

02

Financial Statements

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Financial Review

Financial Performance and Accountability

The Central Bank of Sri Lanka (CBSL) is established and governed by the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA), which defines its mandate, powers, governance framework, and financial reporting responsibilities. The Bank serves as the apex monetary authority of Sri Lanka and is entrusted with the formulation and implementation of monetary policy, the regulation and supervision of the financial system, the oversight of payment and settlement systems, the management of foreign exchange operations, and the issuance of currency.

In terms of the CBA, the primary objective of the Bank is to achieve and maintain domestic price stability, while its other core objective is to secure financial system stability. Accordingly, the performance of the Bank is assessed based on the effective formulation and implementation of policies aimed at accomplishing these statutory objectives, rather than on the basis of profitability. This characteristic distinguishes CBSL from other public sector institutions, given its unique capacity to generate accounting profits through monetary operations. An excessive focus on profitability could therefore create incentives that are inconsistent with the Bank's mandate of safeguarding price and financial system stability. Accordingly, any surplus or deficit reported in the financial statements arises as a consequence of policy decisions and operational activities, particularly those relating to monetary policy implementation, exchange rate and reserve management, liquidity operations, and currency issuance. The financial performance reflected in the Annual Financial Statements should therefore be interpreted within the broader context of CBSL's statutory objectives and public policy responsibilities.

Part XVI (Sections 92 to 99) of the CBA sets out the financial provisions applicable to CBSL,

including requirements relating to the maintenance of accounts and the preparation, submission, and publication of the Annual Financial Statements. In terms of Section 101 of the CBA, the accounts of CBSL are audited by the Auditor-General, and the Auditor-General's opinion is published together with the Annual Financial Statements. Further, in accordance with Section 103(4)(d) of the CBA, the Audit Committee is entrusted with reviewing the Annual Financial Statements in consultation with the auditors.

Accordingly, the Bank's Annual Financial Statements for the year ended 31 December 2025 have been prepared, reviewed, and audited in full compliance with the relevant provisions of the CBA and International Financial Reporting Standards.

Financial Review

Statement of Financial Position

The financial year 2025 witnessed a considerable improvement in the overall financial position of CBSL compared to 2024.

Composition of Assets

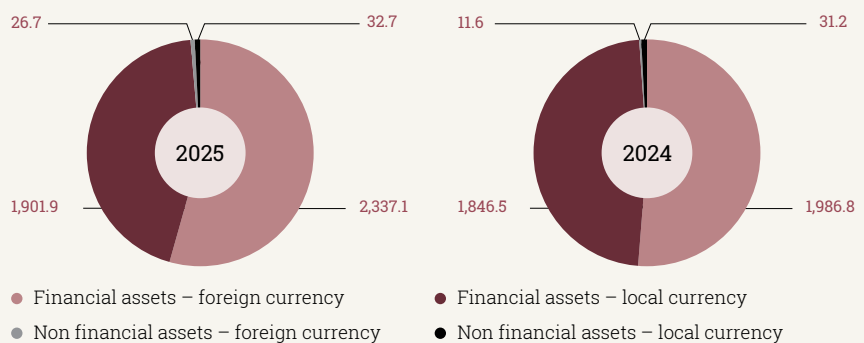
Total assets increased by Rs. 422.4 Bn. (10.9%), mainly driven by a rise in foreign currency assets amounting to Rs. 365.4 Bn. and an increase in local currency assets of Rs. 57.0 Bn.

The increase in foreign currency assets was primarily driven by the rise in CBSL's foreign reserve position to USD 6.1 Bn. from USD 5.6 Bn. in 2024, together with the depreciation of the LKR from Rs. 292.58 to Rs. 309.99 at end 2025 compared to the previous year-end. The growth in foreign reserves was reflected in higher investments in Fixed Income Securities (FIS), as well as increases in fixed deposits, repo investments, and cash balances.

The increase in local currency assets was mainly due to the increased Treasury bond holdings by Rs. 86.0 Bn. at market values, reflecting marked-to-market (MTM) gains from lower Treasury bond yields prevailed at the year end. This increase was partly offset by Rs. 25.1 Bn. decline in net Treasury bill and bond reverse repo balance reflecting adjustments to market liquidity conditions, as well as reductions of Rs. 16.0 Bn. in receivables from the Treasury and other Ministries and Rs. 4.2 Bn. in loans to other institutions following the settlement of loans under the Saubhagya Scheme.

Composition of Total Assets (Rs. Bn.)

