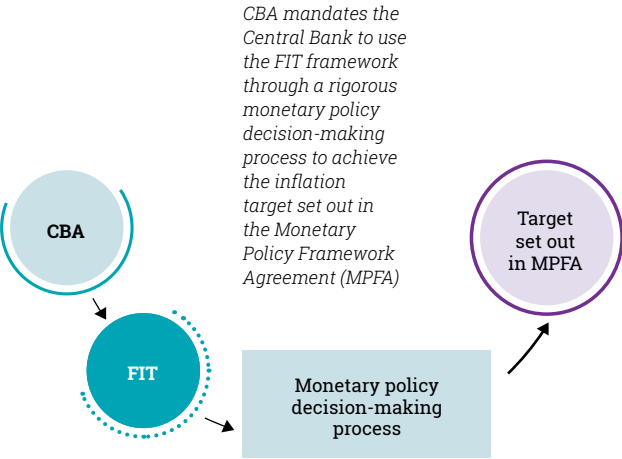
Being the prime objective of the Central Bank, maintaining price stability is integral to the economic well-being of the citizenry, as it is predictable pricing that helps sustain people's quality of life. Price stability also fosters investor confidence, leading to long-term growth.

Monetary policy formulation

As outlined in the Central Bank Act (CBA), the Bank's Monetary Policy Board (MPB) is responsible for formulating monetary policy and the implementation of flexible exchange rate regime in line with a Flexible Inflation Targeting (FIT) framework, with the aim of achieving domestic price stability through meeting the inflation target. The Monetary Policy Framework Agreement (MPFA)¹ reached between the Central Bank of Sri Lanka (CBSL) and the Minister of Finance currently mandates that the Bank maintains headline inflation at 5%.

Mandate to achieve inflation target

Figure – 03



Monetary policy decision-making process

Central Bank uses various policy instruments in particular the policy interest rate, to achieve its mandated inflation target, while a highly structured decision-making process aligns policy measures with the Bank's price stability objective. Monetary policy decision making process of the Bank is guided by the Forecasting and Policy Analysis System (FPAS). The process begins with staff-level

meetings where sectoral experts review granular level economic data, macroeconomic trends, and key variables that affect inflation and growth. Indicators such as lending rates, deposit rates, other macroeconomic variables and global developments are all critically analysed at these meetings setting the stage for the Bank's overall monetary policy direction.

One of the more important forecasting tools is the Quarterly Projection Model (QPM), which projects key macroeconomic variables. Macroeconomic projections and risks to projections are discuss at the Second Staff Level meeting.

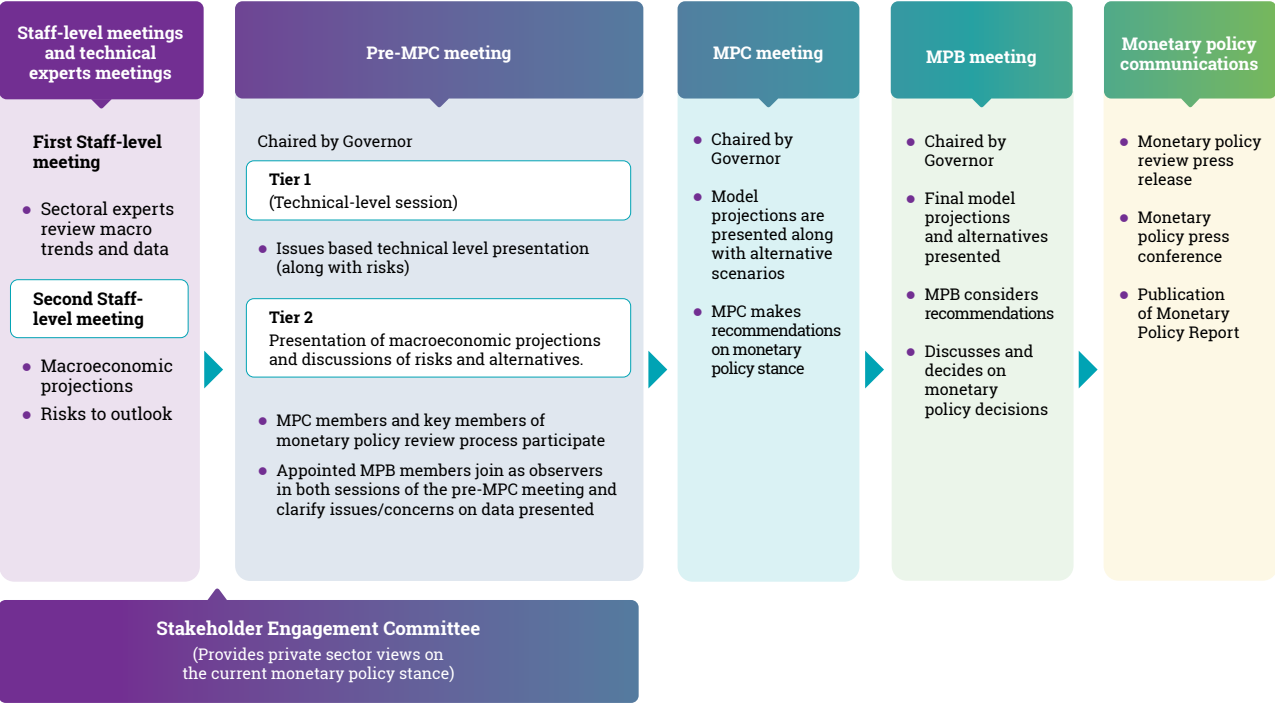
Pre-Monetary Policy Committee (Pre-MPC) meeting features both open (Tier I) and closed (Tier II) discussions. Tier I is an issue based technical level discussion along with risks analysis while the medium-term projections are discussed at Tier II.

The MPC is composed of senior Central Bank officials, including the Governor, Deputy Governors relevant Assistant Governors, and relevant Heads' of Departments. The Committee's core function is to review and analyse economic conditions and discuss potential policy actions. Its primary role is to recommend the direction of monetary policy, which is later reviewed by the Monetary Policy Board.

The MPB holds the final authority over the recommendations put forth by the MPC. It approves, amends, or rejects proposed policy actions. Once the MPB reaches a decision, the policy announcement is made publicly through a monetary policy review press release, on the following day typically issued at 7:30 a.m., followed by a press conference chaired by the Governor to provide further clarity on the decision.

Monetary policy decision-making process

Figure – 04



Coordination of fiscal, monetary, and financial stability policies

As stipulated under section 83 of CBA, the Council for the Coordination of Fiscal, Monetary, and Financial Stability (Coordination Council) was established in late 2023 to facilitate detailed deliberations of how fiscal policy actions of the Government and monetary and financial stability policies of Central Bank could impact one another. Central Bank and the Ministry of Finance would share information and exchange views on recent macroeconomic developments, outlook and risks, with an assessment of the impact of economic policies of the Government on inflation, monetary conditions and fiscal operations.

During the year 2024, Coordination Council meetings were held between the Governor of Central Bank, and the Secretary to the Treasury on 19 February, 19 June, 09 September and 19 December 2024.

Monetary policy communication

Central Bank's monetary policy communication strategy is informed by an unrelenting commitment to transparency. In 2024, six MPB meetings were held each followed by a press release and a press conference. Additionally, senior Central Bank officials have engaged in media interviews to deliberate the Bank's monetary policy stance. The Bank also made good use of its social media platforms and simplified materials to engage a wider audience and improve policy understanding.

Biannual Monetary Policy Reports² (MPR) were released to inform the public of ongoing economic developments and policy adjustments. Another biannual publication that commenced in 2024 is the Market Operations Report³ (MOR). This report contains a synopsis of the Bank's central monetary operations and also articulates developments in the domestic money market.

¹The Minister and the Central Bank may review the inflation target and related parameters every three years or at other intervals if exceptional circumstances arise. Upon such review, the Minister shall publish the updated target and parameters, along with the exceptional circumstances, in the Gazette.

² <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/monetary-policy-reports>
³ <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/market-operations-report>

2024 Highlights

In 2024, the Monetary Policy Board (MPB) held six meetings on the monetary policy stance, issuing corresponding policy announcements on 23 January, 26 March, 28 May, 24 July, 27 September, and 27 November.

Inflation remained within the band around the target in Q1 of 2024. However, inflation, as measured by Colombo Consumer Price Index (CCPI), deviated from the target on the low side for two consecutive quarters in the Q2 and Q3, prompting a report⁴ on the deviation, submitted to Parliament via the Minister of Finance and presented by the Prime Minister on 10 January 2025.

The report was further discussed at the Committee on Public Finance (CoPF) on 23 January 2025. Inflation continued to deviate from the target in Q4 2024 as well.

Monetary policy implementation

Domestic rupee market operations

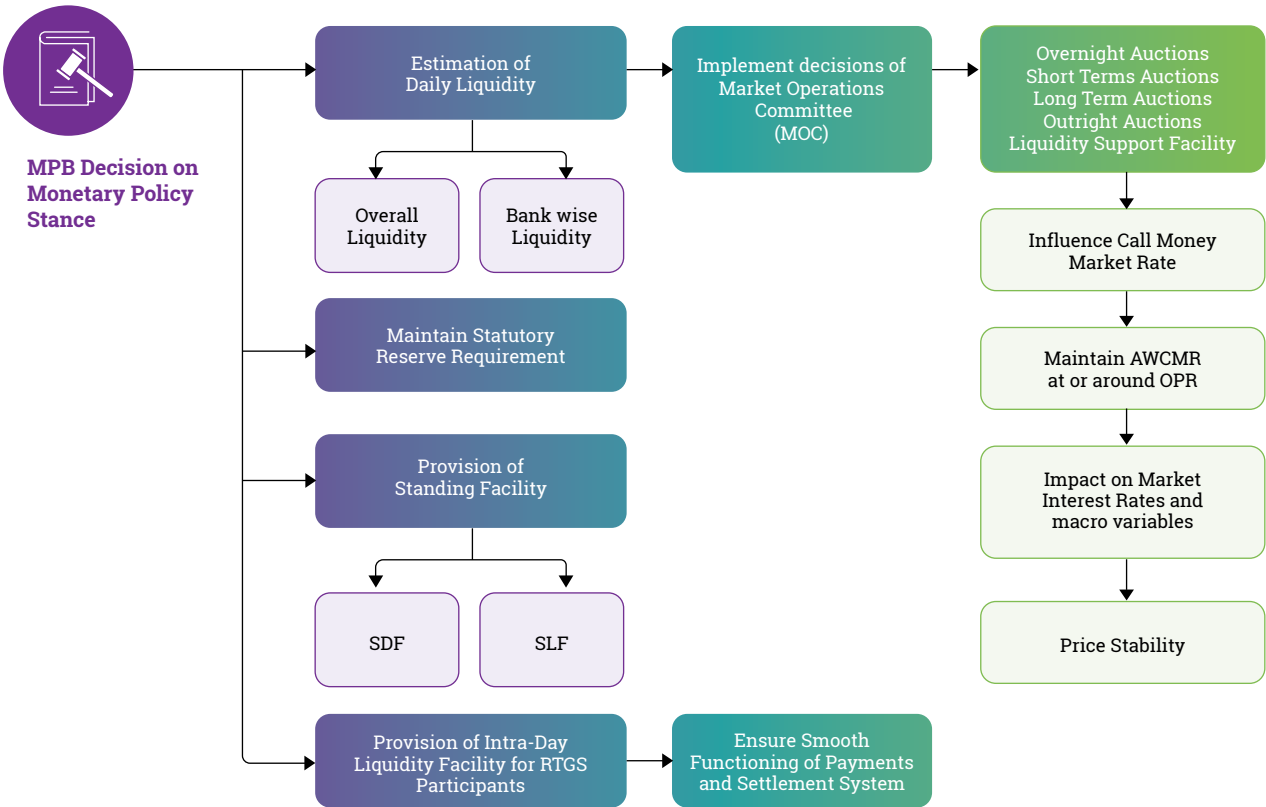
Monetary policy implementation aims to maintain the Average Weighted Call Money Rate (AWCMR), the operating target under the current FIT framework, at or around the Overnight Policy Rate (OPR). With the shift to a single policy interest rate framework on 27 November 2024, the OPR, set at 8%, became the primary tool for both communicating and implementing the monetary policy stance.

Open market operations

Open Market Operations (OMOs) are used by the Central Bank to manage liquidity in the domestic money market, ensuring that short-term interest rates are in line with policy targets.

Process of monetary policy implementation in Sri Lanka

Figure – 05



⁴ https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/report_on_deviation_of_inflation_target_Q2_and_Q3_2024_e.pdf

2024 Highlights

Liquidity conditions in the domestic money market improved throughout 2024, ending with a surplus of Rs. 168.1 Bn. in December. This was mainly driven by the Bank's net foreign exchange purchases and swaps. Due to liquidity distribution asymmetries among market participants, the Bank conducted reverse repo auctions as needed to ensure short-term interest rates stability.

Standing Facilities were provided as overnight facilities for Pls facing short-term liquidity shortfalls not covered by the money market or OMO auctions.

The ILF was provided to eligible participants to ensure the smooth operation of the RTGS system.

The Bank also continued to monitor compliance with the SRR, which remained unchanged at 2%.

No requests were made for the Emergency Liquidity Assistance Facility or Liquidity Assistance Facility in 2024.

Liquidity injection operations, such as Short and Long-term Reverse Repo Auctions (1-7 days and 8-90 days respectively), Outright Purchase Auctions, the Liquidity Support Facility (LSF) for Standalone Primary Dealers (SPDs), and FX Swaps (Buy-Sell), are employed when liquidity needs to be injected. On the other hand, liquidity absorption operations, such as Short-term Repo Auctions (1-7 days), Long-term Repo Auctions (8-90 days), Outright Sales Auctions, and FX Swaps (Sell-Buy), help absorb excess liquidity from the market.

In addition to the aforesaid operations, the Bank provides the following:

- **Standing Facilities:** Standing facilities are provided to Participating Institutions (PIs) who are unable to meet their short-term liquidity needs through the money market or OMO auctions. These facilities include the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF).
- **Intraday Liquidity Facility (ILF):** The ILF supports Dealer Direct Participants to ensure the smooth operation of the Real-Time Gross Settlement (RTGS) system.

Introduction of the single policy interest rate mechanism

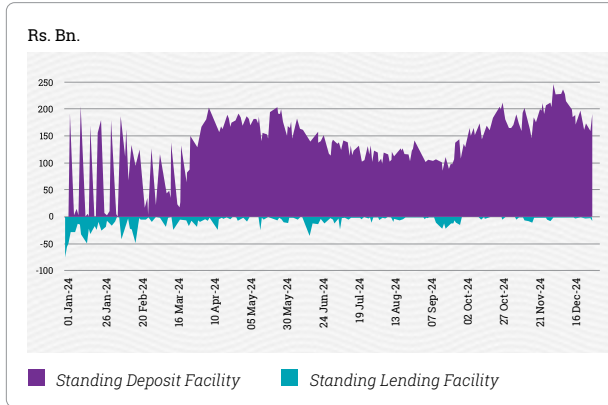
As outlined in the Central Bank's Annual Policy Statement in January 2024, the Single Policy Interest Rate Mechanism was introduced with necessary operational changes and implemented on 27 November 2024. Under this framework, the Overnight Policy Rate is set as the primary monetary policy tool which serves for signaling the Bank's monetary policy stance and as the benchmark for overnight transactions in the money market. It is periodically reviewed and adjusted by the Monetary Policy Board to align the interest rate structure with the targeted inflation path.

Statutory Reserve Requirement (SRR)

The SRR ratio sets the minimum amount of reserves Licensed Commercial Banks (LCBs) must hold in their reserve accounts with CBSL, in proportion to their total rupee deposit liabilities.

Behaviour of Central Bank's standing facility – 2024

Graph – 01



Domestic foreign exchange market operations

Central Bank, conducts foreign exchange (FX) operations with Licensed Commercial Banks and National Savings Bank (NSB) in line with the flexible exchange rate policy. To facilitate this, the Bank monitors the interbank FX market using the Central Integrated Market Monitor (CIMM), a system which enables to identify significant fluctuations in exchange rate. This oversight facilitates the smooth functioning of the domestic FX market and encourages ethical behaviour among market participants.

Central Bank intervenes in the domestic FX market by either injecting or absorbing FX to manage excessive volatility in exchange rates and to strengthen international reserves. As a temporary measure to accumulate foreign reserves, the Bank executes bilateral buy-sell swap transactions with LCBs and NSB and may also engage in sell-buy swap agreements with LCBs and NSB to inject FX liquidity without permanently depleting reserves, or to manage rupee liquidity.



2024 Highlights

Through intervention in the FX market, Central Bank absorbed USD 3,028.6 Mn., while supplying USD 183.0 Mn., resulting in a record net purchase of USD 2,845.6 Mn., the highest in the Bank's history, surpassing the Net International Reserves (NIR) target under the International Monetary Fund (IMF) extended fund facility (EFF).

Central Bank also conducted new buy-sell swaps totaling to USD 856.0 Mn. and rolled over USD 1,125.0 Mn. in existing swaps. Consequently, Gross Official Reserves (GOR) increased by USD 1,729.9 Mn., reaching USD 6,122.0 Mn. at the year-end, from USD 4,392.1 Mn. in 2023.



Adoption of the FX Global Code in Sri Lanka

The FX Global Code (FXGC) is a global framework promoting integrity, transparency, and best practices in the foreign exchange market. To improve Sri Lanka's domestic FX market, CBSL, with the support of the Sri Lanka Forex Association (SLFA), introduced the FXGC in 2024, encouraging LCBs and NSB to adopt its principles. LCBs and NSB have complied, publicly committing through Statements of Commitment on their websites. A register of committed market participants is available on the SLFA website. CBSL also affirmed its own commitment in November 2024.



Surveys and indices to support data-driven decision-making processes

► BUSINESS OUTLOOK SURVEY

The Business Outlook Survey (BOS), initiated in 2014, is a quarterly survey designed to track the current economic landscape and market trends, providing insights into future economic developments. The survey targets large-scale enterprises across the three primary economic sectors: agriculture, industry, and services. The findings are summarised through various Business Sentiment Indices, including business conditions, sales, demand, profitability, skilled labour availability, and capacity utilisation, among others.

<https://www.cbsl.gov.lk/en/statistics/business-surveys/business-outlook-survey>



► PURCHASING MANAGERS' INDEX

The Purchasing Managers' Index (PMI) is a monthly survey launched in 2015 for the Manufacturing and Services sectors, later in 2017 expanded to include the Construction sector. The PMI serves as a high-frequency leading indicator, providing insights into recent developments within these sectors for GDP forecasting. Survey results are summarised into five main indices, with findings published monthly in press releases.

<https://www.cbsl.gov.lk/en/press/press-releases/purchasing-managers-index-survey>



► CREDIT SUPPLY SURVEY

The Credit Supply Survey (CSS) was launched in 2014 on a semi-annual basis and restructured in 2019 to be conducted quarterly. The survey covers all Licensed Commercial Banks and Licensed Specialised Banks, providing insights into recent developments and the outlook for credit supply in the economy.

<https://www.cbsl.gov.lk/en/statistics/business-surveys/survey-on-credit-supply>



► CONDOMINIUM MARKET SURVEY

The Condominium Market Survey (CMS) is a quarterly survey launched in 2017, gathering data on developments in the condominium sector to inform policymaking, particularly regarding financial system stability. The survey targets major condominium developers.

<https://www.cbsl.gov.lk/en/statistics/business-surveys/condominium-market-survey>



► ASKING PRICE INDEX FOR LANDS, HOUSES AND CONDOMINIUMS

The Asking Price Index for Lands, Houses, and Condominiums is compiled from web-based sales advertisements in the Colombo District, with data collected monthly since October 2019. The index aims to analyse and track price trends for lands, houses, and condominiums in the secondary market.

<https://www.cbsl.gov.lk/en/statistics/business-surveys/condominium-market-survey>



Surveys conducted for internal analysis and policy guidance

In addition to the monetary survey and external sector surveys, the Central Bank conducts several surveys to inform internal decision-making and policy development. The Labour Demand Indicator (LDI) captures labour demand data through web-based advertisements. The Rental Indices for Houses and Condominiums analyse rental price trends in the secondary market for both houses and condominiums. The Price Indices for Used Vehicles track price trends of used vehicles in the market. The Inflation Expectations Survey (IES) gathers inflation expectations from the Corporate Sector (CS) and Household Sector (HS). Meanwhile, Grocery Price Index (GPI) provides weekly reports on domestic and imported grocery prices, including the impact of exchange rate.

Management of international reserves

Central Bank manages the country’s international reserves consistent with international best practices and guidelines set by the Governing Board (GB). Reserve management follows a structured, model-based scientific framework that aligns with the asset and liability structure, ensuring safety, liquidity, and return.

The GB is responsible for defining the risk appetite, setting risk tolerance levels, and establishing policies and overall risk parameters for international reserve management operations. Within the GB approved Investment Policy Statement (IPS) and Strategic Asset Allocation (SAA) Framework, the International Reserve Investment Oversight Committee (IRIOC) makes high-level investment decisions, while overseeing investment activities.

Oversight into the above process is ensured through the Board Risk Oversight Committee (BROC), which conducts independent risk and compliance assessments on a quarterly basis or as necessary.

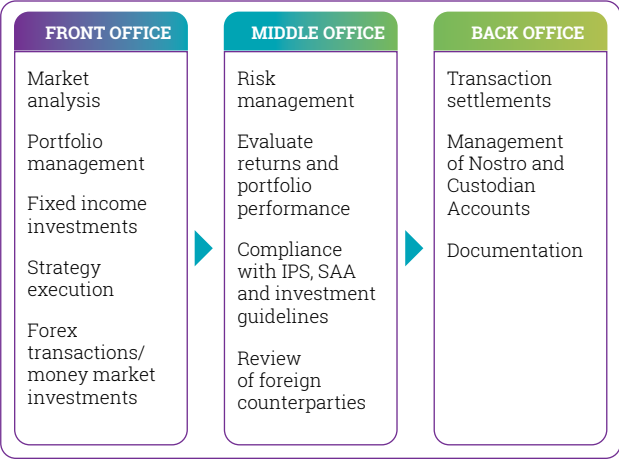
Risk management and business continuity

The reserve management team follows a strict Code of Conduct, requiring annual confirmation of adherence to ethical and professional standards.

To ensure business continuity, a disaster recovery site provides uninterrupted access to trading platforms, while remote access ensures secure connectivity for urgent tasks.

Operational structure

Figure – 06



Investment instruments and portfolio management

Foreign exchange reserves are managed through designated portfolios aligned with defined benchmarks. All transactions are recorded in the Reserve Management System (RMS), which facilitates portfolio analysis, trade capture, risk management and compliance, trade settlement, and portfolio performance evaluation. Reports are regularly shared with the GB, IRIOC, and management through quarterly board papers, monthly and weekly presentations, and meetings.

The investment portfolio includes foreign fixed income securities, money market instruments, gold investments, securities lending (managed by custodians on behalf of CBSL), repurchase and reverse repurchase transactions, FX swaps and forwards and derivatives.

2024 Highlights

With the normalisation of reserve management activities due to the gradual increase in the reserve level, returns were enhanced through advanced portfolio management techniques, while ensuring sufficient liquidity for payment obligations.

Return generated through investment activities exceeded the benchmark return, while portfolios were enriched with a twist of sustainability through Environmental, Social and Governance (ESG) investments, keeping in line with global trends in reserve management.

SWIFT KYC Registry and CBSL's adoption in 2024

The SWIFT KYC Registry is a global platform designed to streamline the exchange of Know-Your-Customer (KYC) and Customer Due Diligence (CDD) information among financial institutions, including central banks. It standardises KYC compliance, reduces manual reviews, and enhances transparency, security, and efficiency in the global financial system. By providing timely and accurate access to KYC data, the platform helps mitigate risks and ensures compliance with international regulatory standards.

In June 2024, CBSL successfully published its profile on the SWIFT KYC Registry, aligning with best practices in KYC and CDD. This transition enables CBSL to:

- Conduct efficient KYC/CDD reviews of foreign counterparties through a centralised platform
- Replace manual KYC review processes with a digital, standardised approach, ensuring faster and more accurate verification
- Enhance operational efficiency and improve compliance

Maintaining Government accounts and managing foreign receipts to the Government

Central Bank performs the functions relating to the role of the Central Bank as the banker to the Government, and depository for the Government. Accordingly, in 2024, Central Bank continued to provide banking facilities to government departments, agencies and institutions and certain foreign entities on behalf of the Government. Central Bank managed 48 such accounts during 2024.

Further, Central Bank manages the accounting of foreign receipts for the Government and its projects, including the opening of project accounts and special nostro accounts. Additionally, Central Bank is responsible for disbursing project funds, processing other fund transfers, and facilitating the repayment of foreign loans on behalf of the Government and IMF related transactions including IMF loan receipts, repayments, fees etc.

Ensuring financial system stability

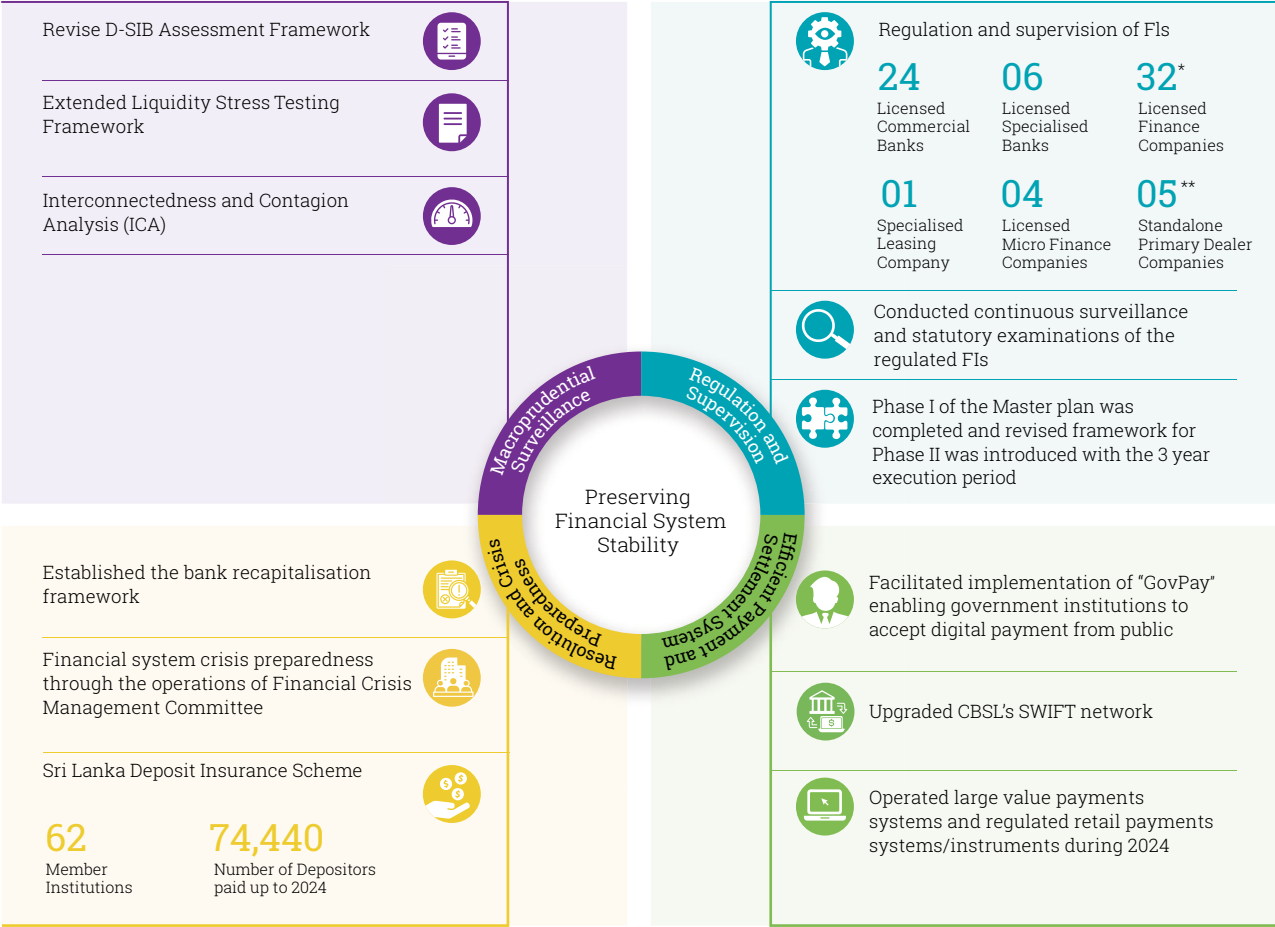
The financial system provides the foundation for the efficient allocation of financial resources within the economy through the network of financial institutions, financial markets and the financial infrastructure. Thus, the stability of the financial system is vital in ensuring a robust economy.

Moreover, the financial system should also be resilient to withstand shocks that emanate from both within the financial system as well as the broader economy and to ensure the provision of financial services even under adverse conditions.

Thus, ensuring financial system stability is one of the main objectives of the Central Bank as mandated by the Central Bank of Sri Lanka Act (CBA). In fulfilling this mandate, the Central Bank carries out both macroprudential and microprudential supervision of the financial system and take measures to implement required policies and regulatory actions in conjunction with other financial sector regulators, where necessary, to ensure the stability of the financial system. In addition, the Central Bank also carries out measures in relation to payments and settlements systems, financial inclusion, financial consumer protection, resolution of deposit taking financial institutions, deposit insurance, and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) initiatives to strengthen the stability and resilience of the financial system.

Figure – 07

Preserving financial system stability



* Excluding ETI Finance Ltd., refer note (a) at page 210 for details
** Excluding Entrust Securities PLC and Perpetual Treasuries Ltd., refer note (g) and (h) at page 210 for details

Role of the Bank ▶ Ensuring financial system stability

Macroprudential authority and policy framework

The Central Bank expanded its macroprudential framework to act as the nation's macroprudential authority, tasked with ensuring financial system stability.

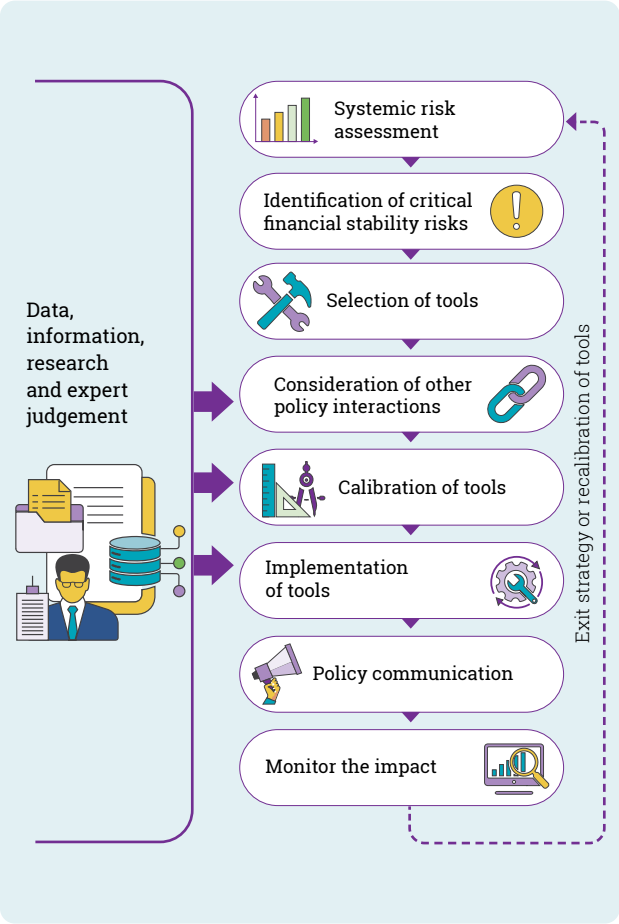
By implementing macroprudential policy measures, the Central Bank improves the system's resilience, mitigating systemic risks that could otherwise trigger financial crises and deepen economic downturns.

In line with this expanded role, as the designated macroprudential authority of the country, the Central Bank took steps to operationalise its mandate. This included the development of a robust framework based on international best practices, tailored to Sri Lanka. The oversight mechanism was further widened to support the functions of the macroprudential authority by facilitating the operations of Financial System Oversight Committee (FSOC).

On 14 March 2024, the Central Bank published the Macroprudential Policy Framework¹ under Section 63(2) of the CBA. This document aims to increase awareness among stakeholders about the policymaking process and highlights the importance of macroprudential policies in maintaining financial stability. It covers key topics such as systemic risk surveillance, macroprudential tools, interactions with other central bank policies, the institutional setup, and the communication of macroprudential stances and systemic risk developments. This framework serves as a vital resource for those seeking to understand the Central Bank's macroprudential approach.

Macroprudential framework

Figure – 08



Sustainable financing initiatives

The Central bank continued to enhance the sustainable financing initiatives during 2024. The existing sustainable finance roadmap was reviewed in 2024 with the assistance of International Finance Corporation (IFC) and developed the Sustainable Finance Roadmap 2.0 for 2025-2029 targeting the financial sector which extends the focus to the social aspect of sustainability as well.

The new Sustainable Finance Roadmap 2.0 will be launched during the first half of 2025. Further, several capacity building programmes for industry and regulators were conducted during the year aimed at enhancing exposure on sustainable financing and climate related financial risks.

¹https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/macroprudential_policy_framework_2024_march_e.pdf



2024 Highlights

Domestic Systemically Important Banks

As Sri Lanka's macroprudential authority, the Central Bank is responsible for designating Domestic Systemically Important Banks (D-SIBs). In 2024, the Central Bank revised its D-SIB Assessment Framework to align with the country's evolving banking landscape. The announcement of D-SIBs as per the revised framework is expected in the first half of 2025.

Interconnectedness and Contagion Analysis (ICA)

The Central Bank enhanced its ICA framework by incorporating bilateral exposures of the top 100 borrowers of banks. Exposure of 27 corporate groups was also incorporated for the ICA, further strengthening its assessment capabilities.

Liquidity stress testing

The Central Bank also extended its liquidity stress testing framework during the year under review, accounting for a range of stress scenarios, interest rate fluctuations, and the impacts of the Domestic Debt Optimisation (DDO) programme on the banking system.

Monitor and assess systemic risks

To bolster its role, the Central Bank conducted a series of analyses to monitor systemic risks, these assessments that examined macrofinancial conditions, the banking sector, finance companies, and financial markets, is conducted quarterly. During 2024, a number of studies were also conducted on large exposures in the banking sector, risks in the unit trusts industry, and vulnerabilities within the real estate market.

Heatmaps were constructed to monitor banking and finance sector vulnerabilities. Routine assessments on vulnerabilities emanating from households and corporates also conducted, along with bi-annual systemic risk surveys.

Regulation and supervision of the banks

Under the CBA and the Banking Act No. 30 of 1988, as amended, Central Bank holds the power to regulate and supervise Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs). Central Bank's primary role in this respect is to ensure the safety and soundness of the banking sector while protecting the interests of depositors and other relevant stakeholders. By the end of the year, 24 LCBs and 06 LSBs operated under Central Bank's regulatory and supervisory purview.

Related key functions are;

- **Licensing and regulation:** Central Bank issues licenses for banking operations and formulates prudential regulations
- **Continuous supervision and statutory examinations of LCBs and LSBs:** Central Bank conducts continuous supervision and regular examinations to ensure regulatory compliance and to ensure stability of the banking sector
- **Governance oversight:** Central Bank assesses and approves the fitness and propriety of Directors, Chief Executive Officers (CEOs), and Key Management Personnels (KMPs) of LCBs and LSBs
- **Regulatory actions:** Central Bank has the authority to initiate actions as empowered by the Banking Act, as amended with respect to LCBs and LSBs

Key components of the supervisory framework

Figure – 09



2024 Highlights

Legal and regulatory reforms

The Banking (Amendment) Act No. 24 of 2024 effective as of 15 June 2024 significantly strengthened the legal framework governing Sri Lanka's banking sector. In addition, Central Bank introduced several major regulations to enhance banking sector resilience. These included regulations on large exposures, business revival units, statutory liquidity ratios, offshore banking business, corporate governance, and related party transactions².

Examinations and continuous supervision

Central Bank conducted 15 full-scope statutory examinations, including four D-SIBs. Central Bank also performed branch examinations across several banks, and several spot examinations into large group exposures, cyber risks and fraud, and procurement practices. Joint supervision conducted with the Financial Intelligence Unit (FIU) focusing on compliance with Anti-Money Laundering and Combating the Financing of Terrorism. Continuous supervision is facilitated via financial and prudential information submitted by LCBs and LSBs.

Initiate corrective measures

LCBs and LSBs were required to initiate corrective measures with regard to non-compliances with the Banking Act and directions issued thereunder on 26 instances.

Other specific initiatives

Bank Recapitalisation Strategy was developed to ensure a well-capitalised banking system. Central Bank also facilitated offshore banking in the Colombo Port City, by facilitating to issue relevant regulations.

Regulatory approvals

Regulatory approvals processed by Central Bank in 2024 included 2,236 requests related to branches, and other outlets. Up to 1,925 approvals were granted during the year, while 311 requests were declined for prudential grounds.

Approvals relating to branches and other banking outlets

Types of approvals	No. of approvals	
	Processed	Granted
Opening and installation	1,995	1,698
Branches	16	8
Self Service Machines (SSMs)	91	78
Student Saving Units (SSUs)	148	90
Other banking outlets	24	24
No. of agents approved	1,716	1,498
Relocation	63	49
Branches	59	46
Others	4	3
Closures and cancellation of approvals granted for branches and other service outlets	58	58
Discontinuation and cancellation of approvals granted for ATMs and other automated machines	60	60
Discontinuation and cancellation of approvals granted for agents of LBs	60	60
Total	2,236	1,925

In addition, other regulatory approvals were granted to LCBs and LSBs in 2024 including appointments as new/continue Directors, CEOs and officers performing executive functions. Further, the following approvals were granted on prudential grounds:

²Directions, circulars, and guidelines issued to licensed banks can be accessed on the CBSL website at <https://www.cbsl.gov.lk/en/laws/directions-circulars-guidelines-for-banks>

Other regulatory approvals and assessments

Types of approvals/assessment	No. of approvals
Assessing fitness and propriety for appointment of KMPs	290
Outsourcing arrangements – concurrence	22
Disposal of property below market value	9
Inclusion of revaluation gains in Tier 2 capital	7
Inclusion of debentures in Tier 2 capital	5
Abandoned property reimbursements	7
Requests for expatriate staff visa recommendations/renewals	21
Other approvals/assessment	31
Total	392

Stakeholder communication and engagement

Regular and constructive communication with the banking sector is an important consideration in ensuring financial system stability. In 2024, Central Bank conducted monthly meetings with CEOs of LCBs and LSBs that serve as a forum for the exchange of views between Central Bank and the banking sector. As a part of the supervisory mechanism, several discussions were held with the Board of Directors and Senior Management of LCBs and LSBs on key supervisory concerns/findings and organised several meetings with external auditors.

The Bank also conducted chairpersons’ meetings to discuss banking sector performance, economic developments, and regulatory frameworks. Through its involvement in the Financial System Oversight Council (FSOC), Financial System Stability Committee (FSSC), Financial Sector Crisis Management Committee (FCMC), and Coordination Council (CC) Central Bank ensured effective governance and sector stability during the reporting period.

Public reporting and transparency

Aggregate level financial data and soundness indicators of banking industry, LCBs and LSBs are published on a quarterly basis in the Central Bank website³.

Regulation and supervision of the Non-Bank Financial Institutions (NBFIs)

Central Bank is entrusted with regulating and supervising Finance Companies (FCs), Specialised Leasing Companies (SLCs), and Licensed Microfinance Companies (LMFCs) under the Finance Business Act (FBA) No. 42 of 2011, Finance Leasing Act (FLA) No. 56 of 2000⁴, and Microfinance Act No. 06 of 2016 respectively, read with Section 61 of the Central Bank of Sri Lanka Act No. 16 of 2023. The Bank also supervises Primary Dealer Companies (PDCs) under the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 as amended and Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 as amended. Related key functions are;

- **Licensing and regulation:** Central Bank issues licenses/registrations for NBFIs and formulates prudential regulations
- **Continuous supervision and statutory examinations of NBFIs:** Central Bank conducts continuous monitoring and statutory examinations to ensure regulatory compliance
- Granting regulatory approvals
- **Regulatory actions:** Central Bank has the authority to initiate actions with respect to NBFIs
- Investigating unauthorised finance business, ensuring institutions are not illegally accepting deposits or operating without proper authorisation

Beyond direct regulation and supervision, Central Bank plays a broader role in capacity building, conducting public awareness programmes, facilitating court proceedings, and attending to public complaints.

Regulatory approvals for NBFIs

Central Bank granted 904 regulatory approvals to NBFIs to issue debt instruments, increase share capital, ownership transfers, amend the Articles of Associations, formation of subsidiaries, annual branch expansion plans, advertisements and deposit incentive schemes and matters related to key responsible persons, such as their appointments, continuation, resignations and retirements.

2024 Highlights

Issuing directions, rules, and guidelines

During 2024, prudential regulations were issued to further streamline and strengthen the existing regulatory framework of FCs in line with the current market developments and international best practices in consultation with FCs and relevant other stakeholders. A list of major prudential measures introduced during 2024 are directions on periodic reporting requirements, credit risk management, deposit solicitation and operational risk management and guidelines on remuneration policies and disclosure requirements.

Statutory examination and continuous supervision of NBFIs

Central Bank conducted statutory examinations on 17 FCs, one SLC, and two PDCs. Spot examinations were carried out for three FCs to investigate irregularities and four LMFCs to assess the need for enhanced supervision.

Central Bank maintained continuous off-site surveillance using its FinNet reporting system, analysing financial information, audit reports, external ratings, and press reports. Identified risks were escalated to the Governing Board, ensuring informed decision-making. A five-tier internal supervisory rating system was prepared, categorising FCs into very low to very high risk bands. Further, addressed 118 public complaints, primarily concerning policy issues and FCs with cancelled licenses.

Restrictions and sanctions

- Central Bank took swift action against non-compliant FCs under the Prompt Corrective Action Framework:
- Deposit-taking, lending, and borrowing restrictions were continued on FCs that did not meet capital requirements, though restrictions were lifted for FCs that achieved compliance
 - Meetings with boards and senior management were held to address regulatory concerns of non-compliant FCs
 - Collaboration with liquidators of failed FCs to expedite liquidation processes

Communication and data dissemination related to NBFIs

To enhance market transparency, Central Bank publicly disclosed the names of NBFIs that failed to meet prudential capital requirements and with regulatory restrictions on its website⁵. The Bank also intensified stakeholder engagement, holding discussions with:

- CEOs of FCs, SLC, and LMFCs on regulatory developments
- Boards of directors, senior management, industry associations, external auditors, and international agencies to address sector-wide concerns

To improve accessibility to sectoral insights, Central Bank published quarterly financial information of FC sector⁶ and shared data with global institutions such as the World Bank (WB), Asian Development Bank (ADB), and government entities.

Regulation of the money brokering business

Central Bank regulates the money broking sector under the Money Broking Regulations No. 1 of 2018 and No. 1 of 2019. Central Bank’s regulatory role includes:

- Issuing certificates of authorisation to eligible money brokering companies
- Issuing an annual certificate for authorised entities
- Monitoring compliance through guidelines, circulars, and supervisory examinations (both on-site and off-site)

Refer page 210 for the list of Authorised Money Brokers (AMB) supervised by Central Bank.

³<https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector>

⁴CBSL is in the process of making necessary amendments to the FBA to enhance the supervision, regulation and resolution framework of FCs and the FLA to address the concerns identified in the finance leasing business practices.

⁵<https://www.cbsl.gov.lk/authorized-financial-institutions/licensed-finance-companies>

⁶https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/sheets/quarterly_financial_information_lfc_sector_20241226.xlsx
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/sheets/key_financial_soundness_indicators_of_licensed_finance_companies_20250108_e.xlsx

Financial inclusion and financial literacy

With the enactment of the CBA, financial inclusion became a statutory function of the Central Bank. Accordingly, the Central Bank led the successful implementation of National Financial Inclusion Strategy (NFIS) Phase I (2021-2024), achieving over 80% completion of its action plan through a collaborative, stakeholder-driven approach. The initiative was monitored and evaluated quarterly, ensuring progress and accountability. Phase II of NFIS is set to launch in 2026, progressing on these achievements.

Financial literacy roadmap (2024-2028)

On 21 May 2024, Central Bank launched the Financial Literacy Roadmap (2024-2028), a five-year initiative consolidating national efforts under a unified policy framework to build financial literacy across Sri Lanka. Developed in collaboration with over 40 national-level stakeholders, the Roadmap is guided by the National Financial Inclusion Council and NFIS Management Committee to ensure long-term financial empowerment.

The role of regional offices in enhancing financial literacy and inclusion

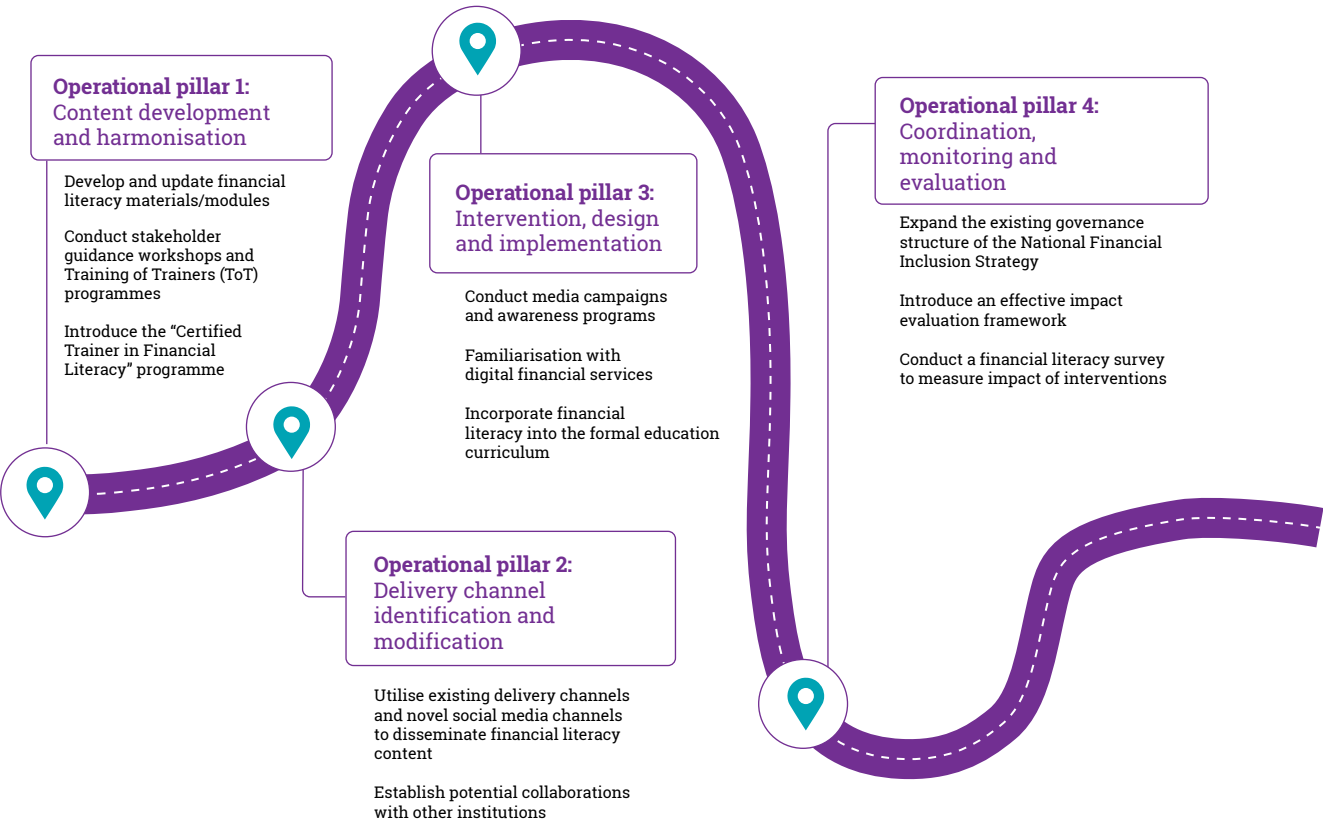
CBSL has six Regional Offices in Matara, Anuradhapura, Matale, Kilinochchi, Trincomalee, and Nuwara Eliya, amplifying CBSL's regional presence and driving financial inclusion and financial literacy efforts in underserved communities.

Refer page 206 for details.

In 2024, CBSL conducted 404 financial literacy programmes and 116 awareness programmes, reaching out to areas with limited financial education. CBSL also organised quarterly regional forums, with successful events held in Jaffna and Batticaloa in partnership with the regional offices in Kilinochchi and Trincomalee. These forums, attended by the Governor, senior CBSL officers, government officials, banks, academics, entrepreneurs, and Micro, Small and Medium-sized Enterprises (MSMEs), demonstrated CBSL's commitment to fostering financial inclusion and literacy across the island.

Figure – 10

Financial literacy roadmap action plan implementation: Path ahead (2024-2028)



Financial consumer protection

Central Bank issued comprehensive Financial Consumer Protection Regulations (FCP Regulations) No.01 of 2023 and full enforcement of the Regulations came into effect from 08 August 2024. These regulations contribute to

safeguarding financial consumer interests while granting Central Bank, the authority to conduct market conduct supervision, providing an effective mechanism to examine proper implementation of FCP regulations.

2024 Highlights

Throughout 2024, Central Bank continued to address consumer complaints and grievances while expanding its market conduct supervision efforts. To standardise supervisory practices and ensure consistency in regulatory oversight, Central Bank developed a comprehensive Market Conduct Supervision Manual.

In addition, a risk-based evaluation framework was introduced, utilising nine Key Risk Indicators (KRIs) to assess inherent consumer risks and their impact. Based on this evaluation, Central Bank conducted a full-scope examination of a licensed bank to assess compliance with FCP regulations, along with a thematic review of three licensed banks, focusing on market conduct and consumer protection practices. These examinations revealed several instances of non-compliance, particularly in areas related to unfair business practices, disclosure, and transparency.

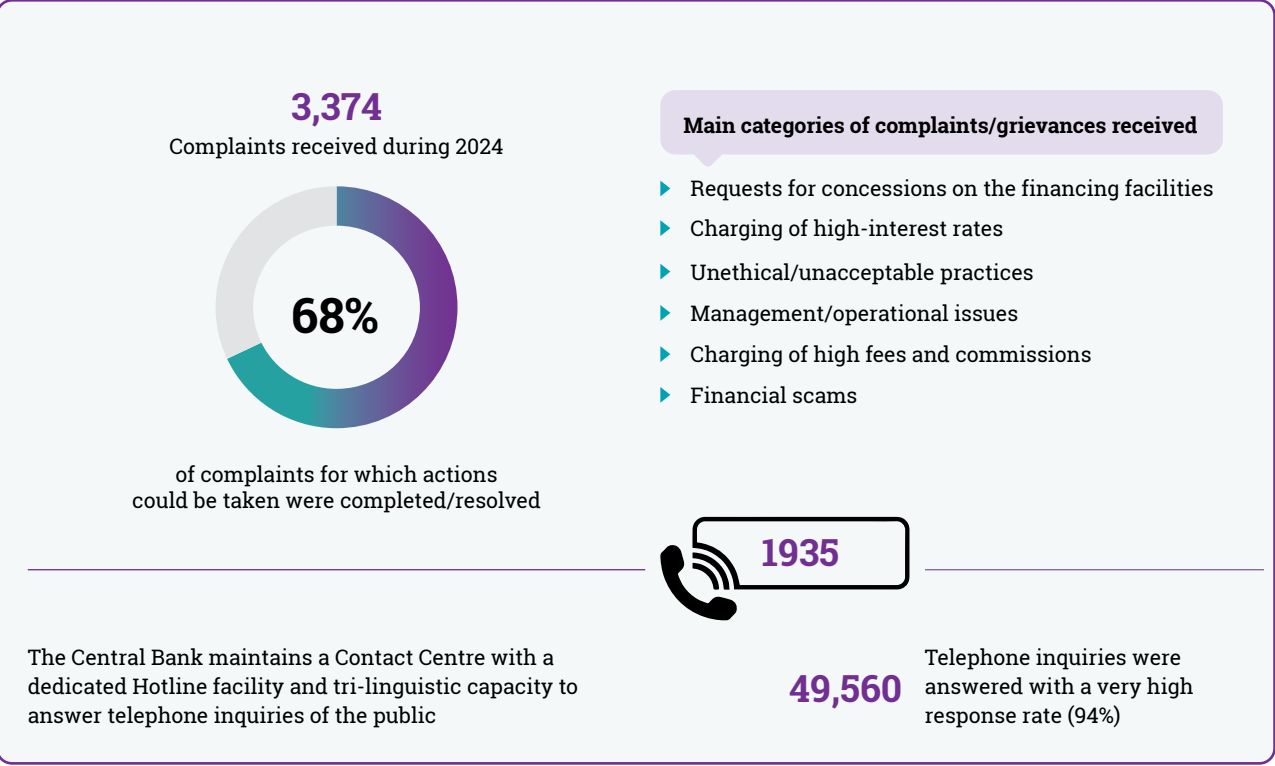
Furthermore, Central Bank undertook a focused investigation into specific consumer protection concerns raised during the year.

Central Bank also operated a contact centre with a dedicated hotline facility, providing trilingual support to address public inquiries. To reinforce understanding of financial consumer protection regulations, Central Bank provided several training sessions for employees of regulated Financial Service Providers (FSPs) and for the public.

Recognising the importance of global collaboration, Central Bank engaged with international financial consumer protection experts, including the International Finance Corporation of the World Bank (IFC-WB) and the Alliance for Financial Inclusion (AFI), with the aim of refining its regulatory framework and enhancing its supervisory approach.

Figure – 11

Handling of customer complaints and inquiries



Resolution authority

Under the Banking (Special Provisions) Act, No. 17 of 2023 (BSPA), Central Bank holds resolution authority over licensed banks.

2024 Highlights

Resolution initiatives

- In 2024, CBSL strengthened its resolution framework for financial institutions:
- Governing Board empowered the Director of Deposit Insurance and Resolution Department on 20 March 2024 to perform the functions and responsibilities related to the exercise of resolution authority on behalf of CBSL, within the limitations and capacities defined under the BSPA.
 - The Resolution Policy of the Central Bank was introduced in 17 July 2024.
 - The Financial Stability Fund (FSF) was established on 03 October 2024 to support resolution objectives ensuring financial stability.
 - Resolution triggers for licensed banks were approved by the GB on 10 October 2024, marking a significant step toward enhancing resolution preparedness.
 - BSPA Directions No. 01 of 2024 on “Data Templates for Resolution Planning for Licensed Banks” were issued to all licensed banks on 29 October 2024 mandating licensed banks to submit primary data for the preparation of resolution plans, ensuring a structured, data-driven approach.
 - Technical assistance was secured from the ADB under the Financial Sector Stability and Reforms Programme to further strengthen the resolution framework in Sri Lanka.
 - CBSL is progressively developing Resolution Plans for selected D-SIBs, medium, and small-sized licensed banks, in collaboration with relevant stakeholders and ADB consultants.

Sri Lanka Deposit Insurance Scheme

Sri Lanka Deposit Insurance Scheme (SLDIS), initially established in 2010, was legally instituted under the BSPA in 2023 and during the year 2024 the administrative and management arrangements of the scheme were successfully performed.

2024 Highlights

Operations of SLDIS

- During the year 2024, the SLDIS was strengthened in line with the provisions of the BSPA by introducing several policy level improvements, mostly aligned with Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers (IADI):
- Established a new organisational structure which clearly delineates the deposit insurance function and the resolution function
 - Entered into a Memorandum of Understanding (MoU) with the Ministry of Finance on Backstop funding arrangement for SLDIS.
 - Introduced a new guideline for reimbursement of insured deposits mostly aligning with core principles of IADI and international best practices.
 - Launched a separate webpage dedicated to the SLDIS displaying its logo to facilitate the dissemination of information regarding the scheme and to provide easy access to relevant resources by stakeholders of SLDIS.
 - Finalised a new investment policy for managing reserves, which was approved by the Governing Board in January 2025.
- Further, SLDIS was able to perform operational activities of the SLDIS effectively in accordance with established policies and procedures:
- Recovered a total of Rs. 261.46 Mn. from liquidity support loans recoverable, up to end 2024.
 - Paid a total of Rs. 31.3 Bn. as compensation to depositors of seven companies whose licenses were cancelled up to 2024.

Financial Sector Safety Net Strengthening Project (FSSNP)

- SLDIS secured USD 150 Mn. in funding from the World Bank, with the Government of Sri Lanka as the borrower, to implement the FSSNP. Of the total loan, USD 100 Mn. was disbursed to the Sri Lanka Deposit Insurance Fund (SLDIF) upon meeting project conditions and are currently kept in ring-fenced dollar account.

Unmasking pyramid schemes: Legal implications and preventive measures in Sri Lanka

An often- unforeseen consequence of a financial crisis is an observable rise in fraudulent activity, with many unsuspecting victims falling prey to elaborate, imaginative and increasingly sophisticated scams. Over the recent past, particularly following the 2022 crisis, the phenomenon of pyramid schemes has made a worrying comeback. Despite its prohibition and the authorities’ persistent efforts to combat its rise, it remains a threat to individual investors and the broader economy alike. Pyramid schemes rely on continuous recruitment rather than legitimate commercial activity, often promising quick, high returns to lure uninformed participants, often from vulnerable communities. The absence of tangible products and unsustainable growth patterns all but guarantee their inevitable collapse, leading to substantial losses for most if not all participants. However, due to enforcement challenges and the adaptability of fraudsters, these schemes and the forces behind them continue to thrive.

Legal implications

Pyramid schemes violate Section 83C of the Banking Act No. 30 of 1988. They are defined as operations where participants’ benefits are dependent on the recruitment of new members or increased contributions. Legal consequences for involvement in a pyramid scheme are stringent. Offenders face fines of up to one million rupees or imprisonment for up to three years or both. If the scheme was operated with intent to cause financial harm, penalties are more severe—rigorous imprisonment of not less than three years and not more than five years and a fine of two million rupees or twice the amount received from participants, whichever is greater.

Deceptive tactics

- Fraudsters often disguise pyramid schemes as legitimate opportunities, such as:
- Presenting them as Multi-Level Marketing (MLM) business
 - Misusing business registration to appear credible
 - Promising unrealistic returns with minimal effort
 - Using high-pressure sales tactics and testimonials
 - Operating online and incorporating cryptocurrency scams
 - Disguising training programs as recruitment schemes

Role of CBSL

Under Section 83C of the Banking Act No. 30 of 1988, Central Bank has actively addressed public complaints regarding prohibited financial schemes, including pyramid schemes and other scams. Throughout 2024, Central Bank received numerous complaints, laying bare growing public concern over these illicit activities.

To further strengthen compliance and deter illegal activities, Central Bank conducted investigations during the year. These investigations played a crucial role in identifying and addressing illegal operations, thereby safeguarding the public’s interests and ensuring financial sector stability. The Bank also carried out fact-finding investigations based on public complaints, gathering critical evidence, which enabled swift and decisive actions against perpetrators. Central Bank’s thorough approach reinforced its role as a vigilant regulator, dedicated to ensuring a safe and secure financial environment for all stakeholders.

In 2024, Central Bank dismantled multiple fraudulent operations linked to pyramid schemes, supported by a series of public education campaigns designed to raise awareness and help individuals identify and avoid such frauds. Central Bank also strengthened collaboration with law enforcement agencies to facilitate quick actions against perpetrators, fostering a more coordinated approach to tackling such illegal activities.

Investigation of unauthorised finance businesses

In response to complaints and information regarding unauthorised deposit-taking and finance businesses, Central Bank initiated 158 investigations by the end of 2024 under Section 42 of FBA.

These investigations aimed to determine whether entities or individuals were engaging in finance business or accepting deposits in violation of FBA provisions.

In 2024, Central Bank obtained 18 extensions from the High

Court of Colombo for freezing orders under Section 44 of the FBA, preventing the alienation of assets of entities and individuals under investigation. Further, 15 individuals were subject to travel bans, with orders from Magistrate Courts under Section 45(3) of the FBA.

Based on the recommendation from the Director Department of Supervision of Non-Bank Financial Institutions, the Bank identified two individuals involved in unauthorised deposit acceptance in violation of section 42(4) of the FBA.

Central Bank published the notices in Sinhala, Tamil, and English in daily and weekend newspapers in terms of Section 42(10) to inform the public about the determinations.

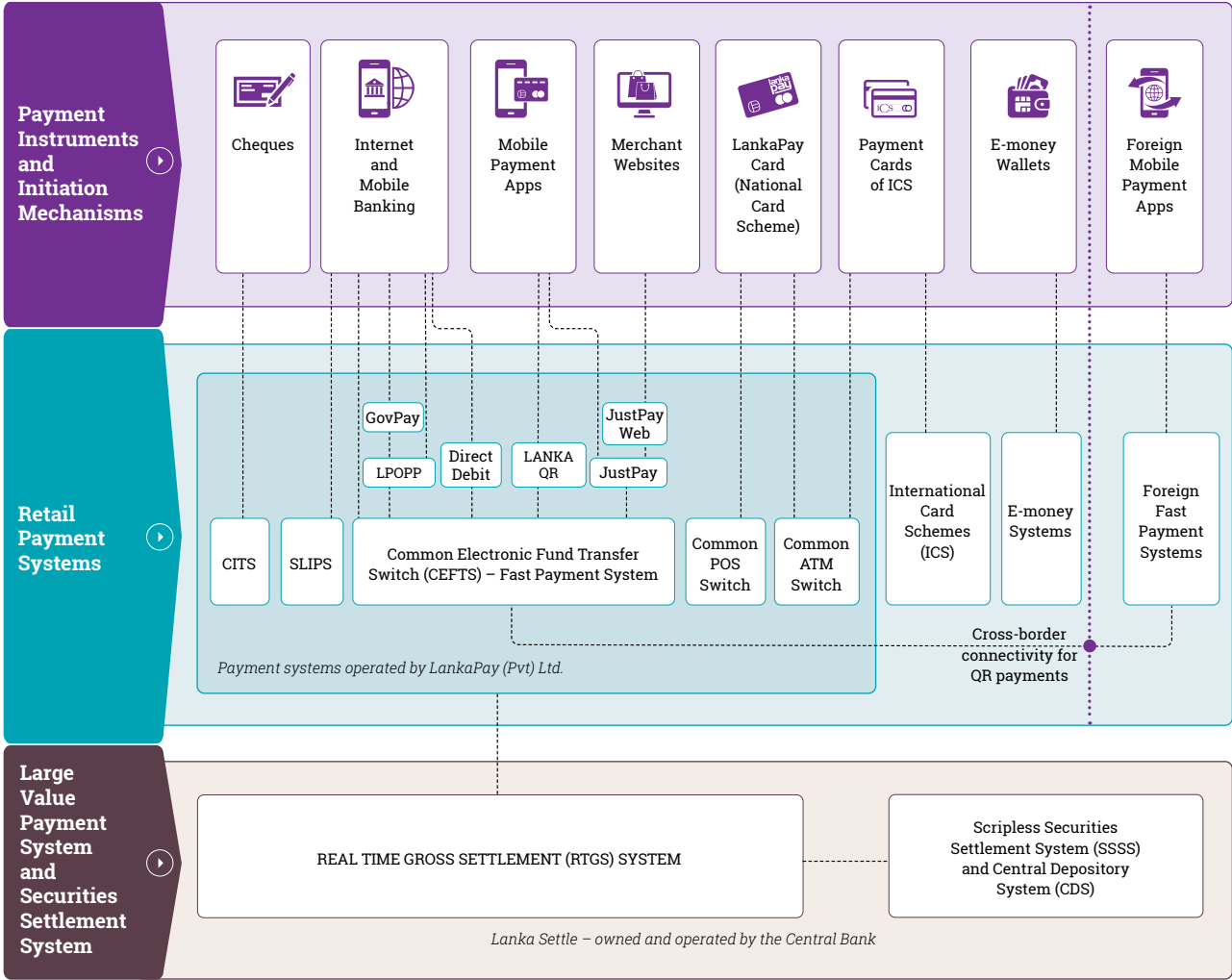
Payment and settlement systems of Sri Lanka

The national payment system of Sri Lanka acts as the backbone of the country’s financial system by enabling financial institutions and their customers to efficiently conduct cashless transactions. The safe and efficient functioning of the national payment system is crucial to ensure seamless financial transactions between various individuals, businesses and government entities. This also establishes public trust on the country’s financial system and thereby the financial stability of the country. A well-developed national payment system also boosts economic growth by facilitating trade and investment while minimising transaction costs.

The national payment system of the country which is regulated by the Central Bank includes a Large Value Payment System which is the Central Bank-owned and operated Real Time Gross Settlement (RTGS) system, retail payment systems operated by LankaPay (Pvt.) Ltd., which is the operator of the national retail payment network and payment services offered by Licensed Service Providers (LSPs). These systems support both high-value interbank transactions and daily retail payments, with a growing shift towards digital payments enhancing accessibility for individuals, businesses, and government entities.

The national payment system of Sri Lanka

Figure – 12



Operations of the RTGS System

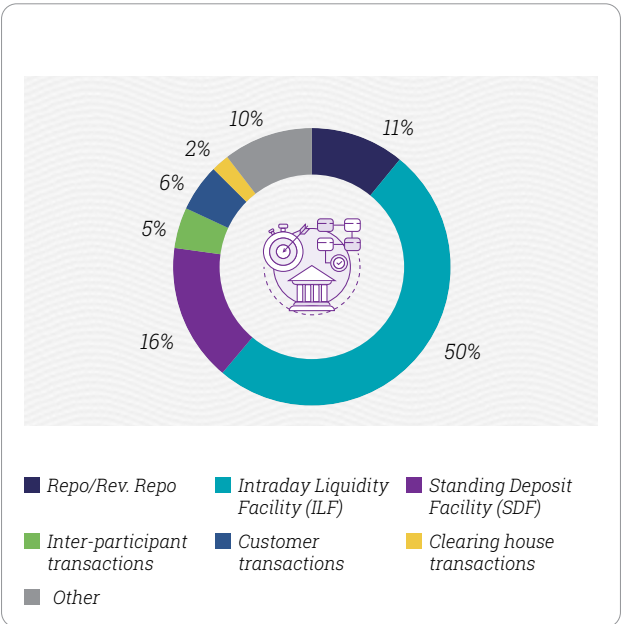
Central Bank operates the RTGS system, a Systemically Important Payment System (SIPS), which facilitates real-time, secure, and irrecoverable large-value payments among 35 participating institutions. The RTGS system supports various types of transactions including, interbank call money transactions, government securities transactions, open market operations, domestic leg of foreign exchange transactions, clearing house (LankaPay) transactions, other inter-participant fund transfers and customer transactions.

The participants of the RTGS system include the Central Bank, 24 LCBs, one LSB, seven Authorised Primary Dealers (PDs), the Employees’ Provident Fund (EPF), and the Central Depository System of the Colombo Stock Exchange. The Central Bank provides Intra-day Liquidity Facility (ILF) to LCBs and PDs, free of charge, to mitigate settlement risk using government securities as collateral.

The RTGS system remains a secure and efficient solution for time-critical, high-value payments. As a SIPS, the failure of the RTGS system could disrupt critical operations, threatening the stability of the financial system and the wider macroeconomy.

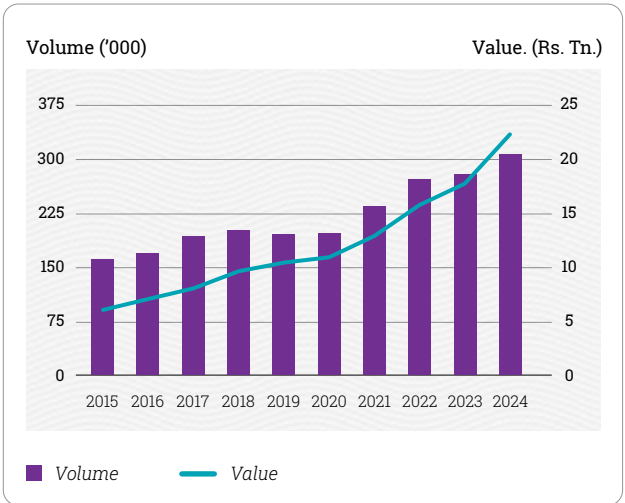
Types of transactions in RTGS System – 2024

Graph – 02



Growth of customer transactions in RTGS System: 2015 – 2024

Graph – 03



2024 Highlights

In 2024, the RTGS system processed 597,666 transactions valued at nearly Rs. 406 Tn. It also processed 308,000 customer transactions valued at Rs. 22.4 Tn., marking a 25% increase from 2023. During the year, the Central Bank upgraded the RTGS system and branded it as LankaRTGS. The Lanka RTGS system complies with ISO 20022 financial messaging standard, improving operational efficiency and risk management.

Regulation, oversight, and supervision of the national payment system

The Central Bank shapes the country’s payment landscape by guiding its establishment, development, and policy implementation as defined in the Payment and Settlement Systems Act, No 28 of 2005.

In doing so, Central Bank performs the oversight of the payment systems operating in the country to ensure their safety and efficiency while controlling risks.

Additionally, the Central Bank also supervises payment services provided by LSPs, which includes payment card issuers, financial acquirers, and e-money system operators, to ensure sound and fair practices in offering payment services to customers.

▶ **Maintaining accounts of financial institutions**

By offering settlement accounts to eligible participants of the RTGS system, the Central Bank performs a vital role in the functioning of the economy through facilitating safe and efficient payments and settlements. This is performed through facilitating

large value payments and supporting the operations of the inter-bank money market. The General Ledger (GL) accounts are maintained to facilitate the clearance of payments and settlements and for the settlement of payments of scripless security transactions among the RTGS participants. As at end 2024, Central Bank maintained GL accounts for 24 LCBs, National Savings Bank, and 7 Primary Dealers (PDs).

▶ **Operations of retail payment systems**

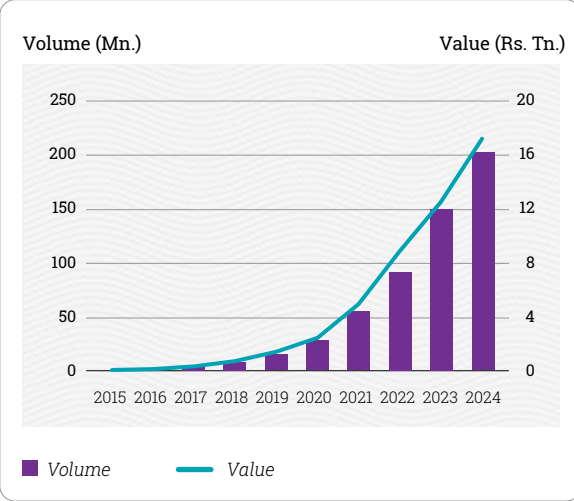
Public adoption of digital payments has continued to grow in the country due to the convenience and safety offered by digital payments to the individuals, businesses and government entities. The retail payment systems of the country, through their safe and efficient operation, has facilitated this growth. Such systems primarily include interbank payment systems operated by LankaPay (Pvt.) Ltd. (LankaPay), payment card networks operated by International Card Schemes (ICS) and e-money systems operated by telecommunication service providers.

The major retail payment systems operated by LankaPay include the Common Electronic Fund Transfer Switch (CEFTS), Common ATM Switch (CAS), Common Point-of-Sale Switch (CPS), Sri Lanka Inter-bank Payment System (SLIPS) and the Cheque Imaging and Truncation System (CITS).

The CEFTS system, which is the country's Fast Payment System, amounted for 50% of the value of total interbank retail payments in 2024 with a total transaction value of Rs. 17.3 Tn. This indicates a high level of use of the CEFTS based payment channels for retail payments. The CEFTS system enables the customers to conduct real time online fund transfers through payment channels such as internet banking, mobile banking, ATMs, Kiosks and over the counter of financial institutions. The LANKAQR mechanism, which is a Quick Response (QR) code-based payment arrangement, also operates on CEFTS infrastructure and is used by merchants to accept digital payments from customers who are using mobile payment applications.

Growth of CEFTS transactions:
2015 – 2024

Graph – 04



Additionally, the LankaPay Online Payment Platform (LPOPP), which operates as an extended CEFTS based payment arrangement, facilitates online real time payments to government institutions. LPOPP allows customers of member financial institutions to transfer money instantly from their current or savings account to a government institution conveniently and securely. The institutions which are currently accepting payments through LPOPP include the Sri Lanka Customs, Inland Revenue Department, Board of Investment of Sri Lanka, Sri Lanka Standards Institution, Employees' Provident Fund, Import and Export Control Department, Department of Commerce, Central Depository System and Sri Lanka Ports Authority. In 2024, the LPOPP processed payments with a total transaction value of Rs. 1.78 Tn.

★ **2024 Highlights**

The Central Bank facilitated the implementation of "GovPay", which enables government institutions without their own IT systems to accept instant digital payments from the public, particularly at the local government level. This mechanism further expands the coverage of government institutions accepting digital payments while improving their efficiency and accessibility by the public. The GovPay mechanism was launched in February 2025.

Central Bank also authorised LankaPay to expand its connectivity with Nepal Clearing House Ltd., allowing Nepali visitors to use NEPALPAY QR-enabled mobile apps for making payments in Sri Lanka. This initiative boosts LANKAQR's cross-border compatibility which already extends to China and India.

The Central Bank continued to conduct on-site and off-site supervision activities on LSPs in 2024 ensuring their compliance. The Central Bank also enacted several measures to ensure the safety of digital payments such as the introduction of a one-time password (OTP) for JustPay transactions over Rs. 10,000 as well as strengthening of the customer identification process of mobile payment applications.

National Payments Council (NPC), under the leadership of the Central Bank, continued to facilitate a dialogue with the payment industry stakeholders to shape policies for the development of the national payment system. Further, the Central Bank continued to conduct public awareness campaigns to increase digital payment literacy and published the quarterly "Payments Bulletin" to share national payment system statistics.

Operations of the SWIFT network

The Central Bank uses the SWIFT (Society for Worldwide Interbank Financial Telecommunication) network to securely exchange information about financial transactions internationally and domestically with its counterparties. This enables to streamline the processing of payments and government securities transactions by integrating with the RTGS System, Scripless Securities Settlement System and the Reserve Management System. These integrations have significantly reduced the time and cost associated with processing the above transactions, thereby enhancing overall efficiency.

Central Bank's SWIFT infrastructure was upgraded to comply with the ISO 20022 financial messaging standards for financial messages in line with international best practices.

Operations of the Asian Clearing Union

As a member of the Asian Clearing Union (ACU), Central Bank continued fulfilling its role in 2024 within this multilateral payment system. ACU enables participating central banks to settle intra-regional payments on a net basis, reducing the use of foreign exchange reserves and transfer costs, while promoting trade and banking relations among its members: Bangladesh, Belarus, Bhutan, Iran, India, Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka.

ACU launched the ACUMER system, a web-based platform to facilitate communication among member central banks and the ACU Secretariat, streamlining payment requests and message exchanges within the ACU framework.

Regulation and supervision of Money or Value Transfer Services

Central Bank began regulating and supervising Money or Value Transfer Service (MVTs) providers in Sri Lanka in 2024, under Payment and Settlement Systems Act No. 28 of 2005 through the Money or Value Transfer Service Providers Regulations No. 1 of 2024.

This regulation mandates all MVTs providers to register with Central Bank allowing to formalise their operations and provide a safe and efficient service to customers under a regulated environment.

Refer page 213 for the list of licensed service providers under payment cards and mobile payment system regulation No. 1 of 2013.

Currency issuance and management

Central Bank, under provisions in the CBA, holds sole authority over issuing and managing currency, specifically in the form of the Sri Lanka Rupee (LKR). The Bank’s responsibilities include issuing currency notes and coins to Licensed Commercial Banks (LCBs) upon request and, accepting currency deposits from them. Since 1950, Central Bank has issued eleven note series, each with distinct themes, with the latest issued to public in 2011. The most recent circulation coinage, consisting of Rs. 1/-, Rs. 2/-, Rs. 5/-, and Rs. 10/-, were introduced in 2017.

Currency note series issued by Central Bank

Series	Theme	Denominations (Rs.)	Year
1.	King George VI	1, 10	1951
2.	Queen Elizabeth II	1, 2, 5, 10, 50, 100	1952
3.	Armorial Ensign of Ceylon	1, 2, 5, 10, 50, 100	1956

Series	Theme	Denominations (Rs.)	Year
4.	S W R D Bandaranaike portrait	2, 5, 10, 50, 100	1962
5.	King Parakramabahu	2, 5, 10, 50, 100	1965
6.	Armorial Ensign of Sri Lanka	50, 100	1975
7.	Fauna and Flora	2, 5, 10, 20, 50, 100	1979
8.	Historical and Archaeological	5, 10, 20, 50, 100, 500, 1,000	1981
9.	Historical and Development	500, 1,000	1987
10.	Sri Lanka Heritage	10, 20, 50, 100, 500, 1,000	1991
		2,000	2005
11.	Development, Prosperity, and Sri Lanka Dancers ¹	20, 50, 100, 500, 1,000, 5,000	2011

Figure – 13

The theme of the eleventh series of currency notes issued to public in 2011 was “Development, Prosperity and Sri Lankan Dancers”

Rs. 5,000 note

Predominant colour	Gold
Dimensions	153 mm x 67 mm

Front of the note

At the centre of the note, drawings of two dams appear. The one on the left is the *Weheragala* dam. The faint image on the right is the Canyon dam. The bird to the right is the Sri Lankan Yellow Eared Bulbul (*Pycnonotus penicillatus*) and the butterfly to the left is the Lemon Migrant (*Catopsilia Pomona*).

Back of the note

In the centre, a *Nagaraksha* dancer and a *Guruluraksha* dancer are depicted. The *Rathnaprasadaya* guard-stone appears to the top right of the note. The “*Kalpavriksha*” floral design appears along the right side.

¹https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/notes_coins/11th%20Currency%20Note%20Series%20of%20Sri%20Lanka%20-%20English-resize.pdf

Circulation coinage introduced in 2017

Figure – 14



Combating counterfeit currency

To prevent counterfeiting and uphold public confidence in currency notes, Central Bank routinely works with the Counterfeit Currency Bureau of the Criminal Investigation Department (CID).

Security features

Central Bank integrates advanced security features into currency notes, including watermarks, security threads, see-through elements, microtext, blind recognition features, and raised prints.

Liability for notes and coins

There was a significant increase in the demand for currency notes in 2024, with the currency in circulation (CIC) growing by 14.5% to Rs. 1,358.72 Bn., compared to Rs. 1,186.50 Bn. in 2023.

Commemorative currency

Under the CBA the Central Bank may issue currency notes or coins to commemorate any person or special event, with the approval of the Minister of Finance².

No new commemorative notes or coins were issued in 2024.

²<https://www.cbsl.gov.lk/en/notes-coins/notes-and-coins/commemorative-coins-and-notes>

Printing and minting

As Sri Lanka’s sole currency issuer, Central Bank is responsible for ensuring an adequate supply of banknotes and coins through careful planning, monitoring, and forecasting.

Currency exchange

Central Bank facilitates currency exchange through a special cash counter at the Pettah branch of Bank of Ceylon (BoC) and a damaged notes exchange counter at the Central Bank head office.

Replacement of unfit currency

To maintain the quality of currency in circulation, Central Bank routinely withdraws unfit currency notes and coins.

Currency stock management

Central Bank manages stocks of currency notes and coins to ensure a stable supply through careful planning and forecasting. Safe stock levels are maintained to mitigate risks arising from unforeseen events such as supply delays, natural disasters, or sudden surges in demand, particularly during festival seasons. This forms part of a broader contingency strategy aimed at addressing potential disruptions and ensuring the Bank’s continued ability to meet the country’s currency needs, even under challenging circumstances.

Make sure your currency notes are genuine

Figure – 15



- Feel the texture of the special currency note paper.
- Check for more than one of the following features.

1 WATERMARK



Each currency note depicts a different bird as the watermark, which is the same bird portrayed on the note. In addition, the value in numerals appears vertically as a highlighted watermark.

2 SECURITY THREAD



The security threads are different for each denomination and have the letters “CBSL” and the value (e.g.: Rs. 20, Rs. 100).

The width of the windowed Starchrome thread, which changes color from red to green in Rs. 5,000, Rs. 1,000, and Rs. 500 are 3mm, 2.5mm, and 2mm, respectively. The thread in Rs.100, Rs. 50, and Rs. 20 is embedded in the currency note.

3 CORNERSTONE



Cornerstone watermark appears in the form of diagonal bars at each corner of every currency note.

4 SEE THROUGH



When the note is held up to the light, the numeral value of the note on the front comes together in perfect register with the reverse on the back of the note.

5 EXTRA SMALL TEXT



When viewed closely, an area of text reading “CBSL” and the numeral value can be seen.

6 BLIND RECOGNITION FEATURE



A vertical order of heavily printed dots (with one dot for the Rs. 20 currency note) progressing according to denomination appears on the left-hand side of the currency note to help visually impaired to recognise the denomination.

7 RAISED PRINT



Run fingertips across the note and feel the raised printed areas (e.g., the Central Bank title, tactile bars, central images, etc.).

Note: The currency notes that have been issued by the Central Bank of Sri Lanka and are in circulation will continue to be valid for the payment of any amount.

It is an offence to deface or imitate a currency note.



2024 Highlights

In 2024, the Bank issued Rs. 493.22 Bn. in currency notes and Rs. 0.60 Bn. in coins while accepting deposits of Rs. 321.24 Bn. in currency notes and Rs. 0.009 Bn. in coins from LCBs. During the year 2024, 154.01 Mn. unfit currency notes, amounting to Rs. 95.39 Bn., were removed from circulation and destroyed.

To meet public demand, the Bank placed an order for 275 Mn. pieces of new notes.

In addition, the Bank issued 137 certificates as evidence of counterfeit currency for court proceeding, attended 18 court cases related to counterfeiting, and detected 2,178 suspected counterfeit notes and 66 counterfeit printed sheets.



Clean note policy

Central Bank’s Clean Note Policy ensures banknotes remain in good condition for public use. Through awareness programmes, the public is educated on proper currency handling to prevent soiling, tearing, and defacement.

These efforts have increased the durability of banknotes, reducing unfit currency in circulation and improving overall quality standards, benefiting both the financial system and the public.



Economic History Museum

The Economic History Museum of the Central Bank serves as a vital educational resource, offering the public a comprehensive understanding of the nation’s economic evolution over more than 2,500 years. The museum highlights key aspects of Sri Lanka’s monetary history, including the origins and development of its financial system, the establishment of the Central Bank, and its role in shaping the country’s monetary policies. By providing insights into trade and commerce practices over the centuries, the museum fosters a deeper appreciation of the economic factors that have influenced the nation’s progress.

A key focus of the museum is the historical progression of exchange systems, from the Barter System—where commodities were traded without a formal currency—to the development of standardised monetary instruments. The exhibits showcase the introduction and evolution of coins and banknotes, tracing their circulation and usage throughout Sri Lanka’s history.

Additionally, the museum features an extensive collection of commemorative coins and notes, details

the intricate processes of coin minting and banknote production, and showcases the sophisticated security features incorporated into modern currency to prevent counterfeiting. This curated collection serves as a valuable repository of knowledge for academics, researchers, and policymakers.

The museum is structured into three distinct exhibition zones.

Zone 1: highlights significant milestones in the history of currency, trade, and commerce, providing a foundational understanding of early economic activities.

Zone 2: presents a detailed display of coin and banknote series, including commemorative issues released post-establishment of the Central Bank.

Zone 3: offers an in-depth exploration of the coinage process, banknote printing techniques, and the advanced security measures incorporated into modern currency. Through these systematically organised exhibits, the museum contributes to the study and preservation of Sri Lanka’s economic history, reinforcing its significance in understanding the nation’s financial systems and policies.

In 2024, Central Bank’s Economic History Museum welcomed 9,018 visitors, including 759 international guests.

Strategic communication

Central Bank's mission to uphold domestic price stability and financial system stability in many ways hinges on the Bank's ability to communicate and create a perception of trustworthiness. A well-designed communication strategy is therefore essential for generating public buy-in for Central Bank's numerous activities, regulatory functions, and policy decisions. As the country's monetary authority which is statutorily independent, Central Bank must prioritise clear, concise, and effective communication to, on the one hand, invite stakeholder confidence, and, on the other, support informed decision-making. Recognising this critical imperative, Central Bank has designated "Strengthening Internal and External Communication for Enhanced Transparency, Accountability, and Credibility" as a strategic priority, in a bid to make the complexities and nuances of the Bank's policy measures more understandable and accessible to ordinary citizens, businesses, and all other stakeholders.

Clear, concise messaging

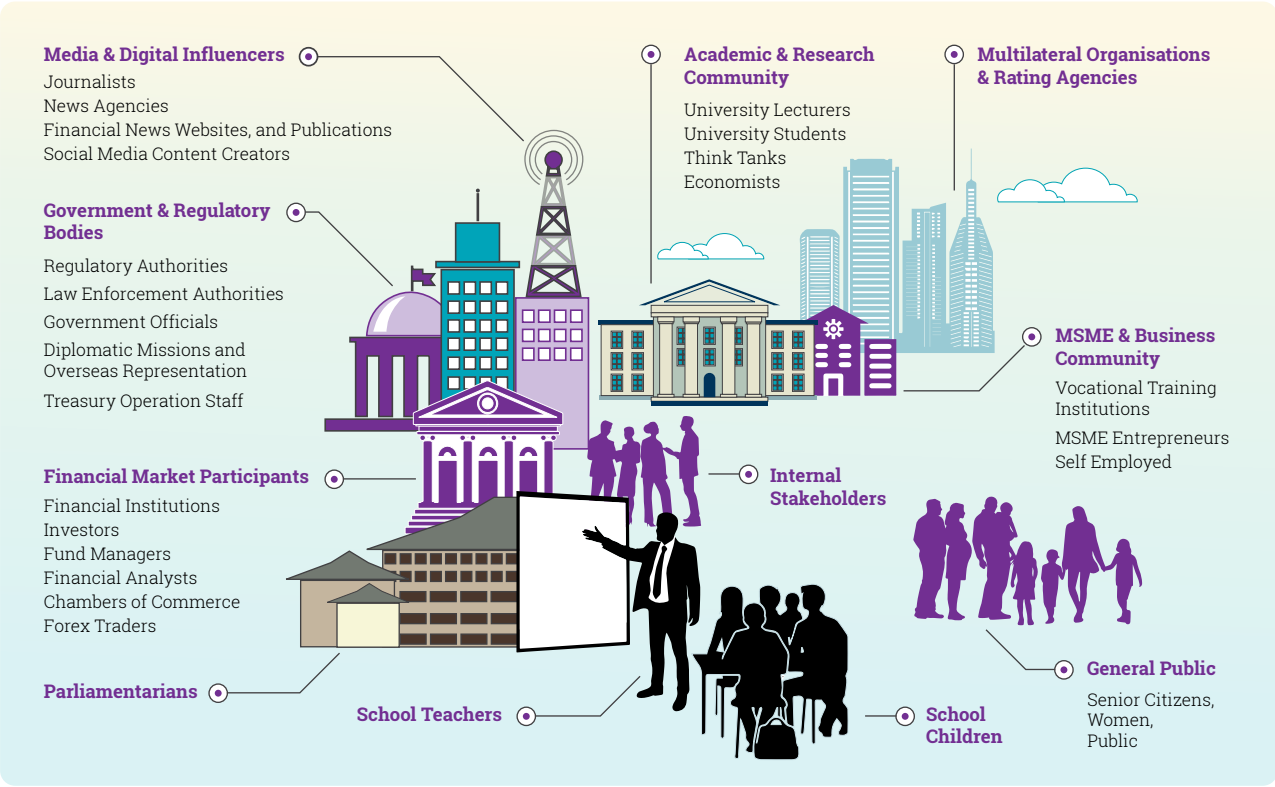
Built on the provisions of the Central Bank Act (CBA), Central Bank's communication strategy is rooted in a well-entrenched aspiration for transparency and accountability. CBA reinforces the importance of clear and open communication and also outlines a series of disclosure requirements intended to keep members of the public as well as policymakers reliably informed on crucial macroeconomic developments. Meanwhile, monetary policy decisions, economic assessments, and financial stability reports are released routinely by the Bank, providing much needed clarity on its range of objectives and actions.

Understanding the audience

Effective communication often demands a keen awareness of the target audience. Central Bank's audience comprises a diverse set of stakeholders, each with unique informational needs. These include policymakers, financial institutions, investors, businesses, media organisations, and the general public. Tailoring communication to these varied audiences invariably leads to relevance and a useful sense of accessibility.

CBSL audience landscape

Figure – 16



In a world where information travels instantly, effective communication means reacting as many people as possible. To maximise reach, Central Bank employs a multichannel communication approach. While traditional media - print, television, and radio - remain essential, especially in regions with limited digital access, digital platforms are the way forward. Central Bank's official website and social media channels (including Facebook, X, LinkedIn, YouTube, WhatsApp, and Instagram) have become essential in disseminating real-time updates and educational content, while also driving interactive engagement.

A range of communication products

Having identified the different and sometimes competing information needs of Central Bank's various stakeholder groups, the Bank delivers diverse communication products designed to inform each group at a level best suited for its expectations. These products range from exhaustive policy reports and statistical releases to more user-friendly infographics and interactive digital content. Press conferences and targeted media briefings and discussions are also held regularly to clarify specific policy positions, offering media professionals and analysts an opportunity to acquaint themselves with the Bank's activities and understand insights more directly. Outreach programmes and financial literacy initiatives, meanwhile, serve to further deepen community engagement, promoting responsible and prudent financial practices and better public understanding of macroeconomic stability.

Measuring impact

No communication strategy is complete without an objective assessment of its impact. To gauge the effectiveness of its communication initiatives, Central Bank conducts impact assessments that evaluate audience reach, engagement levels, and, more broadly, public comprehension of the Bank's more complex policy outputs. Importantly, these evaluations inform strategy adjustments as needed, so that the Bank may remain agile and responsive to changing stakeholder expectations and technological advancements.

In an age increasingly defined by misinformation, with often unreliable narratives leading to heightened financial uncertainty, the need for accurate, proactive, and inclusive communication is greater than ever. Central Bank's role in shaping public opinion with regard to the state of the economy cannot be understated. Using a blend of traditional methods and digital innovation, the Bank will continue to uphold its role as a reliable and authoritative source of economic information, in service of its long-term objective of building trust and financial literacy among all stakeholders.



2024 Highlights

In 2024, Central Bank's communication initiatives served to advance its transparency agenda. An important highlight was a "Meet the Governor" event held on December 18th, which was organised as a media engagement forum specifically for print media professionals. The main objective of the event was to establish a partnership with print media professionals to facilitate the dissemination of consistently accurate information.

A Communication Review Committee tasked with overseeing Central Bank's overarching communication strategy was established during the year, in a bid to ensure that the Bank's communication efforts aligned with its core objectives. The Bank also launched several internal knowledge-sharing platforms in 2024, designed to offer clarity and create broader understanding among staff of its policy decisions. The project was intended to foster more informed discussions and garner stronger internal support for strategic initiatives.