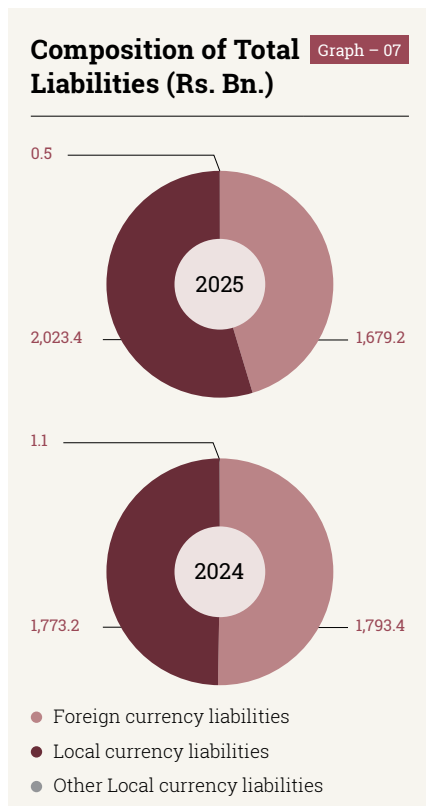
Graph - 06



Financial Review

Composition of Liabilities

Total liabilities increased by Rs. 135.4 Bn. during the year, mainly due to a rise in local currency liabilities by Rs. 249.6 Bn. and a net decrease in foreign currency liabilities by Rs. 114.2 Bn.



The increase in local currency liabilities mainly stemmed from the expansion of the currency in circulation by Rs. 210.2 Bn. and an increase in balances with Commercial Banks and Other Financial Institutions amounting to Rs. 46.7 Bn., in line with domestic market liquidity conditions. However, this was partly offset by a decline in Standing Deposit Facility (SDF) balances by Rs. 18.0 Bn. as a result of liquidity adjustments in the domestic money market at the end of the year.

The net decrease in foreign currency liabilities was primarily due to a Rs. 254.0 Bn. reduction in the Reserve Bank of India (RBI) Special Swap liability consequent to the monthly principal repayments and related interest payments during the year. This decline was partly offset by Rs. 87.2 Bn. increase in the liabilities to Government of Sri Lanka (GOSL) for Dollar balances held in CBSL Accounts, a Rs. 11.6 Bn. rise in the liability to Deposit Insurance Fund for the balances maintained in Dollar terms in CBSL accounts, an increase of Rs. 27.6 Bn. in the LKR equivalent of the swap facility with the People's Bank of China (PBoC) Swap liability owing to LKR depreciation against the CNY rate and a Rs. 18.3 Bn. rise in IMF-related liabilities due to the depreciation of the LKR against SDR during 2025, despite a reduction in IMF liabilities in SDR terms.

Total Equity

Overall, total equity improved in 2025 compared with the previous year by Rs 287.0 Bn., contributed by the current year's profit of Rs 193.1 Bn., higher market valuation gains on Treasury bonds classified as Fair Value through Other Comprehensive Income (FVOCI – Rs 87.7 Bn.), actuarial gains and statutory adjustments in line with the CBA.

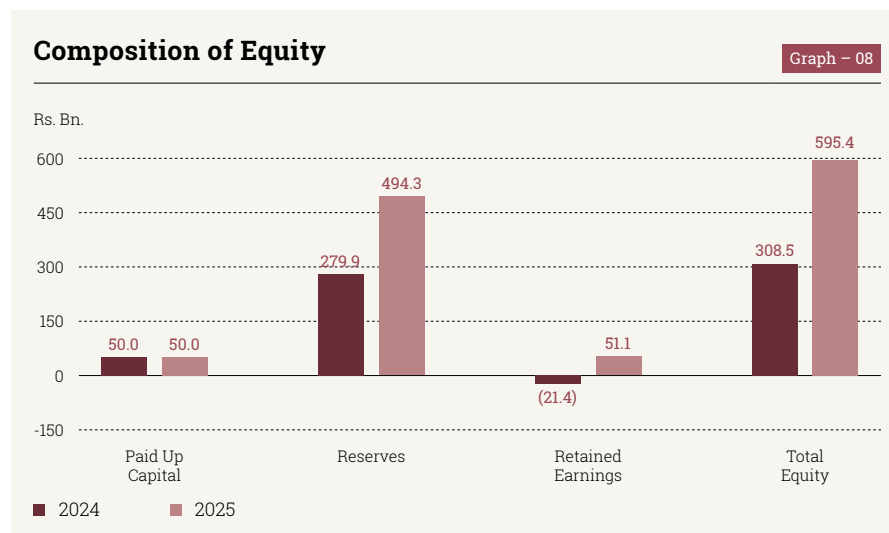
The transfers in terms of Section 95 of the CBA, for unrealised exchange and price revaluations have been incorporated.

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 2025, CBSL's assets exceeded its monetary liabilities and paid-up capital by a healthy margin of Rs. 2,452.0 Bn.

Income Statement

Income, Expenses and Net Profit/(Loss)

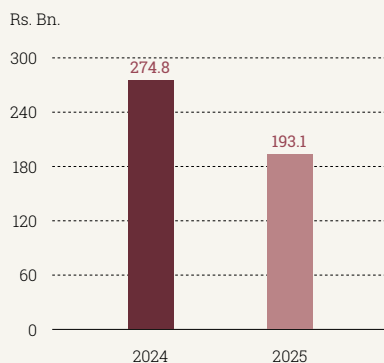
Compared with the net profit of Rs. 274.8 Bn. in 2024, CBSL reported a net profit of Rs. 193.1 Bn. in 2025, primarily reflecting a substantial decrease in total income from both local and foreign currency sources than the corresponding reduction in total expenses during the same period.