Throughout the year, internal communication efforts were strengthened to enhance staff awareness of developments and initiatives related to Central Bank's primary objective of price stability and its secondary objective of financial stability. These efforts emphasized the interplay between the two objectives and their role in overall macroeconomic stability. This increased understanding, along with greater awareness of key initiatives such as financial literacy, has fostered a more cohesive approach, enabling clearer and more effective external communication.

Throughout the year, Central Bank also prioritised public outreach through numerous awareness programmes aimed at educating diverse audiences about the Bank's objectives and recent economic developments. A total of 86 visits to Central Bank were conducted, attracting 5,984 participants, while four virtual programmes engaged an additional 400 participants. The Bank also organised ten mobile programmes, reaching 1,200 participants, extending its educational efforts beyond conventional settings.

New publications in 2024



Annual Economic Review

The Annual Economic Review is an annual publication which need to be submitted to the parliament within a period of four months after the close of each financial year in compliance with Section 80(3) of the Central Bank of Sri Lanka Act, No. 16 of 2023. This publication has been laid before parliament in April 2024. It outlines the Central Bank's policy objectives, assessments of its policies, and the overall condition of the financial system in 2023.



Financial Statements and Operations

Financial Statements and Operations report is a publication which required to be submitted to the Minister of Finance, annually in accordance with Section 99(2) of the Central Bank of Sri Lanka Act, No. 16 of 2023. It presents the audited financial statements for the year ending December 31, each year, approved by the Governing Board and certified by the Auditor General and overview of the Central Bank's operations for the year. This report has been submitted to the Finance Minister in April 2024.



Market Operations Report

The Market Operations Report (MOR) published bi-annually aiming to enhance stakeholder awareness of the Central Bank's monetary operations in line with the prevailing monetary policy stance. The report intends to align stakeholder actions and expectations with the Central Bank's monetary policy. The MOR is available electronically in all three languages.



Financial Literacy Roadmap

The Financial Literacy Roadmap of Sri Lanka 2024-2028 has been published in May 2024, for the first time in Sri Lanka under the National Financial Inclusion Strategy (NFIS), with the intention of offering evidence-based guidance to all stakeholders engaged in financial literacy initiatives and aligning them towards a common objective of "improving the financial behavior of Sri Lankans and bolstering their financial resilience". It includes a structured action plan outlining institutional roles and responsibilities for effective implementation of the roadmap.



Macprudential Policy Framework

The Macprudential Policy Framework is a publication by the Central Bank of Sri Lanka, developed in accordance with Section 63(2) of the Central Bank of Sri Lanka Act, No. 16 of 2023. It aims to enhance stakeholder awareness of the macroprudential policymaking process and its role in maintaining financial system stability. The document outlines the objectives of macroprudential policies, systemic risk surveillance, key policy tools, interactions with other Central Bank policies, and the institutional framework for policy implementation. The latest version is available in electronic form.

Publication and data dissemination 2024

Publications	Data and information dissemination
Economic and financial Monetary Policy Report – February 2024, August 2024 Annual Economic Review 2023 Financial Statements and Operations 2023 Financial Stability Review 2024 Financial Literacy Roadmap of Sri Lanka (2024 – 2028) Market Operations Report – July 2024 Periodicals News survey Satahana Vaippaham Other publications Staff Studies Employees' Provident Fund Annual Report 2023 FIU Annual Report 2023 ජාතික ගිණුම් ආශ්‍රිත මූලික සංකල්ප ශ්‍රී ලංකා ව්‍යවහාර මුදලේ 70 වසරක ගමන් මග இலங்கை நாணய வெளியீட்டின் 70 ஆண்டுக்காலப் பயணம்	Economic indicators and bulletins Macroeconomic Chart Pack Economic Data Library Daily Exchange Rates Financial Soundness indicators Payments Bulletin External Sector Bulletin Economic and Social Statistics of Sri Lanka Monthly Bulletin of Economic Data Bulletin of Workers' Remittances and Labour Migration Agriculture Data Bulletin Daily, Weekly and Monthly Economic Indicators National Accounts Estimates SDDS National Summary Data Daily Price Report (selected key consumer items in key markets) Data on Government Securities



International engagements

Throughout Sri Lanka's post-independence economic history, Central Bank has been the proverbial face of the country in its financial dealings with the rest of the world. Over the years, the Bank has worked hard to strengthen existing relationships and build new ones with its counterparts abroad and other key stakeholders. These include multilateral institutions such as the International Monetary Fund (IMF), World Bank (WB), and the Asian Development Bank (ADB), various credit rating agencies, and international service providers.

In 2024, the Bank took part in over 50 meetings and missions with international partners around the world, maintaining a dynamic global presence that's essential to healthy economic relations with the world at large. Last year's many engagements, knowledge-sharing initiatives, and collaborations further strengthened professional ties that continue to prove invaluable for Sri Lanka's economic vitality.

Engagement with multilateral institutions

Central to Central Bank's global engagement efforts in the current post-crisis moment is its ongoing collaboration with the IMF, particularly in terms of the objectives outlined in the Extended Fund Facility (EFF) programme. The Bank's productive partnerships with the ADB are of equal importance and have helped fortify financial system stability, through initiatives such as the Financial Sector Stability and Reforms Programme (FSSRP). Central Bank launched the Financial Literacy Roadmap of Sri Lanka in May 2024, with the technical expertise and financial assistance of United Nations Development Programme (UNDP), making a significant step towards enhancing the financial capabilities of Sri Lankans. Another milestone in 2024 was securing USD 150 Mn. financing from the World Bank for the Financial Sector Strengthening Project (FSSNP) which aimed to strengthen financial and institutional capacity of the Sri Lanka Deposit Insurance Scheme.

During the reporting period, Central Bank also worked closely with the Financial Stability Board (FSB), the International Finance Corporation (IFC), Bank for International Settlements (BIS), and the Asian Clearing Union (ACU).

Alternate Executive Director of the IMF

Central Bank officers continued to serve as the Alternate Executive Director of the IMF in recognition of their extensive expertise in macroeconomic policies, and international economic affairs. With a deep understanding of the intricacies of central banking and a proven track

record of effective leadership, the officer is well-equipped to represent the interests of the constituency comprising Sri Lanka, India, Bangladesh, and Bhutan on the global stage. This appointment reflects the IMF's confidence in Central Bank's ability to contribute valuable insights and perspectives to discussions on global economic and financial policies.

Capacity building and knowledge sharing

In a concerted effort to expand technical knowhow and expertise, Central Bank took part in a number of capacity building, technical assistance, and knowledge-sharing activities during the year under review, both regionally and internationally. Central Bank officials contributed to global discourse by presenting at forums as prominent as the International Conference on Emerging Challenges for Deposit Insurance Systems and at events hosted by the International Association of Deposit Insurers (IADI) and the South East Asian Central Banks (SEACEN) Research and Training Centre. Central Bank officers had the opportunity to participate in two SEACEN programmes hosted by Central Bank, engage in knowledge-sharing sessions conducted by the Deutsche Bundesbank, and attend a tailor-made programme organised exclusively for Central Bank's new recruits, in collaboration with the IMF's South Asia Regional Training and Technical Assistance Centre (SARTTAC).

The Knowledge Partnership Programme 2024 entered to with the Bank of Korea to establish a centralised big data processing and integration system was another highlight, as was Central Bank's collaboration with the IFC on the Sustainable Finance Roadmap of Sri Lanka 2.0 and on the operationalisation of the Green Finance Taxonomy. Central Bank officials also benefited from these sessions, which allowed them to hone their own skills through exposure visits to the financial and regulatory institutions in Turkey and study visits to Bank Negara Malaysia. Technical assistance from SEACEN and the IMF's SARTTAC, meanwhile, served to strengthen the Bank's existing capabilities. In addition, Central Bank facilitated study visits for peer central banks including the Maldives Monetary Authority (MMA) where valuable insights were shared on exchange rate management, reserve management, and currency management.

The Governor of CBSL co-chaired the FSB Regional Consultative Group for Asia (RCG Asia), which was hosted by CBSL on 29 April 2024 in Colombo. Ending the year on a high note, CBSL hosted the 13th Annual International Research Conference in December, drawing attention to its ongoing commitment to advancing research and fostering global collaboration.

Participation in global financial networks

Our collaborative efforts often extend to participation in global working groups to achieve common objectives. In 2024, these included the Sustainable Banking and Finance Network (SBFN), Alliance for Financial Inclusion (AFI), and the SAARCFINANCE Working Group on Sustainable Finance, partnerships essential for addressing global financial challenges and encouraging sustainable finance practices.

Governor's participation in key international conferences and forums

The Governor participated in several high-level international events in 2024, contributing to global discussions on monetary policy, financial stability, and central banking.

- 59th SEACEN Governors' Conference and 43rd SEACEN Board of Governors (BOG) Meeting**

The Governor attended the 59th SEACEN Board of Governors' Conference (BOG) and the 43rd SEACEN meeting, held in Mumbai, India, from 15-16 February 2024. The event brought together Governors, Managing Directors, and delegates from 19 SEACEN member central banks and monetary authorities. As a panelist, the Governor provided valuable insights into Sri Lanka's historic inflationary surge and detailed the country's success in achieving rapid disinflation through decisive and effective policy measures.

In addition, CBSL hosted the 46th SAARCFINANCE Governors' Group Meeting, as the chairperson.

- High-level International Conference on Modern Central Banking: Challenges and Prospects**

On 9-10 July 2024, the Governor attended the High-level International Conference on Modern Central Banking, organised by the Bank of Mongolia. During the event, the Governor spoke at a panel discussion on "Financial Stability: Regulations of the Financial Sector – A Balance Sheet Approach." Additionally, the Governor was featured in an interview with Bloomberg TV during the visit, contributing to the global conversation on financial stability.

- IMF/World Bank Annual Meetings**

In April and October 2024, the Governor attended the IMF/World Bank spring/annual meetings in Washington, DC. Among numerous engagements, In October, the Governor participated as a panelist at

Credit ratings and regulatory agreements

To maintain Sri Lanka's financial credibility, CBSL continued its collaboration with credit rating agencies i.e., Fitch, Moody's, and Standard & Poor's (S&P) throughout 2024.

the Reinventing Bretton Woods Committee (RBWC) Roundtable on "Sovereign Debt & Its Impact: The Global Economy in a New World". Further, CBSL hosted the 46th SAARC FINANCE Governors' Group Meeting, as the chair.

- High-Level Policy Conference of Central Banks in the Global South**

On 22 November 2024, the Governor attended the High-Level Policy Conference of Central Banks in the Global South, organised by the Reserve Bank of India. During the forum, the Governor delivered a special address on "Reserve Management for the New Global Financial Order," offering valuable insights into the evolving role of central banks in ensuring global financial stability.

- 60th SEACEN Governors' Conference and 44th SEACEN Board of Governors Meeting**

The Governor also participated in the 60th SEACEN Governors' Conference and 44th SEACEN Board of Governors Meeting, held in Seoul, Korea, from 6-7 December 2024. The conference featured two main sessions: "Prospects for Global Economy and Financial Markets in 2025" and "Policy Implications of Geo-economic Fragmentation for the Asian Economies." The Governor served as a panelist in the first session and as the moderator in the second, engaging in critical discussions on the future of the global economy and the challenges facing Asian economies.

- "A" Grade Central Bank Governors Award in 2024**

The Governor has received an "A" Grade Central Bank Governors Award in 2024 recognising his outstanding leadership during Sri Lanka's economic challenges. He is one of only seven central bankers globally to achieve this honor, with the grade highlighting his success in managing inflation, economic growth, currency stability, and interest rates.

Other entrusted responsibilities

Agency functions

➔ Regulating and promoting foreign exchange transactions

As the agent of the Government, the Central Bank of Sri Lanka (CBSL) is responsible for enforcing the Foreign Exchange Act No. 12 of 2017 (FEA) to regulate and promote foreign exchange transactions in the country.

Under this mandate, Central Bank plays a key role in:

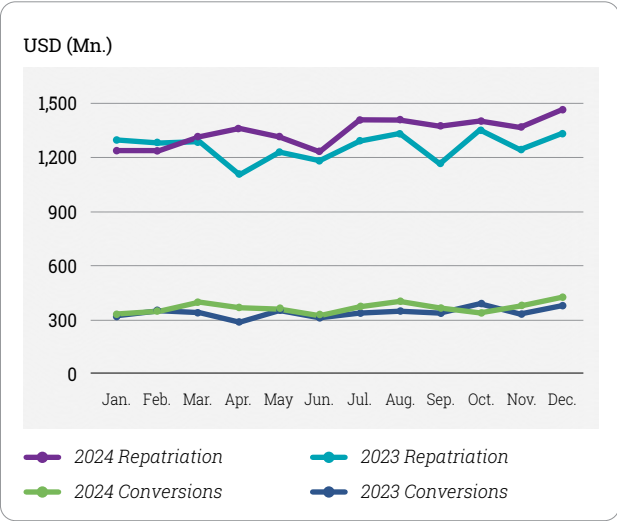
- Conducting reviews of existing policies and determining the need for new policies to align with foreign exchange market developments
- Submitting recommendations to the Minister to issue regulations and orders under the FEA
- Issuing directions to Authorised Dealers (ADs) on foreign exchange transactions
- Granting permissions to authorised money changers and other entities for foreign exchange dealings
- Granting special approvals for foreign exchange transactions not covered under general permissions
- Monitoring compliance with the FEA and initiating investigations into violations
- Monitoring export proceeds repatriation into Sri Lanka and conversion of residual amount (i.e. the remaining amount after deducting the authorised payments from the export proceeds repatriated) in compliance with the Rules issued under CBA

Monitoring and enforcement measures

Central Bank actively supervised ADs and Restricted Dealers (RDs) to ensure compliance and repatriation of export proceeds. Accordingly, 29 investigations and 23 onsite inspections were conducted. In addition, 101 warning letters issued to exporters for non-compliance, 19 notices issued, and penalties imposed totalling Rs. 3.5 Mn. for regulatory breaches and 41 notices sent to RDs who failed to meet compliance targets.

Repatriation and the conversion of export proceeds: 2023 and 2024

Graph – 05



▶ Designated foreign currencies

1. Australian Dollar (AUD)
2. Canadian Dollar (CAD)
3. Chinese Renminbi (CNY)
4. Danish Kroner (DKK)
5. Euro (EUR)
6. Hong Kong Dollar (HKD)
7. Indian Rupee (INR)
8. Japanese Yen (JPY)
9. New Zealand Dollar (NZD)
10. Norwegian Kroner (NOK)
11. Pound Sterling (GBP)
12. Singapore Dollar (SGD)
13. Swedish Kroner (SEK)
14. Swiss Franc (CHF)
15. Thai Baht (THB)
16. United States Dollar (USD)

Role of the Bank ▶ Other entrusted responsibilities



2024 Highlights

During the year 2024, Central Bank introduced following key policy measures under FEA and CBA:

1. Orders were issued under Section 22 of the FEA, easing specified restrictions and limitations on outflows relating to capital transactions.
2. Regulations and Directions were issued under the FEA, enabling non-residents to acquire, hold, divest or pledge as collateral securities listed on the Colombo Stock Exchange (CSE), to facilitate their participation in Regulated Short Selling through the securities Borrowing and Lending mechanism.
3. The Central Bank facilitated the following transactions by issuing Regulations and Directions under the FEA, removing restrictions on payments made through Sri Lankan Rupee conversion when investors have insufficient foreign exchange balances or cash flows:
 - Payments to non-residents for income or maturity proceeds from listed debt securities or shares denominated in foreign currency
 - Repayment of loans obtained from overseas for investments in International Sovereign Bonds and Sri Lanka Development Bonds
 - Repayment of loans obtained from overseas with a tenor of less than 3 years, while discontinuing the permission for obtaining loans with a tenor of less than 3 years
4. The Repatriation of Export Proceeds into Sri Lanka Rules No. 01 of 2024 was issued under the CBA, extending the timeframe for exporters to convert export proceeds into Sri Lankan Rupees from one month to three months. Total export proceeds repatriated in 2024 amounted to USD 16,008 Mn., with USD 4,325 Mn. converted to LKR, reflecting 6.7% and 7.9% increases, respectively, compared to 2023.
5. To strengthen regulatory compliance and oversight, the Central Bank granted 111 permissions, provided 491 clarifications, and issued 999 clearances.
6. Central Bank issued permits for 57 money changers including two new permits, 06 licensed finance companies and 15 hotels. Total deposits handled by these entities amounted to USD 192 Mn.

➔ Employees’ Provident Fund

The Employees’ Provident Fund (EPF), Sri Lanka's largest superannuation fund by far, was established under the Employees’ Provident Fund Act No. 15 of 1958 with the primary objective of providing retirement benefits to employees in the private and semi-government sectors. According to provisions in the EPF Act, the Fund's general administration is entrusted to the Commissioner of Labour, while the Central Bank of Sri Lanka (CBSL) is tasked with management of the Fund as the custodian.

Central Bank's EPF Department is responsible for carrying out activities related to the powers and functions outlined in the EPF Act, which includes receive all contributions, surcharges, and fees paid under the Act as well as income from investments of funds, maintains individual accounts for members, and ensures the payment of benefits to those certified by the Commissioner of Labour and investment of excess funds. It also maintains financial records, prepares financial statements and submits them to both the Minister of Labour and the Auditor General for review.

Maintaining general accounts of the fund and member accounts

By end 2024, the value of the fund exceeded Rs. 4.4 Tn., recording a growth of 12.6% compared to the previous year.

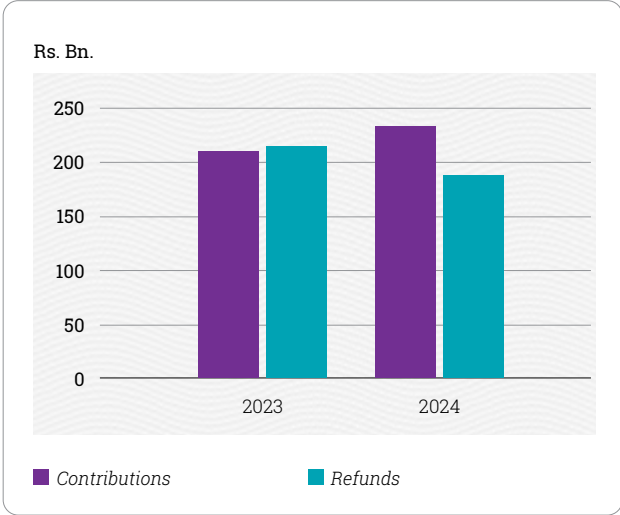
The total number of member accounts stood at approximately 21 Mn, with around 2.7 Mn accounts actively receiving contributions.

Receiving contributions and payment of benefits

In 2024, EPF contributions received amounting to Rs. 234.4 Bn., an 11.3% increase from Rs. 210.6 Bn. in 2023. Conversely, refunds made to members and their legal heirs totalled Rs. 188.1 Bn., a 12.9% decrease from Rs. 215.9 Bn. in 2023.

Contributions and refunds

Graph – 06



Interest payments on member balances

In accordance with Section 14(1) of the EPF Act, a reasonable interest rate on member balances is determined each year based on profits available for distribution. For the year 2023, the EPF paid an interest rate of 13%, while for 2024, an interest rate of 11% has been approved by the Governing Board, subject to receiving the concurrence of the Minister of Finance and the Minister of Labour.

Statements of member accounts

The EPF Department issues Statements of Account (SoAs) to contributing members semi-annually, as per Sections 5(1) (j) and 5A of the EPF Act. In 2024, more than 2.5 Mn. SoAs were issued for the second half of 2023, showing member balances as of December 2023, and 2.1 Mn. SoAs were issued for the first half of 2024, reflecting balances up to June 2024.

Investment activities

With a strong emphasis on delivering reasonable risk adjusted returns to members, in line with the established governance framework, the EPF Department's investment activities in 2024 focused mainly on government securities.

Services to members and other stakeholders

In 2024, the EPF Department remained committed to delivering its services efficiently and effectively, ensuring that the needs of its members and other stakeholders were met with the highest standards of professionalism. It achieved significant growth in its EPF Online Services (EPF-OS) platform, with 11,800 employers now registered, marking a 275% year-on-year increase. Employers made 81% of total contributions electronically, with a total of Rs. 191,2 Bn. collected via electronic media. EPF-OS enables members' accounts to be updated within 24 hours, improving accuracy and reducing delays.

The EPF Department issued 14,533 certificates of guarantee to facilitate housing loans for its membership, amounting to Rs. 12,717 Mn. The re-registration initiative continued in 2024, and 70,222 members were re-registered, a 181% increase compared to the previous year's 25,019 re-registrations. In total, 1.78 Mn. member records have been re-registered.

Further, the EPF Department processed 101,743 record amendments in 2024, with 91,095 related to name and NIC amendments and 10,648 related to account amendments. Regional offices of the Bank were also facilitated to handle these amendments, improving the decentralisation of services.

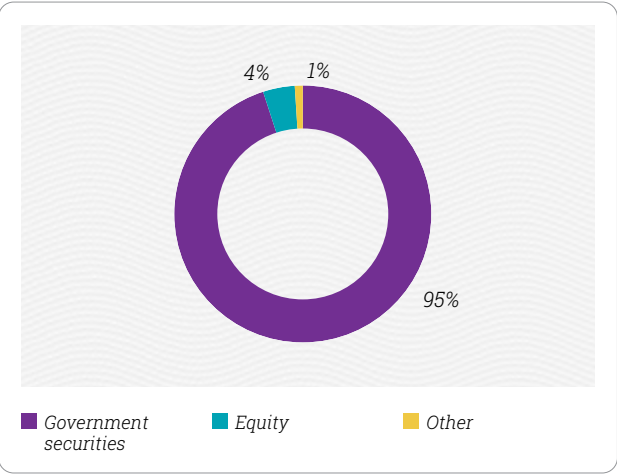
The EPF Department prioritised increasing awareness about its services. In 2024, it participated in various mobile service initiatives, public exhibitions, and conferences, including the National HR Conference organised by the Chartered Institute of Personnel Management (CIPM). The department also hosted an awareness programme on the EPF OS platform, which helped employers make the switch from conventional methods to the EPF-OS platform.

During the year under review, the EPF Department responded to 97,928 balance inquiries, 64,382 general information inquiries, and handled 11,195 other requests.

A more cautious approach to invest in equity was followed in order to balance portfolio risk. Accordingly, the Fund's total investment portfolio as of 2024 was Rs. 4,393.8 Bn., with 94.5% in government securities, 4.4% in equity, 0.3% in corporate debentures, and 0.8% in reverse repurchase agreements.

Investment portfolio

Graph – 07



Annual financial statements

The 2023 Annual Report of the EPF was submitted to Parliament and made publicly available on the EPF website¹. The financial statements for 2024 were submitted to the Auditor General within the statutory deadline.

Key statistics for the Fund in 2023 and 2024 include:

Rs. (Bn.)			
Item	2023	2024 (a)	Change (%)
Total value of the Fund	3,886.7	4,375.7	12.6
Total liability to the members	3,817.9	4,289.5	12.4
Total contributions	210.6	234.4	11.3
Total refunds	215.9	188.1	(12.9)

(a) Provisional

¹https://epf.lk/?page_id=243

➔ Public debt management

Issuance of government securities

In 2024, Central Bank, as the Government’s agent under Section 132 of the CBA, facilitated the issuance of government securities. The Treasury’s cash buffer strategy helped curb excessive upward pressure on yield rates

during the year, while broad fiscal discipline, prudent debt management, and monetary policy easing drove a substantial downward adjustment. Meanwhile, maturity periods of Treasury bonds issued under ordinary market conditions as well as Treasury bills were extended.

Issuance of treasury bills and treasury bonds, 2023-2024

Instrument	2024			2023		
	Issuance Rs. (Bn.)	WAYR (%)	Issuance ATM (Years)	Issuance Rs. (Bn.)	WAYR (%)	Issuance ATM (Years)
Treasury Bills ^(a)	7,900.6	10.02	0.51	15,446.3	22.36	0.34
Treasury Bonds	3,071.9	12.27 ^(b)	5.06 ^(b)	7,614.5	21.00 ^(b)	3.96 ^(b)

WAYR: Weighted Average Yield Rate/Cost; ATM: Average Time to Maturity

(a) Gross Treasury bill issuance including Treasury bills issued to the Central Bank.

(b) Excludes Treasury bonds issued under the Domestic Debt Optimisation and External Debt Restructuring Programmes

Despite uncertainty pertaining to election cycles and prolonged external debt restructuring negotiations, the Central Bank met the Government’s domestic funding needs in 2024 through market sources while maintaining a notable degree of stability. Meanwhile, declining yield rates and the issuance of longer-term securities, backed by prudent strategies and fiscal improvements, reduced interest costs and expanded fiscal space.

NCG target under IMF-EFF programme

Following the September 2023 conversion of outstanding government debt, Central Bank offloaded Rs. 240 Bn. in Treasury bills and bonds Rs. 80 Bn. per quarter during the first three quarters of 2024. This helped achieving the Net Credit to Government (NCG) target set under the International Monetary Fund (IMF) Extended Fund Facility (EFF) while maintaining market stability and preventing undue pressure on yields.

Domestic and external debt restructuring

Central Bank remains committed to supporting the Government and its advisors in restoring public debt sustainability under the IMF-EFF programme. In its capacity as the Government’s fiscal agent, the Central Bank has ensured the timely execution of debt restructuring transactions, reinforcing long-term economic stability and financial resilience.

Public Debt Management Act and establishment of PDMO

The Public Debt Management Act No. 33 of 2024 (PDM Act) was enacted on 18 June 2024, with its provisions set to take effect on 25 November 2024, as declared by the Minister of Finance. The Public Debt Management Office (PDMO) was established under this Act on 02 December 2024.

As per Section 37 of the PDM Act, the applicability of Section 132 of the CBA will take effect on a date declared by the Minister within 18 months from the PDM Act’s effective date. This transition period allows the Public Debt Department (PDD) to continue its functions until 25 May 2026, at the latest.

During the Act’s drafting, Central Bank collaborated with the Ministry of Finance, Planning, and Economic Development (MoF) and external stakeholders, providing technical expertise and addressing operational, legal, and policy challenges. Going forward, the Central Bank will support the PDMO through training and assistance to ensure a smooth transfer of debt management functions. However, under Section 81(7) of the CBA, the Central Bank may continue to operate the registry for securities issued by the Government.

LankaSecure system and digitalisation

The LankaSecure System consists of the Central Depository System (CDS), which records ownership of scripless government securities, and the Scripless Securities Settlement System (SSSS), which handles their transactions. In 2024, LankaSecure operated with 100% availability.

Effective 01 April 2024, LankaSecure fully transitioned periodic investor statements (holding, transaction, and payment statements) to electronic form (e-statements), replacing physical copies. These e-statements are now emailed to registered investors, boosting security and increasing accessibility.

Coordination with international credit rating agencies

Central Bank actively supported international credit rating agencies in assessing Sri Lanka’s sovereign credit ratings in 2024, particularly during the external debt restructuring process, culminating in upgrades from two agencies.

Sri Lanka’s sovereign credit ratings

Figure – 17

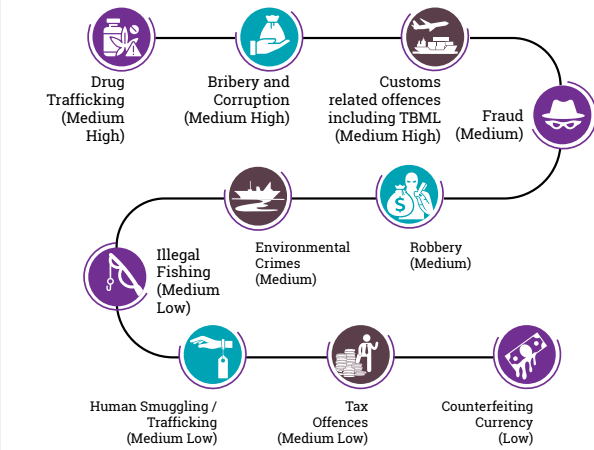
<div>MOODY’s</div>	<div>FitchRatings</div>	<div>S&P Global</div>
<div>23 December 2024:</div> <div><div>▸ Upgraded long-term foreign-currency issuer rating to “Caal” from “Ca”</div><div>▸ Assigned a “Caal” rating to new USD-denominated issuances (provisional rating issued on 28 November 2024)</div></div>	<div>20 December 2024:</div> <div><div>▸ Upgraded long-term foreign-currency Issuer Default Rating (IDR) to “CCC+” from “RD”</div><div>▸ Upgraded Sri Lanka’s local-currency IDR to “CCC+” from “CCC-”</div></div> <div>30 December 2024:</div> <div><div>▸ Assigned a “CCC+” rating to:</div><div>a. Governance-linked bonds maturing in 2035</div><div>b. US dollar step-up bonds maturing in 2038</div></div>	<div>27 December 2024:</div> <div><div>▸ Affirmed foreign-currency sovereign credit ratings at “SD/SD”</div><div>▸ Affirmed local-currency ratings at “CCC+/C”</div><div>▸ Assigned a “CCC+” issue rating to three post-restructuring notes:</div><div>a. Governance-linked bonds maturing in 2035</div><div>b. US dollar step-up bonds maturing in 2038</div><div>c. PDI bonds maturing in 2030</div></div>

Financial Intelligence Unit (FIU)

Established in March 2006 under the Financial Transactions Reporting Act No. 06 of 2006 (FTRA), the Financial Intelligence Unit of Sri Lanka (FIU) functions as an operationally independent and autonomous institution within the Central Bank of Sri Lanka (CBSL) since February 2007. To combat money laundering, terrorist financing, and financial crimes, the FIU collects, analyses, and disseminates financial intelligence to Law Enforcement Agencies (LEAs) and Regulatory Authorities (RAs).

In 2024, the FIU received 2,513 Suspicious Transaction Reports (STRs) from Reporting Institutions (RIs) and the public. FIU held 101 STR Discussion Meetings (SDMs) and 12 STR Review Committee Meetings during 2024 to discuss the analysis results and decide on actions to be taken. To strengthen international and domestic cooperation, the FIU signed Memoranda of Understanding (MOUs) with the Financial Intelligence National Center of the Kingdom of Bahrain and with four domestic agencies during 2024, i.e. the Excise Department of Sri Lanka, the Commission to Investigate Allegations of Bribery or Corruption (CIABOC), the Registrar General's Department, and the National Secretariat for Non-Governmental Organisations.

Money laundering threats of Sri Lanka



Under Section 15 (2) of the FTRA, FIU exercised suspension powers to facilitate investigations conducted by the LEAs during 2024.

During the year, FIU conducted 86 onsite and offsite examinations across various sectors, primary dealers, money or value transfer service providers, restricted dealers, insurance companies, stockbrokers, casinos, gem and jewellery traders, law firms, real estate agencies, accountants/accounting firms, and Trust or Company Service Providers (TCSPs). Based on the supervisory examination findings, FIU issued 55 warning letters, 12 show-cause letters, and administered monetary penalties totalling Rs. 8.75 Mn.

The FIU also conducted 12 thematic reviews and issued five circulars to enhance compliance with the FTRA and customer due diligence requirements. FIU carried out a total of 191 off-site risk assessments for Financial Institutions and Designated Non-Financial Businesses and Professions (DNFBPs) sector, at times jointly with the relevant sector regulators.

During 2024, the FIU made a significant progress in enhancing the goAML system, the transaction receiving and analysis platform of the FIU. The goAML system, developed by the United Nations Office on Drugs and Crime (UNODC), helps Financial Intelligence Units combat financial crimes by enabling secure information exchange between RIs and FIUs. FIU conducted technical discussions with the UNODC and Information Technology Department (ITD) of CBSL to upgrade the system. To address invalid data submissions, the goAML Submission Validator tool and hashing mechanism were introduced. The FIU also registered Primary Dealers and Restricted Dealers in the goAML system during 2024.

The FIU continued to finalise amendments to its key legislations, the FTRA, Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA) and the Prevention of Money Laundering Act No. 05 of 2006 (PMLA) during the year. The FIU also participated in law drafting committees to review and propose new legislations, including the Proceeds of Crime Bill, the Companies (Amendment) Bill, the NGO Registration and Supervision Bill, and the Gambling Regulatory Authority Bill.

Managing the Bank

What progress Central Bank has made in helping the economy recover and set it on a path towards sustainable growth is largely, if not entirely, down to the Bank's capable and intelligent workforce. Central Bank recognises that without the dedication and hard work of its employees, across all categories, and the strength of its administrative framework, none of its successes would've been possible. It may not even be an exaggeration to say that, without their efforts, the economy's remarkable recovery over the past two years might still be a distant dream.

In 2024, the Bank made notable progress in both areas – human capital development and enhancing general administration – with a sharp focus on improving talent

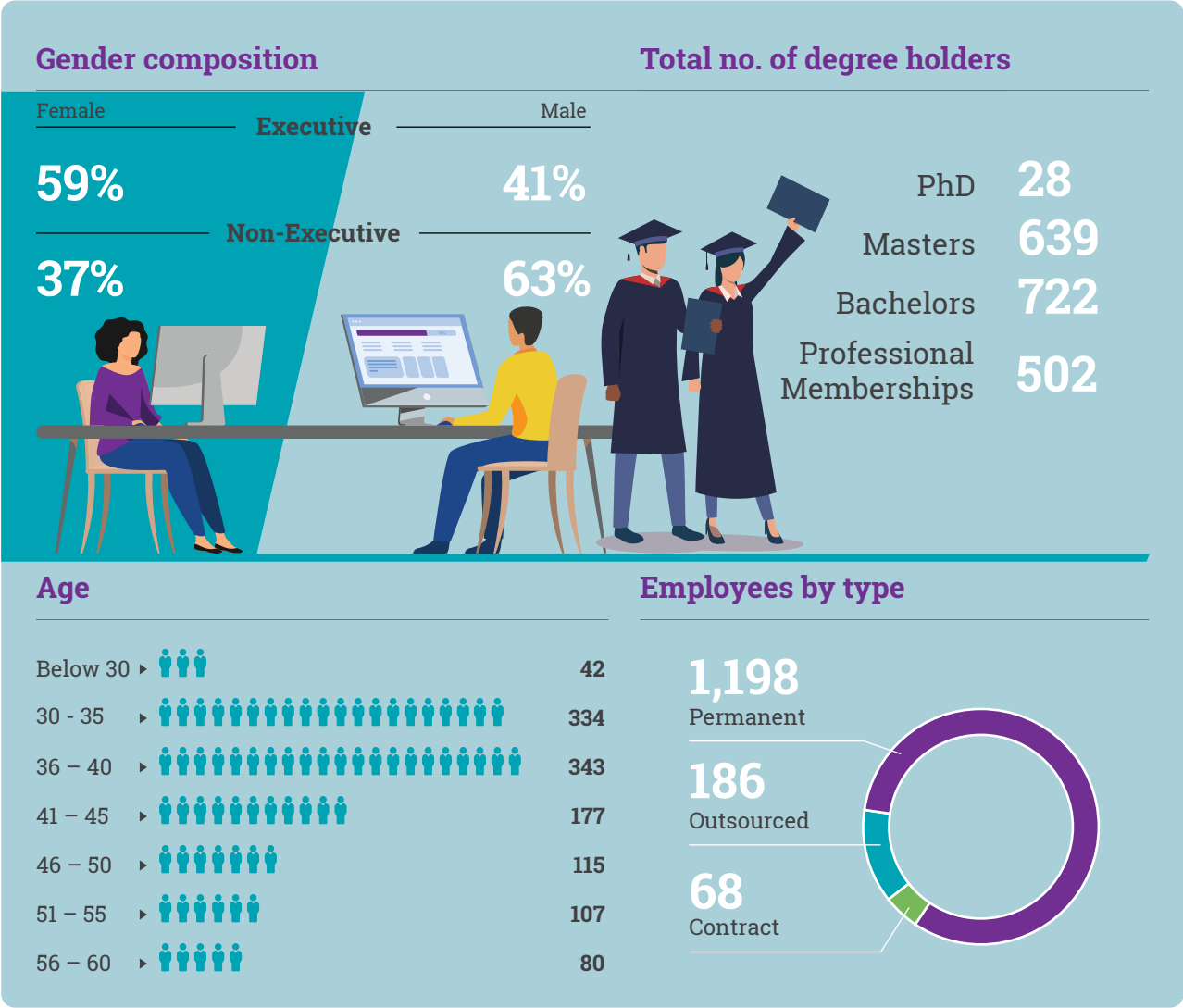
management, streamlining administrative processes, and strengthening governance. All these efforts combined to build a resilient, agile, and future-ready central bank.

Human capital management

Being a responsible employer, Central Bank acknowledges the essential contributions of its strong workforce to delivering the Bank's objectives of maintaining domestic price stability and ensuring financial system stability. Their professionalism, technical competency, and integrity continue to serve both the institute and the economy at large exceedingly well.

Human capital

Figure – 19



Managing the Bank

The Bank’s approach to human capital management in 2024 was shaped primarily by a commitment to attract, retain, and nurture talent. Understanding why employees join, stay, or leave Central Bank is essential to formulating recruitment and retention strategies and ensures that the Bank continues to be perceived as an employer of choice. In 2024, Central Bank conducted manpower planning to accurately assess the Bank’s current and future workforce needs, aligning with larger organisational goals. The introduction of job families, meanwhile, streamlined the hiring process, leading to targeted talent acquisition aligned with specialised needs, resulted in quality hiring decisions. Simultaneously, innovative succession planning for mission-critical roles has reinforced Central Bank’s capacity to sustain leadership continuity and operational stability. As part of leadership development, Central Bank implemented structured evaluations, including role fit assessments and 360-degree feedback, to gain deeper insights into leadership effectiveness.

A Leadership Competency Model, developed in collaboration with SEACEN, provided a structured framework for evaluating leadership potential and readiness, essential for succession planning and leadership continuity.

Integral to Central Bank is the fundamental belief that hard work deserves reward and recognition. Therefore, promotions were a major focus in 2024, acknowledging high-performing employees and aligning their career

growth with the Bank’s strategic goals, creating a productive harmony. The promotion criteria for the year were based on performance evaluations, leadership competence, and overall contribution to the Bank’s objectives. Recruitment in 2024 included both permanent and contract hires, supported by outsourced staff to address casual vacancies.

To promote engagement and transparency, Central Bank has taken several initiatives including open, agenda-free discussions and town hall meetings, inviting a sense of openness and collective problem-solving. Regular engagement surveys provided valuable insights into employee satisfaction and motivation, guiding targeted improvements.

In 2024, Central Bank remained committed to continuous learning and professional growth. A structured learning and development framework supported skill development, leadership growth, and technical proficiency. This strategic focus on capacity building allowed the Bank to maintain a competent and agile workforce, ready to meet emerging challenges.

Maintaining high standards of conduct is of utmost importance at Central Bank. Employees are expected to adhere to a strict code of conduct demonstrating professionalism, accountability, and transparency. In 2024, the Bank continued to uphold these standards through rigorous ethical conduct policies and regular awareness initiatives.

Acknowledging our retirees – 2024

We extend our heartfelt appreciation to the officers who retired in 2024 after years of dedicated service. Their invaluable contributions have left a lasting impact on the institution, and we wish them all the best in their future endeavors.



Yvette Fernando
Former Senior Deputy Governor



Aroosi Thaasim
Former Deputy Governor

- Rohana Wijesekera, Assistant Governor
- Malkanthi Bandara, Secretary
- Jayawardena Ratnayaka, Director, Facilities Management
- Senarath Dharmawardane, Director, Regional Development
- Prasanna Jayathilake, Director, Centre for Banking Studies
- Rohan Wijewardane, Additional Director, Information Technology
- Ashoka Senanayake, Additional Director, Domestic Operations
- Aruna Deegala, Additional Superintendent of Currency
- Lal Muthukumara, Additional Director, Staff Services Management

Managing the Bank

Centre for Banking Studies



Your Guide to the Future...

The Centre for Banking Studies (CBS), which functions as the human capital development arm of the Central Bank of Sri Lanka, offers a year-round series of programmes designed to advancing financial education, while evolving with the dynamic training needs of Central Bank staff and the broader banking and financial sector professionals. Integrity, accountability, innovation, relevance, service excellence, and diversity form the CBS’ core values that underpins its mission. CBS delivers training programmes, workshops and seminars each year to equip professionals with the financial acumen and resilience needed to navigate the challenges and complexities of modern Banking and Finance. The programmes also aim to inculcate in participants an appreciation for the nuances that have come to define not just the banking and finance sectors but the wider macroeconomy. Through its various capacity building initiatives that promote continuous learning, CBS plays a vital role in supporting the Central Bank in its pursuit of financial system stability and sustainable economic growth.

In 2024, CBS conducted 117 training programmes, including 59 pre-scheduled programmes, 39 special programmes, nine public seminars, and ten international programmes, collectively reaching over 6,500 participants, a testament to CBS’ commitment to inclusive and result-oriented capacity development. These programmes covered a wide range of topics, including central banking, finance, treasury operations, economics, information technology, legal frameworks, research, data analysis and human resource management.

Expert panel discussions on compliance, innovation, cybersecurity in Sri Lanka’s banking and financial

sector, and trade agreements highlighted the key issues in these areas. In particular, collaborations with international institutes such as the Mongolian Sustainable Finance Association and Bangko Sentral ng Pilipinas were carried out to promote awareness about the significance of capacity building in the area of sustainable finance practices.

To leverage technical expertise and leadership from partner institutions and enhance the capacities of Central Bank staff, CBS also collaborated with global institutions such as SEACEN, Deutsche Bundesbank, and IMF-SARTTAC to deliver high-impact training on a number of topics, including “External Sector Analysis,” “Innovations, Payments, and Central Banks,” “Strategic Foresight, Strategy Development, and Implementation,” and “Central Bank Governance”. Additionally, specialised training programmes were provided to foreign institutions during the year, which included “Implementing Nepal Financial Reporting Standards in Banks” and “Excellence in Branch Management for Bank Managers”. Another highlight was an exposure visit from the Bank of Tanzania Academy to CBS.

The year 2024 saw a strong emphasis on capacity building within Central Bank through multiple initiatives. These included “Talks@CBSL,” learning from leading Corporates on management strategies, and leading self programmes tailored for the benefit of new recruits. Committing further to its goals of enhancing financial and economic literacy at the national level, CBS in 2024 expanded its outreach through a series of public seminars. Alongside its ongoing awareness initiatives in collaboration with Regional Offices, CBS conducted a special series of training programmes aimed at strengthening the capacity of financial institutions at the regional level. Looking ahead, CBS aims to foster innovation and creativity in its training and capacity building efforts, while strengthening collaborations both locally and internationally. Recognising the complexities of a rapidly evolving economic environment, CBS, through its state-of-the-art educational initiatives, will strive to ensure the continuous professional development of Central Bank and financial sector staff. These efforts are intended to equip individuals with the knowledge and skills necessary to elevate Sri Lanka’s financial sector to a more advantageous standing.

➔ Information technology

Central Bank runs an array of critical systems that cover the breadth of the digital finance ecosystem, from financial management and threat monitoring to investment and payroll operations. The development of an advanced early warning system within the Bank's Financial Information Network (FinNet) reporting system is a major highlight. In 2024, the tool has been designed to track financial indicators in real time, spot trends, and respond proactively and speedily to potential risks. It also allows for easier data-driven decision-making through customisable views and drill-down features.

Upgrading RTGS system

A notable highlight of 2024 was the rollout of a more advanced Real-Time Gross Settlement (RTGS) system, built to meet ISO20022 specifications. This upgrade allows for real-time processing of high-value transactions, cutting down settlement risks and improving liquidity management.

Cybersecurity and IT resilience

Given the sensitivities involved, cybersecurity is, needless to say, a top priority at Central Bank. Regular vulnerability assessments and penetration testing help keep the Bank's digital infrastructure secure from potential threats. In 2024, the focus was also on raising awareness among staff about data protection best practices, in an attempt to create a culture of cybersecurity vigilance across the institution.

Data-driven strategies

Increasingly, Central Bank is leaning more into data analytics to support smarter decision-making and oversight. Performance dashboards have been developed to track progress and generate insights, while collaboration with the Bank of Korea is helping improve data architecture and analytics capabilities. The focus on Big Data and data warehousing is paving the way for better informed strategic decision-making.

➔ General administration

General administration at Central Bank in 2024 focused mainly on maintaining seamless internal operations and strengthening corporate governance. Through efficient corporate administration, the Bank ensured smooth internal communication by issuing circulars and internal memoranda that clearly outlined policies, procedures, and guidelines. This practice considerably improved operational consistency and also kept staff abreast of the latest administrative directives.

Procurement and fixed asset management

During the year under review, Central Bank prioritised transparent and efficient procurement processes to acquire high-quality goods and services at optimal prices. Adhering to competitive procurement practices, the Bank maintained cost-effectiveness while meeting operational needs. Meanwhile, an annual Board of Survey was conducted to manage obsolete, damaged, and unserviceable fixed assets, leading to responsible asset management and resource optimisation.

Legal affairs

In 2024, the Central Bank effectively managed its legal affairs, safeguarding the institution's interests in legal disputes. The Central Bank also remained actively engaged in several law reform initiatives launched in 2023. As part of its responsibilities, the Central Bank oversaw the approval and enactment of the Banking (Amendment) Act, No. 24 of 2024, and contributed to the enactment of the Public Debt Management Act, No. 33 of 2024, which were operational on 15 June 2024, and 25 November 2024, respectively.

Internal and external payments

Central Bank executed all internal and external payments efficiently during the reporting period, including employee remunerations, operational expenses, and supplier payments, adhering to established protocols.

Security and facilities management

Central Bank placed a strong emphasis on maintaining security, conducting regular inspections, and upgrading fire fighting and surveillance systems to ensure safety for both personnel and infrastructure. Targeted training programmes improved the skills and competencies of security personnel, creating a secure environment. The Bank also maintained comprehensive facilities management, including building maintenance and transportation services, to support uninterrupted operations and stakeholder engagement.

▶ Right to information and transparency

Central Bank reinforced its commitment to transparency in 2024, processing Right to Information (RTI) applications throughout the year. Timely responses and strict adherence to the RTI Act served as an example of Central Bank's commitment to open and accountable governance.

RTI Annual Report of the Central Bank of Sri Lanka which was made in compliance with section 10 of the Right to Information Act, No. 12 of 2016 (RTI Act) for the Year 2024

01	Total number of information requests received during 2024 by the Central Bank of Sri Lanka (CBSL)	180
02	Total number of information requests received during 2024 for which information was provided	139
03	Total number of information requests received during 2024 where provision of information was rejected	19
04	Total number of information requests which have been forwarded to other public authorities (Part of the information was provided for 9 RTI requests)	24
05	Total number of information requests received during 2024 and being processed as at 31.12.2024	7
06	Fees collected during the year by the Central Bank for provision of information	No fees were collected
07	Number of requests rejected under the section 5 of RTI Act	5
08	Number of requests rejected under the section 3 of RTI Act	14
09	Number of appeals to the RTI Commission	14
10	Number of times information was provided at the direction of the Right to Information Commission	1
11	Number of appeals to the designated officer	32
12	Practices relating to the maintenance, management and destruction of records at the Central Bank	Note 01
13	Activities relevant to the Central Bank under section 8 of RTI Act	Not applicable

Note 01:
Central Bank maintains records and information in terms of the provisions of section 7 of RTI Act and other relevant written laws.

Governance

The governance structure of the Central Bank of Sri Lanka (CBSL) is designed to ensure effective oversight and management of its operations. Central Bank functions under two main boards: the Governing Board and the Monetary Policy Board.

- **Governing Board (GB):** This board is responsible for overseeing the administration and management of Central Bank’s affairs, excluding monetary policy. It consists of the Governor of the Central Bank, who serves as the Chairperson, and six other members with expertise in Economics, Banking, Finance, Accounting and Auditing, Law, or Risk Management. The Governing Board takes general policy decisions, enforces measures, formulates corporate strategy, approves budgets and financial statements, and oversees internal controls and risk management.
- **Monetary Policy Board (MPB):** This board is tasked with formulating the monetary policy of Central Bank and implementing a flexible exchange rate regime in line with the flexible inflation targeting framework in order to achieve and maintain domestic price stability. It includes the Governor of the Central Bank as the Chairperson, members of the Governing Board, two experts in Economics or Finance, and two Deputy Governors responsible for price stability and financial system stability.

These governance structures and processes ensure that Central Bank operates with transparency, accountability, and effective oversight, maintaining the stability and integrity of Sri Lanka’s financial system.

Refer figure 20 for the governance structure at CBSL.

Board members

The Governor of the Central Bank and the Board members are appointed by the President on the recommendation of the Minister of Finance and with the approval of the Constitutional Council established under Article 41 A of the constitution. Other than the Governor, all other Board members are non-executives. The term of office for the Governor and the appointed members is six years, with eligibility for reappointment, but the aggregate term cannot exceed twelve years.

Governing Board members

- Dr. Nandalal Weerasinghe – Governor (Chairman)
- Mr. Nihal Fonseka – Appointed Member
- Dr. Ravindra Ratnayake – Appointed Member
- Mr. Anushka Wijesinha – Appointed Member
- Mr. Vishvanadamoothi Govindasamy – Appointed Member
- Mr. Rajeev Amarasuriya – Appointed Member
- Mr. Manil Jayasinghe – Appointed Member

Secretary to GB – Mrs Dimuthu Samaratunga

Monetary Policy Board members

- Dr. Nandalal Weerasinghe – Governor (Chairman)
- Mr. Nihal Fonseka – Appointed Member
- Dr. Ravindra Ratnayake – Appointed Member
- Mr. Anushka Wijesinha – Appointed Member
- Mr. Vishvanadamoothi Govindasamy – Appointed Member
- Dr. (Ms) Dushni Weerakoon – Appointed Member
- Dr. Priyanga Dunusinghe – Appointed Member
- Mr. Rajeev Amarasuriya – Appointed Member
- Mr. Manil Jayesinghe – Appointed Member
- Mrs. Nelumani Daulagala – Senior Deputy Governor
- Mr. Janaka Karunaratne – Deputy Governor

Secretary to MPB – Dr. Chandranath Amarasekara

Board meetings

The Governing Board meets at least once a month, while the Monetary Policy Board meets at least once every two months. The meetings are convened by the Chairperson or at the written request of any two members. Board meetings are structured to ensure thorough discussion and decision-making. The quorum for a Governing Board meeting is five members, while the quorum for a Monetary Policy Board meeting is eight members, including the Governor or the Deputy Governor in charge of price stability.

The Monetary Policy Board publishes the resolutions adopted after each meeting, along with explanations of recent economic developments and the economic outlook.

Governance structure of the Central Bank as at 31 December 2024

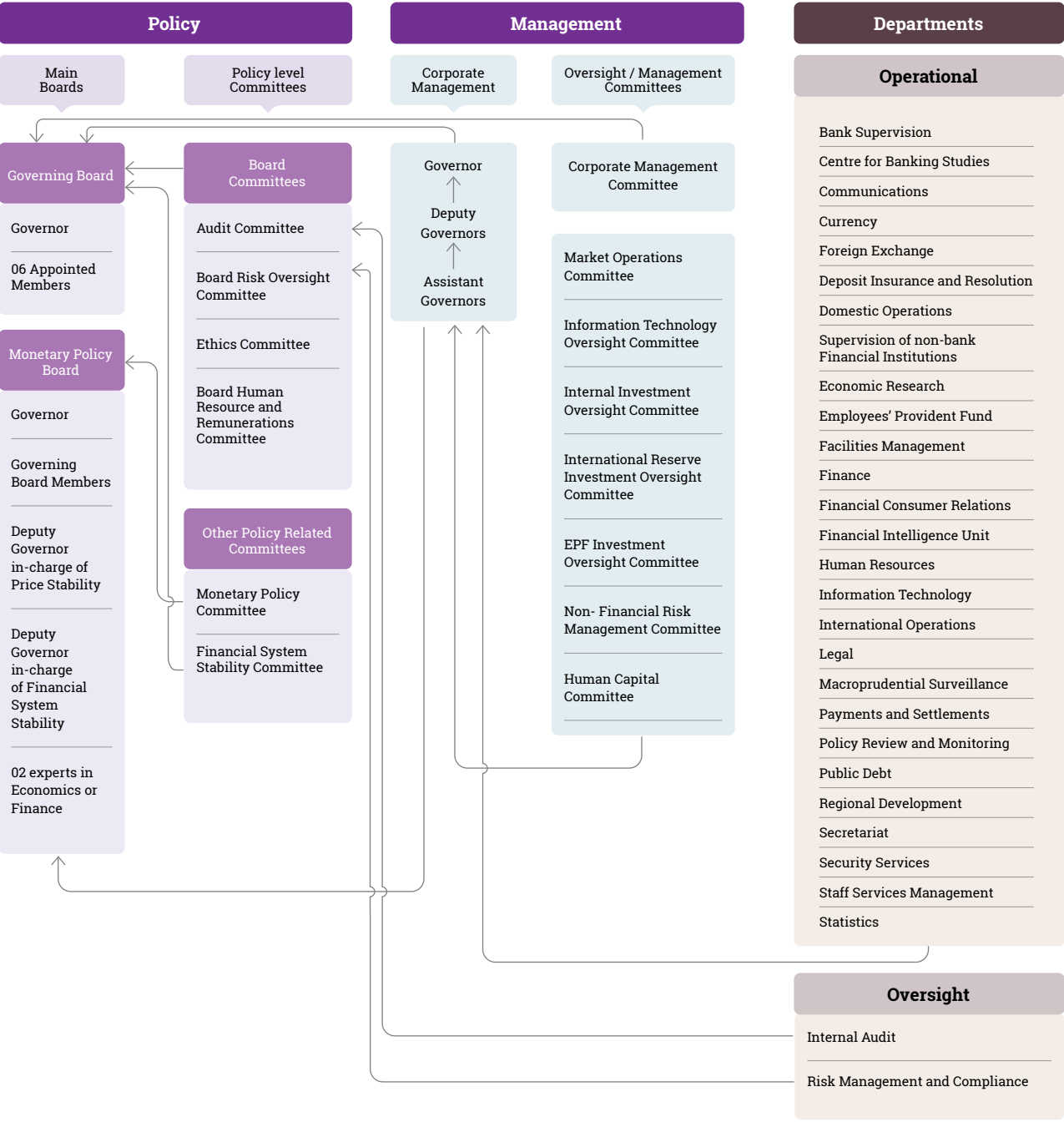


Figure – 20

* w.e.f., 02 April 2025, International Operations Department was re-named as Investment Management Department and Domestic Operations Department was renamed as Market Operations Department, under the implementation of the centralised Front Office, Middle Office and Back Office functions of CBSL.

Board committees

Central Bank has several specialised board committees to assist in supervising and managing its operations. These committees include:

- I. Audit Committee
- II. Board Risk Oversight Committee
- III. Board Human Resource and Remunerations Committee
- IV. Ethics Committee

Refer page 55 for details.

Other policy related committees

Central Bank has established policy-related committees tasked with evaluating economic conditions, making recommendations on monetary policy, and assessing risks within the financial system to ensure stability. These include:

- I. Monetary Policy Committee
- II. Financial System Stability Committee

Oversight/management committees

Central Bank’s oversight/management committees are responsible for the day-to-day operations and implementation of policies set by the Governing Board and the Monetary Policy Board. These committees include:

- I. Corporate Management Committee
- II. Market Operations Committee
- III. Information Technology Oversight Committee
- IV. Investment Oversight Committees

a. Internal Investment Oversight Committee

b. International Reserve Investment Oversight Committee

c. EPF Investment Oversight Committee
- V. Non-Financial Risk Management Committee
- VI. Human Capital Committee

National level committees led by CBSL

At the national level, the Central Bank is involved in several key committees.

- I. Financial Sector Oversight Committee
- II. Crisis Management Committee
- III. National Financial Inclusion Council
- IV. National Payment Council
- V. AML/CFT National Coordinating Committee

Code of conduct

Central Bank’s Code of Conduct upholds ethical behaviour and integrity among Board members including Board Committees and employees. The Code mandates high ethical standards across all professional activities, proactive conflict of interest disclosure, and strict confidentiality of non-public information obtained during the course of duties. Professionalism and accountability are central to employee conduct, in addition to stringent compliance with all relevant laws, regulations, and internal policies.

Whistleblowing

Central Bank promotes a culture of transparency and accountability through its whistleblowing policy, offering a secure and confidential avenue for employees to report unethical behaviour, misconduct, or any wrong doing detrimental or prejudicial or is against the interest of the Bank. Whistleblowers who act in good faith are protected from retaliation, discrimination and all reporting are subject to thorough and impartial investigation, with appropriate remedial actions taken as needed.

Data governance

Central Bank prioritises data governance to safeguard the integrity and security of its information, given its sensitivity. The framework includes data management policies to ensure accurate, complete, and reliable data. Data security measures protect against unauthorised access, breaches, and other threats, while compliance with data protection laws remains essential. Access to sensitive information is strictly regulated based on roles and responsibilities to maintain controlled and secure data handling.

Board committees

Audit Committee (AC)

Purpose and task

Ensure transparency and accountability by overseeing internal audit function, financial statement integrity, engaging with external auditors, evaluating internal controls – including whistleblowing, compliance, and fraud reporting – and monitoring internal audit compliance and effectiveness within the risk management framework.

Members

Mr. Manil Jayasinghe – Chairperson
Dr. Ravindra Ratnayake – Member
Mr. Rajeev Amarasuriya – Member

Board Risk Oversight Committee (BROC)

Purpose and task

Oversee the overall risk management and compliance functions of the Central Bank through a formal delegation from the Governing Board and is responsible for setting broad strategies and policies ensuring a dedicated focus on risk management and compliance.

Members

Mr. Nihal Fonseka – Chairperson
Mr. Trevine Jayasekara – Independent External Member
Mr. Ranel Wijesinha – Independent External Member

Ethics Committee (EC)

Purpose and task

Oversee matters related to the Code of Conduct for employees (effective 30 June 2018), Governing Board, Monetary Policy Board members and board committees (effective 01 January 2019), as issued under Section 8(1) of the Monetary Law Act No. 58 of 1949 to be read with the Section 133 of Central Bank of Sri Lanka Act and currently governed by Section 22 and 25 of (CBA).

Members

Mr. Anushka Wijesinha – Chairperson
Dr. Ravindra Ratnayake – Member
Mr. Amal Cabral – External Member

Board Human Resource and Remunerations Committee (BHRRC)

Purpose and task

Advise and make recommendations to the Governing Board on the remuneration framework of CBSL that are aligned with Bank’s strategic objectives, promote accountability, as well as attract, retain, and motivate high-caliber talent.

Members

Mr. Nihal Fonseka – Chairperson
Mr. Vishvanadamoorthi Govindasamy – Member
Mr. Manil Jayasinghe – Member
Mr. Chandrasiri Hewapattini – External Member

Other policy related committees	
<div><div>Monetary Policy Committee (MPC)</div><div><p>Purpose and task</p><p>Evaluate macroeconomic developments and projections and formulate recommendations on future monetary policy directions for the Monetary Policy Board.</p><p>Composition</p><p>Governor (Chairperson), all DGs, AGs in-charge and Heads of Department of Economic Research, Statistics, Domestic Operations, International Operations and Additional Director of Economic Research overseeing Money and Banking.</p></div></div>	<div><div>Financial System Stability Committee (FSSC)</div><div><p>Purpose and task</p><p>The main role of the FSSC is to assess financial system stability related aspects highlighted by members and other stakeholders and monitor risks in the financial system, and make recommendations to the Governing Board to mitigate such risks based on technical inputs provided by members.</p><p>Composition</p><p>DG in-charge of Financial System Stability (Chairperson), DG in-charge of Macroprudential Policy, DG in-charge of Price Stability, AGs in charge of Macroprudential Surveillance, Bank Supervision, Supervision of Non-Bank Financial Institutions, Economic Research Department, Deposit Insurance and Resolution Department, Payments and Settlements Department and Directors of all above departments.</p></div></div>

Oversight / Management Committees	
<div><div>Corporate Management Committee (CMC)</div><div><p>Purpose and task</p><p>Make recommendations to the GB on the policy proposals that have an impact on the Bank's human capital competitiveness and sustainability and solve issues relating to corporate support functions.</p><p>Composition</p><p>Governor (Chairperson) all DGs and AGs</p></div></div>	<div><div>Market Operations Committee (MOC)</div><div><p>Purpose and task</p><p>Manage rupee liquidity in the interbank money market to maintain the Average Weighted Call Money Rate (AWCMR) at a desired level consistent with the monetary policy stance and make recommendations regarding actions to be taken during the day on exchange rate management operations in the domestic foreign exchange market.</p><p>Composition</p><p>DG in-charge of Economic Policy Advisory Cluster (Chairperson), AGs in-charge and Heads of Departments of Economic Research, International Operations, and Domestic Operations</p></div></div>

<div><div>Information Technology Oversight Committee (ITOC)</div><div><p>Purpose and task</p><p>Provide strategic direction and alignment of Bank's ICT framework with the organisation goals and review and recommend ICT policies and procedures.</p><p>Composition</p><p>DG in-charge of IT (Chairperson) all AGs</p></div></div>	<div><div>Non-Financial Risk Management Committee (NFRMC)</div><div><p>Purpose and task</p><p>Ensure that CBSL has an effective framework for managing operational and compliance risks, and oversee whether operational and compliance risk management process is carried out in line with Governing Board approved policies, procedures and guidelines.</p><p>Composition</p><p>DG appointed by the GB (Chairperson), DGs and AGs, Chief Risk Officer and Chief Compliance officer Observers: Chief Information Security Officer, Chief Internal Auditor</p></div></div>
<div><div>Investment Oversight Committees (IOCs)</div><div><p>Purpose and task</p><p>Ensure adherence to investment guidelines while making broad investment decisions; provide inputs to formulate and review investment policies, and guidelines; translate the strategic decisions of the GB into operational directives; oversee investment activities carried out by fund management departments; approve new issuers/ counterparties and monitor investment performance, risk, and compliance; recommend necessary deviations from policies and guidelines, particularly in unavoidable circumstances.</p><p>Composition</p><p>DG in-charge of relevant Departments (Chairperson), AG in-charge overseeing the respective departments as outlined in the investment policy statements Observers: Heads of relevant departments and Chief Risk Officer</p></div></div>	<div><div>Human Capital Committee (HCC)</div><div><p>Purpose and task</p><p>Provide advice, strategic directions and focus to strengthen to Bank's human capital imperatives.</p><p>Composition</p><p>DG in-charge of human resources (Chairperson), AG in-charge of human resources, Chief Human Resources Officer, Heads of Departments of Human Resources, Centre for Banking, Policy Review and Monitoring, Staff Services Management, Risk Management and Compliance, Secretary of the Bank and four non-permanent members appointed by relevant AGs.</p></div></div>

Board Members





Nandalal Weerasinghe
Governor/Chief Executive Officer

PhD in Economics, Australian National University, Australia
MSc in Economics, Australian National University, Australia
B.Sc., University of Kelaniya, Sri Lanka

Current positions at CBSL:
Chairman – Governing Board
Chairman – Monetary Policy Board
Designated Officer - The Central Bank of Sri Lanka
(Under Right to Information Act No. 12 of 2016)



Ravindra Ratnayake

PhD in Economics, La Trobe University, Australia
Post Graduate Diploma in Economic Development, University of Colombo, Sri Lanka
B.A (Honours in Economics), University of Peradeniya, Sri Lanka

Current positions at CBSL:
Appointed Member – Governing Board
Appointed Member – Monetary Policy Board
Member – Audit Committee
Member – Ethics Committee



Vishvanadamoorthi Govindasamy

MBA and BSc in Electrical Engineering, University of Hartford, USA
Fellow member, the Institute of Certified Professional Managers, Sri Lanka

Current positions at CBSL:
Appointed Member – Governing Board
Appointed Member – Monetary Policy Board
Member – Board Human Resource and Remunerations Committee



Nihal Fonseka

BSc., University of Ceylon, Colombo, Sri Lanka
Fellow, Chartered Institute of Bankers, United Kingdom (FCIB)
Honorary Fellow, Chartered Institute of Securities and Investments, United Kingdom (FCSI)

Current positions at CBSL:
Appointed Member – Governing Board
Appointed Member – Monetary Policy Board
Chairman – Board Risk Oversight Committee
Chairman – Board Human Resource and Remunerations Committee



Anushka Wijesinha

Masters in Economics, University of Leeds, United Kingdom
BSc. in Economics, University College, London, United Kingdom

Current positions at CBSL:
Appointed Member – Governing Board
Appointed Member – Monetary Policy Board
Chairman – Ethics Committee



Rajeev Amarasuriya

LLB, University of Colombo, Sri Lanka
Attorney-at-Law of the Supreme Court of Sri Lanka
Fellow Member, Chartered Institute of Management Accountants (UK)
Fellow Member, Institute of Certified Management Accountants, Sri Lanka

Current positions at CBSL:
Appointed Member – Governing Board
Appointed Member – Monetary Policy Board
Member – Audit Committee



Manil Jayesinghe

Fellow Member, Institute of Chartered Accountants of Sri Lanka
Fellow Member, Chartered Institute of Management Accountants (UK)
Fellow Member, Certified Management Accountants of Sri Lanka
Member, Chartered Institute of Public Finance and Accountancy

Current positions at CBSL:
Appointed Member – Governing Board
Appointed Member – Monetary Policy Board
Chairman – Audit Committee
Member – Board Human Resource & Remunerations Committee



Dushni Weerakoon

PhD in Economics, University of Manchester, United Kingdom
MA in Economics, University of Manchester, United Kingdom
BSc in Economics, Queen’s University of Belfast, United Kingdom

Current positions at CBSL:
Appointed Member – Monetary Policy Board



Priyanga Dunusinghe

Professor in Economics, Department of Economics, University of Colombo.

Current positions at CBSL:
Appointed Member - Monetary Policy Board



Nelumani Daulagala
Senior Deputy Governor

Master of Science in Financial and Business Economics, University of Essex, United Kingdom
Master of Business Administration, University of Sri Jayewardenepura, Sri Lanka
Fellow Member, Chartered Institute of Management Accountants, United Kingdom

Current positions at CBSL:
Member – Monetary Policy Board
Information Officer – The Central Bank of Sri Lanka
(Under Right to Information Act No. 12 of 2016)



Janaka Karunaratne
Deputy Governor

Master of Commerce in Finance, the University of New South Wales, Australia
Postgraduate Diploma in Applied Statistics and a Bachelor of Science (Physical Science), University of Colombo
Fellow Member of the Chartered Institute of Management Accountants (CIMA), UK
Chartered Global Management Accountant (CGMA)
Associate Member of the CMA Sri Lanka

Current positions at CBSL:
Member – Monetary Policy Board

Governance and risk management

Principal officers

➔ Corporate management

Governance and risk management ▶ Principal officers



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(1) Nandalal Weerasinghe, Governor (2) Nelumani Daulagala, Senior Deputy Governor
(5) Chaminda Bandara, Assistant Governor (6) Chandranath Amarasekara, Assistant Governor
(8) P K G Harischandra, Assistant Governor (released to the IMF)

(3) Janaka Karunaratne, Deputy Governor (4) Sirikumara Kudagama, Assistant Governor
(7) Anuradha Dilrukshini, Assistant Governor
(9) Dimuthu Samaratunga, Assistant Governor (10) Enoke Mohotty, Assistant Governor (11) Ruwani Gunasekara, Assistant Governor

➔ Heads of department



Vasantha Alwis
Director, Payments and Settlements
Senior Head of Department



Mahinda Fernando
Director, Risk Management and Compliance



Saman Nanayakkara
Chief Compliance Officer



Lasanthi Sirimanne
Chief Accountant



Inoka Wickramasinghe
Director, Legal



Anil Perera
Director, Domestic Operations



Sumila Wanaguru
Director, International Operations



Priyantha Thilakaweera
Director, Macprudential Surveillance



Jamaldeen Ameer
Secretary



Dileni Karunaratne
Director, Deposit Insurance and Resolution



Hemantha Ekanayake
Director, Communications



Chanoori Jayasinghe
Director, Supervision of Non-Bank Financial Institutions



Raja Dayananda
Superintendent of Currency



Kalhari Mayadunna
Chief Internal Auditor



Priyantha Herath
Director, Information Technology



Yasantha Weerasinghe
Superintendent of Public Debt



Rukshana De Silva Jayatillake
Director, Bank Supervision



Prabath Gamage
Director, Human Resources



Nihal Liyanage
Superintendent of Employees' Provident Fund



Chathura Ariyadasa
Director, Regional Development



Ajani Liyanapatabendi
Director, Financial Consumer Relations



Samudra Jayasundera
Director, Policy Review and Monitoring



Subhani Keerthiratne
Director, Financial Intelligence Unit



Kithsiri Ehelepola
Director, Statistics



Sujeetha Jagajeevan
Director, Economic Research



Sisira Vitharana
Director, Facilities Management



Menaka Jayawardena
Director, Centre for Banking Studies



Manjula Priyankara
Director, Staff Services Management



Sudath Prasanna
Director, Foreign Exchange

➔ Additional heads of departments



Saliya Gunatilleka
Additional Director, Security Services



Maneesha Wimalasuriya
Additional Director, Payments and Settlements



Sunanda Obeysekera
Additional Director, International Operations



Sureka Ketawala
Additional Director, Bank Supervision



Priyanka Weerasekara
Additional Chief Accountant



Erandi Weerasinghe
Additional Director, Supervision of Non-Bank Financial Institutions



Malkanthi Warakagoda
Additional Director, Human Resources



Udayanthi Tennakoon
Additional Director, Domestic Operations



Lasantha Siriwardane
Additional Superintendent of Employees' Provident Fund



Chandrika Rajapakse
Additional Superintendent of Employees' Provident Fund



Indunil Ekanayake
Additional Director, Statistics



Dilhan De Silva
Additional Superintendent of Currency



Lasitha Pathberiya
Additional Director, Economic Research



Lankapathi Sritharan
Additional Director, Macprudential Surveillance



Ayesh Ariyasinghe
Additional Director, Financial Intelligence Unit



Chathura Gamage
Additional Director, Information Technology



Sisira Jayasekara
Additional Director, Bank Supervision

Audit Committee report

Committee members and meeting attendance

	Eligible to attend/Attended
Mr. Manil Jayesinghe - Chairman	15/15
Dr. Ravindra Ratnayake - Member	15/15
Mr. Rajeev Amarasuriya - Member	15/15

2. Audit charter of the CBSL

Audit Charter of the CBSL, defines the composition, authority, powers, duties, and functions of the Audit Committee, ensuring its effective operation in accordance with international best practices and governance standards. The Charter provides a structured, systematic framework for independent oversight of governance, compliance, risk management, internal controls environment of the operations of the bank and financial reporting.

Accordingly, Governing Board at its meeting No. 27/2024 on 10 October 2024 approved the newly developed Audit Charter of the CBSL. Until such time the Audit Committee continued to govern itself by the previous Monetary Board Advisory Audit Committee Framework.

In fulfilling its mandate, the Audit Committee is empowered with unrestricted access to required and relevant records, data, management personnel, and audit reports to ensure effective discharge its duties. The Charter also grants the committee the authority to engage independent counsel and external advisors whenever necessary, facilitating with the objective decision-making and informed governance.

Additionally, the Audit Committee acts as a vital liaison between the Governing Board, internal auditors, external auditors, and other assurance providers, ensuring that audit processes are conducted efficiently, findings are addressed promptly, and governance structures remain resilient to emerging risks. The committee is further empowered to resolve disagreements between management and external auditors on financial reporting matters, ensuring that financial statements present a true and fair view in accordance with applicable accounting and regulatory standards. The Audit Charter also establishes procedural guidelines for the committee's functioning, including its composition, quorum, meeting frequency, agenda-setting, and reporting obligations and evaluating its performance.

The committee is required to report to the Governing Board once every four months, summarising its activities, key decisions, and recommendations, as well as management's

The Audit Committee provides a structured, systematic oversight, advice and guidance to the board and the management on the effectiveness of CBSL's governance, risk management, compliance, internal control environment, and financial reporting. Further, the Audit Committee oversees the internal audit function and reviews the reports provided by external auditors.

1. Re-constitution with enactment of Central Bank of Sri Lanka Act.

The Audit Committee was re-constituted in accordance with the Section 103 of the Central Bank of Sri Lanka Act No. 16 of 2023 (CBA).

In terms of 103(4) of the CBA, the powers, duties and functions of the Audit Committee shall include (a) overseeing the internal audit function; (b) monitoring compliance with the findings and recommendations issued by the Chief Internal Auditor; (c) meeting with the auditors to discuss their findings; and (d) reviewing with the auditors the annual financial statements. In terms of Section 103(6) of the CBA, the Governing Board shall define the composition, and powers, duties and functions of the Audit Committee in the Audit Charter of the Central Bank. This legal foundation ensures the Audit Committee's operation with independence, its accountability and transparency for reinforcing the Central Bank's commitment to governance, risk management, compliance and inevitably the financial accountability in alignment with international best practices.

Accordingly, the Governing Board of the CBSL at its meeting No. 6/2024 held on 21 February 2024 appointed the new Audit Committee comprising of following three appointed members from the Governing Board.

- i. Mr. Manil Jayesinghe – Chairman
- ii. Dr. Ravindra Ratnayake – Member
- iii. Mr. Rajeev Amarasuriya – Member

The Secretary to the Governing Board is the Secretary to the Audit Committee, and the Chief Internal Auditor is the Assistant Secretary to the Audit Committee. A representative of the Auditor General will attend all Audit Committee meetings as an observer.

progress in implementing audit recommendations. This structured reporting mechanism ensures continuous oversight and accountability, reinforcing the Central Bank's financial and operational resilience.

By defining clear roles, responsibilities, and authorities, the Audit Charter strengthens the integrity of financial reporting, enhances risk management, compliance and ensures that internal control mechanisms operate effectively. It serves as a cornerstone of the Central Bank's governance framework, promoting financial stability, regulatory compliance, and public confidence in the institution's operations.

3. Activities in 2024

3.1 Oversight internal audit function and other assurance providers

3.1.1 Internal audit

- Audit Committee reviewed,
- i. and recommended Risk-Based Annual Audit Plan for the year 2025.
 - ii. the progress of audits conducted by Internal Audit Department (IAD).
 - iii. the implementation status of Internal audit recommendations provided to process owners.
 - iv. the implementation status of the recommendations made by External Quality Assessment Review – 2023.
 - v. the progress of the Risk-Based Annual Audit Plan 2024.
 - vi. the Action Plan 2025 of IAD.
 - vii. the Departmental budget of IAD for the year 2025.
 - viii. the reports on Ongoing Monitoring of Internal Audit Function for the year 2023.
 - ix. the results of Internal Audit Client Feedback Survey.

3.1.2 Financial Statements and External Audit

- Audit Committee reviewed,
- i. Interim Management Letter and the Final Management Letter submitted by a qualified auditor appointed by the Auditor General, relating to the audit of the Financial Statements of the Central Bank for the year ended 31 December 2023 and the comments of the management.

- ii. Financial Statements of the Central Bank for the year ended 31 December 2023.
- iii. Financial Statements of the Employees' Provident Fund for the year ended 31 December 2023.
- iv. Report of the Auditor General on the Financial Statements of the EPF for the year ended 31.12.2023 and relevant responses.
- v. Financial Statements of six superannuation funds of the Central Bank as at 31 December 2023.
- vi. External auditor's Audit progress of 2024 and the Audit Plan for 2025
- vii. the Draft Report of the Auditor General on the affairs of the CBSL including Financial Statements for the year ended 31 December 2023

3.1.3 Other activities performed by the Committee during the year.

- i. Audit Committee reviewed and recommended the Audit Charter of the CBSL
- ii. Audit Committee reviewed the implementation status of its own recommendations given to departments, committees and management of the CBSL to ensure timely implementation.
- iii. Committee had brainstorming sessions with the key departments and the management of the CBSL to validate the understanding on the risks involved with such departments and to ensure that activities of individual departments are within the scope of the committee.
- iv. Committee reviewed the different high-level policies of the Bank and provided its views to the Governing Board for its considerations.

Risk management and compliance

Risk management

Operating in an environment tensed with various risks, it is imperative that Central Bank follows a comprehensive risk management framework designed to mitigate financial and non-financial risk that could undermine the Bank's objectives, financial stability of the Bank or its reputation. Built on stipulations outlined in its Risk Management Policy Statement (RMPS), this framework aligns Central Bank with global standards and best practices, leading to structured risk ownership and accountability across various stakeholders, enabling proactive mitigation strategies for all operational levels.

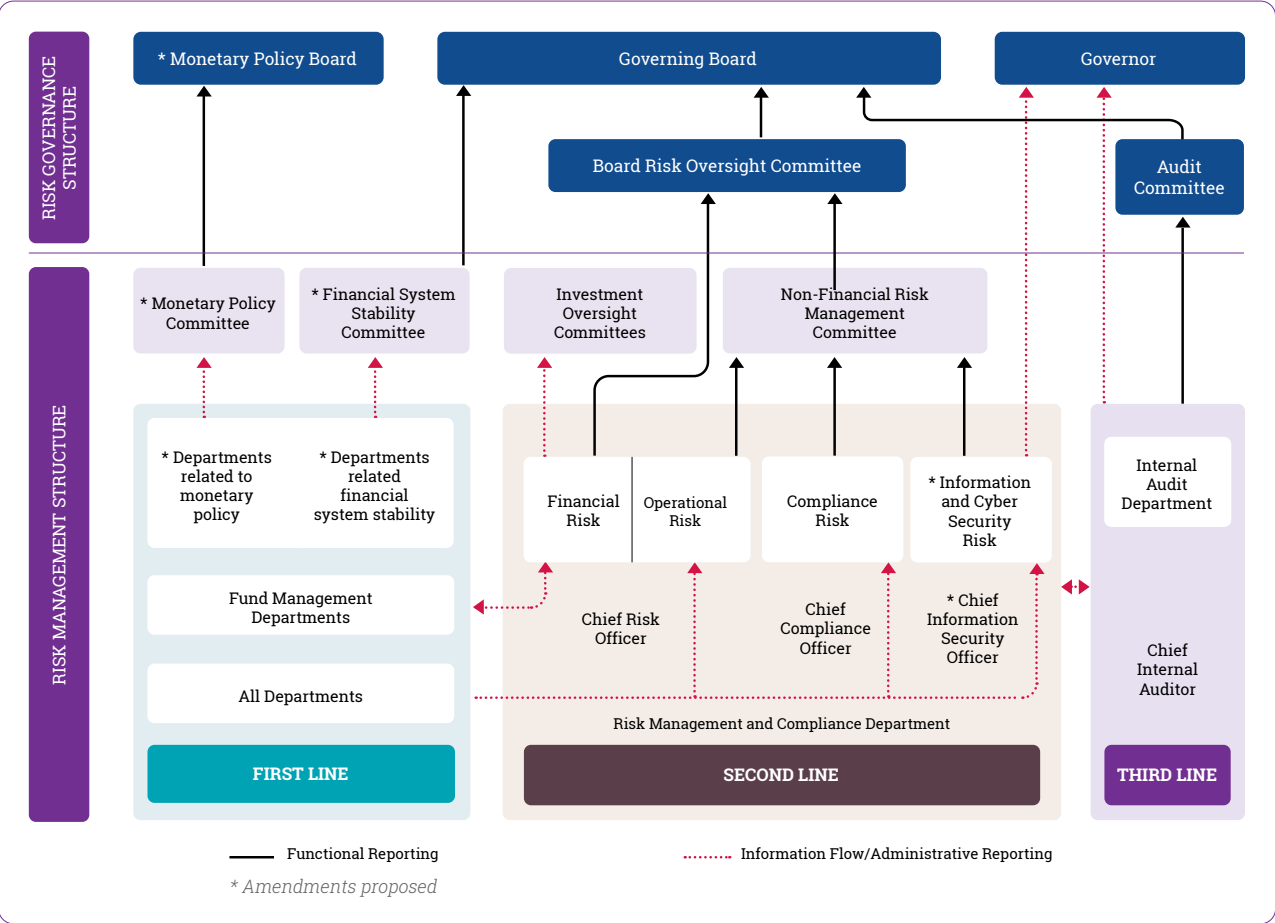
Operational risk

Following the completion of the facilitation provided for departmental risk registers, Central Bank has introduced the bottom-up Risk Control Self-Assessment (RCSA)

in line with global best practices, so that departments acting as first-line risk owners may inform periodic changes to their risk assessment through the RCSA. Progressing on the Risk Appetite Framework (RAF), Key Risk Indicators (KRIs) were developed and approved by the Non-Financial Risk Management Committee (NFRMC) with the involvement of risk owners appointed at the corporate management level. Milestones envisioned for the RAF journey are achieved with the support of Bank's senior management. The Incident Reporting System enabled tracking progress of the corrective measures implemented for reported incidents, supporting buildup of a central risk repository that aids identifying risk trends and refining risk mitigation strategies.

CBSL's risk governance framework (with proposed amendments)

Figure – 21



Financial risk

In the pursuit of its policy objectives, Central Bank balance sheet faces financial risks, particularly from interest rate and exchange rate fluctuations linked to international reserves and monetary operations. In recent years, the importance of managing financial risks in central banking has been recognized globally to ensure policy solvency and the independence of central banks. Accordingly, Central Bank has taken an important initiative in developing a CBSL balance sheet risk assessment framework, with technical assistance from the International Monetary Fund and in line with international best practices. Accordingly, Central Bank commenced balance sheet stress testing from the second quarter of 2024, paving the way to a structured assessment of financial vulnerabilities in the CBSL balance sheet.

During 2024, it was ensured that the management of international reserves, internal investment funds and the Employees’ Provident Fund remained fully compliant with the Governing Board (GB) approved investment policies, strategic asset allocation and investment guidelines. Financial risks of these funds are assessed regularly and reported to relevant investment oversight committees, the Board Risk Oversight Committee (BROC) and the GB.

Compliance risk

To strengthen its compliance and risk governance framework, Central Bank established an independent Compliance Unit (CU) on 04 October 2024. The CU is integrated within Central Bank’s Enterprise-wide Risk Management (ERM) framework and operates as a key component of the second line of risk management. Its primary role is to promote adherence to domestic regulations and international financial standards, fostering a culture of compliance throughout the institution.

As the first line compliance risk owners, Central Bank’s various departments bear responsibility for identifying, mitigating, and reporting compliance risks within their respective domains. Complementing these efforts, the CU monitors and evaluates the institution’s overall compliance posture, driving corrective actions and promoting accountability via the Risk Governance Framework. Any significant non-compliance issues identified through quarterly compliance questionnaire are escalated to the BROCC through the NFRMC, while critical violations are referred directly to Senior Management for immediate action.

Further reinforcing its risk management structure, Central Bank ensures strict Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) compliance for all foreign counterparties involved in reserve management activities, in accordance with Know Your Customer (KYC) and Customer Due Diligence (CDD) policies. The Chief Compliance Officer (CCO), who also serves as the Money Laundering Reporting Officer (MLRO), is tasked with overseeing AML/CFT risk monitoring and reporting. This includes ensuring compliance with key legislative instruments, such as the Prevention of Money Laundering Act (PMLA), the Convention on the Suppression of Terrorist Financing Act, and the Financial Transactions Reporting Act (FTRA).

Internal audit

Progress of the audit assignments conducted during the year and the progress of the implementation of the audit recommendations were reported to the AC during the year. Further, implementation status of the AC recommendations was periodically reviewed and reported.

Further, a value chain approach was introduced to develop the AAP to strengthen the alignment of the AAP with the Bank’s organisational strategies and objectives. Accordingly, the AAP for the year 2025 has been prepared by updating the audit universe of the Central Bank and by adopting a new comprehensive risk assessment methodology. Further, risk related information sharing between internal audit function and risk management function of the Bank has been strengthened during the period.

Quality Assurance and Improvement Program (QAIP)

The Internal Audit function of the Central Bank adheres to globally recognised standards and frameworks to ensure its effectiveness and alignment with best practices. Adopting and following the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), Central Bank maintains the highest standards of professionalism, integrity, and ethical conduct in executing its operations.

In order to ensure compliance with the IPPF, internal assessments were conducted, which included ongoing monitoring of the performance and periodic self-assessment of the internal audit activity in 2024 and adhered to the recommendations provided by the External Quality Assessment mission in 2023.

The Internal Audit function provides risk-based and objective assurance, advice, and insight to enhance and protect the values of the Central Bank and assists the Bank to accomplish its objectives through bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. While functioning as the third line of the Risk Management Framework, the Internal Audit Department (IAD) of the Bank provides independent, objective assurance and recommendations to add value and improve the operations of the Bank. The Chief Internal Auditor (CIA), the Head of the IAD, reports functionally to the Governing Board (GB) through the Audit Committee (AC) and administratively reports to the Governor to ensure the independence of the internal audit function of Central Bank. The significance of the Internal Audit function is duly acknowledged in section 102 of the CBA, which has defined the appointment and removal of CIA while ensuring the unrestricted access to information by CIA to further enhance the governance, independence and objectivity of the function.

In line with the section 102 (5) of the CBA, the scope, authority, terms and conditions of IAD including independence, organisational position, reporting responsibilities together with the roles and responsibilities of CIA as defined in the Audit Charter of the Central Bank were approved by the Governing Board in 2024.

Preparation of audit plan, conduct of audits, reporting on audit progress, and follow-ups on implementation status of the audit recommendations

In 2024, the Risk-Based Annual Audit Plan (AAP) was executed ensuring the coverage of critical functions of the Bank and provided audit recommendations to improve the Bank’s operations to achieve its strategic objectives covering policy, compliance, operational, information security, legal and other related risk areas.

02.

Financial Statements

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86	Statement of Cash Flows
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Financial Review

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. CBSL is established and governed by the provisions of 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, and not necessarily by its profitability, a distinction that 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 operations. Against this backdrop, the Bank's financial statements reflect gains or losses incurred as a byproduct of its policies and operations, particularly in the implementation of monetary policy, exchange rate policy, and currency issuance. 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 the 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 the 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 the CBA.

Financial review Statement of financial position

Composition of assets

Despite an improved overall performance, CBSL's total assets decreased by Rs. 333.9 Bn. in 2024, primarily driven by a sharp contraction in local currency assets, which fell 25.1% or by Rs. 628.7 Bn. year-on-year, partly offset by an increase in foreign currency assets which grew 17.3% or by Rs. 294.8 Bn. year-on-year.

The decrease in local currency assets can largely be attributed to the maturing of Treasury bills and Treasury bonds, which led to a Rs. 295.4 Bn. drop in holdings. Reverse repo transactions fell by Rs. 307.8 Bn., reflecting adjustments in response to domestic market liquidity conditions. Loans extended to other institutions, including liquidity support facilities, also decreased by Rs. 38.2 Bn. due to repayments made during the year.

The increase in foreign currency assets is mainly due to the increase in CBSL's foreign reserve position to USD 5.6 Bn. by year end from USD 3.5 Bn. in 2023. However, the increase in foreign assets in LKR terms was amidst a downward impact to foreign currency assets consequent to the LKR's appreciation against major currencies. The appreciation of the LKR against the USD from Rs. 323.92 at the end of December 2023 to Rs. 292.58 by the end 2024, and against the Special Drawing Rights (SDR) from Rs. 437.9894 at end of 2023 to Rs. 382.3288 at the end of 2024.

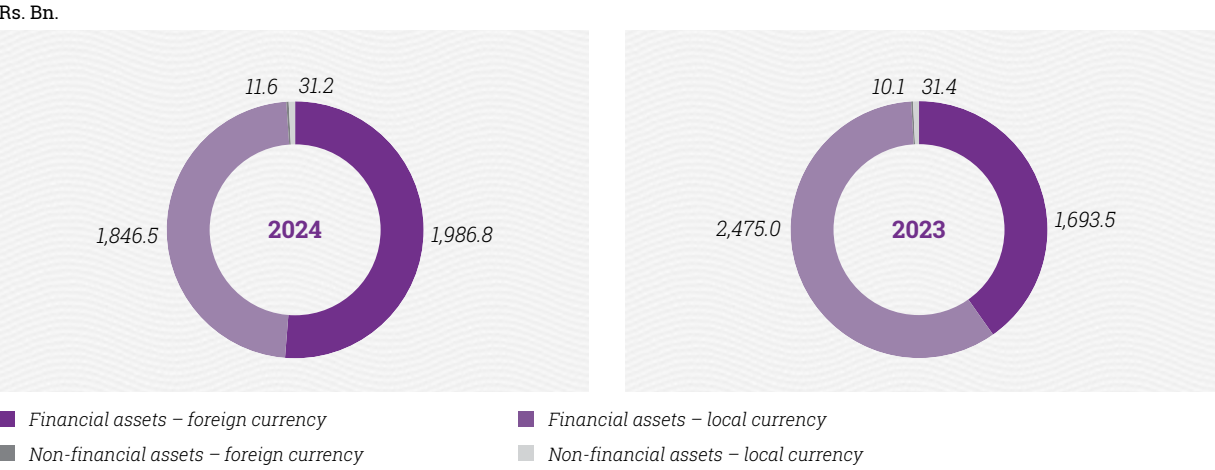
Composition of liabilities

CBSL's total liabilities decreased by Rs. 631.2 Bn., mainly due to a significant reduction in foreign currency financial liabilities by Rs. 786.3 Bn., which was partly offset by an increase in local currency financial liabilities by Rs. 154.7 Bn. The decrease stemmed from multiple factors, which included a Rs. 391.9 Bn. drop in other foreign liabilities mainly arising from a reduction in the Reserve Bank of India (RBI) Special SWAP liability by Rs. 343.2 Bn. following monthly principal repayments and applicable interest payments during the year and a Rs. 48.7 Bn. drop in the LKR equivalent of the People's Bank of China (PBOC) SWAP facility as the CNY depreciated by 13.9% against the LKR. There was also a Rs. 188.0 Bn. net decrease in the liability to

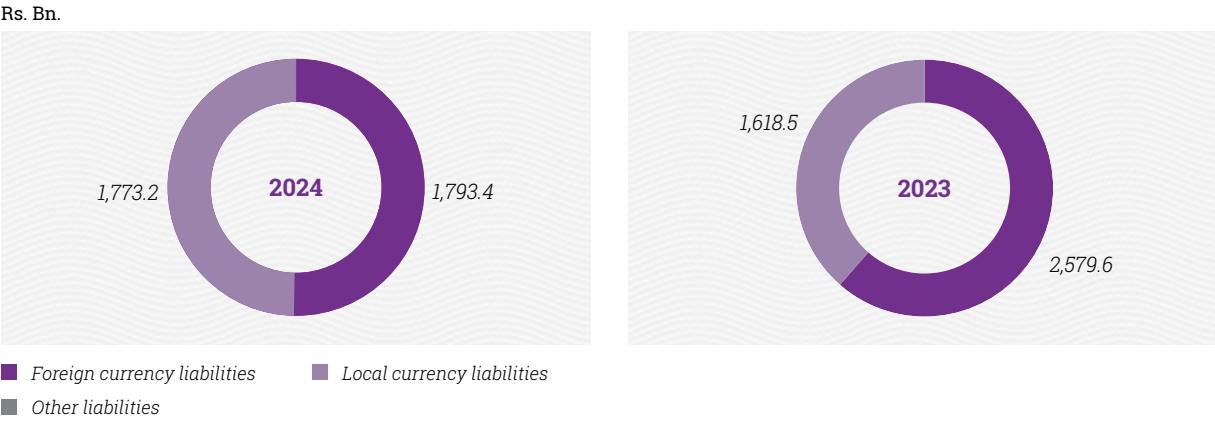
Deputy Secretary to Treasury (DST) classified under 'others' in foreign currency financial liabilities due to the utilization of the funds for Government loan repayments. International Monetary Fund (IMF) related liabilities, meanwhile, declined by Rs. 185.7 Bn. owing to loan repayments and the depreciation of SDR.