Financial Review

Net Profit/(loss) after Tax

Graph - 09

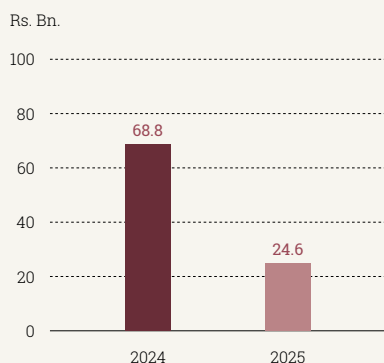


During the period under review, net income from foreign currency assets declined by Rs. 44.2 Bn. This decline was despite an increase in foreign interest income of Rs. 5.8 Bn. and a reduction in foreign interest expenses amounting to Rs. 36.3 Bn. However, these gains were outweighed by the reduction in foreign exchange revaluation gains by Rs. 18.7 Bn.

The overall decline in net profits was further exacerbated by a significant reduction in net income from local currency financial assets, which fell by Rs. 38.3 Bn.

Net Income from Foreign Currency Assets

Graph - 10



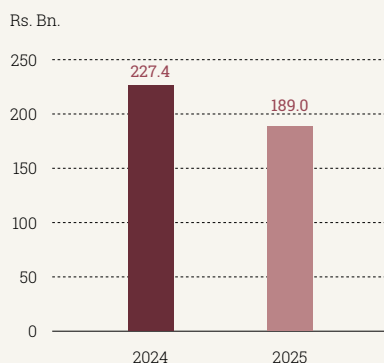
Profits available for distribution

In arriving at the distributable earnings, adjustments were made to recover the negative opening retained earnings. In terms of Section 95(2) of the CBA, unrealised gains arising from price revaluations and exchange revaluations are excluded from net profit after tax and allocated to the respective unrealised revaluation reserve accounts. The distribution of the remaining profits is carried out in accordance with Section 96, including transfer to special reserves, and to the general reserve to maintain minimum six per cent from the sum of paid up capital and general reserve of the total monetary liabilities and the balance to be paid to the Consolidated Fund after recovering the GOSL obligation to the CBSL in rupee terms.

Accordingly, the profit available to be credited to the Consolidated Fund amounted to Rs. 44.9 Bn. and a sum of Rs. 41.9 Bn. was credited to the Consolidated Fund after recovering the outstanding obligations from the GOSL to CBSL.

Net Income from Local Currency Financial Asset

Graph - 11



The opinion of the Auditor General on the Financial Statements, together with the Audited Financial Statements audited, is presented below.

Report of the Auditor General



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எனது இல. } BAN/G/CBSL/1/25/1
My No. }

මගේ අංකය
உமது இல. }
Your No. }

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திகதி } 08 April 2026
Date }

The Honourable Minister of Finance

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Central Bank of Sri Lanka for the year ended 31 December 2025 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 2025 comprising the statement of financial position as at 31 December 2025 and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, 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 2025, 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.

අංක 306/72, පොල්දඹ පාර, පත්තරාමුල්ල, ශ්‍රී ලංකාව.



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Report of the Auditor General**1.3 Other information included in the Bank's 2025 Financial Statements and Operations Report.**

The other information comprises the information included in the Bank's 2025 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 2025 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.

Report of the Auditor General



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.

Report of the Auditor General



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 NATIONAL AUDIT OFFICE

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 were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of 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 which were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered 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.

L.S.I. Jayaratna
 Auditor General

Statement of Financial Position

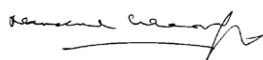
As at 31 December 2025	Notes	2025 Rs. '000	2024 Rs. '000
Assets			
Foreign Currency Financial Assets			
Cash and Cash Equivalents	8	1,118,017,512	1,063,528,275
Securities at Fair Value through Profit or Loss	9	95,447,519	-
Securities at Fair Value through Other Comprehensive Income	9	875,952,785	672,461,750
Derivative Financial Instruments	10	16,039	27,957,163
IMF Related Assets	11	246,363,338	222,876,069
Other Receivables		1,341,225	-
Total Foreign Currency Financial Assets		2,337,138,418	1,986,823,257
Local Currency Financial Assets			
Sri Lanka Government Securities	12	1,834,889,192	1,748,873,060
Securities Purchased under Resale Agreements	13	1,107,251	26,194,922
Equity Investments in Financial and Other Institutions	14	46,834	46,834
Loans to Banks	15	5,418,490	9,561,430
Pension and Other Post-Employment Benefit Plans	16	17,568,400	9,062,661
Other Assets	17	42,872,049	52,777,144
Total Local Currency Financial Assets		1,901,902,216	1,846,516,051
Total Financial Assets		4,239,040,634	3,833,339,308
Foreign Currency Non-Financial Assets			
Gold	18	26,705,749	11,629,873
Non-Financial Assets			
Inventories	19	3,868,196	4,839,378
Other Receivables and Prepayments	20	4,877,338	2,294,558
Property, Plant and Equipment	21	23,739,905	23,489,058
Intangible Assets	22	235,548	515,650
Total Non-Financial Assets		59,426,736	42,768,517
Total Assets		4,298,467,370	3,876,107,825