Local currency financial liabilities, however, recorded an increase of Rs. 154.7 Bn. due to an expansion in currency in circulation by Rs. 172.2 Bn. and an increase in balances with commercial banks and other financial institutions by Rs. 38.5 Bn. This was offset by a decrease in Standing Deposit Facility (SDF) by Rs. 32.7 Bn. and decrease in pension and post employment benefit plan liability by Rs. 23.4 Bn.

Composition of total assets



Composition of total liabilities

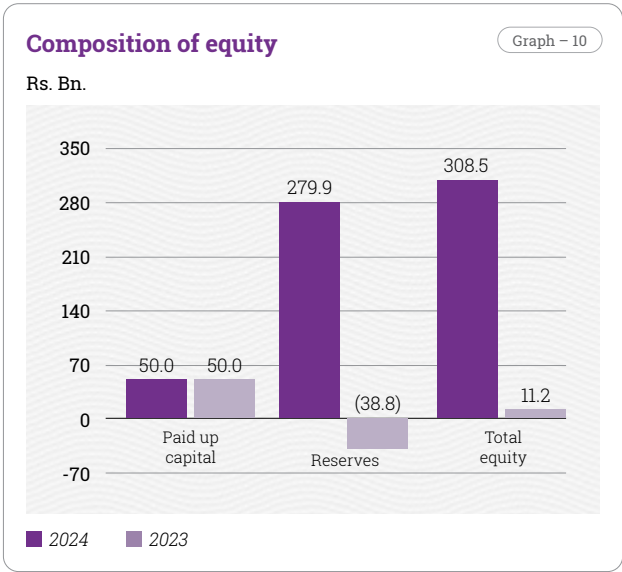


Total equity

On the equity front, 2024's performance was marked by a substantial year-on-year increase of Rs. 297.3 Bn. to Rs. 308.5 Bn. driven by the net profit of Rs. 274.8 Bn.

The transfers as required under Section 95 of the CBA for unrealized exchange and price revaluations have been incorporated. Further, a Rs. 266.0 Bn. transfer from the General Reserve has also served to minimise the negative position of the Retained Earnings at the reporting date in compliance with Section 94 of the CBA. The reversal of unutilised specific reserves created during the past years, amounting to Rs. 35.1 Bn. to Retained Earnings at the end of 2024, contributed toward reducing its negative position to Rs. 21.3 Bn.

Section 97 of the CBA stipulates that, if CBSL's audited annual financial statements reflect that the value of its assets fell 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 2024, CBSL's assets exceeded its monetary liabilities and paid-up capital by a healthy margin of Rs. 2,286.8 Bn.



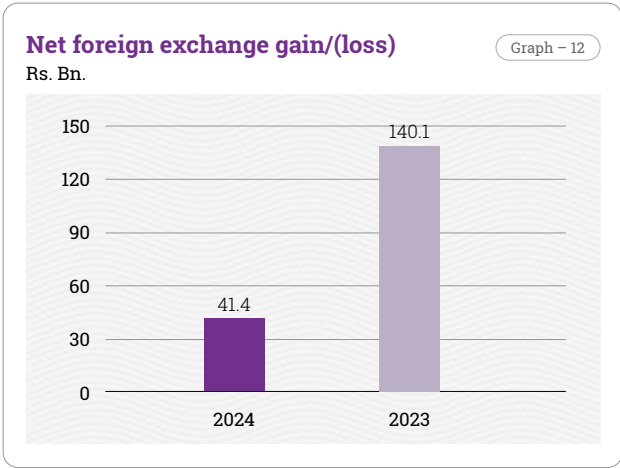
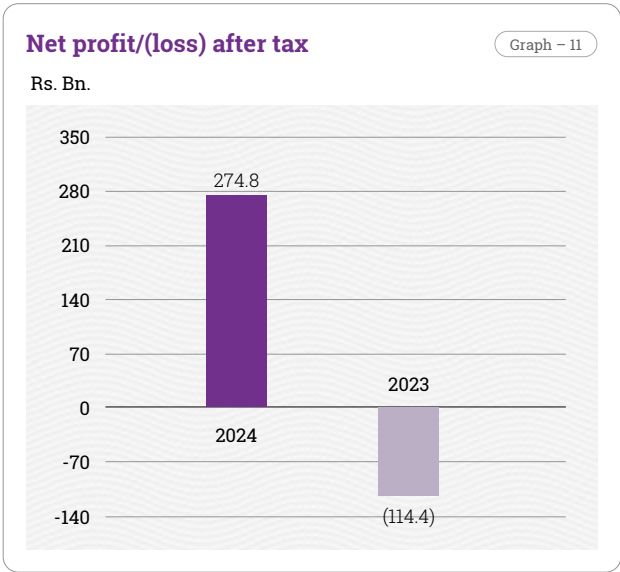
Income statement

Income, expenses, and net profit/(loss)

Compared to the net loss of Rs. 114.4 Bn. in 2023, which was primarily caused by the Domestic Debt Optimization (DDO) initiative's day-one loss of Rs. 766.4 Bn., CBSL reported a net profit of Rs. 274.8 Bn. in 2024 as stated above.

A further reduction in foreign currency interest expenses by Rs. 61.1 Bn. and an increase in foreign currency income by Rs. 24.3 Bn. contributed to the increase in net profit during 2024. However, a reduction in foreign exchange revaluation gains by Rs. 98.7 Bn. and local currency interest income by Rs. 359.0 Bn. offset the net profits for the year.

This improved financial performance of the Bank during the year strengthened its balance sheet through improved equity and reserve, which boosts its financial autonomy by reducing the need for any recapitalization by the Government. A strong balance sheet supports strengthening the effectiveness of monetary policy as well.



Profits available for distribution

Section 95 of the CBA stipulates the exclusion of unrealized gains on price revaluations and unrealized exchange gains and losses from the net profit after tax. As per Section 95 (2), accumulated exchange losses recorded in previous years have been transferred to Retained Earnings. The distribution of CBSL's profits is determined as per Section 96 of the CBA. Although the bank generated a net profit of Rs. 274.8 Bn. in 2024, the aforementioned adjustments resulted in a loss of Rs. 50.6 Bn. Consequently, there were no profits available for distribution in 2024 as per Section 96 of the Act.

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


Report of the Auditor General



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. } BAN/G/CBSL/FA/24/1

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date } 28 March 2025

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 2024 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 the Central Bank of Sri Lanka (“Bank”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement 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 give a true and fair view of the financial position of the Bank as at 31 December 2024, and of 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.



1.3 Other information included in the Bank's 2024 Financial Statements and Operations Report.

The other information comprises the information included in the Bank's 2024 Financial Statements and Operations Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Governing Board is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Banks's 2024 Financial Statements and Operations Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Governing Board and Those Charged with Governance for the Financial Statements

Governing Board is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as Governing Board determine 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 unless Governing Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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 annual and periodic financial statements to be prepared of the Bank.

1.5 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 International Standards on Auditing 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 International Standards on Auditing, 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 the Governing Board.
- Conclude on the appropriateness of the 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 audit 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 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 proceeding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- 2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained 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 into 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 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 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

	Notes	2024 Rs. '000	2023 Rs. '000
Assets			
Foreign Currency Financial Assets			
Cash and Cash Equivalents	8	1,063,528,275	1,198,979,570
Securities at Fair Value through Other Comprehensive Income	9	672,461,750	223,406,791
Derivative Financial Instruments	10	27,957,163	5,775,226
IMF Related Assets	11	222,876,069	265,339,197
Total Foreign Currency Financial Assets		1,986,823,257	1,693,500,784
Local Currency Financial Assets			
Sri Lanka Government Securities	12	1,748,873,060	2,044,347,592
Securities Purchased under Resale Agreements	13	26,194,922	333,951,940
Equity Investments in Financial and Other Institutions	14	46,834	2,169,541
Loans to Banks	15	9,561,430	47,795,687
Pension and Other Post Employment Benefit Plans	16	9,062,661	4,507,114
Other Assets	17	52,777,144	42,184,721
Total Local Currency Financial Assets		1,846,516,051	2,474,956,595
Total Financial Assets		3,833,339,308	4,168,457,379
Foreign Currency Non-Financial Assets			
Gold	18	11,629,873	10,120,756
Non-Financial Assets			
Inventories	19	4,839,378	5,433,838
Other Receivables and Prepayments	20	2,294,558	1,526,263
Property, Plant and Equipment	21	23,489,058	23,723,256
Intangible Assets	22	515,650	689,883
Total Non-Financial Assets		42,768,517	41,493,996
Total Assets		3,876,107,825	4,209,951,375

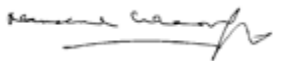
The accounting policies and notes on pages 88 to 204 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December

	Notes	2024 Rs. '000	2023 Rs. '000
Liabilities and Equity			
Foreign Currency Financial Liabilities			
Banks and Financial Institutions	23	1,038,618	54,113,792
Derivative Financial Instruments	10	37,196,388	48,947,900
International Monetary Fund	24	781,616,569	967,325,212
Other Foreign Liabilities	25.1	868,551,340	1,260,445,754
Others	25.2	104,975,256	248,810,018
Total Foreign Currency Financial Liabilities		1,793,378,171	2,579,642,676
Local Currency Financial Liabilities			
Deposits of Banks and Financial Institutions	26	180,946,953	142,472,582
Deposits of Government and Governmental Entities	27	1,534,996	2,073,290
Securities Sold Under Repurchase Agreements and Standing Deposit Facility	28	194,337,033	227,035,873
Currency in Circulation	29	1,358,722,883	1,186,503,181
Other Payables	30	30,171,551	29,507,806
Pension and Other Post -Employment Benefit Plans	16	7,444,769	30,902,126
Total Local Currency Financial Liabilities		1,773,158,185	1,618,494,858
Total Financial Liabilities		3,566,536,356	4,198,137,534
Other Liabilities			
Deferred Grants	31	7,168	2,475
Miscellaneous Liabilities and Accruals	32	1,051,139	626,310
Total Other Liabilities		1,058,307	628,785
Total Liabilities		3,567,594,663	4,198,766,319
Equity			
Capital Funds		50,000,000	50,000,000
Other Reserves	33	279,869,905	252,773,117
Retained Earnings		(21,356,743)	(291,588,061)
Total Equity		308,513,162	11,185,056
Total Liabilities and Equity		3,876,107,825	4,209,951,375

The Governor and the Chief Accountant of the Central Bank of Sri Lanka authorised these Financial Statements for issue on 21 March 2025 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 88 to 204 form an integral part of these Financial Statements.

Income Statement

For the year ended 31 December

	Notes	2024 Rs. '000	2023 Rs. '000
Operating Income			
Income from Foreign Currency Financial Assets			
Interest Income	35	45,935,187	18,031,111
Gain/(Loss) from Unrealised Price Revaluations	36	36,204,396	29,165,459
Gain/(Loss) from Realised Price Changes		28,410,885	39,013,468
Total Income from Foreign Currency Financial Assets		110,550,468	86,210,038
Expenses on Foreign Currency Financial Liabilities			
Interest Expense	37	(81,422,985)	(142,515,856)
Reversal/(Charge) of Expected Credit Losses on Foreign Currency Financial Assets	38	(1,734,322)	(86,696)
Total Expenses on Foreign Currency Financial Liabilities		(83,157,307)	(142,602,552)
Net Foreign Exchange Revaluation Gain/(Loss)		41,422,028	140,077,201
Foreign Currency Investment Income		68,815,189	83,684,687
Net Income from Local Currency Financial Assets			
Interest Income	35	219,402,560	595,962,421
Gain/(Loss) from Realised Price Changes		18,882,826	(1,293,472)
Interest Expense	37	(15,093,654)	(21,810,330)
Disposal Gain/(Loss) of DDO		4,168,300	6,775,702
DDO Day One Gain/(Loss)		–	(766,413,281)
Reversal/(Charge) of Expected Credit Losses on Local Currency Financial Assets	38	4,814	396,659
Net Income from Local Currency Financial Assets		227,364,846	(186,382,301)
Other Income	39	1,457,028	1,585,485
Other Expense	39.1	(387,009)	(3,536,359)
Total Net Operating Income		297,250,054	(104,648,488)
Operating Expenses			
Personnel Expenses	40		
– Salaries and Wages		(10,517,344)	(7,253,093)
– Defined Contribution Plan Costs		(4,790,845)	3,949,834
– Post Employment Benefit Plan Costs		91,918	(891,177)
		(15,216,271)	(4,194,436)
Depreciation and Amortisation		(798,226)	(715,321)
Cost of Inventory (Cost of New Currency Issue)		(3,568,292)	(2,108,575)
Administration and Other Expenses	41	(2,876,131)	(2,763,994)
Total Operating Expenses		(22,458,920)	(9,782,326)
Profit/(Loss) Before Tax		274,791,135	(114,430,814)
Tax	42	–	–
Profit/(Loss) for the Year		274,791,135	(114,430,814)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 88 to 204 form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31 December

	Notes	2024 Rs. '000	2023 Rs. '000
Profit/(Loss) for the Year		274,791,135	(114,430,814)
Other Comprehensive Income (OCI)			
Items that are or may be re-classified subsequently to Profit/(Loss)			
Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income	33	(37,849)	1,266,198
Net Fair Value Gain/(Loss) on Government Securities at Fair Value through Other Comprehensive Income	33	6,552,700	61,897,210
		6,514,851	63,163,408
Items that will not be re-classified subsequently to Profit/(Loss)			
Gain on Revaluation of Property, Plant and Equipment		–	4,752,685
Post-Employment Benefit Plan (Cost)/Income Recognised in Other Comprehensive Income	16	17,222,767	(24,625,742)
Net Fair Value Gain on Equity Investments at Fair Value through Other Comprehensive Income	33	(2,122,707)	352,408
		15,100,060	(19,520,649)
Other Comprehensive Income/(Expense)		21,614,911	43,642,759
Total Comprehensive Income/(Expense)		296,406,045	(70,788,055)

Figures in brackets indicate deductions.
The accounting policies and notes on pages 88 to 204 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December

	Contributed Capital Rs. '000	Other Reserves Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Balance as at 1 January 2023	50,000,000	(191,184,970)	223,437,822	82,252,852
Transfer of CBSL Distributable Profit for Year 2022 to Surplus	–	235,034,628	(235,034,628)	–
Net Profit/(Loss) for the Year	–	–	(114,430,814)	(114,430,814)
Transfer to RTGS Sinking Fund	–	512,228	(512,228)	–
Post-Employment Benefit Plans Cost Recognised 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
Balance as at 31 December 2023	50,000,000	252,773,117	(291,588,061)	11,185,056
Balance as at 1 January 2024	50,000,000	252,773,117	(291,588,061)	11,185,056
Transfer of Funds from General Reserve to Retained Earnings as per Sec 94 (2) of CBA	–	(266,061,930)	266,061,930	–
Transfer of Funds from Other Reserve to Retained Earnings	–	(35,117,739)	35,117,739	–
Net Profit/ (Loss) for the Year	–	–	274,791,135	274,791,135
Transfer to RTGS Sinking Fund	–	709,906	(709,906)	–
Transfer of Net Foreign Exchange Revaluation Gain/(Loss) (IRR)	–	288,036,060	(288,036,060)	–
Transfer to CBSL Internal Funds	–	–	(469,337)	(469,337)
Net Fair Value Gain on Securities at Fair Value through Other Comprehensive Income	–	(37,849)	–	(37,849)
Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund	–	–	(191)	(191)
Transfer of Funds to Market Valuation Reserve	–	33,746,758	(33,746,758)	–
Transfer to Reserve for funding purposes of Post-Employment Benefits	–	–	17,222,767	17,222,767
Gain on Market Valuation of Government Securities Classified at Fair Value through Other Comprehensive Income	–	6,552,700	–	6,552,700
Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income	–	(2,122,707)	–	(2,122,707)
Expected Credit Losses on FVOCI Investments	–	1,391,589	–	1,391,589
Balance as at 31 December 2024	50,000,000	279,869,905	(21,356,743)	308,513,163

Figures in brackets indicate deductions.
The accounting policies and notes on pages 88 to 204 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December

	Notes	2024 Rs. '000	2023 Rs. '000
Cash Flows from Operating Activities			
Receipts:			
Interest Received – Foreign Currency		32,083,551	15,104,897
Interest Received – Local Currency – Others		2,525,696	16,563,680
Interest received – Sri Lanka Government Securities		212,853,272	648,857,381
Liquidity Management and Trading Income		47,293,711	37,719,996
Realised Exchange Gain/(Loss)		(23,767,952)	60,713,515
Other Income Received		1,453,992	1,571,269
		272,442,270	780,530,738
Disbursements:			
Interest Paid – Foreign Currency		84,280,154	146,093,995
Interest Paid – Local Currency		12,534,671	19,520,364
Payments to Employees		13,830,850	11,295,646
Payments to Suppliers		17,047,380	50,131,974
Securities Purchased under Resale Agreements		(307,757,018)	(364,117,279)
		(180,063,963)	(137,075,300)
Net Cash Flows Generated from Operating Activities	43	452,506,233	917,606,038
Cash Flows from Investing Activities			
Receipts:			
Net Increase in Other Local Currency Financial Assets		(4,298,616)	(3,508,310)
Principal Recoveries from Loans and Advances to Other Institutions		38,295,257	2,134
Proceeds on disposal of Property, Plant and Equipment		1,817	1,923
Net Increase/(Decrease) in Securities Sold under Resale Agreements/Standing Deposit Facility		(32,698,840)	(103,511,000)
Interest received – Local Currency – Internal Funds		2,855,316	2,352,369
		4,154,934	(104,662,885)
Disbursements:			
Net Decrease in Foreign Currency Securities		466,337,028	173,612,101
Net Increase/(Decrease) in Other Foreign Currency Financial Assets		(9,480,198)	10,037,550
Net (Increase)/Decrease in Other Foreign Currency Financial Liabilities		496,030,356	(182,850,778)
Net (Increase)/Decrease in Other Local Deposits and Payables		11,225	(17,173)
Purchase of Property, Plant and Equipment, net of Grants		82,291	430,029
Purchase of Intangible Assets		307,336	6,557
Net Loans and Advances Granted to/(Recovered from) Other Institutions		70,657	19,370,476
		953,358,695	20,588,762
Net Cash Flows Generated from Investing Activities		(949,203,761)	(125,251,648)

Statement of Cash Flows

For the year ended 31 December

	Notes	2024 Rs. '000	2023 Rs. '000
Cash Flows from Financing Activities			
Receipts:			
Issue of Circulating Currency		(400,604,963)	469,219,521
Withdrawal of Circulating Currency		572,824,663	(309,283,592)
Net Issue of Circulating Currency		172,219,700	159,935,931
Disbursements:			
Net Issues/(Withdrawals) of Circulating Currency on Government Transactions	44	(306,067,744)	80,475,964
Net Issues/(Withdrawals) of Circulating Currency on Transactions with Banks and Financial Institutions	45	(38,474,372)	180,573,600
Net Issues/(Withdrawals) of Circulating Currency		(344,542,116)	261,049,564
Net Decrease in Circulating Currency		516,761,816	(101,113,633)
Disbursements:			
Grant/(Repayment) of Foreign Currency Term Liabilities		62,561,507	54,502,757
Payments to Other Funds		190	50
Payments to Pension Fund		9,577,789	–
		72,139,486	54,502,807
Net Cash Flows used in Financing Activities		444,622,330	(155,616,440)
Net Increase/(Decrease) in Cash and Cash Equivalents		(52,075,198)	636,737,951
Exchange Rate Effect on Cash and Cash Equivalents		(26,985,613)	(20,232,670)
Cash and Cash Equivalents at the Beginning of the Year		742,570,330	126,065,050
Cash and Cash Equivalents as at 31 December	8	663,509,519	742,570,330

Figures in brackets indicate deductions.

The accounting policies and notes on pages 88 to 204 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2024

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. Central Bank of Sri Lanka Act No 16 of 2023 (CBA) which repealed the MLA became effective from 15 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. 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 21 March 2025.

1.1 Objective of CBSL

CBA has special provisions to improve the Central Bank's independence, to increase its transparency and accountability, and to reinforce the monetary policy framework to maintain continued price stability in Sri Lanka. As per CBA, the primary objective of CBSL is to achieve and maintain domestic price stability.

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.

2 Nature and Extent of Activities

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,
- Other powers, duties and functions as described under section 7 (1) of CBA.

The above activities carried out in order to achieve the objectives 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.

2.1 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.

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.

2.2 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.

2.3 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.

3 Basis of Presentation of Financial Statements

3.1 Statement of Compliance

These financial statements of the Bank for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board(IASB).

3.2 Basis of Preparation

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

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

3.3 Presentation of Financial Statements

The Bank presents financial assets and financial liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency operations. The Bank considers that this reporting approach provides appropriate reporting of the Bank's activities which are more fully described in Note 2.

In the Statement of Financial Position, assets and liabilities are presented broadly in order of liquidity based on the bank intention and perceived ability to recover/settle the majority of assets and liabilities of the corresponding financial statement line items within such distinguished categories.

3.4 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.

3.5 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.

3.6 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.

3.7 Comparative Information

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

4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Bank’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of income, 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.

4.1 Classification of Financial Assets

The Bank uses judgements when assessing 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.

4.2 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.

4.3 Impairment of Financial Assets

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 such as Economic Factor Adjustment (EFA) into measurement of Expected Credit Losses (ECL) and determination of Loss Given Default (LGD) and Probability of Default (PD).

4.4 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 16 to the Financial Statements.

5 Changes to Accounting Policies and Disclosures

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

The following amendments to existing IFRS effective for annual period beginning on 1 January 2024 and Bank does not expect that these standard amendments and interpretations will have a material impact on the Bank’s financial statements.

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

6 New Accounting Standard Amendments and Interpretations Issued but not yet Effective as at Reporting Date

The number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 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.

- Amendments to the Classification and Measurement of Financial Instruments- Amendments to IFRS 9 and IFRS 7 – effective for annual periods starting on or after 1 January 2026
- IFRS 18 – Presentation and Disclosure in Financial Statements– effective for annual periods starting on or after 1 January 2027

7 Material Accounting Policy Information

7.1 Foreign Currency Transactions 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	2024 Rs.	2023 Rs.
1 Australian Dollar	180.9920	220.2031
1 Canadian Dollar	203.4796	245.1179
1 Euro	302.8822	357.4170
1 Japanese Yen	1.8617	2.2983
1 Special Drawing Rights (SDR)	382.3288	437.9894
1 Sterling Pound	365.9047	412.2896
1 United States Dollar	292.5833	323.9233
1 Chinese Yuan (Offshore)	40.0837	45.6377

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.

7.2 Determination of Fair Value

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 49.

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, maximising the use of relevant observable inputs and minimising 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.

7.3 Financial Instruments

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.

7.3.1 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.

7.3.2 Day One Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred. The deferred amounts are recognised in the Income Statement when there is a change in a factor (including time) that market participants would take into account when pricing the asset or liability. On this basis, the Bank has assessed that amortising the deferred amount on a

straight–line basis is appropriate. Any outstanding amount is immediately recognised in the Income Statement when the instrument is derecognised or when the input(s) becomes observable.

7.3.3 Measurement Categories of Financial Assets

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.

Business Model Assessment

The business model of the bank is based on its primary and other objectives of maintaining domestic price stability and financial stability. 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 which the CBSL objectives are 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.

7.3.3.1 Instruments Held at Amortised 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 amortised cost using the effective interest method.

7.3.3.2 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 valued at cost as these investments are strategic investments made under the regulatory requirements and considering the non availability of market price for the shares of these companies.

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 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.

7.3.3.3 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 recognised 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".

7.3.4 Modification of Financial Assets and Financial Liabilities

Modification of Financial Assets

If the terms of financial assets are modified, the bank evaluates whether the cash flows of the modified assets are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

Modification of Financial Liabilities

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. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and new financial liability with modified terms is recognized in profit or loss.

7.3.5 Reclassifications of Financial Assets

Financial assets are not reclassified subsequent to their initial recognition, unless in the exceptional circumstances where the Bank changes its business model for managing financial assets.

7.3.6 Derecognition

Financial Assets

Bank derecognises 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.

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 recognised 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 recognised in profit or loss.

7.3.7 Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

7.3.8 Impairment of Financial Assets

The Bank recognises 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".

The Calculation of ECL

When estimating the ECL, the Bank considers three scenarios (a base case, best case, and worst case). 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 entity 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 Unemployment 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 rating downgrade below BBB- after initial recognition and doubling of PD has occurred from 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.

7.3.9 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.

7.4 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 Unrealised 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 Unrealised 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.

7.5 International Monetary Fund (IMF) Related Balances

The Bank transacts with the International Monetary Fund (IMF) in its own right. 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 FVOCI 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.

7.6 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 44 and Note 45 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.

7.7 Repurchase and Reverse – Repurchase Agreements

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.

7.8 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.

7.9 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.

7.10 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. 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.

7.11 Loans to Other Institutions

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

7.12 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.

7.13 Staff Loans

Bank employees who are confirmed in service 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.

7.14 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.

Gold is initially recognized at cost. 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 subsequently 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.

7.15 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.

7.16 Other Inventories

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

7.17 Property, Plant and Equipment

All Property, Plant and Equipment initially recognized at cost. Property, Plant and Equipment excluding land & buildings are subsequently 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 subsequently, 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 recognised in Income Statement. A revaluation deficit is recognised 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-recognised 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.

7.18 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 rate, initially measured using the rate as at the commencement date;

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 21) and lease liabilities in “Miscellaneous Liabilities and Accruals” (Note 32) in the Statement of Financial Position.

7.19 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 capitalized 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.
- (b) its intention to complete the intangible asset and use it.
- (c) its ability to use the intangible asset.
- (d) how the intangible asset will generate probable future economic benefits through use internally. Among other things, the entity can demonstrate, the usefulness of the intangible asset which is to be used internally.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development

7.20 Other Assets

Other assets include investments of internal funds, staff loans carried at amortized cost and receivable from government.

7.21 Impairment of Non-Financial Assets

The Bank assesses at each end of the 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 the 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.

7.22 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.

7.23 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.

7.24 Post Employment Benefit Plans

7.24.1 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 16 are revised annually.

7.24.2 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 recognised as expense in the Income Statement as and when they are due.

7.25 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.

7.26 Contingent Liabilities

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 the Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities. Where applicable, such amounts are measured and disclosed at best estimates.

7.27 Income and Expenses

Income is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the Income 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 income and expenses are recognised:

7.27.1 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.

7.27.2 Dividends

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

7.27.3 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.

7.27.4 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.

7.27.5 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, Inland Revenue (Amendment) Act No. 04 of 2023 and Inland Revenue (Amendment) Act No. 14 of 2023. As per ESC (amendment) Act No. 04 of 2020, CBSL is no longer liable for ESC commencing 01 January 2020. Further, the Bank is exempted from Value Added Tax on supply of financial services as per Value Added Tax (Amendment) Act No.7 of 2014.

7.28 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.

7.29 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.

8 Cash and Cash Equivalents

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Cash Balances with Banks		302,754,310	239,279,034
Time Deposits with Banks		273,653,160	486,868,385
Overnight Placements		87,102,049	16,422,911
Cash and Cash Equivalents for Cash Flow Purpose		663,509,519	742,570,330
Interest Receivable on Cash and Cash Equivalents		390,010	897,400
Cash and Cash Equivalents available for Restricted Use	8.1	400,837,478	456,377,841
Less: Expected Credit Losses on Cash and Cash Equivalents	8.2	(1,208,732)	(866,001)
		1,063,528,275	1,198,979,570

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 25.1.1. 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

	2024			2023		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Total Rs. '000
Balance as at 1 January	635,409	230,592	866,001	841,441	3,392	844,833
Charge/(Reversal) during the Year	573,323	(230,592)	342,731	(206,032)	227,200	21,168
Balance as at 31 December	1,208,732	–	1,208,732	635,409	230,592	866,001

9 Investments in Foreign Securities

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Securities at Fair Value through Other Comprehensive Income			
– Investment in Foreign Securities		672,461,750	223,406,791
Total Investment in Foreign Securities		672,461,750	223,406,791
USD 600.3 Mn., NZD 37.0 Mn. and EUR 25.7 Mn. worth of Foreign Government Securities sold during the year 2024. Further, USD 379.2 Mn., GBP 3.5 Mn., AUD 20.0 Mn., JPY 1,412.5 Mn., CAD 9.4 Mn. and EUR 7.4 Mn. worth of Foreign Government Securities matured during the year 2024.			
Expected Credit Loss on Securities at Fair Value through Other Comprehensive Income	9.1	1,461,863	70,273

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

	2024			2023		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Total Rs. '000
Balance as at 1 January	70,273	–	70,273	4,744	–	4,744
Charge/(Reversal) during the Year	1,391,590	–	1,391,590	65,529	–	65,529
Balance as at 31 December	1,461,863	–	1,461,863	70,273	–	70,273

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.

	2024			2023		
	Assets Rs. '000	Liabilities Rs. '000	Notional Amount Rs. '000	Assets Rs. '000	Liabilities Rs. '000	Notional Amount Rs. '000
Currency SWAPS	26,045,845	22,382,070	518,080,524	5,775,226	46,740,483	396,845,081
Forex Forward	1,911,318	14,814,318	107,346,944	–	2,207,417	72,882,743
Total	27,957,163	37,196,388	625,427,468	5,775,226	48,947,900	469,727,824

10.2 The above derivatives consisting of Currency Swaps and Foreign Exchange Forward Contracts that were used for the purpose of investments, 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, enhance returns of foreign reserves 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 These derivative transactions are categorised based on their tenor, with short-term derivatives having durations of less than one year, and long-term derivatives having durations of one year or more.

10.5 A significant part of derivatives portfolio of the Bank consists of currency swaps entered into as a strategy to manage exchange rate risk, the short-term liquidity requirements and to enhance returns. 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.

10.6 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.

10.7 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 crystalised to the Bank.

10.8 The Bank entered into short-term USD/LKR buy-sell swap agreements with licensed commercial banks to facilitate the buildup of foreign reserves. As of 31 December 2024, the outstanding swap amount stands at USD 1,318.3 Mn. (Note 54. b). Further, bank entered into short-term USD/JPY buy-sell agreements with foreign counterparties during the year 2024 and as of 31 December 2024, the outstanding swap amount stands at JPY 71,100.0 Mn. (Note 54. b)

10.9 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 2024, the outstanding of such long-term buy-sell SWAP agreements of the Bank with licensed commercial banks are as follows.

Bank	Date of Agreement	Outstanding Amount (USD Mn.)	Last Maturity Date on Tranche-wise	Tenor/Conditions	Underlying Transaction
Bank of Ceylon	15 August 2023	225.00	12 August 2025	● Execute a 2-year outright forward transaction on the date of exchange of bonds (15 August 2023) to buy USD 225 Mn. 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.	Facilitated the exchange of their Sri Lanka Development Bonds (SLDBs) investment into LKR denominated government bonds under the Domestic Debt Optimisation (DDO) programme.
Bank of Ceylon	22 April 2021	15.00	15 December 2025	● 6 years at zero cost. ● Settlements in 5 tranches and approximately USD 10 Mn. is expected to be settled in every 6 months	Loan received under Asian Infrastructure Investment Bank (AIIB) COVID-19 Emergency and Crisis Response Project.
Bank of Ceylon	29 June 2021	44.78	15 December 2027		
People's Bank	23 April 2021	15.00	15 December 2025		
People's Bank	30 September 2021	44.78	15 December 2027		
DFCC Bank PLC	15 November 2021	93.75	15 August 2028	● 7 years at zero cost. ● Settlements in 20 tranches and USD 6.25 Mn. is expected to be settled in every 3 months.	Loan received from the United States International Development Finance Corporation (DFC).
Commercial Bank of Ceylon PLC	17 November 2021	35.00	23 November 2026	● 5 years, at zero cost for the first 18 months and, a semi-annual premium of Rs. 1.00 per USD thereafter. ● One off settlement at maturity.	Loan received from CDC PLC, UK.
National Development Bank PLC	18 March 2022	27.00	19 March 2029	● 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. ● Settlements in 12 tranches and USD 3.00 Mn. is expected to be settled in semi-annually.	Loan received from DFC

11 IMF Related Assets

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Measured at Fair Value through Other Comprehensive Income			
IMF Quota	11.1	221,291,888	253,508,295
Holding of Special Drawing Rights	11.2	925,452	10,991,665
		222,217,340	264,499,960
Measured at Amortised Cost			
Deposits with IMF	11.3	301,574	345,479
Prepaid Charges – IMF Loans		357,164	493,765
Less: Expected Credit Losses on IMF Related Assets	11.4	(9)	(7)
		658,729	839,237
		222,876,069	265,339,197

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 191 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 organisational relationship with IMF, including:

Should a member withdraw from the IMF, it’s 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 amortised 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 200 per cent of its quota annually and 600 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 Bn. 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 554.8 Mn.

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 amortised 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

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Stage 1		
Balance as at 1 January	7	8
Charge/(Reversal) for the Year	2	(1)
Balance as at 31 December	9	7

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.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Treasury Bills	–	208,344,310
Treasury Bonds	1,748,873,060	1,836,003,282
	1,748,873,060	2,044,347,592

Investments in Sri Lankan Government Securities are subjected to Expected Credit Loss (ECL) calculations. However, there is zero Probability of Default (PD) for government local currency financial assets and therefore, ECL provision is zero.

13 Securities Purchased Under Resale Agreements

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Securities Purchased under Resale Agreements	26,189,000	332,862,000
Interest Receivable on Securities Purchased under Resale Agreements	5,922	1,089,940
	26,194,922	333,951,940

14 Equity Investments in Financial and Other Institutions

These investments are made in terms of Section 114 (2) (a) of the Central Bank Act. 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.

14.1 Investment Position

Company	Nature of the Business	2024		2023	
		Number of Shares Rs. '000	Cost of Purchase Rs. '000	Number of Shares Rs. '000	Fair Value Rs. '000
Lanka Pay (Private) Limited	Automated Clearing	2,986,824	35,989	2,986,824	938,965
Lanka Financial Services Bureau Limited	Automated Fund Transfers	500,000	5,000	500,000	–
Credit Information Bureau of Sri Lanka Limited	Provision of Credit Information	48,244	5,845	48,244	1,230,576
			46,834		2,169,541

These investments were carried at fair value through other comprehensive income until 31 December 2023. However, as these investments are strategic investments made under the regulatory requirement and considering the non availability of market price for the shares of these companies, these investments were carried at cost with effect from 31 December 2024 for better presentation. As a result, the market valuation gain of Rs. 2,122.41 Mn. on equity investments classified at fair value through other comprehensive income as at 31 December 2023 has been derecognised in 2024.

15 Loans to Banks

For the year ended 31 December	Notes	2024 Rs. '000	2023 Rs. '000
Loans to Banks	15.1	9,704,369	47,931,158
Less: Expected Credit Loss on Loans to Banks	15.2	(142,939)	(135,471)
		9,561,430	47,795,687

15.1 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 Central Bank Act No. 16 of 2023, the loans will be governed under the savings provisions i.e. Section 134 of the new Act.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Medium and Long-term Credit Scheme		
– Related Parties	13,906	16,039
Repair of Damaged Houses North and East		
– Related Parties	–	8,448
Saubagya COVID-19 Renaissance Facility		
– Related Parties	129	34,612
– Others	–	38,215
Saubagya COVID-19 Renaissance Refinance Facility		
– Related Parties	–	576,334
– Others	–	212,185
Saubagya Loan Scheme		
– Related Parties	8,302,336	12,356,860
– Others	813,371	1,455,216
Loans Recognised under Credit Guarantee Scheme of CBSL		
– Related Parties	120,456	101,226
– Others	9,091	9,091
Domestic Agriculture Development Pilot Phase (DAD-PP) Loan Scheme		
– Related Parties	364,714	508,007
– Others	80,366	114,925
Liquidity Support Facility to Banks	–	32,500,000
	9,704,369	47,931,158

Saubagya Loan Scheme, Saubagya COVID-19 Renaissance Facility and Saubagya COVID-19 Renaissance Refinance Facility are loan schemes established by CBSL to provide credit facilities for agriculture, livestock, micro, small and medium scale enterprises (MSMEs) and MSMEs affected by disaster in Sri Lanka while DAD-PP Loan Scheme has been introduced 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. Currently, no new loans are being granted by CBSL due to the refinancing restrictions imposed by CBA and all loans are in the recovery phase.

15.2 Movement in Expected Credit Losses on Loans to Banks

	2024				2023			
	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	14,696	10,457	110,318	135,471	6,057	251,565	86,307	343,929
Charge/(Reversal) during the Year	(7,476)	(4,284)	19,228	7,468	8,639	(241,108)	24,011	(208,458)
Balance as at 31 December	7,220	6,173	129,546	142,939	14,696	10,457	110,318	135,471

16 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 and employees who were recruited on or after 1 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 and 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.

Notes to the Financial Statements

The total fair value of plan assets/investments of Rs. 79,783.16 Mn. (2023 – Rs. 55,571.05 Mn.) exceeds the total present value of all benefit obligations of Rs. 68,107.70 Mn. (2023 – Rs. 75,377.83 Mn.) at the end of the reporting period resulting in a surplus of Rs. 11,676.47 Mn. (2023 – Deficit of Rs. 19,806.78 Mn.).

As at 31 December 2024

Benefit (Asset)/ Liability	Employee Retirement Pension Scheme Rs. '000	Employee Retirement Pension Scheme – New Rs. '000	Widows' and Orphans' Pension Scheme Rs. '000	Widowers' and Orphans' Pension Scheme Rs. '000	Widows' and Orphans' and Widowers' and Orphans 'Pension Scheme – New Rs. '000	Gratuity Scheme Rs. '000	Medical Benefit Scheme Rs. '000	Total Rs. '000
Present Value of Benefit Obligation	44,210,086	3,946,467	9,936,350	1,016,579	1,552,444	596,971	6,847,798	68,106,695
Fair Value of Plan Assets/ Investments	(45,545,503)	(11,673,711)	(11,127,678)	(4,323,467)	(2,701,100)	(289,493)	(4,122,210)	(79,783,162)
Net Benefit Liability/(Asset)	(1,335,417)	(7,727,244)	(1,191,328)	(3,306,888)	(1,148,656)	307,478	2,725,588	(11,676,467)

- 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:
- (a) 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.
 - (b) 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).

	2024 Rs. '000	2023 Rs. '000
Asset Position of Employment Benefit Plans		
Employee Retirement Pension Scheme	1,335,417	–
Employee Retirement Pension Scheme-New	7,727,244	4,507,114
	9,062,661	4,507,114
Liability Position of Employment Benefit Plans		
Employee Retirement Pension Scheme	–	21,003,126
Widows' and Orphans' Pension Scheme	–	4,845,307
Gratuity Scheme (Gross)	596,971	562,315
Medical Benefit Scheme (Gross)	6,847,798	4,491,378
	7,444,769	30,902,126

Notes to the Financial Statements

Movement in the Benefit Liability/ (Asset)	Employee Retirement Pension Scheme Rs. '000	Employee Retirement Pension Scheme – New Rs. '000	Widows' and Orphans' Pension Scheme Rs. '000	Widowers' and Orphans' Pension Scheme Rs. '000	Widows' and Orphans' and Widowers' and Orphans 'Pension Scheme – New Rs. '000	Gratuity Scheme Rs. '000	Medical Benefit Scheme Rs. '000	Total Rs. '000
As at 1 January 2024	21,003,126	(4,507,115)	4,845,307	(1,927,607)	(814,840)	323,203	884,701	19,806,775
Net Benefit Expense/(Income)	2,646,394	(472,949)	567,024	(256,540)	(293,224)	82,354	166,676	2,439,735
Amount recognised in Other Comprehensive Income	(16,862,608)	(1,936,291)	(4,874,262)	(1,122,741)	(40,592)	(98,079)	1,674,211	(23,260,362)
Contribution Paid	(8,122,329)	(810,889)	(1,729,397)	–	–	–	–	(10,662,615)
As at 31 December 2024	(1,335,417)	(7,727,244)	(1,191,328)	(3,306,888)	(1,148,656)	307,478	2,725,588	(11,676,467)

Movement in the Present Value of Projected Benefit Obligations	Employee Retirement Pension Scheme Rs. '000	Employee Retirement Pension Scheme – New Rs. '000	Widows' and Orphans' Pension Scheme Rs. '000	Widowers' and Orphans' Pension Scheme Rs. '000	Widows' and Orphans' and Widowers' and Orphans 'Pension Scheme – New Rs. '000	Gratuity Scheme Rs. '000	Medical Benefit Scheme Rs. '000	Total Rs. '000
As at 1 January 2024	52,618,936	2,964,009	12,463,640	1,310,948	966,603	562,315	4,491,378	75,377,829
Interest Cost	6,629,986	373,465	1,570,419	165,179	121,792	70,852	565,914	9,497,607
Current Service Cost	–	94,948	–	–	–	41,630	74,902	211,480
Benefit Paid From the Fund	(4,297,908)	(39,479)	(964,635)	(65,183)	(2,514)	(61,643)	(601,268)	(6,032,630)
Actuarial (Gains)/ Losses on Obligations – Due to change in Financial Assumptions	(8,435,462)	562,982	(1,803,234)	(221,162)	509,017	(57,705)	2,330,784	(7,114,780)
Actuarial Gains on Obligations	(2,305,466)	(9,458)	(1,329,840)	(173,203)	(42,454)	41,522	(13,912)	(3,832,811)
As at 31 December 2024	44,210,086	3,946,467	9,936,350	1,016,579	1,552,444	596,971	6,847,798	68,106,695

Notes to the Financial Statements

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 2024	31,615,810	7,471,124	7,618,333	3,238,555	1,781,443	239,112	3,606,677	55,571,054
Interest Income	3,983,592	941,362	959,910	408,058	224,462	30,128	454,441	7,001,953
Contributions by the Employer	8,122,329	810,889	1,729,397	–	–	–	–	10,662,615
Contributions by the Employees	–	–	43,485	13,661	190,554	–	19,699	267,399
Benefit Paid from the Fund	(4,297,908)	(39,479)	(964,635)	(65,183)	(2,514)	(61,643)	(601,268)	(6,032,630)
Return on Plan Assets/ Investments, Excluding Interest Income	6,121,680	2,489,815	1,741,188	728,376	507,155	81,896	642,661	12,312,771
As at 31 December 2024	45,545,503	11,673,711	11,127,678	4,323,467	2,701,100	289,493	4,122,210	79,783,162

Expenses/ (Income) Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2024	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
Actuarial (Gains)/ Losses on Obligations for the Year								
Due to Change in Financial Assumptions	(8,435,462)	562,982	(1,803,234)	(221,162)	509,017	(57,705)	2,330,784	(7,114,780)
Due to Experience	(2,305,466)	(9,458)	(1,329,840)	(173,203)	(42,454)	41,522	(13,912)	(3,832,811)
Return on Plan Assets/ Investments, Excluding Interest Income	(6,121,680)	(2,489,815)	(1,741,188)	(728,376)	(507,155)	(81,896)	(642,661)	(12,312,771)
Net (Income)/ Expense For the Year Recognised in OCI	(16,862,608)	(1,936,291)	(4,874,262)	(1,122,741)	(40,592)	(98,079)	1,674,211	(23,260,362)

Notes to the Financial Statements

Benefit Expense for the year Ended 31 December 2024	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	6,629,986	373,465	1,570,419	165,179	121,792	70,852	565,914	9,497,607
Interest Income on Plan Assets/ Investments	(3,983,592)	(941,362)	(959,910)	(408,058)	(224,462)	(30,128)	(454,441)	(7,001,953)
Current Service Cost	–	94,948	–	–	–	41,630	74,902	211,480
Contributions by the Employees	–	–	(43,485)	(13,661)	(190,554)	–	(19,699)	(267,399)
Benefit Expense/ (Income)	2,646,394	(472,949)	567,024	(256,540)	(293,224)	82,354	166,676	2,439,735

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	44,650,902	11,485,484	11,010,285	4,277,287	2,663,919	286,048	3,933,210	78,307,134
Investment in Reverse Repo	333,050	70,146	68,195	12,999	15,756	–	107,601	607,747
Investment in Debentures	559,311	114,784	46,234	30,630	17,614	3,445	81,399	853,417
Balances Remaining in Current Accounts	2,240	3,297	2,964	2,551	3,811	–	–	14,862
Total Plan Assets/ Investments as at 31 December 2024	45,545,503	11,673,711	11,127,678	4,323,467	2,701,100	289,493	4,122,210	79,783,162

Notes to the Financial Statements

Maturity Analysis of the Benefit Payments as at 31 December 2024

Projected Benefit Payable in Future Years From the Date of Reporting	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
1st Following Year	4,171,542	19,330	933,923	37,316	1,619	75,469	497,670	5,736,869
2nd Following Year	4,330,368	20,528	959,356	47,434	4,660	74,838	519,875	5,957,059
3rd Following Year	4,502,455	37,076	983,774	57,807	8,375	73,011	550,972	6,213,470
4th Following Year	4,665,530	55,197	1,007,086	68,350	12,867	70,861	582,472	6,462,363
5th Following Year	4,817,062	72,692	1,029,199	79,028	18,244	71,324	599,022	6,686,571
Sum of Years 6 to 10	25,755,120	894,305	5,430,441	557,586	212,471	346,259	3,485,189	36,681,371

As at 31 December 2023

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 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 recognised 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)
As at 31 December 2023	21,003,126	(4,507,115)	4,845,307	(1,927,607)	(814,840)	323,203	884,701	19,806,775

Notes to the Financial Statements

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’ 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 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
As at 31 December 2023	52,618,936	2,964,009	12,463,640	1,310,948	966,603	562,315	4,491,378	75,377,829