The accounting policies and notes on pages 95 to 195 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December 2025	Notes	2025 Rs. '000	2024 Rs. '000
Liabilities and Equity			
Foreign Currency Financial Liabilities			
Banks and Financial Institutions	23	4,287,792	1,038,618
Derivative Financial Instruments	10	28,650,448	37,196,388
International Monetary Fund	24	799,898,325	781,616,569
Other Foreign Liabilities	25.1	642,153,677	868,551,340
Others	25.2	204,212,644	104,975,256
Total Foreign Currency Financial Liabilities		1,679,202,886	1,793,378,171
Local Currency Financial Liabilities			
Deposits of Banks and Financial Institutions	26	227,700,087	180,946,953
Deposits of Government and Governmental Entities	27	7,905,167	1,534,996
Securities Sold Under Repurchase Agreements	28	176,322,112	194,337,033
Currency in Circulation	29	1,568,938,866	1,358,722,883
Other Payables	30	34,521,441	30,171,551
Pension and Other Post-Employment Benefit Plans	16	8,002,998	7,444,769
Total Local Currency Financial Liabilities		2,023,390,670	1,773,158,185
Total Financial Liabilities		3,702,593,557	3,566,536,356
Other Liabilities			
Deferred Grants	31	14,913	7,168
Miscellaneous Liabilities and Accruals	32	525,430	1,051,139
Total Other Liabilities		540,343	1,058,307
Total Liabilities		3,703,133,900	3,567,594,663
Equity			
Capital Funds		50,000,000	50,000,000
Other Reserves	33	494,261,135	279,869,905
Retained Earnings		51,072,335	(21,356,743)
Total Equity		595,333,470	308,513,162
Total Liabilities and Equity		4,298,467,370	3,876,107,825

The Governor and the Chief Accountant of the Central Bank of Sri Lanka authorised these Financial Statements for issue on 27 March 2026 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 95 to 195 form an integral part of these Financial Statements.

Income Statement

For the year ended 31 December	Notes	2025 Rs. '000	2024 Rs. '000
Operating Income			
Income from Foreign Currency Financial Assets			
Interest Income	35	51,682,966	45,935,187
Gain/ (Loss) from Foreign Reserve Investment Activities	36.1	13,905,212	23,147,517
Gain/ (Loss) from Market Operations Activities	36.2	(19,657,427)	41,467,764
Total Income from Foreign Currency Financial Assets		45,930,751	110,550,468
Expenses on Foreign Currency Financial Liabilities			
Interest Expense	37	(45,129,429)	(81,422,985)
Reversal/(Charge) of Expected Credit Losses on Foreign Currency Financial Assets	38	1,150,692	(1,734,322)
Total Expenses on Foreign Currency Financial Liabilities		(43,978,737)	(83,157,307)
Net Foreign Exchange Revaluation Gain/(Loss)		22,690,918	41,422,028
Net Income from Foreign Currency Assets		24,642,933	68,815,189
Net Income from Local Currency Financial Assets			
Interest Income	35	199,808,971	219,402,560
Gain/(Loss) from Realised Price Changes		-	18,882,826
Interest Expense	37	(13,525,723)	(15,093,654)
Disposal Gain/(Loss) of Domestic Debt Optimisation (DDO)		2,744,703	4,168,300
Reversal/(Charge) of Expected Credit Losses on Local Currency Financial Assets	38	(8,469)	4,814
Net Income from Local Currency Financial Assets		189,019,482	227,364,846
Other Income	39	1,460,669	1,457,028
Other Expense	39.1	-	(387,009)
Total Net Operating Income		215,123,084	297,250,054
Operating Expenses			
Personnel Expenses			
- Salaries and Wages	40	(11,051,292)	(10,517,344)
- Defined Contribution Plan Costs		(2,919,517)	(4,790,845)
- Post-Employment Benefit Plan Costs		1,231,639	91,918
		(12,739,170)	(15,216,271)
Depreciation and Amortisation		(855,935)	(798,226)
Cost of Inventory (Cost of New Currency Issue)		(4,928,546)	(3,568,292)
Provision for Slow Moving Currency Inventory		(54)	-
Administration and Other Expenses	41	(3,452,302)	(2,876,131)
Total Operating Expenses		(21,976,008)	(22,458,920)
Profit/(Loss) Before Tax		193,147,076	274,791,135
Tax	42	-	-
Profit/(Loss) for the Year		193,147,076	274,791,135

Figures in brackets indicate deductions.

The accounting policies and notes on pages 95 to 195 form an integral part of these Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31 December 2025		2025 Rs.'000	2024 Rs.'000
	Notes		
Profit/(Loss) for the Year		193,147,076	274,791,135
Other Comprehensive Income (OCI)			
Items that are or may be reclassified subsequently to Profit/(Loss)			
Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income	33	3,515,239	(37,849)
Net Fair Value Gain/(Loss) on Government Securities at Fair Value through Other Comprehensive Income	33	84,729,446	6,552,700
		88,244,685	6,514,851
Items that will not be reclassified subsequently to Profit/(Loss)			
Post-Employment Benefit Plan (Cost)/Income Recognised in Other Comprehensive Income	16	5,825,984	17,222,767
Net Fair Value Gain on Equity Investments at Fair Value through Other Comprehensive Income	33	-	(2,122,707)
		5,825,984	15,100,060
Other Comprehensive Income/(Expense)		94,070,669	21,614,911
Total Comprehensive Income/(Expense)		287,217,745	296,406,045

Figures in brackets indicate deductions.