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’ 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 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
As at 31 December 2023	31,615,810	7,471,124	7,618,333	3,238,555	1,781,443	239,112	3,606,677	55,571,054

Notes to the Financial Statements

Expenses/ (Income) Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2023	Employee Retirement Pension SchemeRs. '000	Employee Retirement Pension Scheme – NewRs. '000	Widows' and Orphans' Pension SchemeRs. '000	Widowers' and Orphans' Pension SchemeRs. '000	Widows' and Orphans' and Widowers' Pension Scheme – NewRs. '000	Gratuity SchemeRs. '000	Medical Benefit SchemeRs. '000	TotalRs. '000
Actuarial (Gains)/ Losses on Obligations for the Year								
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)
Net (Income)/ Expense For the Year Recognised in OCI	19,317,266	908,895	3,667,089	(276,961)	288,528	174,887	90,291	24,169,995
Benefit Expense for the Year Ended 31 December 2023	Employee Retirement Pension SchemeRs. '000	Employee Retirement Pension Scheme – NewRs. '000	Widows' and Orphans' Pension SchemeRs. '000	Widowers' and Orphans' Pension SchemeRs. '000	Widows' and Orphans' and Widowers' Pension Scheme – NewRs. '000	Gratuity SchemeRs. '000	Medical Benefit SchemeRs. '000	TotalRs. '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)
Benefit Expense/ (Income)	305,850	(767,483)	159,280	(268,352)	(258,672)	42,575	139,566	(647,236)

Notes to the Financial Statements

Composition of the Plan Assets/ Investments	Employee Retirement Pension SchemeRs. '000	Employee Retirement Pension Scheme – NewRs. '000	Widows' and Orphans' Pension SchemeRs. '000	Widowers' and Orphans' Pension SchemeRs. '000	Widows' and Orphans' and Widowers' Pension Scheme – NewRs. '000	Gratuity SchemeRs. '000	Medical Benefit SchemeRs. '000	TotalRs. '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
Balances Remaining in Current Accounts	3,258	3,467	3,024	4,008	2,971	–	–	16,729
Total Plan Assets/ Investments as at 31 December 2023	31,615,810	7,471,124	7,618,333	3,238,555	1,781,442	239,112	3,606,677	55,571,054

Maturity Analysis of the Benefit Payments as at 31 December 2023

Projected Benefit Payable in Future Years From the Date of Reporting	Employee Retirement Pension SchemeRs. '000	Employee Retirement Pension Scheme – NewRs. '000	Widows' and Orphans' Pension SchemeRs. '000	Widowers' and Orphans' Pension SchemeRs. '000	Widows' and Orphans' and Widowers' Pension Scheme – NewRs. '000	Gratuity SchemeRs. '000	Medical Benefit SchemeRs. '000	TotalRs. '000
1st Following Year	3,930,948	10,087	934,084	40,579	1,320	44,939	419,944	5,381,901
2nd Following Year	4,485,069	10,915	1,060,178	55,189	3,943	52,624	431,283	6,099,201
3rd Following Year	5,164,887	14,908	1,201,188	72,719	7,351	60,656	448,584	6,970,293
4th Following Year	5,885,781	30,827	1,358,578	93,646	11,705	69,897	465,993	7,916,427
5th Following Year	6,139,135	52,071	1,402,242	108,479	15,902	75,585	465,332	8,258,746
Sum of Years 6 to 10	34,078,687	703,167	7,623,927	780,894	173,809	387,533	2,580,042	46,328,059

Notes to the Financial Statements

The principal assumptions used in determining Employee Benefit Obligations for all the plans are shown below:

	2024	2023
Discount Rate	11.60%	12.60%
Expected Rate of Return on Assets	11.60%	12.60%
Rate of Salary Increases – Gratuity & Pension Schemes	0.00% – 6.50%	6.50% – 17.98%
Future Pension Increases - Pension Schemes	0.00% – 5.00%	2.50% – 16.00%
Attrition Rate	2.00%	2.00%
Medical Cost Inflation Rate	6.00%	4.00%
Average Remaining years of Service		
CBSL Pension	28 Years	26 Years
CBSL Pension – New	38 Years	38 Years
W and OP Pension Scheme	28 Years	26 Years
WR and OP Pension Scheme	28 Years	26 Years
W and OP and WR and OP Pension Scheme – New	37 Years	39 Years
Gratuity Scheme	16 Years	17 Years
CBSL Medical Benefit Scheme	28 Years	27 Years
Retirement Age	60 Years	60 Years

Sensitivity Analysis at 0.5%	Employee Retirement Pension Scheme Rs. '000	Employee Retirement Pension Scheme – New Rs. '000	Widows' and Orphans' Pension Scheme Rs. '000	Widowers' and Orphans' Pension Scheme Rs. '000	Widows' and Orphans' and Widowers' and Orphans' Pension Scheme – New Rs. '000	Gratuity Scheme Rs. '000	Medical Benefit Scheme Rs. '000
Projected benefit obligation on current assumptions	44,210,086	3,946,467	9,936,350	1,016,579	1,552,444	596,971	6,847,798
Effect of "+" change in discount rate	(1,459,591)	(347,377)	(354,869)	(49,384)	(173,596)	(15,465)	(313,158)
Effect of "-" change in discount rate	1,557,521	392,444	381,399	53,477	201,906	16,309	343,417
Effect of "+" change in attrition rate	–	–	–	–	–	127,129	–
Effect of "-" change in attrition rate	–	–	–	–	–	(136,023)	–
Effect of "+" change in salary escalation rate	53,541	234,169	2,946	1,287	93,436	17,360	–
Effect of "-" change in salary escalation rate	(10,636)	(217,404)	(534)	(251)	(86,594)	(14,886)	–
Effect of "+" change in medical cost inflation	–	–	–	–	–	–	360,690
Effect of "-" change in medical cost inflation	–	–	–	–	–	–	(330,417)
Effect of "+" change in rate of pension escalation	1,596,993	–	401,232	55,373	–	–	–
Effect of "-" change in rate of pension escalation	(1,506,973)	–	(375,524)	(51,471)	–	–	–

Notes to the Financial Statements

17 Other Assets

For the year ended 31 December	Notes	2024 Rs. '000	2023 Rs. '000
Financial Assets			
Investments by Internal Funds		24,795,139	21,441,883
Less: Expected Credit Loss on Investments by Internal Funds	17.1	(305)	(236)
Net Investment by Internal Funds		24,794,835	21,441,647
Staff Loans at Amortised Cost		5,655,709	5,778,336
Receivable from Treasury and Other Ministries		19,033,179	8,698,715
Other Receivables		2,271,171	5,487,471
Less: Expected Credit Loss on Other Receivables	17.2	(2,226,887)	(2,226,887)
		24,733,171	17,737,635
		49,528,007	39,179,282
Non-Financial Assets			
Deferred asset on Staff Loan		3,249,138	3,005,439
		52,777,144	42,184,721

17.1 Movement in Expected Credit Loss on Investments by Internal Funds

	2024			2023		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Total Rs. '000	Stage 1 Rs. '000	Stage 2 Rs. '000	Total Rs. '000
Balance as at 1 January	63	173	236	86	319	405
Charge/(Reversal) during the Year	(20)	89	69	(23)	(146)	(169)
Balance as at 31 December	43	262	305	63	173	236

Internal Funds investments comprise 99% in Sri Lanka Government Securities and 1% in other investments, including Debentures and Repo investments. Sri Lanka Government Securities are subject to ECL. However, there is zero Probability of Default (PD) for Sri Lanka Government Securities and therefore, ECL provision for investments in Sri Lanka Government Securities is zero.

17.2 Movement in Expected Credit Losses on Other Receivables

	2024 Stage 3 Rs. '000	2023 Stage 3 Rs. '000
Balance as at 1 January	2,226,887	2,226,887
Charge during the year	–	–
Balance as at 31 December	2,226,887	2,226,887

18 Gold

Section 40 (2) of the Central Bank of Sri Lanka Act 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. This includes Gold weighted 15,148.163 Bar Fine Ounce as at 31 December 2024 (2023 – 15,148.163 Bar Fine Ounce) priced at USD 2,624.01 per troy ounce as at 31 December 2024 (2023 – USD 2,062.58 per troy ounce). The change in Gold balance during the year is disclosed under Note 49.

19 Inventories

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Notes for Circulation	2,907,190	3,433,564
Coins for Circulation	1,229,713	1,657,594
Notes in Transit from the Supplier	598,339	239,803
Cost Adjustments	3,272	3,344
	4,738,514	5,334,305
Less: Provision for Slow Moving Items	(17)	(415)
	4,738,497	5,333,890
Stationary and Sundry Inventory	100,881	99,948
Total Inventories	4,839,378	5,433,838

In 2024, inventories of Rs. 3,568.29 Mn. (2023 – Rs. 2,108.58 Mn.) were recognised as an expense during the year and included in “Cost of Inventory (Cost of New Currency Issue)” in the Statement of Income.

20 Other Receivables and Prepayments

The block of land bearing assessment No. 13, Sir Baron Jayathilake Mawatha, Colombo 01 and the building situated thereon (Lloyds Building) was a property acquired by CBSL in 2009 at a cost of Rs. 175.0 Mn.

The Cabinet of Ministers at the meeting held on 15 July 2020 decided to acquire the Lloyds Building and the relevant block of land on a payment of a consideration equivalent to the total of the cost incurred for the acquisition of the building and the relevant block of the

land by the CBSL and of the expenses, if any, incurred by the Bank for the renovation of the said building, treating this as a property transaction between two Government institutions.

Accordingly, the Bank derecognised this property for Rs. 980.5 Mn. and handed over the ownership to the Divisional Secretary – Colombo on 15 November 2021. At the time of disposal of the above property, the Bank recorded a receivable for Rs. 353.1 Mn. under other receivables.

21 Property, Plant and Equipment

	Land and Buildings Rs. '000	Plant and Plant Integrals Rs. '000	Furniture and Equipment Rs. '000	Vehicles Rs. '000	Computers Rs. '000	Right-of Use Assets Rs. '000	Others Rs. '000	Construction In Progress Rs. '000	2024 Total Rs. '000	2023 Total Rs. '000
Cost/Valuation										
As at 1 January	22,280,103	1,638,544	1,749,192	611,793	1,462,068	56,699	57,736	103,117	27,959,252	23,498,238
Additions during the year	–	128,414	49,440	–	70,622	–	1,405	267,895	517,776	749,076
Disposals during the Year	–	–	(7,339)	–	(42,510)	–	–	–	(49,849)	(42,566)
Transfers during the Year	–	–	–	–	–	–	–	(220,651)	(220,651)	(327,335)
Transfer of Accumulated Depreciation on Revalued Assets	–	–	–	–	–	–	–	–	–	(657,379)
Revaluation Gain during the Year	–	–	–	–	–	–	–	–	–	4,760,946
Remeasurement of right-of-use Asset	–	–	–	–	–	–	–	–	–	(21,728)
As at 31 December	22,280,103	1,766,958	1,791,293	611,793	1,490,180	56,699	59,141	150,361	28,206,528	27,959,252

	Land and Buildings Rs. '000	Plant and Plant Integrals Rs. '000	Furniture and Equipment Rs. '000	Vehicles Rs. '000	Computers Rs. '000	Right-of Use Assets Rs. '000	Others Rs. '000	Construction In Progress Rs. '000	2024 Total Rs. '000	2023 Total Rs. '000
Accumulated Depreciation										
As at 1 January	–	1,249,497	1,306,130	525,332	1,092,493	22,527	40,017	–	4,235,996	4,462,956
Depreciation for the Year	266,341	34,432	60,542	27,283	86,469	6,016	391	–	481,474	472,847
Disposals during the Year	–	–	–	–	–	–	–	–	–	(42,429)
Transfer of Accumulated Depreciation on Revalued Assets	–	–	–	–	–	–	–	–	–	(657,378)
As at 31 December	266,341	1,283,929	1,366,672	552,615	1,178,962	28,543	40,408	–	4,717,470	4,235,996
Net Book Value	22,013,762	483,029	424,621	59,178	311,218	28,156	18,733	150,361	23,489,058	23,723,256

Notes to the Financial Statements

Notes to the Financial Statements

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. 249.88 Mn. (2023 – Rs. 412.36 Mn.).

The value of the fully depreciated assets which are still in use as at 31 December 2024 was Rs. 3,447.21 Mn. (2023 – Rs. 3,399.34 Mn.).

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)
Land & Building								
Head Office – Colombo 01	A A M Fathihu	Market Approach and Cost Approach	21,000,000	14,000 – 23,500	–	–	–	12,914,256
Whiteaways Building – Colombo 01	-do-	Market Approach and Income Approach	18,500,000	–	7,596,000	40	16.66	876,986
Central Point Building – Colombo 01	-do-	Market Approach and Income Approach	21,000,000	–	10,800,000	40	16.66	1,196,644
Centre for Banking Studies – Rajagiriya	-do-	Market Approach and Cost Approach	5,000,000	4,000 – 15,000	–	–	–	3,507,578
Bank House – Colombo 07	-do-	Market Approach and Cost Approach	12,000,000	5,000 – 13,500	–	–	–	2,047,831
Regional Office – Matara	-do-	Market Approach and Cost Approach	2,250,000 – 4,500,000	5,000 – 12,000	–	–	–	445,062
Regional Office – Matale	-do-	Market Approach and Cost Approach	200,000 – 1,000,000	4,000 – 12,000	–	–	–	308,500
Holiday Home – Nuwara Eliya	-do-	Market Approach and Cost Approach	2,000,000	6,000 – 18,000	–	–	–	446,400
Holiday Home – Kataragama	-do-	Market Approach and Cost Approach	400,000	5,000 – 15,500	–	–	–	272,891
Building on Leasehold Land								
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

For the year ended 31 December	Carrying value 2024 Rs. '000	Carrying value 2023 Rs. '000
Composition of Land and Buildings		
Freehold Land	14,197,619	14,197,619
Buildings on Freehold Land	7,616,452	7,874,058
Buildings on Leasehold Land	199,691	208,429
	22,013,762	22,280,106

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. 6,849.21 Mn. (2023 – Rs. 6,991.47 Mn.).

22 Intangible Assets

For the year ended 31 December	2024			2023
	Intangible Assets Rs. '000	Intangible Assets – WIP Rs. '000	Total Rs. '000	Rs. '000
Computer Software:				
Cost:				
As at 1 January	1,969,475	214,934	2,184,409	2,160,418
Additions during the Year	307,336	93,705	401,041	29,991
Transfers during the Year	–	(308,539)	(308,539)	(6,000)
As at 31 December	2,276,811	100	2,276,911	2,184,409
Amortization:				
As at 1 January	1,494,526	–	1,494,526	1,252,281
Amortization Charge for the year	266,735	–	266,735	242,245
As at 31 December	1,761,261	–	1,761,261	1,494,526
Net Book Value:				
As at 31 December	515,550	100	515,650	689,883

The Bank has acquired intangible assets by means of cash with an aggregated cost of Rs. 307.34 Mn. during the year (2023 – Rs. 23.99 Mn.).

The value of fully amortized intangible assets which are still in use as at 31 December 2024 was Rs. 1,005.04 Mn. (2023 – Rs. 1,004.92 Mn.).

23 Banks and Financial Institutions

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Payable to Foreign Banks	10,772	53,459,271
Payable to other Foreign Financial Institutions	1,027,846	654,521
	1,038,618	54,113,792

24 International Monetary Fund

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Interest Bearing Loans	24.1	195,025,399	292,928,957
Allocation of Special Drawing Rights	24.2	363,294,134	416,183,699
Quota Liability	24.3	102,649,130	117,593,131
Other Amounts Payable to IMF	24.4	120,647,906	140,619,425
		781,616,569	967,325,212

24.1 Interest Bearing Loans consist of the Extended Fund Facility (EFF) obtained from the IMF. 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 31 December 2024, rate stands at 3.159 per cent per annum) plus 100 basis points.

IMF Executive Board approved EFF arrangement on 20 March, 2023 amounting to SDR 2.3 Bn. (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.

Three loan tranches have been received under EFF arrangement from IMF during the years 2023 & 2024. First loan tranche of SDR 254 Mn. was received on 22 March 2023 and a Total USD equivalent amounting to USD 331,626,865.25 was transferred to DST's dollar account. The second loan tranche of SDR 254 Mn. was received on 14 December 2023 and transferred equivalent USD 337,800,661.18 to DST's dollar account. Third loan tranche of SDR 254 Mn. was received on 14 June 2024 and equivalent USD 335,328,582.41 was transferred 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, three promissory notes issued in March 2023, December 2023 and June 2024 are kept in the safe custody of the CBSL.

	Effective SDR Interest Rate as at 31 December 2024 %	Maturity	2024	2023
			Rs. '000	Rs. '000
Extended Fund Facility	4.159	2029	195,025,399	292,928,957
Total Interest Bearing Loans			195,025,399	292,928,957

24.2 The Special Drawing Right (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 is 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 Other Foreign Liabilities

25.1 Other Foreign Liabilities

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Amount due to People's Bank of China (PBoC) under SWAP facility	25.1.1	411,279,000	459,955,000
RBI Special SWAP	25.1.2	457,272,340	800,490,754
		868,551,340	1,260,445,754

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

The CBSL and the PBoC, in December 2024, successfully renewed the BCSA signed in 2021, for a period of another three (03) years, under the terms and conditions stipulated in the original agreement. Under the original BCSA, a SWAP facility of CNY 10 Bn. (equivalent to approximately US dollars 1.5 Bn.) was received from the PBoC in exchange of an equivalent amount of LKR in December 2021 and these proceeds are currently considered as a stand-by-arrangement at zero cost (Note 8.1).

Outstanding balance as of 31 December 2024 represents the CNY 10 Bn. SWAP renewed under the new BCSA in December 2024 for another period of one year.

According to the BCSA, the LKR balance of the liability is revalued against the CNY on the Trade Date. The exchange rate applied to the drawn amount or renewed amount is based on the central parity of CNY/USD exchange rate published by China Foreign Exchange Trading System (CFETS) on its website under the authorization of the PBoC at 9.15 am Beijing time on the Trade Date and the LKR/USD exchange rate at 9.00 am Colombo time provided by the Reuters Screen on the Trade Date.

25.1.2 Amount due to the Reserve Bank of India under Special SWAP Agreement signed between the RBI and the CBSL

Upon the expiry of the Special SWAP Agreement, the CBSL and the RBI entered into an addendum to the Agreement in view of extending the existing Special SWAP Agreement under the prevailing terms and conditions. CBSL commenced monthly repayments with due interests from September 2023 and it is expected to settle this liability in full within three years (2026).

25.2 Other

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
DST Special Dollar A/C 2	25.2.1	29,660,536	248,714,938
DST's USD Account - BIS	25.2.2	31,045,057	–
Sri Lanka Deposit Insurance Fund	25.2.3	29,258,330	–
Other Foreign Liabilities		15,011,333	95,080
		104,975,256	248,810,018

25.2.1 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 2024, one tranche of EFF loan was received from IMF for budget financing of Sri Lanka. Accordingly, USD 335.33Mn. was credited corresponding to 3rd tranche of EFF loan in the year 2024. In addition, during the year 2024, miscellaneous US dollar receipts to treasury from various foreign and local organisations 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 2024 is USD 101.37 Mn.

25.2.2 DST's USD Account – BIS

The part of DST's US dollar funds held in US territory was transferred to Bank for International Settlements (BIS), Switzerland for the purpose of risk management in the year of 2024. Accordingly, the funds transferred to BIS with respect to DST's dollar a/c 2 was accounted separately and the balance lying in the new account as at 31 December 2024 is USD 106.11 Mn.

25.2.3 Sri Lanka Deposit Insurance Fund

CBSL received funds under Financial Sector Safety Net Strengthening Project amounting USD 100 Mn. during 2024. This is maintained as ring – fenced in CBSL accounts and such funds can only be used by Sri Lanka Deposit Insurance Scheme in order to execute its mandate.

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 Central Bank Act 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 Central Bank Act. 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.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Deposits by Banks :		
– Related Parties	132,888,919	93,734,580
– Others	35,034,229	36,014,842
	167,923,148	129,749,422

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Deposits by Financial Institutions :		
– Related Parties	63	233
– Others	13,023,742	12,722,927
	13,023,805	12,723,160
Total Deposits by Banks and Other Financial Institutions	180,946,953	142,472,582

27 Deposits of Government and Governmental Entities

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Government Deposits	1,465,924	1,694,698
Government Agencies and Funds	69,072	378,592
	1,534,996	2,073,290

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 and Standing Deposit Facility

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Standing Deposit Facility	194,337,033	227,035,873
	194,337,033	227,035,873

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 2024 (2023 – Nil).

Notes to the Financial Statements

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 uncollateralised 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	2024 Rs. '000	2023 Rs. '000
Coins:		
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	122,389	122,475
50 cent	184,766	185,093
1 rupee	1,084,398	1,073,741
2 rupee	1,685,590	1,657,217
5 rupee	5,586,164	5,477,594
10 rupee	9,156,267	8,709,257
20 rupee	149,841	149,841
Commemorative coins	611,240	609,633
	18,652,498	18,056,694
Notes:		
1 rupee	4,981	4,981
2 rupee	26,694	26,694
5 rupee	37,190	37,190
10 rupee	1,243,786	1,245,351
20 rupee	8,603,637	7,818,764
50 rupee	8,196,329	7,491,942
100 rupee	30,923,216	28,520,217
200 rupee	125,946	126,164
500 rupee	63,800,400	57,752,961
1,000 rupee	173,510,525	160,871,342
2,000 rupee	2,284,891	2,363,611
5,000 rupee	1,051,312,790	902,187,270
	1,340,070,385	1,168,446,487
Total Currency in Circulation	1,358,722,883	1,186,503,181

Notes to the Financial Statements

30 Other Payables

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Provision and Charges		3,437,174	895,496
Amounts received from Commercial Banks for Loan Settlements		–	3,231,613
Liability against Abandoned Property Transfers Received	30.1	24,207,097	20,788,599
Balances of Employee Benefit Plans	30.2	18,308	29,533
Other Payables		2,508,972	4,562,565
		30,171,551	29,507,806

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 and 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:

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Balances in CBSL Provident Fund, Pension Schemes and Widows'/ Widowers' and Orphans' Pension Schemes	18,308	29,533
	18,308	29,533

31 Deferred Grants

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
As at 1 January	2,475	1,834
Additions during the year	7,952	1,404
Utilization during the year	(1,546)	(735)
Derecognitions during the year	(1,685)	–
Amortization during the year	(28)	(28)
As at 31 December	7,168	2,475

Deferred grant is amortised 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 research grants received from the Knowledge Partnership Programmes of the Bank of Korea amounting to Rs. 5.21 Mn. (received during 2024 – Rs. 2.36 Mn.) which will be utilized to cover the cost of local training programmes of CBSL staff (during 2024 – 1.55 Mn. & during 2023 – Rs. 0.73 Mn. has been utilized), Rs. 5.20 Mn. received in 2024 from Bank Negara Malaysia to be utilized for the cost of SEACEN training programmes of CBSL staff and Rs. 2.32 Mn. received during 2023 from the United Nations Development Programmes which has been utilized for awareness programmes on sustainable finance.

Further, 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 was derecognized during the year (Rs. 1.69 Mn.) as the development process of this automation system was discontinued as RDD cannot implement new loan schemes as per CBA.

32 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.

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Lease Liability	32.1.4	20,303	24,602
Provision for Credit Guarantees	32.2	18,941	31,293
Other Liabilities		1,011,895	570,415
		1,051,139	626,310

32.1 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.

32.1.1 Right-of-Use Assets

Right-of-use assets relate to leased land and buildings that are presented within property, plant and equipment (Note 21).

32.1.2 Amounts recognised in the Statement of Income

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Interest on Lease Liability	2,530	5,908
Amortisation of Right-of-Use Asset	6,016	7,172

32.1.3 Amount recognised in the Statement of Cash Flows

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Total Cash Outflow for Leases	6,829	6,418

32.1.4 Lease Liability

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	24,602	60,142
Additions during the Year	–	9,378
Remeasurement during the Year	–	(44,408)
Interest Charges during the Year	2,530	5,908
Lease Payments during the Year	(6,829)	(6,418)
Balance as at 31 December	20,303	24,602

32.1.5 Maturity Analysis of Lease Liability

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Non-current	15,227	19,182
Current	5,076	5,420
Balance as at 31 December	20,303	24,602

32.1.6 Maturity Analysis based on Contractual Undiscounted Cash Flows

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Less than One Year	7,012	7,861
One to Five Years	7,020	11,379
More than Five Years	33,615	35,235
Total Undiscounted Lease Liabilities	47,647	54,475

32.2 Provision for Credit Guarantees

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Expected Credit Loss on Credit Guarantees	32.2.1	18,941	31,293
Balance as at 31 December		18,941	31,293

32.2.1 Movement in Expected Credit Losses on Credit Guarantees

For the year ended 31 December	2024 Stage 1 Rs. '000	2023 Stage 1 Rs. '000
Balance as at 1 January	31,293	219,324
Reversal during the Year	(12,352)	(188,031)
Balance as at 31 December	18,941	31,293

33 EQUITY

Nature of Equity Items

33.1 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 provision of Section 4 applies to capital of CBSL.

33.2 General Reserve

General Reserve includes the amounts set aside from the retained earnings by approval of the Governing Board. As per Section 94 (2) of CBA, general reserve account shall not be used for any other purposes, except for the purposes of transferring to retained earnings if it becomes negative.

33.3 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.

33.4 International Revaluation Reserve (IRR)

International Revaluation Reserve is a reserve established in accordance with section 94 (3) & 95 of the Central Bank Act to record unrealized gains and losses arising from exchange rate. As per Section 95 (b), unrealized revaluation losses from exchange rates 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.

33.5 Market Revaluation Reserve (MRR)

Market revaluation reserve was set up 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. With the enactment of CBA, Sections 94 & 95 applies to MRR.

33.6 Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income (FVOCI)

Unrealized gains and losses on the fair valuation of securities designated as fair value through other comprehensive income are transferred to this reserve.

33.7 RTGS Sinking Fund

This fund is built up with the charges collected from the participants for the use of the RTGS system.

33.8 Pension Fund Reserve

This reserve is made up to meet any shortfalls in the pension fund given the vulnerability of the income generating capacity of the Bank to external risks.

33.9 Reserve for Funding purpose of Post Employment Benefit Plans

As per Monetary Board decision MB/F/39/20/2016 dated 16 December 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.

33.10 Other Reserve

Other reserves include Medium and Long Term Credit Reserve [Rs. 10.00 Bn. (2024) Rs. 44.58 bn (2023)].

As of 31 December 2024 bank transferred a total of Rs. 35.12 Bn. to Retained Earnings (Rs. 0.04 Bn. from Special Credit Guarantee Scheme Reserve, Rs.34.58 Bn. from Medium and Long Term Credit Reserve and Rs. 0.50 Bn. from Credit Guarantee Reserve) to reduce the negative balance in the retained earnings.

Notes to the Financial Statements

The movements in the reserves are as follows:

	General Reserve	Fixed Asset Revaluation Reserve	IRR	Market Revaluation Reserve	Net Fair Value Gain/(Loss) on FVOCI Securities	RTGS Sinking Fund	Pension Fund Reserve	Reserve for Funding Purposes of Post Employment Benefit Plans	Other Reserves	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 January 2024	266,061,930	16,655,355	(288,036,060)	136,676,102	67,553,126	4,190,300	2,000,000	2,554,624	45,117,739	252,773,117
Transfer to RTGS Sinking Fund	–	–	–	–	–	709,906	–	–	–	709,906
Transfer of Funds from General Reserve to Retained Earnings as per Sec 94 (2) of CBA	(266,061,930)	–	–	–	–	–	–	–	–	(266,061,930)
Transfer of unutilized Funds from Other Reserve to Retained Earnings	–	–	–	–	–	–	–	–	(35,117,739)	(35,117,739)
Transfer of Net Foreign Exchange Revaluation Gain/(Loss)	–	–	288,036,060	–	–	–	–	–	–	288,036,060
Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income	–	–	–	–	(37,849)	–	–	–	–	(37,849)
Transfer of Funds to Market Revaluation Reserve	–	–	–	33,746,758	–	–	–	–	–	33,746,758
Incremental adjustment on ECL of FVOCI Instruments	–	–	–	–	1,391,589	–	–	–	–	1,391,589
Incremental adjustment on Market Valuation Reserve – Domestic Treasury Bills/Bonds	–	–	–	–	6,552,700	–	–	–	–	6,552,700
Market Valuation Reserve – Equity Investments Classified at Fair Value through Other Comprehensive Income	–	–	–	–	(2,122,707)	–	–	–	–	(2,122,707)
Balance as at 31 December 2024	–	16,655,355	–	170,422,860	73,336,859	4,900,206	2,000,000	2,554,624	10,000,000	279,869,905

Notes to the Financial Statements

34 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 adjusted profit available for distribution.
- (a)

The earnings available for distribution shall be determined by deducting from the net profits after tax the total amount of unrealised 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.
- (b)

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 adjusted profit available for distribution for the year ended 31 December 2024 is as follows,

Item	Rs. '000	Rs. '000
Part I – Calculation of Distributable Profit/(Loss)		
Accounting Profit for the year 2024		274,791,135
Less:		
(a) Transfer of Exchange gain to International Revaluation Reserve (IRR) as per Section 94.3 & 95.2 (a)	41,422,028	
(b) Transfer of "Marked to Market" Gain on Foreign Assets to Market Revaluation Reserve (MRR) as per Section 94.3 & 95.2 (a)	36,204,396	
(c) Transfer of interest income on internal Funds earned during 2024 to respective Funds	1,179,244	(78,805,668)
Adjusted Accounting Profit for the year 2024		195,985,466
Transferring the remaining loss of unrealised revaluation account as per Section 95.2 (b)	246,614,032	(246,614,032)
Adjusted Profit/(Loss) available for Distribution		(50,628,565)

After making the adjustments to the accounting profit as depicted in above table, adjusted loss for the year ended 31 December 2024 is Rs. 50,628.57 Mn. Therefore, no profit is available for distribution for the financial year 2024.

Due to no profits available for distribution in 2024, no transfers are made to the reserves, no recovery of government obligations of Rs. 15,817.65 Mn. (out of this Rs. 9,206.96 Mn. is to be recovered in USD) and no transfer to the Consolidated Fund.

35 Interest Income From Financial Assets

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Interest Income from Foreign Currency Financial Assets		
Cash and Short-Term Deposits	24,147,419	14,709,026
Financial Assets	21,787,768	3,322,085
Total Interest Income from Foreign Currency Financial Assets	45,935,187	18,031,111
Interest Income from Local Currency Financial Assets		
Sri Lanka Government Securities	203,462,124	522,475,608
Securities Purchased under Resale Agreements	9,801,653	51,508,176
Other Loans and Advances	1,633,517	2,743,852
Interest Income on Liquidity Support Facility to Banks	1,593,933	16,749,184
Interest Income from Other Assets	2,911,333	2,485,601
Total Interest Income from Local Currency Financial Assets	219,402,560	595,962,421
Total Interest Income from Financial Assets	265,337,747	613,993,532

Total Interest Income calculated using the effective interest method during 2024 was Rs. 225,094.25 Mn. (2023 – Rs. 525,759.07 Mn.).

36 Gain/(Loss) From Unrealized Price Revaluations

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Gold	2,270,947	1,041,718
Forex and Currency SWAPS	33,933,449	28,123,741
Total Gain/(Loss) from Unrealized Price Revaluations	36,204,396	29,165,459

		2024 Rs. '000	2023 Rs. '000
Derivative Financial Instruments – Assets		27,957,163	5,775,226
Derivative Financial Instruments – Liabilities		37,196,388	48,947,900
Net Asset/(Liability) Position		(9,239,225)	(43,172,674)
	Notes	2024 Rs. '000	2023 Rs. '000
Opening Net Assets/(Liability) Position		(43,172,674)	(71,296,415)
Closing Net Assets/(Liability) Position		(9,239,225)	(43,172,674)
Gain/(Loss) From Unrealized Price Revaluations – Forex and Currency SWAPS	36	(33,933,449)	28,123,741

37 Interest Expenses on Financial Liabilities

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Interest Expense on Foreign Currency Financial Liabilities		
Asian Clearing Union	–	79,303,654
IMF Related Liabilities	25,629,871	32,155,485
Other Foreign Payables	55,793,114	31,056,717
Total Interest Expense on Foreign Currency Financial Liabilities	81,422,985	142,515,856
Interest Expense on Local Currency Financial Liabilities		
Standing Deposit Facility	12,025,820	15,893,789
Abandoned Property	2,458,313	4,480,200
Miscellaneous Interest Expenses	609,521	1,436,341
Total Interest Expense on Local Currency Financial Liabilities	15,093,654	21,810,330
Total Interest Expense on Financial Liabilities	96,516,639	164,326,186

38 Reversal/(Charge) Of Expected Credit Losses on Financial Assets

For the year ended 31 December	Notes	2024 Rs. '000	2023 Rs. '000
Foreign Currency Financial Assets			
Financial Assets at Amortised Cost			
Cash and Cash Equivalents	8.2	342,731	(21,168)
IMF Related Assets	11.4	(2)	1
Securities at Fair Value through Other Comprehensive Income	9.0	1,391,590	(65,529)
Total Expected Credit Loss Reversal/(Charge) on Foreign Currency Financial Assets		1,734,322	(86,696)
Local Currency Financial Assets			
Financial Assets at Amortised Cost			
Loans to Banks	15.2	(7,468)	208,458
Investments by Internal Funds	17.1 & 17.2	(69)	169
Credit Guarantee Provision	32.2	12,352	188,031
Total Expected Credit Loss Charge on Local Currency Financial Assets		4,815	396,659
Total Expected Credit Loss Reversal/(Charge) on Financial Assets		(1,729,507)	309,963

39 Other Income

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Dividend Income – Related Party	189,465	135,642
Amortization of Assets Received from Grants	28	28
Licensing fees of Financial Institutions	749,950	718,550
Rent Income	188,744	208,276
Charges Collected from RTGS Participants	90,008	76,269
Miscellaneous Income	238,833	438,459
Net Gains on Revaluation of Property, Plant and Equipment	–	8,261
Total Other Income	1,457,028	1,585,485

39.1 Other Expense

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Incentives on Inward Foreign Remittances	387,009	3,536,359
	387,009	3,536,359

With an objective of encouraging more worker 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 worker remittances. Accordingly, the total transaction cost reimbursed to all Licensed Banks by CBSL during the year 2024 and 2023 are disclosed under other expense.

40 Personnel Expenses

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Wages and Salaries	10,517,344	7,253,093
Defined Contribution Plan Costs	4,790,845	(3,949,834)
Post Employee Defined Benefit Plan Costs	(91,918)	891,177
Total Personnel Expenses	15,216,271	4,194,436

41 Administration and Other Expenses

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Repairs and Maintenance	1,786,920	1,883,442
Operating Expenses for Reuters, Bloomberg, SWIFT etc.	268,006	266,933
Travelling	64,366	27,499
Rental Expenses	236	375
Printing	29,363	55,016
Statutory Audit Fees	9,499	9,499
Remuneration to Members of the Governing Board/Subcommittees	12,250	5,750
Advertising Cost	56,142	43,359
Consultancy, Communication, Advisory and Professional Fees	205,434	97,074
Interest Expense on Lease Liability	2,530	5,908
Miscellaneous Expenses	441,385	369,139
Total Administration and Other Expenses	2,876,131	2,763,994

42 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 and Inland Revenue (Amendment) Act No. 04 of 2023 & Inland Revenue (Amendment) Act No.14 of 2023.

During the year 2024, the Bank did not pay any taxes (2023 – Nil).

43 Reconciliation of Operating Profit with Cash Flows from Operating Activities

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Reported Profit/(Loss) from Operating Activities	274,791,135	(114,430,814)
Add/(Less): Non-Cash Items		
Depreciation and Amortization	798,226	715,321
Amortization of Sri Lankan government securities	(410,505)	74,873,597
Interest Receivable – Local Currency – Investment Portfolio	(2,855,316)	(2,352,369)
Interest Receivable on Fixed Deposits	507,390	(897,400)
Net Provision for Defined Employee Benefit Plans	1,202,263	(7,306,344)
Gross Unrealised Foreign Exchange Gain	(65,189,980)	(79,363,686)
Loss/(Profit) on Sale of Property, Plant and Equipment	(1,729)	(1,787)
Provisions and Accruals	(1,538,777)	(34,383,058)
Expected Credit Loss Provision on Financial Assets	1,729,506	(309,962)
Deferred Grants	4,693	641
Losses on Revaluation	–	(8,261)
Amortisation of PRGF Deposit	–	(3,671)
Amortisation Expense of Fixed Income Securities	(10,082,708)	(2,051,097)
Other income Net Impact from the RDD Net Asset Incorporation	(5,999)	(1,137)
Disposal Gain/(Loss) of DDO	(4,168,300)	(6,775,702)
DDO Day One Gain/(Loss)	–	766,413,281

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Add/(Less): Movements in Other Working Capital Items		
Decrease in Inventories	594,460	(645,431)
Decrease in Interest Receivable	(4,206,458)	34,439,321
Increase in Miscellaneous Liabilities	(1,996,725)	(1,634,405)
Increase in Interest Payable	(520,696)	811,875
Increase in Other Receivables	(7,696,869)	(44,434,691)
(Increase)/Decrease in Securities Purchased under Resale Agreements	307,757,018	364,117,279
Add/(Less): Investing and Financing Activities		
Net Unrealised Market Value Changes	(36,204,396)	(29,165,459)
Net Cash Flows from Operating Activities	452,506,232	917,606,038

44 Net Issues/(Withdrawals) of Circulation Currency on Government Transactions

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Purchase of Sri Lanka Government Securities	(306,606,037)	(26,761,458)
Decrease in Advances to GOSL	–	109,089,300
(Increase)/Decrease in Balances with Government and Government Entities	538,293	(1,851,878)
	(306,067,744)	80,475,964

45 Net Issues/(Withdrawals) of Circulation Currency on Bank and Financial Institutions Transactions

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
(Increase)/Decrease in Deposits by Banks and Financial Institutions	(38,474,372)	180,573,600
	(38,474,372)	180,573,600

46

Concentrations of Funding

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

46.1 Balance as at 31 December 2024

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks		Foreign Government	Foreign Banks and Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets									
Cash and Cash Equivalents	–	–	–		668,108,627	250,580,264	144,839,384	–	1,063,528,275
Securities at Fair Value through Other Comprehensive Income	–	–	–		339,992,275	–	332,469,475	–	672,461,750
Derivative Financial Instruments	–	–	20,159,745		–	–	7,797,418	–	27,957,163
IMF Related Assets	–	–	–		–	–	222,876,069	–	222,876,069
Total Foreign Currency Financial Assets	–	–	20,159,745		1,008,100,902	250,580,264	707,982,346	–	1,986,823,257
Local Currency Financial Assets									
Sri Lanka Government Securities	1,748,873,060	–	–		–	–	–	–	1,748,873,060
Securities Purchased under Resale Agreements	–	–	26,194,922		–	–	–	–	26,194,922
Equity Investments in Financial and Other Institutions	–	–	–		–	–	–	46,834	46,834
Loans to Banks	–	–	9,561,430		–	–	–	–	9,561,430
Pension and Other Post Employment Benefit Plans	–	–	–		–	–	–	9,062,661	9,062,661
Other Assets	43,279,509	–	548,522		–	–	–	8,949,113	52,777,144
Total Local Currency Financial Assets	1,792,152,569	–	36,304,874		–	–	–	18,058,608	1,846,516,051
Total Financial Assets	1,792,152,569	–	56,464,619		1,008,100,902	250,580,264	707,982,346	18,058,608	3,833,339,308
Foreign Currency Non – Financial Assets									
Gold	–	–	–		11,629,873	–	–	–	11,629,873
	–	–	–		11,629,873	–	–	–	11,629,873
Non – Financial Assets									
Inventories	–	–	–		–	–	–	4,839,378	4,839,378
Other Receivables and Prepayments	–	–	–		–	–	–	2,294,558	2,294,558
Property, Plant and Equipment	–	–	–		–	–	–	23,489,058	23,489,058
Intangible Assets	–	–	–		–	–	–	515,650	515,650
Total Non – Financial Assets	–	–	–		–	–	–	31,138,644	31,138,644
Total Assets	1,792,152,569	–	56,464,619		1,019,730,775	250,580,264	707,982,346	49,197,253	3,876,107,825

46.2 Balance as at 31 December 2023

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Government	Foreign Banks and Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets								
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
Total Foreign Currency Financial Assets	–	–	5,775,226	833,019,019	211,612,258	643,094,281	–	1,693,500,784
Local Currency Financial Assets								
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
Pension and Other Post Employment Benefit Plans	–	–	–	–	–	–	4,507,114	4,507,114
Other Assets	29,493,288	–	458,824	–	–	–	12,232,609	42,184,721
Total Local Currency Financial Assets	2,073,840,880	–	382,206,451	–	–	–	18,909,264	2,474,956,595
Total Financial Assets	2,073,840,880	–	387,981,677	833,019,019	211,612,258	643,094,281	18,909,264	4,168,457,379
Foreign Currency Non – Financial Assets								
Gold	–	–	–	10,120,756	–	–	–	10,120,756
	–	–	–	10,120,756	–	–	–	10,120,756
Non-Financial Assets								
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
Total Non-Financial Assets	–	–	–	–	–	–	31,373,240	31,373,240
Total Assets	2,073,840,880	–	387,981,677	843,139,775	211,612,258	643,094,281	50,282,503	4,209,951,375

46.3 Balance as at 31 December 2024

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks		Foreign Government	Foreign Banks and Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Liabilities									
Banks and Financial Institutions	918,442	–	–		–	–	–	120,176	1,038,618
Derivative Financial Instruments	–	–	37,196,388		–	–	–	–	37,196,388
IMF	–	–	–		–	–	781,616,569	–	781,616,569
Other Foreign Liabilities	–	–	–		868,551,340	–	–	–	868,551,340
Other	75,390,058	–	–		–	–	34,158	29,551,040	104,975,256
Total Foreign Currency Financial Liabilities	76,308,500	–	37,196,388		868,551,340	–	781,650,727	29,671,216	1,793,378,171
Local Currency Financial Liabilities									
Deposits of Banks and Financial Institutions	–	–	167,923,148		–	–	–	13,023,805	180,946,953
Deposits of Government and Government Entities	1,534,820	176	–		–	–	–	–	1,534,996
Securities Sold Under Repurchase Agreements and Standing Deposit Facility	–	–	194,337,033		–	–	–	–	194,337,033
Currency in Circulation	–	1,358,722,883	–		–	–	–	–	1,358,722,883
Other Payables	388,712	–	–		–	–	–	29,782,839	30,171,551
Pension and Other Post Employment Benefit Plans	–	–	–		–	–	–	7,444,769	7,444,769
Total Local Currency Financial Liabilities	1,923,532	1,358,723,059	362,260,181		–	–	–	50,251,413	1,773,158,185
Total Financial Liabilities	78,232,032	1,358,723,059	399,456,569		868,551,340	–	781,650,729	79,922,629	3,566,536,356
Other Liabilities									
Deferred Grants	–	–	–		–	–	–	7,168	7,168
Miscellaneous Liabilities and Accruals	–	–	–		–	–	–	1,051,139	1,051,139
Total Other Liabilities	–	–	–		–	–	–	1,058,307	1,058,307
Total Liabilities	78,232,032	1,358,723,059	399,456,569		868,551,340	–	781,650,727	80,980,936	3,567,594,663

46.4 Balance as at 31 December 2023

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks	Foreign Government	Foreign Banks and Financial Institutions	Supranational Financial Institutions	Other	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Liabilities								
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 Foreign Liabilities	–	–	–	1,260,445,754	–	–	–	1,260,445,754
Other	248,714,938	–	–	–	–	95,080	–	248,810,018
Total Foreign Currency Financial Liabilities	249,359,111	–	44,366,600	1,260,445,754	53,447,345	972,001,592	22,274	2,579,642,676
Local Currency Financial Liabilities								
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 and 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
Pension and Other Post Employment Benefit Plans	–	–	–	–	–	–	30,902,126	30,902,126
Total Local Currency Financial Liabilities	2,332,300	1,186,503,272	342,216,908	–	–	–	87,442,378	1,618,494,858
Total Financial Liabilities	251,691,411	1,186,503,272	386,583,508	1,260,445,754	53,447,345	972,001,592	87,464,652	4,198,137,534
Other Liabilities								
Deferred Grants	–	–	–	–	–	–	2,475	2,475
Miscellaneous Liabilities and Accruals	–	–	–	–	–	–	626,310	626,310
Total Other Liabilities	–	–	–	–	–	–	628,785	628,785
Total Liabilities	251,691,411	1,186,503,272	386,583,508	1,260,445,754	53,447,345	972,001,592	88,093,437	4,198,766,319

47 Risk Management And Compliance

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 Governing 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), Monetary Policy Board (MPB) 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 Risk Management and Compliance Functions via a formal delegation from the GB and assist 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” risk management model where all departments form the first line. In the first line, operational departments are responsible for identifying, analysing, evaluating, treating, monitoring, reviewing and reporting financial, operational

and/or compliance risks related to their functions, through their respective reporting channels, in line with the risk management structure of the CBSL. Risk Management and Compliance Department (RMCD), as a part of the second line, is responsible for facilitating the risk management process related to financial, operational and compliance risks, by coordinating relevant activities to direct and guide CBSL in this regard. While facilitating management of financial and operational risk is the responsibility of the Chief Risk Officer (CRO), the independent Compliance Unit (CU) of RMCD headed by CCO is responsible for facilitating management of compliance risk of CBSL within the ERM Framework. With regard to operational and compliance risks, RMCD reports to the BROC, through the NFRMC and with regard to financial risks, RMCD discusses the related matters at IOCs and reports to BROC. The Internal Audit Department (IAD), as the third line, 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, and submits information on audit reports issued to the Auditor General on quarterly basis through AC.