The accounting policies and notes on pages 95 to 195 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 01 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 Section 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 Designated 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)	–
Post-Employment Benefit Plans cost recognised in Other Comprehensive Income	–	–	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)	308,513,162
Balance as at 01 January 2025	50,000,000	279,869,905	(21,356,743)	308,513,162
Transfer of MTM gain of 2024 to Market Valuation Reserve	–	36,204,396	(36,204,396)	–
Transfer of Funds to CBSL Employees and Pensioners Distress Relief Fund	–	–	(299)	(299)
Net Profit/(Loss) for the year	–	–	193,147,076	193,147,076
Transfer of Funds to Market Valuation Reserve	–	8,888,100	(8,888,100)	–
Transfer to RTGS Sinking Fund	–	969,804	(969,804)	–
Transfer of Net Foreign Exchange Revaluation Gain/(Loss) (IRR)	–	22,690,918	(22,690,918)	–
Transfer to CBSL Designated Funds	–	–	(1,177)	(1,177)
Net Fair Value Gain on Securities at Fair Value through Other Comprehensive Income	–	3,515,239	–	3,515,239
Post-Employment Benefit Plans cost recognised in Other Comprehensive Income	–	–	5,825,984	5,825,984
Gain on Market Valuation of Government Securities Classified at Fair Value through Other Comprehensive Income	–	84,729,446	–	84,729,446
Expected Credit Losses on FVOCI Investments	–	(395,961)	–	(395,961)
Transfer of Funds to General Reserve	–	57,789,288	(57,789,288)	–
Balance as at 31 December 2025	50,000,000	494,261,135	51,072,335	595,333,470

Figures in brackets indicate deductions.

The accounting policies and notes on pages 95 to 195 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December	Notes	2025 Rs. '000	2024 Rs. '000
Cash Flows from Operating Activities			
Receipts:			
Interest Received – Foreign Currency		42,784,293	32,083,551
Interest Received – Local Currency – Others		676,280	2,525,696
Interest Received – Sri Lanka Government Securities		194,895,494	212,853,272
Liquidity Management and Trading and Swap Income		4,754,868	47,293,711
Realised Exchange Gain/(Loss)		25,852,829	(23,767,952)
Other Income Received		1,442,255	1,453,992
		270,406,019	272,442,270
Disbursements:			
Interest Paid – Foreign Currency		45,420,375	84,280,154
Interest Paid – Local Currency		10,386,990	12,534,671
Payments to Employees		14,365,017	13,830,850
Payments to Suppliers		9,176,251	17,047,380
Securities Purchased under Resale Agreements		(25,087,671)	(307,757,018)
		54,260,962	(180,063,963)
Net Cash Flows Generated from Operating Activities	43	216,145,057	452,506,233
Cash Flows from Investing Activities			
Receipts:			
Net Increase/(Decrease) in Other Local Currency Financial Assets		(8,331,328)	(4,298,616)
Principal Recoveries from Loans and Advances to Other Institutions		4,157,540	38,295,257
Proceeds on disposal of Property, Plant and Equipment		26,774	1,817
Net Increase/(Decrease) in Securities Sold under Resale Agreements/Standing Deposit Facility		(18,014,920)	(32,698,840)
Interest Received – Local Currency – Designated Funds		3,048,321	2,855,316
		(19,113,613)	4,154,934
Disbursements:			
Net Decrease in Foreign Currency Securities		222,744,305	466,337,028
Net Increase/(Decrease) in Other Foreign Currency Financial Assets		(18,661,586)	(9,480,198)
Net (Increase)/Decrease in Other Foreign Currency Financial Liabilities		175,881,576	496,030,356
Net (Increase)/Decrease in Other Local Deposits and Payables		(18,377)	11,225
Purchase of Property, Plant and Equipment, net of Grants		796,810	82,291
Purchase of Intangible Assets		23,222	307,336
Net Increase/(Decrease) in Gold Inventory		5,890,537	–
Net Loans and Advances Granted to/(Recovered from) Other Institutions		14,176	70,657
		386,670,663	953,358,695
Net Cash Flows Generated from Investing Activities		(405,784,276)	(949,203,761)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 95 to 195 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December	Notes	2025 Rs.'000	2024 Rs.'000
Cash Flows from Financing Activities			
Receipts:			
Issue of Circulating Currency		(496,142,678)	(400,604,963)
Withdrawal of Circulating Currency		706,358,661	572,824,663
Net Issue of Circulating Currency		210,215,983	172,219,700
Disbursements:			
Net Issues/(Withdrawals) of Circulating Currency on Government Transactions	44	(8,111,528)	(306,067,744)
Net Issues/(Withdrawals) of Circulating Currency on Transactions with Banks and Financial Institutions	45	(46,753,134)	(38,474,372)
Net Issues/(Withdrawals) of Circulating Currency		(54,864,662)	(344,542,116)
Net Decrease in Circulating Currency		265,080,645	516,761,816
Disbursements:			
Grant/(Repayment) of Foreign Currency Term Liabilities		65,179,925	62,561,507
Payments to Other Funds		1,477	190
Payments to Pension Fund		-	9,577,789
		65,181,402	72,139,486
Net Cash Flows used in Financing Activities		199,899,243	444,622,330
Net Increase/(Decrease) in Cash and Cash Equivalents		10,260,024	(52,075,198)
Exchange Rate Effect on Cash and Cash Equivalents		749,943	(26,985,613)
Cash and Cash Equivalents at the Beginning of the Year		663,509,519	742,570,330
Cash and Cash Equivalents as at 31 December	8	674,519,486	663,509,519

Figures in brackets indicate deductions.

The accounting policies and notes on pages 95 to 195 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2025

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 authorised for issue by the Governor and Chief Accountant for and on behalf of the Governing Board on 27 March 2026.

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 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, Special Drawing Rights, New Zealand Dollars, Canadian Dollar and Chinese Yuan.

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 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.

Notes to the Financial Statements

3 Basis of Presentation of Financial Statements

3.1 Statement of Compliance

These Financial Statements of the Bank for the year ended 31 December 2025 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

These Financial Statements have been prepared on a going concern basis, which assumes that the Bank will continue in operation for the foreseeable future and will be able to discharge its abilities. The Financial Statements have been prepared on the historical cost basis, except for the following items, which are measured on an alternative basis as described in the respective accounting policies:

- 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 recognised amounts and it intends either to settle on a net basis or to realise 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 Judgements, 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 recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised 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.

Notes to the Financial Statements

The inputs to these models are derived from observable market data where possible, but if this is not available, Judgement is required to establish fair values. The Judgements 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 01 January 2025 and Bank does not expect that these standard

amendments and interpretations will have a material impact on the Bank's Financial Statements.

- Lack of Exchangeability – Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates

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 01 January 2026 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 01 January 2026
- IFRS 18 – Presentation and Disclosure in Financial Statements – effective for annual periods starting on or after 01 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	2025 Rs.	2024 Rs.
1 Australian Dollar	206.7972	180.9920
1 Canadian Dollar	225.9269	203.4796
1 Euro	364.0574	302.8822
1 Japanese Yen	1.9799	1.8617
1 Special Drawing Rights (SDR)	424.5383	382.3288
1 Sterling Pound	417.5934	365.9047
1 United States Dollar	309.9944	292.5833
1 Chinese Yuan (Offshore)	44.3641	40.0837
1 New Zealand Dollar	178.4018	163.6418

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

Notes to the Financial Statements

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;

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

A financial asset is measured at amortised 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 cash flows 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

Notes to the Financial Statements

- 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 realised.

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 outstanding amount. 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 cash flows and the contractual terms give rise to cash flows on specific dates that are solely principle and interest are classified as instruments held at amortised 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 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 recognised 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.

Notes to the Financial Statements

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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised 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 recognises 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and new financial liability with modified terms is recognised 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 derecognised. 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 recognise 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 derecognised 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.

Notes to the Financial Statements

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 expected credit losses (ECL) on all financial assets measured at amortised cost and at Fair Value through Other Comprehensive Income (FVOCI), including both foreign and local financial assets. Impairment losses are not recognised on financial assets measured at Fair Value through Profit or Loss (FVTPL) or on equity instruments.

The Calculation of ECL

The Bank measures loss allowances for 12 months ECL for investments which are in investment grade (rated BBB/Baa and above), foreign currency assets held with supranational institutions and on demand investment. 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 BBB/Baa or when a credit rating of an investment is downgraded from one credit rating category to a lower credit rating or where the contractual cash flows are more than 30 days past due. 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 and for assets where

contractual cash flows are more than 90 days past due which would be referred to as "Stage 3 financial instruments".

The key elements of the ECL calculations are outlined below.

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 derecognised and is still in the portfolio.

For foreign currency denominated financial assets, the Bank determines the probability of default (PD) using issuer specific equity PDs obtained from Bloomberg. Where issuer specific equity PDs are not available, the Bank applies the PDs corresponding to the composite credit rating of the relevant issuer or counterparty as sourced from the Bloomberg common PD table at the reporting date. In circumstances where neither issuer specific nor composite rating PDs are available, the Sovereign PD of the country in which the issuer or counterparty is located is used.

For local currency denominated financial assets, the Bank determines the PDs based on the composite credit rating of the relevant issuer or counterparty, using the applicable PDs from the Bloomberg common PD table at the reporting date.

Exposure at Default (EAD):

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 (EFA):

Bank uses the EFA adjustment for the conversion of through the cycle PD to point in time PD. For foreign currency financial assets, EFA is calculated based on the weighted figures of quantitative and qualitative factors which reflect world economic conditions. For local currency financial assets, EFA is calculated based on the weighted figures of quantitative factors which reflect economic condition of Sri Lanka.