In line with the ERM framework, RMCD 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.

RMCD 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, RMCD 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. RMCD 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 GB on a periodic basis. Further, the scope of RMCD was expanded to assess the risk of CBSL balance sheet. Accordingly, RMCD has initiated stress testing of the CBSL balance sheet starting from the second quarter of 2024 to project the equity path and evaluate CBSL's resilience to various economic and financial shocks.

Notes to the Financial Statements

In facilitating the operational risk management, RMCD 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, RMCD 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.

Further, RMCD works with departments to provide the facilitation for updating their Risk Registers and Risk Control Self-Assessments (RCSAs) on periodic basis. The risk profile of CBSL is developed incorporating departmental risk assessments and the expert opinion of the Senior Management. RMCD has commenced developing a Risk Appetite Framework (RAF) for CBSL, of which the activities have been phased out over a period of two (02) years and work related to operational risk is nearing completion. Full implementation of RAF will allow CBSL to determine the overall risk profile in a more accurate manner.

RMCD continuously administers incidents reported through the Incident Reporting System, enabling the development of a central repository of incidents and tracking progress

47.1 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:

	2024 Rs. '000	2023 Rs. '000
Sri Lanka	1,866,675,796	2,480,731,821
USA	181,752,711	160,310,832
Japan	203,698,858	178,630,838
Britain	34,851,711	4,385,444
Europe	339,280,185	1,245,101
Supranational	700,184,928	643,094,281
Other	506,895,119	700,059,062
Total Financial Assets	3,833,339,308	4,168,457,379

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.

The CU uses a standard quarterly compliance questionnaire to assess the compliance status of each department and reports significant non-compliance issues identified through the quarterly compliance assessments of departments are reported to the relevant committees and any serious non-compliance issues are escalated to the Senior Management for their immediate attention.

Further, CU conducts initial and periodic evaluations of the foreign counterparties involved in foreign reserve management for Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) compliance in accordance with Know Your Customer (KYC)/Customer Due Diligence (CDD) Policy of the CBSL. Further, CCO has been assigned the function of Money Laundering Reporting Officer (MLRO) to oversee AML/CFT compliance and report the suspicious transactions into money laundering, terrorist financing and other financial crimes in terms of the Prevention of Money Laundering Act, No. 5 of 2006 (as amended) (PMLA); Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 (as amended); and Financial Transactions Reporting Act, No. 6 of 2006 (FTRA).

Under the Whistle Blowing Policy of CBSL, CCO coordinates with the relevant secretariat and provides advice to take actions for such complaints received from general public or employees of CBSL. Further, CU arranges compliance awareness sessions for the CBSL staff.

Notes to the Financial Statements

(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:

	2024 Rs. '000	2023 Rs. '000
Governments	2,800,253,471	2,906,859,899
Supranational Financial Institutions	700,184,928	643,094,281
Foreign Banks and Financial Institutions	250,580,264	211,612,258
Sri Lanka Banks and Financial Institutions	64,262,036	387,981,677
Other	18,058,609	18,909,264
Total Financial Assets	3,833,339,308	4,168,457,379

(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 and 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	2024		2023	
		Rs. '000	%	Rs. '000	%
Cash and Cash Equivalents					
Federal Reserve Bank – USA/Reserve Bank of Australia/Bank for International Settlements/Bank of Japan/Deutsche Bundesbank//Bank of England/Sveriges Riksbank/Bank of Canada/Reserve Bank of New Zealand/Reserve Bank of India/People's Bank of China		812,948,010	21.21%	987,367,312	23.71%
Other Counterparties	AAA	–	0.00%	37,683,915	0.91%
	AA-	89,769,885	2.34%	104,984,678	2.52%
	A+	154,940,279	4.04%	68,374,063	1.64%
	A	1,120	0.00%	124,988	0.00%
	A-	5,832,196	0.15%	402,174	0.01%
	BBB	82	0.00%	1,094	0.00%
	NR	36,703	0.00%	41,346	0.00%
		1,063,528,275	27.74%	1,198,979,570	28.79%

Notes to the Financial Statements

Credit Exposure by Credit Rating	Credit Rating	2024		2023	
		Rs. '000	%	Rs. '000	%
Securities at Fair Value through Other Comprehensive Income	AAA	495,363,313	12.92%	64,574,785	1.55%
	AA+	101,121,868	2.64%	152,580,340	3.66%
	AA	37,063,341	0.97%	–	0.00%
	AA-	18,040,346	0.47%	6,251,666	0.15%
	A+	20,872,882	0.54%	–	0.00%
		672,461,750	17.54%	223,406,791	5.37%
Derivative Financial Instruments					
	AAA	7,797,418	0.20%	–	0.00%
Locally Rated	AAA	116,251	0.00%	–	0.00%
	A	19,106,282	0.50%	5,192,375	0.12%
	A-	925,005	0.02%	582,851	0.01%
	BBB-	12,207	0.00%	–	0.00%
		27,957,163	0.73%	5,775,226	0.14%
IMF Related Assets		222,876,069	5.81%	265,339,197	6.37%
		222,876,069	5.81%	265,339,197	6.37%
Total Foreign Currency Financial Assets		1,986,823,255	51.83%	1,693,500,784	40.67%
Local Currency Financial Assets					
Sri Lanka Government Securities	CCC+	1,748,873,060	45.62%	–	0.00%
	RD	–	0.00%	2,044,347,592	49.04%
Securities Purchased under Resale Agreements	AAA	–	0.00%	2,890,380	0.07%
	AA-	1,588,279	0.04%	–	0.00%
	A	17,750,099	0.46%	146,546,928	3.52%
	A-	855,200	0.02%	94,502,257	2.27%
	BBB-	6,001,343	0.16%	26,838,814	0.64%
	NR	–	0.01%	63,173,560	1.52%
Equity Investments in Financial and Other Institutions	NR	46,834	0.00%	2,169,541	0.05%
Loans to Banks	AA	–	0.00%	32,499,239	0.78%
	A	1,799,389	0.05%	3,143,169	0.08%
	A-	433,426	0.01%	1,121,277	0.03%
	BBB-	283,945	0.01%	516,621	0.01%
	BB+	354,873	0.01%	653,159	0.02%
	NR	6,689,796	0.17%	9,862,224	0.24%
Pension and Other Post Employment Benefit Plans	NR	9,062,661	0.24%	4,507,114	0.11%

Notes to the Financial Statements

Credit Exposure by Credit Rating	Credit Rating	2024		2023	
		Rs. '000	%	Rs. '000	%
Other Assets	AA-	–	0.00%	188,269	0.00%
	A	255,012	0.01%	305,936	0.01%
	A-	293,510	0.01%	152,888	0.00%
	CCC+	43,279,509	1.13%	–	0.00%
	RD	–	0.00%	29,493,288	0.71%
	NR	8,949,114	0.23%	12,044,339	0.29%
Total Local Currency Financial Assets		1,846,516,051	48.17%	2,474,956,595	59.37%
Total Financial Assets		3,833,339,309	100.00%	4,168,457,379	100.00%

(d) Summary by Major Credit Category

Summary by Major Credit ratings	Credit Rating	2024		2023	
		Rs. '000	%	Rs. '000	%
Foreign Currency Financial Assets					
Federal Reserve Bank – USA/ Reserve Bank of Australia/Bank for International Settlements/ Bank of Japan/Deutsche Bundes Bank/Bank of England/ Sveriges Riksbank/Bank of Canada/ Reserve Bank of New Zealand/Reserve Bank of India/People's Bank of China		812,948,010	21.21%	987,367,312	23.71%
IMF Related Assets		222,876,069	5.81%	265,339,197	6.37%
	AAA	503,160,731	13.12%	102,258,700	2.45%
	AA+/-	245,995,441	6.42%	263,816,685	6.34%
	A+/-	181,646,477	4.74%	68,901,225	1.65%
	BBB+/-	82	0.00%	1,094	0.00%
	NR	36,702	0.00%	41,345	0.00%
Locally Rated	AAA	116,251	0.00%	–	0.00%
	A+/-	20,031,287	0.53%	5,775,226	0.15%
	BBB+	12,207	0.00%	–	0.00%
Total Foreign Currency Financial Assets		1,986,823,257	51.83%	1,693,500,784	40.67%

Notes to the Financial Statements

Summary by Major Credit ratings	Credit Rating	2024		2023	
		Rs. '000	%	Rs. '000	%
Local Currency Financial Assets	AAA	–	0.00%	3,078,649	0.07%
	AA+/-	1,588,279	0.04%	32,499,239	0.78%
	A+/-	21,386,636	0.55%	245,772,455	5.89%
	BBB+/-	6,285,288	0.16%	27,355,435	0.66%
	BB+/-	354,873	0.01%	653,159	0.02%
	CCC+/-	1,792,152,569	46.75%	–	0.00%
	RD	–	0.00%	2,073,840,880	49.80%
	NR	24,748,405	0.66%	91,756,778	2.11%
Total Local Currency Financial Assets		1,846,516,050	48.17%	2,474,956,595	59.33%
Total Financial Assets		3,833,339,309	100.00%	4,168,457,379	100.00%

(e) Credit Quality Analysis

Maximum exposure to credit risk by risk rating

The following tables set out information about the credit quality of financial assets measured at amortised cost and Fair Value through Other Comprehensive Income.

		Not Subject to ECL	12 - Month ECL		Life Time ECL		2024
			Stage 1	Stage 2	Stage 3	Total	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Foreign Currency Financial Assets							
Cash and Cash Equivalents							
Federal Reserve Bank – USA/ Reserve Bank of Australia/Bank for International Settlements/Bank of Japan/Deutsche Bundes Bank/ Bank of England/Sveriges RiksBank/ Bank of Canada/Reserve Bank of New Zealand/Reserve Bank of India/ People's Bank of China							
		–	519,645,966	294,339,493	–	813,985,459	
	AA-	–	89,769,884	–	–	89,769,884	
	A+	–	154,940,282	–	–	154,940,282	
	A	–	5,545,568	–	–	5,545,568	
	A-	–	287,913	–	–	287,913	
	BBB	–	82	–	–	82	
	NR	–	36,714	–	–	36,714	
Gross Carrying Amount		–	770,226,409	294,339,493	–	1,064,565,902	
Loss Allowance		–	(529,522)	(508,105)	–	(1,037,627)	
Carrying Amount		–	769,696,887	293,831,388	–	1,063,528,275	

Notes to the Financial Statements

		Not Subject to ECL	12 - Month ECL		Life Time ECL		2024
			Stage 1	Stage 2	Stage 3	Total	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Securities at Fair Value through Other Comprehensive Income	AAA	–	422,100,735	73,262,579	–	495,363,314	
	AA+	–	101,121,867	–	–	101,121,867	
	AA	–	37,063,341	–	–	37,063,341	
	AA-	–	18,040,346	–	–	18,040,346	
	A+	–	20,872,882	–	–	20,872,882	
		–	599,199,171	73,262,579	–	672,461,749	
Local Currency Financial Assets							
IMF Related Assets	NR	–	222,876,078	–	–	222,876,078	
Gross Carrying Amount		–	222,876,078	–	–	222,876,078	
Loss Allowance		–	(9)	–	–	(9)	
Carrying Amount		–	222,876,069	–	–	222,876,069	
Local Currency Financial Assets							
Sri Lanka Government Securities		1,748,873,060	–	–	–	1,748,873,060	
		1,748,873,060	–	–	–	1,748,873,060	
Securities Purchased under Resale Agreements	Other Risk Free Investment	26,194,922	–	–	–	26,194,922	
		26,194,922	–	–	–	26,194,922	

Notes to the Financial Statements

Maximum exposure to credit risk by risk rating		Not Subject to ECL Rs. '000	12 - Month ECL	Life Time ECL		2024
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans to Banks	A	–	116,215	1,684,033	–	1,800,248
	A-	–	396,941	36,724	–	433,665
	BBB-	–	284,742	–	–	284,742
	BB+	–	–	360,187	–	360,187
	NR	–	6,695,980	–	–	6,695,980
	Credit Guarantee Scheme of CBSL	–	–	–	129,547	129,547
Gross Carrying Amount		–	7,493,878	2,080,944	129,547	9,704,369
Loss Allowance		–	(7,220)	(6,172)	(129,547)	(142,939)
Carrying Amount		–	7,486,658	2,074,772	–	9,561,430
Pension & Other Post Employment Benefit Plans	NR	9,062,661	–	–	–	9,062,661
Gross Carrying Amount		9,062,661	–	–	–	9,062,661
Loss Allowance		–	–	–	–	–
Carrying Amount		9,062,661	–	–	–	9,062,661
Other Assets	Government Securities	24,246,330	–	–	–	24,246,330
	Receivable from the Government	19,033,179	–	–	–	19,033,179
	Other Risk Free Receivable	8,949,114	–	–	–	8,949,114
Locally Rated	A	–	59,842	149,638	–	209,480
	A-	–	174,589	164,757	–	339,346
	NR	–	–	–	2,226,887	2,226,887
Gross Carrying Amount		52,228,623	234,431	314,395	2,226,887	55,004,336
Loss Allowance		–	(43)	(262)	(2,226,887)	(2,227,192)
Carrying Amount		52,228,623	234,388	314,133	–	52,777,144

Notes to the Financial Statements

Comparative figures as at 31 December 2023 were as follows:

Maximum exposure to credit risk by risk rating		Not Subject to ECL Rs. '000	12 - Month ECL	Life Time ECL		2023
			Stage 1 Rs. '000	Stage 2 Rs. 000	Stage 3 Rs. '000	Total Rs. '000
Foreign Currency Financial Assets						
Cash and Cash equivalents						
Federal Reserve Bank – USA/Reserve Bank of Australia/Bank for International Settlements/Bank of Japan/Deutsche Bundes Bank/Bank of England/Sveriges RiksBank/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	–	41,366	–	–	41,366
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

Notes to the Financial Statements

		Not Subject to ECL Rs. '000	12 - Month ECL	Life Time ECL		2023
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Securities at Fair Value through Other Comprehensive Income	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
IMF Related Assets	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
Local Currency Financial Assets						
Sri Lanka Government Securities		2,044,397,592	–	–	–	2,044,397,592
		2,044,397,592	–	–	–	2,044,397,592
Securities Purchased under Resale Agreements	Other Risk Free Investment	333,951,940	–	–	–	333,951,940
		333,951,940	–	–	–	333,951,940

Notes to the Financial Statements

		Not Subject to ECL Rs. '000	12 - Month ECL	Life Time ECL			2023
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs.'000	
Loans to Banks	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	
Pension & Other Post Employment Benefit Plans	NR	4,507,114	–	–	–	4,507,114	
Gross Carrying Amount		4,507,114	–	–	–	4,507,114	
Loss Allowance		–	–	–	–	–	
Carrying Amount		4,507,114	–	–	–	4,507,114	
Other Assets							
	Government Securities	20,794,573	–	–	–	20,794,573	
	Receivable from the Government	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	

(f) Credit Exposure Movement – ECL Stage wise

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

	2024				2023			
	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Cash and Cash Equivalents								
Balance as at 1 January	635,409	230,592	–	866,001	841,441	3,391	–	844,832
Transfer to Stage 1	–	–	–	–	365	(365)	–	–
Transfer to Stage 2	–	–	–	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	573,323	(230,592)	–	342,731	(206,397)	227,566	–	21,169
Balance as at 31 December	1,208,732	–	–	1,208,732	635,409	230,592	–	866,001
Securities at Fair Value through Other Comprehensive Income								
Balance as at 1 January	70,273	–	–	70,273	4,744	–	–	4,744
Transfer to Stage 1	–	–	–	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	1,391,590	–	–	1,391,590	65,529	–	–	65,529
Balance as at 31 December	1,461,863	–	–	1,461,863	70,273	–	–	70,273
IMF Related Assets								
Balance as at 1 January	7	–	–	7	8	–	–	8
Transfer to Stage 1	–	–	–	–	–	–	–	–
Transfer to Stage 2	2	–	–	2	(1)	–	–	(1)
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	2	–	–	2	(1)	–	–	(1)
Balance as at 31 December	9	–	–	9	7	–	–	7
Loans to Banks								
Balance as at 1 January	14,696	10,457	–	25,153	6,057	251,565	–	257,622
Transfer to Stage 1	1,920	(1,920)	–	–	233,219	(233,219)	–	–
Transfer to Stage 2	(348)	348	–	–	(865)	865	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	(9,048)	(2,714)	–	(11,762)	(223,715)	(8,754)	–	(232,469)
Balance as at 31 December	7,220	6,171	–	13,391	14,696	10,457	–	25,153

	2024				2023			
	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Claims paid under Credit Guarantee Scheme								
Balance as at 1 January	–	–	110,318	110,318	–	–	86,307	86,307
Transfer to Stage 1	–	–	–	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	–	–	19,229	19,229	–	–	24,011	24,011
Balance as at 31 December	–	–	129,547	129,547	–	–	110,318	110,318
Other Assets								
Balance as at 1 January	63	173	2,226,887	2,227,123	86	319	2,226,887	2,227,292
Transfer to Stage 1	–	–	–	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	(20)	89	–	69	(23)	(146)	–	(169)
Balance as at 31 December	43	262	2,226,887	2,227,192	63	173	2,226,887	2,227,123
Credit Guarantees								
Balance as at 1 January	31,293	–	–	31,293	219,324	–	–	219,324
Transfer to Stage 1	–	–	–	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	(12,352)	–	–	(12,352)	(188,031)	–	–	(188,031)
Balance as at 31 December	18,941	–	–	18,941	31,293	–	–	31,293

Notes to the Financial Statements

(g) Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		
	2024	2023	Principal type of collateral held
Securities Purchased under Resale Agreements	100	100	Marketable Government Securities
Loans to Banks			
Saubagya Covid Renaissance Facility	100	100	Marketable Government Securities and Loan Receivables

(h) Amounts arising from ECL

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2024 Impact: Increase/(Decrease)		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000
Cash and Cash Equivalents	573,323	(230,592)	–
Cash balances have increased with the net foreign exchange purchase from domestic foreign exchange market, thereby increasing cash balance with banks and repos.			
Securities at Fair Value through Other Comprehensive Income	1,391,590	–	–
Increased due to re-establishment of investment portfolios in the liquidity tranche in 2024 made in terms of Fixed Income Securities and treasury bills			
Loans to Banks			
– Already Existed balances			
Decreased due to the loan repayment during the year	(9,048)	(2,714)	–
Increased due to the payment of credit guarantee claims to banks	–	–	19,229
Internal Funds			
– Already Existed balances			
Increased due to increase in the investment	(20)	89	–
Credit Guarantees			
Decreased due to the reduction in credit guarantee contingent liability	(12,352)	–	–
	1,943,493	(233,217)	19,229

Notes to the Financial Statements

	2023 Impact: Increase/(Decrease)		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000
Cash and Cash Equivalents	(206,032)	227,201	–
Cash balances have increased with the net foreign exchange purchase from domestic foreign exchange market, thereby increasing investment in fixed deposits and repos			
Securities at Fair Value through Other Comprehensive Income	65,529	–	–
Increased due to re-establishment of investment portfolios in the liquidity tranche in 2023 made in terms of Fixed Income Securities and treasury bills			
Loans to Banks			
– Already Existed balances			
Decreased due to the loan repayment during the year	8,639	(241,108)	–
Increased due to the payment of credit guarantee claims to banks	–	–	24,011
Internal Funds			
– Already Existed balances			
Decreased due to reduced exposure with non-rated counterparties	(23)	(146)	–
Credit Guarantees			
Decreased due to the reduction in credit guarantee contingent liability	(188,031)	–	–
	(319,918)	(14,053)	24,011

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

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

	2024 Rs. '000	2023 Rs. '000
Credit-impaired assets at amortised cost as at 1 January	–	–
Classified as credit-impaired during the year	–	73,291
Incorporation of credit impaired assets of schemes operated by RDD	–	–
Change in ECL allowance	–	(73,291)
Credit-impaired assets at amortised cost at 31 December	–	–

47.2 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 01 basis points. Sensitivity of the risk exposure of the CBSL reserves is given below.

Portfolio Segment	Potential Loss (USD Mn)	
	2024	2023
CBSL Reserves	0.31	0.77

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 CBSL reserves are tabulated below:

Investment Segment	Modified Duration	
	2024	2023
CBSL Reserves	0.54	0.22

- (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)	
	2024	2023
CBSL Reserves	0.02	0.0055

- (iii) Value at Risk (VaR)

VaR summarises 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)			
	2024		2023	
	Historical	Parametric	Historical	Parametric
CBSL Reserves	37.41	64.67	35.43	45.75

- (iv) Trading and 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 its core objective, 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) and 86 (5) of CBA. In addition, Overnight Policy Rate (OPR) is the policy interest rate of the Central Bank under the single policy interest rate mechanism (w.e.f. 27 November 2024). It is the primary monetary policy instrument that signals the Central Bank’s monetary policy stance. 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 Ave. Int. Rate %	2024 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
Interest sensitive Foreign Currency Financial Assets							
Cash and Cash Equivalents	1.9915	1,063,528,275	1,063,528,275	–	–	–	–
Securities at Fair Value through Other Comprehensive Income	2.6209	672,461,750	160,641,598	102,098,948	188,949,551	220,771,652	–
IMF Related Assets	3.1590	2,017,103	2,017,103	–	–	–	–
Total Interest Sensitive Foreign Currency Financial Assets		1,738,007,129	1,226,186,976	102,098,948	188,949,551	220,771,652	–
Non Interest Sensitive Foreign Currency Financial Assets							
IMF Related Assets		220,858,966	–	73,652	73,652	511,433	220,200,229
Derivative Financial Instruments		27,957,162	13,134,981	14,822,181	–	–	–
Total Non Interest Sensitive Foreign Currency Financial Assets		248,816,128	13,134,981	14,895,833	73,652	511,433	220,200,229
Total Foreign Currency Financial Assets		1,986,823,257	1,239,321,957	116,994,781	189,023,203	221,283,085	220,200,229
Interest Sensitive Foreign Currency Financial Liabilities							
IMF	3.1590	195,025,400	30,338,743	30,338,743	56,857,581	77,490,333	–
Other Foreign Liabilities	9.1919	457,272,340	135,012,633	131,662,485	190,597,222	–	–
Total Interest Sensitive Foreign Currency Financial Liabilities		652,297,740	165,351,376	162,001,228	247,454,803	77,490,333	–
Non Interest Sensitive Foreign Currency Financial Liabilities							
Banks and Financial Institutions		1,038,616	1,038,616	–	–	–	–
Derivative Financial Instruments		37,196,388	3,250,593	17,825,777	8,780,258	7,339,760	–
IMF		586,591,171	–	–	–	–	586,591,171
Other Foreign Liabilities		411,279,000	–	411,279,000	–	–	–
Others		104,975,256	104,975,256	–	–	–	–
Total Non Interest Sensitive Foreign Currency Financial Liabilities		1,141,080,431	109,264,465	429,104,777	8,780,258	7,339,760	586,591,171
Total Foreign Currency Financial Liabilities		1,793,378,171	274,615,841	591,106,004	256,235,060	84,830,093	586,591,171
Foreign Currency Interest Rate Sensitivity Gap		1,085,709,389	1,060,835,600	(59,902,279)	(58,505,251)	143,281,320	–

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Local Currency Interest Rate Sensitivity Gap:	Weighted Ave. Int. Rate %	2024 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
Interest sensitive Local Currency Financial Assets							
Sri Lanka Government Securities	12.4511	1,748,873,060	7,162,475	–	17,244,694	86,521,440	1,637,944,452
Securities Purchased under Resale Agreements	8.1470	26,194,922	26,194,922	–	–	–	–
Loans to Banks	4.0000	9,561,430	–	129	2,000	9,559,301	–
Other Assets – Staff Loans	0.0400	8,904,847	269,515	227,691	465,978	1,492,943	6,448,720
– Others	11.1487	24,794,835	2,112,212	3,055,839	2,462,734	7,219,889	9,944,160
Total Interest Sensitive Local Currency Financial Assets		1,818,329,093	35,739,123	3,283,658	20,175,407	104,793,573	1,654,337,332
Non Interest Sensitive Local Currency Financial Assets							
Investment in Equity Securities – Fair Value through Other Comprehensive Income		46,834	–	–	–	–	46,834
Pension & Other Post Employment Benefit Plans		9,062,661	–	–	–	–	9,062,661
Other Assets – Others		19,077,463	19,077,463	–	–	–	–
Total Non Interest Sensitive Local Currency Financial Assets		28,186,958	19,077,463	–	–	–	9,109,495
Total Local Currency Financial Assets		1,846,516,051	54,816,586	3,283,658	20,175,407	104,793,573	1,663,446,827
Interest Sensitive Local Currency Financial Liabilities							
Standing Deposit Facility	7.5000	194,337,033	194,337,033	–	–	–	–
Total Interest Sensitive Local Currency Financial Liabilities		194,337,033	194,337,033	–	–	–	–
Non Interest Sensitive Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions		180,946,953	180,946,953	–	–	–	–
Deposits of Government and Governmental Entities		1,534,996	1,534,996	–	–	–	–
Currency in Circulation		1,358,722,883	1,358,722,883	–	–	–	–
Pension & Other Post Employment Benefit Plans		7,444,769	–	–	–	–	7,444,769
Other Payables		30,171,551	30,171,551	–	–	–	–
Total Non interest sensitive Local Currency Financial Liabilities		1,578,821,152	1,571,376,383	–	–	–	7,444,769
Total Local Currency Financial Liabilities		1,773,158,185	1,765,713,416	–	–	–	7,444,769
Local Currency Interest Rate Sensitivity Gap		1,623,992,060	(158,597,910)	3,283,658	20,175,407	104,793,573	1,654,337,332

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Foreign Currency Interest Rate Sensitivity Gap:	Weighted Ave. 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
Interest sensitive Foreign Currency Financial Assets							
Cash and 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	–	–	–	–
Total Interest Sensitive Foreign Currency Financial Assets		1,434,628,613	1,310,038,436	22,944,799	46,284,595	55,360,783	–
Non Interest Sensitive Foreign Currency Financial Assets							
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	–	–
Total Non Interest Sensitive Foreign Currency Financial Assets		258,872,171	3,526,799	41,010	2,207,417	345,472	252,751,473
Total Foreign Currency Financial Assets		1,693,500,784	1,313,565,235	22,985,809	48,492,012	55,706,255	252,751,473
Interest Sensitive Foreign Currency Financial Liabilities							
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	–
Total Interest Sensitive Foreign Currency Financial Liabilities		1,093,419,711	186,936,852	180,521,042	361,042,085	364,919,732	–
Non Interest Sensitive Foreign Currency Financial Liabilities							
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		459,955,000	–	459,955,000	–	–	–
Other		248,810,018	–	248,810,018	–	–	–
Total Non Interest Sensitive Foreign Currency Financial Liabilities		1,486,222,965	62,959,388	713,073,516	10,889,030	24,669,983	674,631,048
Total Foreign Currency Financial Liabilities		2,579,642,676	249,896,240	893,594,558	371,931,115	389,589,715	674,631,048
Foreign Currency Interest Rate Sensitivity Gap		341,208,902	1,123,101,584	(157,576,243)	(314,757,490)	(309,558,949)	–

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Local Currency Interest Rate Sensitivity Gap:	Weighted Ave. 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
Interest Sensitive Local Currency Financial Assets							
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	6,588,432
Total Interest Sensitive Local Currency Financial Assets		2,456,320,640	538,808,871	76,022,375	8,974,134	13,969,165	1,818,546,095
Non Interest Sensitive Local Currency Financial Assets							
Investment in Equity Securities – Fair Value through Other Comprehensive Income		2,169,541	–	–	–	–	2,169,541
Other Assets – Others		11,959,300	11,959,300	–	–	–	–
Pension and Other Post Employment Benefit Plans		4,507,114	–	–	–	–	4,507,114
Total Non Interest Sensitive Local Currency Financial Assets		18,635,955	11,959,300	–	–	–	6,676,655
Total Local Currency Financial Assets		2,474,956,595	550,768,171	76,022,375	8,974,134	13,969,165	1,825,222,750
Interest Sensitive Local Currency Financial Liabilities							
Standing Deposit Facility	9.0000	227,035,873	227,035,873	–	–	–	–
Total Interest Sensitive Local Currency Financial Liabilities		227,035,873	227,035,873	–	–	–	–
Non Interest Sensitive Local Currency Financial Liabilities							
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	–	–	–	–
Pension & Other Post Employment Benefit Plans		30,902,126	–	–	–	–	30,902,126
Other Payables		29,507,806	29,507,806	–	–	–	–
Total Non interest sensitive Local Currency Financial Liabilities		1,391,458,985	1,360,556,859	–	–	–	30,902,126
Total Local Currency Financial Liabilities		1,618,494,858	1,587,592,732	–	–	–	30,902,126
Local Currency Interest Rate Sensitivity Gap		2,229,284,767	311,772,998	76,022,375	8,974,134	13,969,165	1,818,546,095

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47.3 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 2024, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2024	Currency				Currency					
	United States Dollars	Euro	Japanese Yen	Sterling Pound	SDR	AUD	CAD	NZD	Other Currencies	Total All Currencies
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets										
Cash and Cash Equivalents	335,526,171	1,290,010	9,345,433	516,915	–	436,715	413,282	175,853	717,032,627	1,064,737,006
Securities at Fair Value through Other Comprehensive Income	560,339,827	26,215,548	20,872,882	28,053,164	–	15,762,064	14,732,536	6,485,729	–	672,461,750
Derivative Financial Instruments	–	–	7,797,418	–	–	–	–	–	20,159,745	27,957,163
IMF Related Assets	–	–	–	–	222,876,078	–	–	–	–	222,876,078
Other Receivables	–	–	–	–	–	–	–	–	–	–
Total Foreign Currency Financial Assets	895,865,998	27,505,558	38,015,733	28,570,079	222,876,078	16,198,779	15,145,818	6,661,582	737,192,372	1,988,031,997
Proportion	45.06%	1.38%	1.91%	1.44%	11.21%	0.81%	0.76%	0.34%	37.08%	100%
Foreign Currency Financial Liabilities										
Banks and Financial Institutions	1,038,284	–	–	296	–	38	–	–	–	1,038,618
Derivative Financial Instruments	–	–	–	–	–	–	–	–	37,196,387	37,196,387
IMF	–	–	–	–	781,616,569	–	–	–	–	781,616,569
Other Foreign Liabilities	457,272,340	–	–	–	–	–	–	–	411,279,000	868,551,340
Other	104,941,098	–	–	–	–	–	–	–	34,159	104,975,257
Total Foreign Currency Financial Liabilities	563,251,721	–	–	296	781,616,569	38	–	–	448,509,546	1,793,378,171
Proportion	31.41%	0.00%	0.00%	0.00%	43.58%	0.00%	0.00%	0.00%	25.01%	100%
Net Foreign Currency Exposure	332,614,276	27,505,558	38,015,733	28,569,783	(558,740,491)	16,198,741	15,145,818	6,661,582	288,682,826	194,653,826

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 2024	Sri Lanka Rupees	United States Dollars	Japanese Yen
Purchases	–	494,994,139	132,366,204
Sales	467,210,370	138,322,735	41,515,701

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As at 31 December 2023	Currency				Currency					
	United States Dollars	Euro	Japanese Yen	Sterling Pound	SDR	AUD	CAD	NZD	Other Currencies	Total All Currencies
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets										
Cash and 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
Total Foreign Currency Financial Assets	639,155,031	746,105	32,129	4,892,576	265,339,204	2,429,557	1,777,619	2,436,400	777,558,170	1,694,366,791
Proportion	37.72%	0.04%	0.00%	0.29%	15.66%	0.14%	0.10%	0.14%	45.89%	100%
Foreign Currency Financial Liabilities										
Banks and Financial Institutions	54,113,353	–	–	397	–	42	–	–	–	54,113,792
Derivative Financial Instruments	–	–	4,581,300	–	–	–	–	–	44,366,600	48,947,900
IMF	–	–	–	–	967,325,211	–	–	–	–	967,325,211
Other Foreign Liabilities	800,490,754	–	–	–	–	–	–	–	459,955,000	1,260,445,754
Other	248,714,938	–	–	–	–	–	–	–	95,081	248,810,019
Total Foreign Currency Financial Liabilities	1,103,319,045	–	4,581,300	397	967,325,211	42	–	–	504,416,681	2,579,642,676
Proportion	42.77%	0.00%	0.18%	0.00%	37.50%	0.00%	0.00%	0.00%	19.55%	100%
Net Foreign Currency Exposure	(464,164,014)	746,105	(4,549,171)	4,892,179	(701,986,007)	2,429,515	1,777,619	2,436,400	273,141,489	(885,275,885)

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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	United States Dollars	Japanese Yen
Purchases	–	468,490,917	178,831,219
Sales	(453,174,711)	(174,329,665)	–

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

Currency	Average Rate		Year-end Spot Rate	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
1 USD	301.4195	327.8228	292.5833	323.9233
1 EUR	325.4802	354.4458	302.8822	357.4170
1 JPY	1.9941	2.3263	1.8617	2.2983
1 GBP	385.6689	408.3245	365.9047	412.2896
1 SDR	399.4087	437.4372	382.3288	437.9895
1 AUD	198.3080	217.6064	180.9920	220.2031

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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.

31 December 2024	Profit or Loss	
	Strengthening Rs. '000	Weakening Rs. '000
USD (5% movement)	(27,666,135)	27,666,135
EUR (5% movement)	(9,525,600)	9,525,600
JPY (5% movement)	(8,674,920)	8,674,920
GBP (5% movement)	4,078,678	(4,078,678)
SDR (5% movement)	(31,177,060)	31,177,060
AUD (5% movement)	8,920,882	(8,920,882)

31 December 2023	Profit or Loss	
	Strengthening Rs. '000	Weakening Rs. '000
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)

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

As at 31 December 2024, Contractual maturities of un-discounted cash flows of Financial Assets and Liabilities are as follows:

	Less than 6 months Rs. '000	6 Months - 1 Year Rs. '000	1 - 2 Years Rs. '000	2 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
As at 31 December 2024						
Foreign Currency Financial Assets						
Cash and Cash Equivalents	1,063,528,275	–	–	–	–	1,063,528,275
Securities at Fair Value through Other Comprehensive Income	178,083,486	101,872,442	200,941,931	231,354,785	–	712,252,643
IMF Related Assets	2,017,103	73,652	73,652	511,433	220,200,229	222,876,070
Total un-discounted Foreign Currency Financial Assets	1,243,628,863	101,946,094	201,015,583	231,866,218	220,200,229	1,998,656,988
Local Currency Financial Assets						
Sri Lanka Government Securities	100,178,571	93,472,859	203,240,481	471,325,805	3,043,156,117	3,911,373,833
Securities Purchased under Resale Agreements	26,194,922	–	–	–	–	26,194,922
Equity Investments in Financial and Other Institutions	–	–	–	–	46,834	46,834
Loans to Banks	2,324,836	2,128,837	3,332,187	2,326,351	–	10,112,213
Pension & Other Post Employment Benefit Plans	–	–	–	–	9,062,661	9,062,661
Other Assets	26,275,572	2,658,839	5,297,091	14,714,190	23,723,837	72,669,529
Total un-discounted Local Currency Financial Assets	154,973,902	98,260,535	211,869,759	488,366,346	3,075,989,450	4,029,459,991
Total un-discounted Financial Assets	1,398,602,765	200,206,629	412,885,342	720,232,563	3,296,189,679	6,028,116,979
Foreign Currency Financial Liabilities						
Banks and Financial Institutions	1,038,618	–	–	–	–	1,038,618
IMF	45,349,588	44,779,901	83,792,350	242,756,533	977,935,410	1,394,613,783
Other Foreign Liabilities	135,012,633	542,941,485	190,597,222	–	–	868,551,340
Others	104,975,257	–	–	–	–	104,975,257
Total un-discounted Foreign Currency Financial Liabilities	286,376,096	587,721,386	274,389,572	242,756,533	977,935,410	2,369,178,999

Notes to the Financial Statements

	Less than 6 months Rs. '000	6 Months - 1 Year Rs. '000	1 - 2 Years Rs. '000	2 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Local Currency Financial Liabilities						
Deposits of Banks and Financial Institutions	180,946,953	–	–	–	–	180,946,953
Deposits of Government and Governmental Entities	1,534,996	–	–	–	–	1,534,996
Securities Sold Under Repurchase Agreements and Standing Deposit Facility	194,337,032	–	–	–	–	194,337,032
Currency in Circulation	1,358,722,882	–	–	–	–	1,358,722,882
Pension & Other Post Employment Benefit Plans	–	–	–	–	7,444,769	7,444,769
Other Payables	30,171,551	–	–	–	–	30,171,551
Total un-discounted Local Currency Financial Liabilities	1,765,713,416	–	–	–	7,444,769	1,773,158,185
Total un-discounted Financial Liabilities	2,052,089,513	587,721,386	274,389,572	242,756,533	985,380,179	4,142,337,184
Net un-discounted Financial Assets/(Liabilities)	(653,486,748)	(387,514,757)	138,495,770	477,476,030	2,310,809,500	1,885,779,795

	Less than 6 months Rs. '000	6 Months - 1 Year Rs. '000	1 - 2 Years Rs. '000	2 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
As at 31 December 2024						
Derivative Financial Assets	237,929,496	22,172,593	21,808,920	21,022,361	–	302,933,370
Derivative Financial Liabilities	227,200,689	25,015,287	31,012,659	28,765,035	–	311,993,670

Foreign Currency Conversions

All future cash flows related to foreign currency financial assets and liabilities are converted to reporting currency using the rate of exchange prevailing at the reporting date.

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

	Less than 6 months Rs. '000	6 Months - 1 Year Rs. '000	1 - 2 Years Rs. '000	2 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
As at 31 December 2023						
Foreign Currency Financial Assets						
Cash and 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
Total un-discounted Foreign Currency Financial Assets	1,306,425,602	27,139,807	49,401,366	59,050,640	252,751,473	1,694,768,888

Notes to the Financial Statements

Notes to the Financial Statements

	Less than 6 months Rs. '000	6 Months - 1 Year Rs. '000	1 - 2 Years Rs. '000	2 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Local Currency Financial Assets						
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 Banks	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
Total un-discounted Local Currency Financial Assets	709,407,952	239,863,156	201,830,580	897,283,532	3,298,491,940	5,346,877,160
Total un-discounted Financial Assets	2,015,833,554	267,002,963	251,231,946	956,334,172	3,551,243,413	7,041,646,048
Foreign Currency Financial Liabilities						
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
Other Foreign Liabilities	152,181,295	605,720,485	291,530,970	211,013,004	–	1,260,445,754
Others	–	248,810,018	–	–	–	248,810,018
Total un-discounted Foreign Currency Financial Liabilities	262,197,439	910,093,277	399,604,377	493,767,808	1,147,893,395	3,213,556,295
Local Currency Financial Liabilities						
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 and 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
Total un-discounted Local Currency Financial Liabilities	1,587,592,732	–	–	–	–	1,587,592,732
Total un-discounted Financial Liabilities	1,849,790,171	910,093,277	399,604,377	493,767,808	1,147,893,395	4,801,149,028
Net un-discounted Financial Assets/(Liabilities)	166,043,383	(643,090,314)	(148,372,431)	462,566,364	2,403,350,018	2,240,497,020

	Less than 6 months Rs. 000	6 Months - 1 Year Rs. 000	1 - 2 Years Rs. 000	2 - 5 Years Rs. 000	Over 5 Years Rs. 000	Total Rs. 000
As at 31 December 2023						
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

Notes to the Financial Statements

47.5 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 2024	Encumbered Pledged as collateral Rs. '000	Unencumbered Available as collateral Rs. '000	Total Rs. '000
Foreign Currency Financial Assets			
Cash and Cash Equivalents	–	1,063,528,275	1,063,528,275
Securities at Fair Value through Other Comprehensive Income	877,750	671,584,000	672,461,750
Derivative Financial Instruments	–	27,957,163	27,957,163
IMF Related Assets	–	222,876,069	222,876,069
Local Currency Financial Assets			
Sri Lanka Government Securities	–	1,748,873,060	1,748,873,060
Securities Purchased under Resale Agreements	–	26,194,922	26,194,922
Equity Investments in Financial and Other Institutions	–	46,834	46,834
Loans to Banks	–	9,561,430	9,561,430
Pension and Other Post Employment Benefit Plans	–	9,062,661	9,062,661
Other Assets	–	52,777,144	52,777,144
Total Financial Assets	877,750	3,832,461,558	3,833,339,308

31 December 2023	Encumbered Pledged as collateral Rs. '000	Unencumbered Available as collateral Rs. '000	Total Rs. '000
Foreign Currency Financial Assets			
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
Local Currency Financial Assets			
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
Pension and Other Post Employment Benefit Plans	–	4,507,114	4,507,114
Other Assets	–	42,184,721	42,184,721
Total Financial Assets	3,749,003	4,164,708,377	4,168,457,379

The restricted use balances of Rs. 400,837.48 Mn. (2023 – Rs. 456,377.84 Mn.) received under the bilateral currency swap agreement between CBSL and the PBoC are included in the cash balances as at 31 December 2024, as explained in Note 25.1.1 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.

48 Financial Assets And Financial Liabilities

48.1 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 2024	FVTPL	FVOCI – Debt	FVOCI – Equity	Amortized	Total
	Rs. '000	Instruments Rs. '000	Instruments Rs. '000	Cost Rs. '000	Rs. '000
Foreign Currency Financial Assets					
Cash and Cash Equivalents	–	–	–	1,063,528,275	1,063,528,275
Securities at Fair Value through Other Comprehensive Income	–	672,461,750	–	–	672,461,750
Derivative Financial Instruments	27,957,163	–	–	–	27,957,163
IMF Related Assets	222,217,340	–	–	658,729	222,876,070
Total Foreign Currency Financial Assets	250,174,503	672,461,750	–	1,064,187,004	1,986,823,257
Local Currency Financial Assets					
Sri Lanka Government Securities	–	1,748,873,060	–	–	1,748,873,060
Securities purchased under Resale Agreements	–	–	–	26,194,922	26,194,922
Equity Investments in Financial and Other Institutions	–	–	46,834	–	46,834
Loans to Banks	–	–	–	9,561,430	9,561,430
Pension and Other Post Employment Benefit Plans	–	9,062,661	–	–	9,062,661
Other Assets	–	–	–	52,777,144	52,777,144
Total Local Currency Financial Assets	–	1,757,935,721	46,834	88,533,495	1,846,516,050
Foreign Currency Financial Liabilities					
Banks and Financial Institutions	–	–	–	1,038,618	1,038,618
Derivative Financial Instruments	37,196,388	–	–	–	37,196,388
IMF	–	–	–	781,616,569	781,616,569
Other Foreign Liabilities	–	–	–	868,551,340	868,551,340
Others	–	–	–	104,975,256	104,975,256
Total Foreign Currency Financial Liabilities	37,196,388	–	–	1,756,181,782	1,793,378,171

31 December 2024	FVTPL	FVOCI – Debt	FVOCI – Equity	Amortized	Total
	Rs. '000	Instruments Rs. '000	Instruments Rs. '000	Cost Rs. '000	Rs. '000
Local Currency Financial Liabilities					
Deposits of Banks and Financial Institutions	–	–	–	180,946,953	180,946,953
Deposits of Government and Governmental Entities	–	–	–	1,534,996	1,534,996
Securities Sold Under Repurchase Agreements and Standing Deposit Facility	–	–	–	194,337,033	194,337,033
Currency in Circulation	–	–	–	1,358,722,883	1,358,722,883
Other Payables	–	–	–	30,171,551	30,171,551
Pension and Other Post – Employment Benefit Plans	–	7,444,769	–	–	7,444,769
Total Local Currency Financial Liabilities	–	7,444,769	–	1,765,713,416	1,773,158,185
Foreign Currency Financial Assets					
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
Total Foreign Currency Financial Assets	270,275,186	223,406,791	–	1,199,818,807	1,693,500,784
Local Currency Financial Assets					
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
Pension & Other Post Employment Benefit Plans	–	4,507,114	–	–	4,507,114
Other Assets	–	–	–	42,184,721	42,184,721
Total Local Currency Financial Assets	–	2,048,854,706	2,169,541	423,932,348	2,474,956,595

Notes to the Financial Statements

31 December 2023	FVTPL	FVOCI – Debt Instruments	FVOCI – Equity Instruments	Amortized Cost	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Liabilities					
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 Foreign Liabilities	–	–	–	1,260,445,754	1,260,445,754
Others	–	–	–	248,810,018	248,810,018
Total Foreign Currency Financial Liabilities	48,947,900	–	–	2,530,694,776	2,579,642,676
Local Currency Financial Liabilities					
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 and 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
Pension & Other Post Employment Benefit Plans	–	30,902,126	–	–	30,902,126
Total Local Currency Financial Liabilities	–	30,902,126	–	1,587,592,732	1,618,494,858

49 Fair Value Disclosures

49.1 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 7.2. 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).