Assessing the Significant Increase in Credit Risk (SICR)

Bank will assess at each reporting date whether there has been a significant increase in credit risk (SICR) since initial recognition by considering both quantitative and qualitative indicators. Indicators of credit deterioration include, but are not limited to, the following:

Days Past Due (DPD):

- ≥ 30 days past due
 - Classified as Stage 2
- ≥ 90 days past due
 - Classified as Stage 3

Internal Credit Rating Downgrade:

- Downgrade below the existing rating bucket – Classified as Stage 2
- Downgrade to a non-investment grade rating bucket – Classified as Stage 3

Notes to the Financial Statements

Credit-impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when a counterparty is 90 days past due or is unlikely to pay its obligations in full without realisation of collateral or other credit enhancements.

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" in the Financial Statements.

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 recognised 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 Foreign Investments of Sri Lanka Deposit Insurance Fund (SLDIF)

CBSL manages the foreign investment activities of SLDIF as part of its fiduciary responsibilities. These investments are recognised as a separate line item under Foreign currency financial assets in the Financial Statements, representing funds held and managed on account of SLDIF. The corresponding liability is recorded under foreign currency financial liabilities to reflect CBSL's obligation to the SLDIF.

Investments made on behalf of SLDIF are initially recognised at cost and subsequently measured at fair value. Any changes in fair value, amortisation gain and losses and trading gain and losses of these investments are reflected by adjusting the corresponding liability to SLDIF, as CBSL acts in a fiduciary capacity and does not retain any economic interest in the investment.

7.7 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

Notes to the Financial Statements

in the management of its short-term commitments and cash equivalents are carried at amortised 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 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. 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 favour 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 utilisation of currency for the purposes of CBSL's payments form part of cash outflows of CBSL.

7.8 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 amortised cost inclusive of any accrued income or expense.

7.9 Standing Deposit and Lending Facilities

With effect from 01 February 2014, Standing Deposit Facility (Former Standing Repurchase Repo Facility) was converted into 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 (Former Standing Reverse Repurchase or Reverse Repo Facility) are identical to the Standing Reverse Repurchase Facility, and both are recognised at amortised cost in the Statement of Financial Position.

7.10 Sri Lanka Government Securities

Sri Lanka Government Securities consists of Treasury Bills and Treasury 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.

7.11 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 authorised 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.

7.12 Loans to Other Institutions

Loans granted to other institutions are recognised and carried at amortised cost.

7.13 Securities Borrowings and Securities Lending

The 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.

Notes to the Financial Statements

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.

7.14 Staff Loans

Bank employees who are confirmed in service are entitled to loan facilities under concessionary interest rates. These loans 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 amortised 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 01 January.
- There were no amendments or early settlements.

7.15 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 unrealised gains arising from market price revaluation due to its positions in gold recorded in the Income Statement in line with the internationally recognised financial reporting framework as approved by the Governing Board, prior to distribution of profits.

Gold is initially recognised 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 unrealised gains from gold are transferred to the relevant reserve account.

7.16 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 recognised 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.

7.17 Other Inventories

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

7.18 Property, Plant and Equipment

All Property, Plant and Equipment initially recognised at cost. Property, Plant and Equipment excluding land and 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 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 and Plant Integrals	20 Years
Furniture and Equipment	10 Years
Motor Vehicles	5 Years
Motor Vehicles acquired 2014 onwards	10 Years
Computer Hardware	4 Years
Others	3 Years

Notes to the Financial Statements

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 and buildings 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 recognised 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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognised. 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 capitalisation.

7.19 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 remeasurements 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.

7.20 Intangible Assets

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

Amortisation is recognised in Income Statement on a straight-line basis over the useful life of four 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.

Notes to the Financial Statements

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

7.21 Other Assets

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

7.22 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 recognised 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.

7.23 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.

7.24 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.

7.25 Post-Employment Benefit Plans

7.25.1 Defined Benefit Plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. Bank operates defined benefit schemes for Pension, Widowers' 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.

7.25.2 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.

Notes to the Financial Statements

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

7.26 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.

7.27 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 recognised 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.

7.28 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 and 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:

7.28.1 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.

7.28.2 Dividends

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

7.28.3 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 and 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.

7.28.4 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.

7.28.5 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, Inland Revenue (Amendment) Act No. 14 of 2023 and Inland Revenue (Amendment) Act No. 02 of 2025. 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.

7.29 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.

7.30 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.

Notes to the Financial Statements

8 Cash and Cash Equivalents

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Cash Balances with Banks		108,252,277	273,495,980
Time Deposits with Banks		528,416,455	273,653,160
Overnight Placements		35,122,365	87,102,049
Cash and Cash Equivalents		671,791,097	634,251,189
Cash Balances with Bank on account of Sri Lanka Deposit Insurance Fund		93,437	29,258,330
Time Deposits with Bank on account of Sri Lanka Deposit Insurance Fund		2,634,952	–
Cash and Cash Equivalents for Cash Flow Purpose		674,519,486	663,509,519
Interest Receivable on Cash and Cash Equivalents		306,470	390,010
Interest Receivable on Cash Equivalents on Account of Sri Lanka Deposit Insurance Fund		4,205	–
Cash and Cash Equivalents available for Restricted Use	8.1	443,641,360	400,837,478
Less: Expected Credit Losses on Cash and Cash Equivalents	8.2	(454,009)	(1,208,732)
		1,118,017,512	1,063,528,275