Notes to the Financial Statements

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

31 December 2024	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Foreign Currency Financial Assets				
Securities at Fair Value through Other Comprehensive Income	672,461,750	–	–	672,461,750
Derivative Financial Instruments	–	27,957,163	–	27,957,163
IMF Related Assets	222,217,340	–	–	222,217,340
	894,679,090	27,957,163	–	922,636,253
Foreign Currency Non-Financial Assets				
Gold	11,629,873	–	–	11,629,873
	11,629,873	–	–	11,629,873
Local Currency Financial Assets				
Sri Lanka Government Securities	–	1,748,873,060	–	1,748,873,060
	–	1,748,873,060	–	1,748,873,060
Other Non-Financial Assets				
Land	–	–	14,197,619	14,197,619
Building	–	–	7,816,143	7,816,143
	–	–	22,013,762	22,013,762
Financial Liabilities				
Derivative Financial Instruments	–	37,196,388	–	37,196,388
	–	37,196,388	–	37,196,388

Notes to the Financial Statements

31 December 2023	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Foreign Currency Financial Assets				
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
	487,906,751	5,775,226	–	493,681,977
Foreign Currency Non-Financial Assets				
Gold	10,120,756	–	–	10,120,756
	10,120,756	–	–	10,120,756
Local Currency Financial Assets				
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
	239,615,265	1,804,732,327	2,169,541	2,046,517,133
Other Non-Financial Assets				
Land	–	–	14,197,619	14,197,619
Building	–	–	8,082,487	8,082,487
	–	–	22,280,106	22,280,106
Financial Liabilities				
Derivative Financial Instruments	–	48,947,900	–	48,947,900
	–	48,947,900	–	48,947,900

Equity Investments in Financial and Other Institutions

Value of the equity investments were carried at cost with effect from 31 December 2024 (Note 14)

	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	2,169,541	1,817,133
Gain on Market Valuation of Equity Investments Classified at Fair Value through Other Comprehensive Income	(2,122,707)	–
Fair Value Gain Recognised in the Other Comprehensive Income	–	352,408
Balance as at 31 December	46,834	2,169,541

Notes to the Financial Statements

Land and 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	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	10,120,756	10,031,610
Purchases/(Sales) during the Year	–	–
Foreign Exchange Gains/(losses)	(761,830)	(952,572)
Change in Price of Gold	2,270,947	1,041,718
Balance as at 31 December	11,629,873	10,120,756

49.2 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 2024 was Rs.194,337.03 Mn (2023 – Rs.227,035.87 Mn) and the carrying value of Sri Lanka Government Securities purchased under resale agreements as at 31 December 2024 was Rs. 26,194.92 Mn (2023 – Rs. 333,951.94 Mn). There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2024 (2023 – Nil).

49.3 Currency in Circulation

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

49.4 Deposits

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

49.5 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	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Foreign Currency Financial Assets				
Cash and Cash Equivalents	1,063,528,275	1,198,979,570	1,063,528,275	1,198,979,570
IMF Related Assets	658,728	11,830,901	649,493	11,817,285
Local Currency Financial Assets				
Securities Purchased under Resale Agreements	26,194,922	333,951,940	26,194,922	333,951,940
Loans to Banks	9,561,429	47,795,687	9,464,955	47,163,326
Other Assets	52,777,144	42,184,721	55,109,425	42,594,653
Foreign Currency Financial Liabilities				
Banks and Financial Institutions	1,038,618	54,113,792	1,038,618	54,113,792
IMF	781,616,569	967,325,212	781,616,569	967,325,212
Other Foreign Liabilities	868,551,340	1,260,445,754	868,551,340	1,260,445,754
Others	104,975,256	248,810,018	104,975,256	248,810,018
Local Currency Financial Liabilities				
Deposits of Banks and Financial Institutions	180,946,953	142,472,582	180,946,953	142,472,582
Deposits of Government and Governmental Entities	1,534,996	2,073,290	1,534,996	2,073,290
Securities Sold Under Repurchase Agreements and Standing Deposit Facility	194,337,033	227,035,873	194,337,033	227,035,873
Currency in Circulation	1,358,722,883	1,186,503,182	1,358,722,883	1,186,503,182
Other Payables	30,171,551	29,507,807	30,171,551	29,507,807

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

The fair values of Cash and Cash Equivalents presented under Foreign Currency Financial Assets, Securities Purchased under Resale Agreements presented under Local Currency Financial Assets, Banks and Financial Institutions, IMF liabilities and Other liabilities presented under Foreign Currency Financial Liabilities and Deposits of Banks and Financial Institutions, Deposit of Government and Governmental Entities, Securities Sold under Repurchase Agreements and SDF, Currency in Circulation and Other Payables presented under Local Currency Financial Liabilities do not differ from their carrying values.

50 Going Concern And Capital Management

50.1 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.

50.2 Capital Management

As of 31 December 2024 total equity of the Bank amounted to Rs. 308.5 Bn. (2023 – Rs.11.1 Bn.) and the Governing Board is of the view that the Bank is sufficiently capitalised to continue the activities of the Bank. As per section 97 of the Central Bank Act – 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.

51 Comparative Information

Following comparative figures have been reclassified to conform with current year presentation.

51.1 Reclassification of Asset and Liability arise from Pension and Other Post Employment Benefit Plans

Changes to Statement of Financial Position	As Reported Previously Rs. '000	Adjustment Rs. '000	Reclassified Balance Rs. '000
Liabilities and Equity			
Pension and Other Post Employment Benefit Plans	(26,395,012)	(4,507,114)	(30,902,126)
Assets			
Pension and Other Post Employment Benefit Plans	–	4,507,114	4,507,114

Asset arisen from 'Employee Retirement Pension Scheme-New' in 2023 amounting to Rs. 4,507.11 Mn. of which was netted off with liabilities arisen from other Pension and Other Post Employment Benefit Plans in the Statement of Financial Position in 2023 has now been disclosed separately under Local Currency Financial Assets for better presentation.

51.2 Reclassification of Other Foreign Liabilities

Changes to Statement of financial position	As Reported Previously Rs. '000	Adjustment Rs. '000	Reclassified Balance Rs. '000
Foreign Currency Financial Liabilities			
Other Foreign Liabilities	–	1,260,445,754	1,260,445,754
Others	1,509,255,772	(1,260,445,754)	248,810,018

Amount due to PBoC and RBI Special SWAP liability amounting to Rs. 1,260.45 Mn. Classified under “Other Foreign Liabilities – Other” in the Statement of Financial Position in 2023 has now been disclosed separately as “Other Foreign Liabilities” for better presentation.

51.3 Reclassification of Cash flows from Operating, Investment and Financing Activities

Changes to Statement of Cash Flow	Note	As Reported Previously Rs. '000	Adjustment Rs. '000	Reclassified Balance Rs. '000
Cash Flows from Operating Activities				
Interest Received – Local Currency – Others		19,813,449	(3,249,769)	16,563,680
Interest received – Sri Lankan Government Securities		–	648,857,381	648,857,381
Securities Purchased under Resale Agreements		–	364,117,279	(364,117,279)
Cash Flows from Investment Activities				
Interest Received – Local Currency – Internal Funds		–	2,352,369	2,352,369
Cash Flows from Financing Activities				
Net Issues/(Withdrawals) of Circulating Currency on Government Transactions		(932,498,697)	(1,012,974,660)	80,475,963
Cash and Cash Equivalents	8	743,467,730	897,400	742,570,330

Interest income from Sri Lanka Government Securities amounting Rs. 648,857.38 Mn. classified under Financing Activities in the Statement of Cash Flow in 2023 has now been reclassified under Operating activities for better presentation.

Securities purchased under resale agreements amounting Rs. 364,117.28 Mn. classified under Financing Activities in the Statement of Cash Flow in 2023 have now been reclassified under Operating activities for better presentation.

Interest income from internal funds amounting Rs. 2,352.37 Mn. classified under Operating Activities in the Statement of Cash Flow in 2023 has now been reclassified under Investment activities for better presentation.

Interest Receivable on Foreign Currency Fixed Deposits amounting Rs. 897.40 Mn. classified under Cash and Cash Equivalents and classified under Operating Activities in the Statement of Cash Flow in 2023 has now been removed from Cash and Cash Equivalents.

51.4 Reclassification of Effective Interest Rate Adjustment on DDO Exchanged Bonds

Changes to Note 12 on Sri Lanka Government Securities	As Reported Previously Rs. '000	Adjustment Rs. '000	Reclassified Balance Rs. '000
Treasury Bonds	1,804,175,760	31,827,522	1,836,003,282
Interest Receivable	31,827,522	(31,827,522)	–

Interest Receivable of Treasury Bond balance amounting Rs. 31,827.52 Mn. indicated as Interest Receivable under Note 12 in 2023 has now been disclosed with Treasury Bond balance for accurate presentation.

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	Notes	2024 Rs. '000	2023 Rs. '000
Transactions:			
Outright Purchases of Government Securities		1,125,844	1,394,499
CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales		11,280,112,844	13,979,231,698
Interest Income on CBSL and Government Securities Purchased under Agreement to Sales		4,164,552	20,973,276
Interest expenses on CBSL and Government Securities Sold under Agreement to Repurchase		2,551,106	698,190
Liquidity Support Facility to Banks		–	32,500,000
Funds Received on behalf of Government		853,928,592	599,128,330
Funds Disbursed on behalf of Government		1,062,078,470	351,384,381
Cost of Printing Currency Notes, for the Year ended 31 December	52.1.3	2,947,555	2,603,776
Payments for Goods, Services and Taxes, during the Year ended 31 December	52.1.4	11,136,712	11,136,712
Gross Foreign Exchange Transactions during the Period	52.1.6		
Sales		68,814,477	285,491,347
Purchases		916,768,375	912,234,278
USD/LKR Derivatives		4,086,139	10,742,797
External Legal Expenses		6,050	4,109
Funds Received in respect of Abandoned Property, during the Year		476,420	572,600
Rent Income		188,745	208,276
Dividend Income		129,728	135,642
Other Transactions	52.1.9	466,495	912,255

Notes to the Financial Statements

Nature of the Transaction	Notes	2024 Rs. '000	2023 Rs. '000
Balances:			
Sri Lanka Government Securities held by CBSL	52.1.7	1,748,873,060	2,044,347,592
Loans Given under COVID-19 Renaissance Refinance Scheme		8,302,464	12,391,471
Loans given under DAD PP Loan Scheme		364,714	508,007
Government Securities held for Specific Purposes		23,923,607	20,491,905
RTGS Balances with Banks and Financial Institutions	26	132,888,982	93,734,813
Nostro Balance with BOC London		36,714	41,368
Receivable from Treasury and other Ministries		19,033,179	8,698,715
Payable to Treasury and other Ministries	25.2.1	29,660,536	248,714,938
Current Account Balances with Government and Government Entities as at 31 December		178,324	198,910
Abandoned Property Balances		8,172,494	8,766,945
Other Balances	52.1.9	57,571	284,800

52.1.1 As empowered under Section 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 licensed by CBSL as empowered under Section 61 of part IX of CBA and authorized by the Governing Board.

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. Further, as per the section 37 of Public Debt Management Act No. 33 of 2004, the applicability of section 132 of CBA shall come into operation on such date as the Minister may by Order published in the Gazette appoint within a period of eighteen months from the appointed date (viz. 25 November 2024); Provided that, notwithstanding the provisions of this section, the office may perform its powers and functions under this Act.

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 CBA, 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 2024, the bank had been a net buyer in the domestic FX market with net purchases of USD 2.8 Bn., the highest ever annual net purchases of the bank in its history. With that, the end year program NIR target was overachieved. Moreover, the USD 150.0 Mn. purchase target set under the IMF-EFF program for November and December 2024 had also been overachieved by USD 394.8 Mn.

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 2024 is given in Notes 12, 26 and 28. Interest earned on the Government Securities is given in Note 35.

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 and Deputy Governors) and Assistant Governors. Particulars of transactions with Key Management Personnel were as follows:

52.3 Compensation to the Key Management Personnel

	2024	2023
	Rs '000	Rs '000
Short Term Employee Benefits	295,175	170,108

The above compensations include both cash and non cash benefits provided by the Bank to Key Management Personnel in terms of the employment contracts with them.

52.4 Other Transactions with Key Management Personnel

	2024	2023
	Rs '000	Rs '000
Outstanding Loans to Key Management Personnel	94,260	250,997
Loans Granted during the Year	124,331	153,118
Loans Re-paid during the Year	238,654	205,474

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

	2024	2023
	Rs '000	Rs '000
Contributions Paid and Payable	103,855	69,624

The Bank contributed various amounts to Pension and Other Post Retirement Plans as disclosed in Note 16 and paid Rs. 1,617.89 Mn (2023 – Rs. 1,017.89 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 2024.

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 utilisation of loan funds with a view of preventing defaults. During the year 2023, 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	
	2024 Rs '000	2023 Rs '000
Related Parties	131,687	114,763
Others	109	5,979
Total Credit Guarantees	131,796	120,742

The expected credit loss on credit guarantee is recognised for the year ended 31 December 2024 is recorded in Note 38.

53.3 Legal Claims

There were number of legal proceedings outstanding against the Bank as at 31 December 2024 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 2024, the Bank has capital commitments amounting to Rs. 792.4 Mn., in respect of the acquisition of Property, Plant and Equipment.
- (b) As at 31 December 2024, outstanding forward exchange transactions are as follows:

Forward Exchange Contacts		2024 '000	2023 '000
Forward Exchange Sales	USD	1,318,306	1,221,302
	JPY	71,100,000	538,182
Forward Exchange Purchases USD		373,500	225,000

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 7.3.6, the transferred financial assets continue to be recognised in their entirety or to the extent of the Bank's continuing involvement or are derecognized in their entirety.

The Bank transfers financial assets that are not derecognized 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 Derecognised in their Entirety

(a) Securities Sold under Agreement 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 recognized 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

To facilitate the foreign securities settlement process, the Central Bank of Sri Lanka (CBSL) previously pledged AUD 35.0 Mn. to its global custodian, Euroclear, for a credit facility of USD 30.0 Mn. until January 2017 in a separate account maintained by CBSL. Currently, USD 3.0 Mn. has been pledged with the intention of reinstating the credit line facility to ensure smooth and efficient settlements.

	2024 Financial Assets at FVOCI Rs '000	2023 Financial Assets at FVOCI Rs '000
Assets		
Securities Pledged with Euroclear	877,750	3,749,003
Carrying Amount of Assets	877,750	3,749,003

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 Sri Lanka Deposit Insurance Fund

The Bank administered a Deposit Insurance Scheme, which was a voluntary deposit insurance scheme launched for banking institutions licensed by the CBSL and cooperative societies registered under the Cooperative Societies Law No. 5 of 1972, which carry on banking business. Subsequently, with effect from 1 October 2010, funds of this scheme have been transferred to the Sri Lanka Deposit Insurance Scheme, which was formed by the Monetary Board by virtue of the regulations issued under the Monetary Law Act, No. 58 of 1949 as per Gazette No: 1673/11 dated 28 September 2010.

Notes to the Financial Statements

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 the “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.

In accordance with the provisions of Section 7 (1) (o) of the Central Bank of Sri Lanka Act, No. 16 of 2023, CBSL has the authority to establish deposit insurance and liquidity support schemes as measures to ensure financial system stability. Further, with the Banking (Special Provisions) Act No. 17 of 2023 (BSPA) coming into operation from 15 November 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, 62 institutions are members of this Scheme as at 31 December 2024. 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. The fund established by the Monetary Board by virtue of the regulations issued under the Monetary Law Act that prevailed on the appointed date of the Banking (Special Provisions) Act was deemed to be the Deposit Insurance Fund (SLDIF) under the BSPA. As at 31 December 2024, the fund size of SLDIF is Rs. 138,551.09 Mn. (unaudited, provisional) and reserve on financial instruments at fair value through other comprehensive income is Rs. 11,847.59 Mn. Accordingly, total equity balance of SLDIF as of 31 December 2024 is Rs. 150,398.67 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.

CBSL shall be responsible for the administration and management of SLDIS and through the Banking (Special Provisions) Act Direction No. 01 of 2023, CBSL has delegated the power, duty and function relating to the day-to-day administration and management of SLDIS to the Director of the Deposit Insurance and Resolution Department. Financial Statements of SLDIF shall be maintained separately and shall not be considered as part of the financial statements of CBSL. The Auditor General shall be the Auditor of this Scheme.

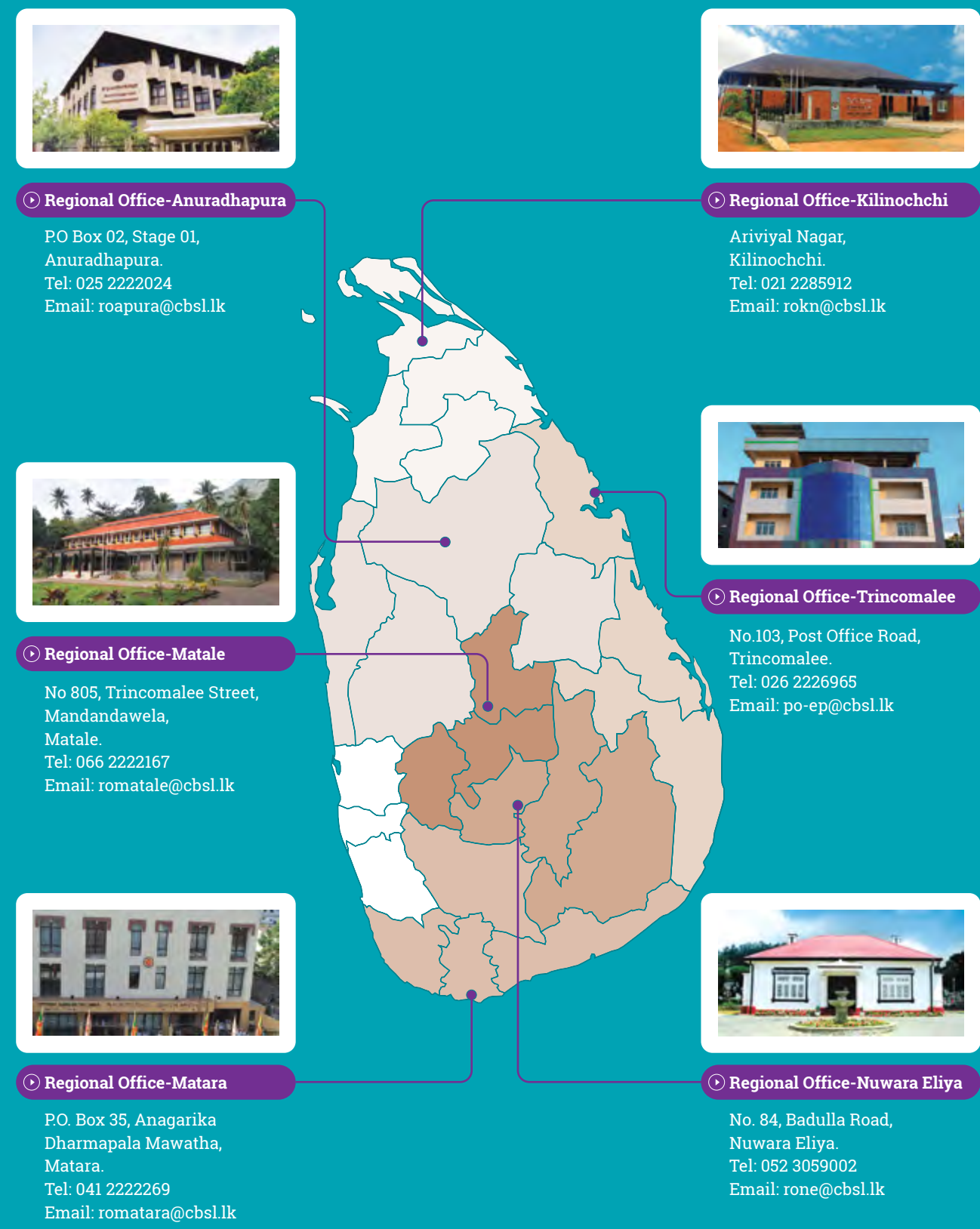
56.4 On behalf of the Governing Board of the Bank, RDD acts as the exclusive agent of the GOSL with regard to the projects funded by GOSL and foreign donors as stipulated in the section 87 (1) of the CBA. As at 31 December 2024, refinance granted to Participatory Finance Institutions (PFIs) amounted to Rs. 19,438.26 Mn.

03.

Supplementary Information

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Regional offices



Institutions regulated and supervised by the Central Bank of Sri Lanka

Authorised financial institutions as at 31 December 2024

Licensed Commercial Banks	
• Amana Bank PLC	• MCB Bank Ltd
• Bank of Ceylon	• National Development Bank PLC
• Bank of China Ltd	• Nations Trust Bank PLC
• Cargills Bank PLC	• Pan Asia Banking Corporation PLC
• Citibank, N.A.	• People's Bank
• Commercial Bank of Ceylon PLC	• Public Bank Berhad
• Deutsche Bank AG	• Sampath Bank PLC
• DFCC Bank PLC	• Seylan Bank PLC
• Habib Bank Ltd	• Standard Chartered Bank
• Hatton National Bank PLC	• State Bank of India
• Indian Bank	• The Hongkong & Shanghai Banking Corporation Ltd
• Indian Overseas Bank	• Union Bank of Colombo PLC
Licensed Specialised Banks	
• Housing Development Finance Corporation Bank of Sri Lanka	• SANASA Development Bank PLC
• National Savings Bank	• Sri Lanka Savings Bank Ltd
• Pradeshiya Sanwardhana Bank	• State Mortgage & Investment Bank
Representative Offices of Foreign Banks	
• JP Morgan Chase Bank N.A.	• MUFG Bank Ltd
• ICICI Bank Ltd	

Institutions regulated and supervised by the Central Bank of Sri Lanka

Finance Companies	
● Abans Finance PLC	● Mahindra Ideal Finance Ltd
● Alliance Finance Co. PLC	● Mercantile Investments & Finance PLC
● AMW Capital Leasing and Finance PLC	● Merchant Bank of Sri Lanka & Finance PLC
● Asia Asset Finance PLC	● Nation Lanka Finance PLC ^(c)
● Assetline Finance Ltd	● Orient Finance PLC
● Associated Motor Finance Co. PLC	● People’s Leasing & Finance PLC
● CBC Finance Ltd	● PMF Finance PLC
● Central Finance Co. PLC	● Richard Pieris Finance Ltd ^(d)
● Citizens Development Business Finance PLC	● Sarvodaya Development Finance PLC
● Commercial Credit & Finance PLC	● Senkadagala Finance PLC
● Dialog Finance PLC	● Singer Finance (Lanka) PLC
● ETI Finance Ltd ^(a)	● Siyapatha Finance PLC
● Fintrex Finance Ltd	● SMB Finance PLC
● HNB Finance PLC	● Softlogic Finance PLC ^(e)
● Lanka Credit and Business Finance PLC	● UB Finance PLC
● L B Finance PLC ^(b)	● Vallibel Finance PLC
● LOLC Finance PLC	
Registered Finance Leasing Establishments	
(I) Licensed Commercial Banks	
● Amana Bank PLC	● National Development Bank PLC
● Bank of Ceylon	● Nations Trust Bank PLC
● Commercial Bank of Ceylon PLC	● Pan Asia Banking Corporation PLC
● DFCC Bank PLC	● Sampath Bank PLC
● Hatton National Bank PLC	● Seylan Bank PLC
● MCB Bank Ltd.	● Union Bank of Colombo PLC
(II) Licensed Specialised Banks	
● Housing Development Finance Corporation Bank of Sri Lanka	● Pradeshiya Sanwardana Bank
● SANASA Development Bank PLC	● Sri Lanka Savings Bank Ltd

Institutions regulated and supervised by the Central Bank of Sri Lanka

(III) Finance Companies

● Abans Finance PLC	● Mahindra Ideal Finance Ltd
● Alliance Finance Co. PLC	● Mercantile Investments & Finance PLC
● AMW Capital Leasing and Finance PLC	● Merchant Bank of Sri Lanka & Finance PLC
● Asia Asset Finance PLC	● Nation Lanka Finance PLC ^(c)
● Assetline Finance Ltd	● Orient Finance PLC
● Associated Motor Finance Co. PLC	● People’s Leasing & Finance PLC
● CBC Finance Ltd	● PMF Finance PLC
● Central Finance Co. PLC	● Richard Pieris Finance Ltd ^(d)
● Citizens Development Business Finance PLC	● Sarvodaya Development Finance PLC
● Commercial Credit & Finance PLC	● Senkadagala Finance PLC
● Dialog Finance PLC	● Singer Finance (Lanka) PLC
● ETI Finance Ltd ^(a)	● Siyapatha Finance PLC
● Fintrex Finance Ltd	● SMB Finance PLC
● HNB Finance PLC	● Softlogic Finance PLC ^(e)
● Lanka Credit and Business Finance PLC	● UB Finance PLC
● L B Finance PLC ^(b)	● Vallibel Finance PLC
● LOLC Finance PLC	

(IV) Specialised Leasing Company

● Co-operative Leasing Co. Ltd

Licensed Microfinance Companies

● Berendina Micro Investments Company Ltd	● Lak Jaya Micro Finance Ltd
● Dumbara Micro Credit Ltd	● Sejaya Micro Credit Ltd

Institutions regulated and supervised by the Central Bank of Sri Lanka

Authorised Primary Dealers	
(I) Licensed Commercial Banks	
● Bank of Ceylon (Primary dealer unit)	● Commercial Bank of Ceylon PLC (Primary dealer unit)
● Pan Asia Banking Corporation PLC (Primary dealer unit)	● People's Bank (Primary dealer unit)
● Sampath Bank PLC (Primary dealer unit)	● Seylan Bank PLC (Primary dealer unit)
(II) Primary Dealer Companies	
● Acuity Securities Ltd ^(f)	● NSB Fund Management Co. Ltd
● Capital Alliance PLC	● Perpetual Treasuries Ltd ^(h)
● Entrust Securities PLC ^(g)	● Wealth Trust Securities Ltd
● First Capital Treasuries PLC	

Authorised Money Broking Companies as at 31 December 2024			
● BMR Money Brokers (Pvt) Ltd		● Pigott Chapman & Company (Pvt) Ltd	
● Central Forex and Money Brokers Ltd		● SMB Money Brokers (Pvt) Ltd ⁽ⁱ⁾	
● First Alliance Money Brokers (Pvt) Ltd		● Taprobane Investments (Pvt) Ltd	
● George Steuart Investments (Pvt) Ltd		● Vishwin Money & Exchange Brokers Ltd	
● MVS Money Brokers Ltd			

- (a) The Commercial High Court of Colombo ordered that the winding up of ETI Finance Ltd be carried out subject to the Supervision of the Court on 15 December 2023. Further, the Court ordered that Mr. Gerard Jeevananthan David, C/o, S J M S Associates, 3rd Floor, No. 11, Castle Lane, Colombo 04 be appointed as the Liquidator of ETI Finance Ltd.
- (b) Multi Finance PLC amalgamated with L B Finance PLC w.e.f. 25. July 2024.
- (c) Due to inability of the company to comply with regulatory capital requirements, restrictions have been imposed on lending and deposits w.e.f. 30 August 2022 and ceased mobilising public funds through promissory notes w.e.f. 20 December 2022 and accepting public funds in whatsoever manner w.e.f. 13 September 2023. Since Nation Lanka Finance PLC has continuously been violating/contravening provisions of the Finance Business Act No. 42 of 2011, FBA regulatory action has been initiated in terms of section 37 (1) of the FBA.
- (d) Due to inability of the company to comply with regulatory capital requirements, restrictions had been imposed on deposits w.e.f. 17 October 2023. Subsequently, such restrictions were removed w.e.f. 15 January 2025, considering the level of compliance with the regulatory capital requirements after infusion of fresh capital to the company.
- (e) Due to inability of the company to comply with regulatory capital requirements, restrictions have been imposed on lending, deposits and offering of maximum interest rate. Acceptance of new deposits has been frozen w.e.f. 12 August 2022. A cap was imposed for borrowings through commercial papers and similar debt instruments w.e.f. 10 April 2023. Subsequently, restrictions imposed on lending was removed w.e.f. 29 November 2024, considering the level of compliance with the capital adequacy requirements.
- (f) Name of Acuity Securities Ltd. has been changed to HNB Securities Ltd w.e.f 31 January 2025.
- (g) Entrust Securities PLC was directed to refrain from participating in government securities primary auctions w.e.f. 24 July 2017. A creditor winding up was filed by one of the unsecured investors and on 17 June 2022 the winding up order was given by the courts. However, the winding up case (CHC 83/2021/CO) is still pending before the courts due to other legal proceedings.
- (h) Suspended from carrying on the business and activities of a Primary Dealer since 06 July 2017 and current suspension is effective until 05 July 2025.
- (i) The business operations of SMB Money Brokers (Pvt) Ltd have been terminated since 05 February 2025.

Institutions regulated and supervised by the Central Bank of Sri Lanka

Institutions authorised to deal in Foreign Exchange as at 31 December 2024

List of Authorised Dealers (ADs)	
(I) Licensed Commercial Banks	
● Amana Bank PLC	● MCB Bank Ltd
● Bank of Ceylon	● National Development Bank PLC
● Bank of China Ltd	● Nations Trust Bank PLC
● Cargills Bank Ltd	● Pan Asia Banking Corporation PLC
● Citibank, N.A.	● People's Bank
● Commercial Bank of Ceylon PLC	● Public Bank Berhad
● Deutsche Bank AG	● Sampath Bank PLC
● DFCC Bank PLC	● Seylan Bank PLC
● Habib Bank Ltd	● Standard Chartered Bank
● Hatton National Bank PLC	● State Bank of India
● Indian Bank	● The Hongkong & Shanghai Banking Corporation Ltd
● Indian Overseas Bank	● Union Bank of Colombo PLC
(II) Licensed Specialised Banks	
● National Savings Bank	● SANASA Development Bank PLC

List of Restricted Dealers (RDs)			
(I) Authorised Money Changers Permitted to Buy and Exchange Foreign Currency including Outlets			
● Abdeen Money Changers (Pvt) Ltd		● Maruthi Money Exchange (Pvt Ltd – Colombo 06	
● Abilash Money Exchange (Pvt) Ltd		● Maruthi Money Exchange (Pvt Ltd – Jaffna	
● Aramex Money Exchange (Pvt) Ltd		● Mayurie Money Changers (Pvt) Ltd	
● Ariyawansa Enterprises (Pvt) Ltd		● Metro Forex (Pvt) Ltd – Negombo	
● Asian Money Exchange (Pvt) Ltd		● Milano Money Exchange (Pvt) Ltd	
● Bullion Money Exchange (Pvt) Ltd		● Narmatha Gold Centre (Pvt) Ltd – Jaffna	
● Capital Exchange (Pvt) Ltd		● Narmatha Gold Centre (Pvt) Ltd – Kilinochchi	
● Central Money Exchange (Pvt) Ltd		● New Natasha (Pvt) Ltd	
● City Exchange (Pvt) Ltd		● Prasanna Money Exchange (Pvt) Ltd – Colombo 01	
● Colombo Money Exchange (Pvt) Ltd – Colombo 01		● Prasanna Money Exchange (Pvt) Ltd – Colombo 06	
● Colombo Money Exchange (Pvt) Ltd – Colombo 06		● New Regal's Money Changer (Pvt) Ltd	
● Crown Money Exchange (Pvt) Ltd		● Pushpa Money Changers (Pvt) Ltd	
● Dedigama Group (Pvt) Ltd		● Rivindu Enterprises (Pvt) Ltd	
● Data Exchange International (Pvt) Ltd		● Royal Forex Money Exchange (Pvt) Ltd	
● Devi Forex (Pvt) Ltd		● Royal Money Exchange (Pvt) Ltd – Colombo 01	
● Galle Money Exchange (Pvt) Ltd – Galle		● Royal Money Exchange (Pvt) Ltd – Colombo 06	

Institutions regulated and supervised by the Central Bank of Sri Lanka

(I) Authorised Money Changers Permitted to Buy, Sell and Exchange Foreign Currency including Outlets

● Galle Money Exchange (Pvt) Ltd – Galle Fort	● Royal Money Mart (Pvt) Ltd – Aluthgama
● Global Money Exchange (Pvt) Ltd	● Royal Money Mart (Pvt) Ltd – Colombo 01
● Galle Money Exchange (Pvt) Ltd - Weligama	● Shifaz Money Exchange (Pvt) Ltd
● George Michael Holdings (Pvt) Ltd	● Swiss Money Exchange (Pvt) Ltd – Colombo 01
● Global Village Exchange (Pvt) Ltd	● Swiss Money Exchange (Pvt) Ltd – Colombo 06
● Golden Money Changers (Pvt) Ltd	● Thomas Cook Lanka (Pvt) Ltd – Colombo 02 – Colombo City Center
	● Thomas Cook Lanka (Pvt) Ltd – Colombo 02 – One Galle Face Mall
● Haifa Travels and Tours (Pvt) Ltd	● Thomas Cook Lanka (Pvt) Ltd – Kandy
● International Exchange (Pvt) Ltd	● Unic Forex (Pvt) Ltd
● Jewel Lanka Money Exchange (Pvt) Ltd – Negombo	● Western Money Exchange (Pvt) Ltd
● Keyser Exchange (Pvt) Ltd	● Windsor Money Exchange (Pvt) Ltd
● Lanka Forex Money Exchange (Pvt) Ltd – Crescat Boulevard	

(II) Authorised Money Changers Permitted to Buy, Sell and Exchange Foreign Currency including Outlets

● Arrujina Jewellery (Pvt) Ltd	● Ravi Forexae (Pvt) Ltd
● Thomas Cook Lanka (Pvt) Ltd – Bandaranaike International Airport	

(III) Licensed Finance Companies Permitted to Buy, Sell and Exchange Foreign Currency

● Asia Asset Finance PLC	● L B Finance PLC
● Citizens Development Business Finance PLC	● Senkadagala Finance PLC
● Lanka Credit and Business Finance PLC	● Singer Finance (Lanka) PLC

(IV) Institutions Authorised to deal in Foreign Exchange

● Pearl City Hotel	● Cinnamon Bentota Beach
● Shangri-La Hambantota Resort & Spa	● Hikka Tranz by Cinnamon
● Shangri-La Hotel Colombo	● Cinnamon Bey Beruwala
● Cinnamon Red Colombo	● Cinnamon Grand
● Cinnamon Citadel Kandy	● Cinnamon Lakeside
● Cinnamon Lodge Habarana	● Cinnamon Wild Yala
● Habarana Village by Cinnamon	● ITC Ratnadipa – Colombo 1
● Trinco Blu by Cinnamon	

(V) Other Entities

● MMBL Money Transfer (Pvt) Ltd (engaging in money transfer service)	● Sri Lanka Export Credit Insurance Corporation (engaging in issuing credit guarantees in foreign exchange)
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Institutions regulated and supervised by the Central Bank of Sri Lanka

Licensed Service Providers licensed under the Payment Cards and Mobile Payment Systems Regulations No. 1 of 2013 as at 31 December 2024

Licensed Commercial Banks	
● Amana Bank PLC	● Nations Trust Bank PLC
● Bank of Ceylon	● Pan Asia Banking Corporation PLC
● Cargills Bank PLC	● People's Bank
● Commercial Bank of Ceylon PLC	● Sampath Bank PLC
● DFCC Bank PLC	● Seylan Bank PLC
● Habib Bank Ltd	● Standard Chartered Bank
● Hatton National Bank PLC	● State Bank of India
● MCB Bank Ltd	● The Hongkong & Shanghai Banking Corporation Ltd (HSBC)
● National Development Bank PLC	● Union Bank of Colombo PLC

Licensed Specialised Banks	
● Housing Development Finance Corporation Bank of Sri Lanka (HDFC)	● Pradeshiya Sanwardhana Bank
● National Savings Bank	● SANASA Development Bank PLC

Licensed Finance Companies	
● Central Finance Co PLC	● Singer Finance (Lanka) PLC
● Citizen Development Business Finance PLC	● L B Finance PLC
● Dialog Finance PLC	● LOLC Finance PLC
● Fintrex Finance Ltd	● Merchant Bank of Sri Lanka & Finance PLC
● Senkadagala Finance PLC	● People's Leasing & Finance PLC

Non-Financial Institutions	
● Dialog Axiata PLC	● Global Payments Asia - Pacific Lanka (Pvt) Ltd
● Mobitel (Pvt) Ltd	

Acronyms

AAP	Annual Audit Plan	CEFTS	Common Electronic Fund Transfer Switch
AC	Audit Committee	CEO	Chief Executive Officer
ACU	Asian Clearing Union	CFT	Combating the Financing of Terrorism
ADB	Asian Development Bank	CHF	Swiss Franc
ADs	Authorised Dealers	CIA	Chief Internal Auditor
AER	Annual Economic Review	CIABOC	Commission to Investigate Allegations of Bribery or Corruption
AFI	Alliance for Financial Inclusion	CIC	Currency in Circulation
AMBs	Authorised Money Brokers	CID	Criminal Investigation Department
AML	Anti-Money Laundering	CIMM	Central Integrated Market Monitoring
ATM	Automated Teller Machine	CIPM	Chartered Institute of Personnel Management
AUD	Australian Dollar	CITS	Cheque Imaging and Truncation System
AWCMR	Average Weighted Call Money Rate	CMS	Condominium Market Survey
BIS	Bank for International Settlements	CNY	Chinese Yuan Renminbi
BOC	Bank of Ceylon	CoPF	Committee on Public Finance
BOG	Board of Governors	CPS	Common Point-of-Sale Switch
BOS	Business Outlook Survey	CS	Corporate Sector
BROC	Board Risk Oversight Committee	CSE	Colombo Stock Exchange
BRUs	Business Revival Units	CSS	Credit Supply Survey
BSPA	Banking (Special Provisions) Act	CSTFA	Convention on the Suppression of Terrorist Financing Act
CAD	Canadian Dollar	CU	Compliance Unit
CAS	Common ATM Switch	DDO	Domestic Debt Optimisation
CBA	Central Bank of Sri Lanka Act	DKK	Danish Krone
CBS	Centre for Banking Studies	D-SIBs	Domestic Systemically Important Banks
CBSL	The Central Bank of Sri Lanka	DNFBPs	Designated Non-Financial Businesses and Professions
CC	Coordination Council	EFF	Extended Fund Facility
CCO	Chief Compliance Officer	EPF	Employees Provident Fund
CCPI	Colombo Consumer Price Index	EPF-OS	Employees Provident Fund Online Services
CDD	Customer Due Diligence		
CDS	Central Depository System		

Acronyms

ERM	Enterprise-wide Risk Management	GDP	Gross Domestic Product
ESG	Environmental, Social and Governance	GL	General Ledger
EUR	Euro	GOR	Gross Official Reserves
FBA	Finance Business Act	GPI	Grocery Price Index
FCMC	Financial Crisis Management Committee	HKD	Hong Kong Dollar
FCP	Financial Consumer Protection	HR	Human Resources
FCs	Finance Companies	HS	Household Sector
FEA	Foreign Exchange Act	IAD	Internal Audit Department
FinNet	Financial Information Network	IADI	International Association of Deposit Insurers
FIs	Financial Institutions	ICA	Interconnectedness and Contagion Analysis
FIT	Flexible Inflation Targeting	ICS	International Card Schemes
FIU	Financial Intelligence Unit	IDR	Issuer Default Rating
FLA	Finance Leasing Act	IES	Inflation Expectations Survey
FPAS	Forecasting and Policy Analysis System	IFC	International Finance Corporation
FSB	Financial Stability Board	IFRS	International Financial Reporting Standards
FSF	Financial Stability Fund	IIA	Institute of Internal Auditors
FSOC	Financial System Oversight Committee	ILF	Intra-day Liquidity Facility
FSPs	Financial Service Providers	IMF	International Monetary Fund
FSR	Financial Stability Review	INR	Indian Rupee
FSSC	Financial System Stability Committee	IPPF	International Professional Practises Framework
FSSNP	Financial Sector Safety Net Strengthening Project	IPS	Investment Policy Statement
FSSRP	Financial Sector Stability and Reforms Programme	IRIOC	International Reserve Investment Oversight Committee
FTRA	Financial Transactions Reporting Act	ISB	International Sovereign Bond
FX	Foreign Exchange	IT	Information Technology
FXGC	Foreign Exchange Global Code	ITD	Information Technology Department
GB	Governing Board	JPY	Japanese Yen
GBP	Great British Pound	KMPs	Key Management Personnels

Acronyms

KRIs	Key Risk Indicators	NFRMC	Non-Financial Risk Management Committee
KYC	Know-Your-Customer	NIR	Net International Reserves
LBs	Licensed Banks	NGO	Non-Governmental Organisations
LCBs	Licensed Commercial Banks	NOK	Norwegian Krone
LDI	Labour Demand Indicator	NPC	National Payments Council
LEAs	Law Enforcement Agencies	NPL	Non-performing loan
LFCs	Licensed Finance Companies	NSB	National Savings Bank
LKR	Sri Lanka Rupee	NZD	New Zealand Dollar
LMFCs	Licensed Microfinance Companies	OMOs	Open Market Operations
LPOPP	Lankapay Online Payment Platform	OPR	Overnight Policy Rate
LSB	Licensed Special Bank	OTP	One-time Password
LSF	Liquidity Support Facility	PDCs	Primary Dealer Companies
LSPs	Licensed Service Providers	PDD	Public Debt Department
MLM	Multi-Level Marketing	PDI	Past Due Interest
MLRO	Money Laundering Reporting Officer	PDM Act	Public Debt Management Act
MMA	Maldives Monetary Authority	PDMO	Public Debt Management Office
MOC	Market Operations Committee	PDs	Primary Dealers
MoF	Ministry of Finance	PIs	Participating Institutions
MOR	Market Operations Report	PMI	Purchasing Managers' Index
MoU	Memorandum of Understanding	PMLA	Prevention of Money Laundering Act
MPB	Monetary Policy Board	POS	Point-of-Sale
MPC	Monetary Policy Committee	QAIP	Quality Assurance and Improvement Program
MPFA	Monetary Policy Framework Agreement	QPM	Quarterly Projection Model
MPR	Monetary Policy Report	QR	Quick Response
MSMEs	Micro, Small and Medium-sized Enterprises	QRAS	Quarterly Risk Assessments
MVTS	Money or Value Transfer Service	RAF	Risk Appetite Framework
NBFIs	Non-Bank Financial Institutions	RAs	Regulatory Authorities
NCG	Net Credit to Government	RBWC	Reinventing Bretton Woods Committee
NFIS	National Financial Inclusion Strategy	RCG	Regional Consultative Group

Acronyms

RCSA	Risk Control Self- Assessment	SSMs	Self Service Machines
RDs	Restricted Dealers	SSSS	Scripless Securities Settlement System
RIIs	Reporting Institutions	SSUs	Student Saving Units
RMPS	Risk Management Policy Statement	STRs	Suspicious Transaction Reports
RMS	Reserve Management System	SWIFT	Society for Worldwide Inter-Bank Financial Telecommunication
RTGS	Real-Time Gross Settlement	TCSPs	Trust or Company Service Providers
RTI	Right to Information	THB	Thai Baht
SAA	Strategic Asset Allocation	ToT	Training of Trainers
SARTTAC	South Asia Regional Training & Technical Assistance Centre	UNDP	United Nations Development Programme
SBFN	Sustainable Banking and Finance Network	UNODC	United Nations Office on Drugs and Crime
SDF	Standing Deposit Facility	USD	United States Dollar
SDMs	STR Discussion Meetings	WAYR	Weighted Average Yield Rate
SEACEN	South East Asian Central Banks	WB	World Bank
SEK	Swedish Krona		
SGD	Singapore Dollar		
SIPS	Systemically Important Payment System		
SLCs	Specialised Leasing Companies		
SLDIF	Sri Lanka Deposit Insurance Fund		
SLDIS	Sri Lanka Deposit Insurance Scheme		
SLF	Standing Lending Facility		
SLFA	Sri Lanka Forex Association		
SLIPS	Sri Lanka Interbank Payment System		
SME	Small and Medium Enterprises		
SoAs	Statements of Account		
S&P	Standard & Poor's		
SPDs	Standalone Primary Dealers		
SPR	Strategic Planning Retreat		
SRR	Statutory Reserve Requirement		

Corporate information

General

Central Bank of Sri Lanka



Legal form

Established under the Central Bank of Sri Lanka Act No. 16 of 2023 (enacted on 14 September 2023)

Taxpayer identification number

409035027

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CBCELKLX

Right to Information Act, No. 12 of 2016

Designated officer

Dr. P. Nandalal Weerasinghe
Governor

Information officer

Mrs. K. M. A. N. Daulagala
Senior Deputy Governor
rti@cbsl.lk

Auditor

The Auditor General
Auditor General's Department
No. 306/72, Polduwa Road
Battaramulla

Board members Governing Board

Chairperson

Dr. P. Nandalal Weerasinghe
Governor

Appointed members

Mr. Nihal Fonseka
Dr. Ravindra Ratnayake
Mr. Anushka Wijesinha
Mr. Vishvanadamoorthi Govindasamy
Mr. Rajeev Amarasuriya
Mr. Manil Jayasinghe

Monetary Policy Board

Chairperson

Dr. P. Nandalal Weerasinghe
Governor

Appointed members

Mr. Nihal Fonseka
Dr. Ravindra Ratnayake
Mr. Anushka Wijesinha
Mr. Vishvanadamoorthi Govindasamy
Dr. (Ms) Dushni Weerakoon
Dr. Priyanga Dunusinghe
Mr. Rajeev Amarasuriya
Mr. Manil Jayasinghe

Deputy Governors

Mrs. K. M. A. N. Daulagala
in-charge of price stability

Mr. J. P. R. Karunaratne
in-charge of financial system stability

Board Committees

Audit Committee

Mr. Manil Jayesinghe – Chairman
Dr. Ravindra Ratnayake – Member
Mr. Rajeev Amarasuriya – Member

Board Risk Oversight Committee

Mr. Nihal Fonseka – Chairman
Mr. Trevine Jayasekara – Independent External Member
Mr. Ranel Wijesinha – Independent External Member

Board Human Resource & Remunerations Committee

Mr. Nihal Fonseka – Chairman
Mr. Vishvanadamoorthi Govindasamy – Member
Mr. Manil Jayesinghe – Member
Mr. Chandrasiri Hewapattini – External Member

Ethics Committee

Mr. Anushka Wijesinha – Chairman
Dr. Ravindra Ratnayake – Member
Mr. Amal Cabral – External Member



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