8.1 The cash balance available for restricted use represents the CNY 10 Bn. 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

	2025			2024		
	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 01 January	1,208,732	–	1,208,732	635,409	230,592	866,001
Charge/(Reversal) during the year	(754,723)	–	(754,723)	573,323	(230,592)	342,731
Balance as at 31 December	454,009	–	454,009	1,208,732	–	1,208,732

9 Investments in Foreign Securities

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Securities at Fair Value through Profit or Loss			
– Investment in Foreign Securities	9.1	95,447,519	–
		95,447,519	–
Securities at Fair Value through Other Comprehensive Income			
– Investment in Foreign Securities		837,025,322	672,461,750
– Investment in Foreign Securities on account of Sri Lanka Deposit Insurance Fund		38,927,463	–
		875,952,785	672,461,750
Total Investment in Foreign Securities		971,400,304	672,461,750

Notes to the Financial Statements

Foreign Government Securities having face values worth of USD 1,153.6 Mn., GBP 54.7 Mn., AUD 80.0 Mn., NZD 43.7 Mn. and CAD 56.1 Mn. sold during the year 2025. Further, Foreign Government Securities having face values worth of USD 566.0 Mn., GBP 37.3 Mn., AUD 24.5 Mn., JPY 6,515.4 Mn., CAD 16.3 Mn. and EUR 44.7 Mn. matured during the year 2025.

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Expected Credit Loss on Securities at Fair Value through Other Comprehensive Income	9.2	1,065,903	1,461,863

9.1 Investment in foreign securities classified as securities at Fair Value through Profit or Loss includes the investments made by the Bank in the Reserves Advisory and Management Program (RAMP) managed by the World Bank.

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

	2025			2024		
	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 01 January	1,461,863	–	1,461,863	70,273	–	70,273
Charge/(Reversal) during the Year	(395,960)	–	(395,960)	1,391,590	–	1,391,590
Balance as at 31 December	1,065,903	–	1,065,903	1,461,863	–	1,461,863

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.

	2025			2024		
	Assets Rs. '000	Liabilities Rs. '000	Notional Amount Rs. '000	Assets Rs. '000	Liabilities Rs. '000	Notional Amount Rs. '000
Currency SWAPS	16,039	28,647,291	595,595,341	26,045,845	22,382,070	518,080,524
Forex Forward	–	3,156	2,944,947	1,911,318	14,814,318	107,346,944
Total	16,039	28,650,448	598,540,288	27,957,163	37,196,388	625,427,468

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.

Notes to the Financial Statements

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 crystallised to the Bank.

10.8 The Bank entered into short-term USD/LKR buy-sell swap agreements and USD/LKR forward agreements with licensed commercial banks to facilitate the build-up of foreign reserves. As of 31 December 2025, the total outstanding amount of swap and forward agreements stands at USD 1,930.8 Mn. (Note 53 b). Further, the Bank entered

into short-term USD/JPY buy-sell agreements with foreign counterparties during the year 2025 but however, as of 31 December 2025, outstanding swap amount amounted to "zero" (Note 53. 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 2025, 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
Bank of Ceylon	29 June 2021	39.78	15 December 2027	<ul style="list-style-type: none"> 6 years at zero cost. Settlements in 5 tranches and approximately USD 10 Mn. is expected to be settled in every 6 months.
People's Bank	30 September 2021	39.78	15 December 2027	<ul style="list-style-type: none"> 7 years at zero cost. Settlements in 20 tranches and USD 6.25 Mn. is expected to be settled in every 3 months.
DFCC Bank PLC	15 November 2021	68.75	15 August 2028	<ul style="list-style-type: none"> 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.
Commercial Bank of Ceylon PLC	17 November 2021	35.00	23 November 2026	<ul style="list-style-type: none"> 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.
National Development Bank PLC	18 March 2022	21.00	19 March 2029	

Notes to the Financial Statements

11 IMF Related Assets

For the year ended 31 December			
	Note	2025 Rs. '000	2024 Rs. '000
Measured at Fair Value through Profit or Loss			
IMF Quota	11.1	245,722,776	221,291,888
Holding of Special Drawing Rights	11.2	325,751	925,452
		246,048,527	222,217,340
Measured at Amortised Cost			
Deposits with IMF	11.3	–	301,574
Prepaid Charges – IMF Loans		314,811	357,164
Less: Expected Credit Losses on IMF Related Assets	11.4	–	(9)
		314,811	658,729
		246,363,338	222,876,069

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% of its quota in widely accepted foreign currencies or SDRs, and the remaining 75% 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 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, its quota subscription is refunded to the extent it is not needed to settle the net obligations to the IMF. However, members are not entitled for an interest on the IMF quota and hence there is no compensation for the time value of money. Therefore, under IFRS 9, this is classified as Fair Value Through Profit or Loss. Since there is no maturity period to compute the fair value, fair value would be equal to the amortised cost value.

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 honour various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on freely usable currencies is being honoured 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.

Notes to the Financial Statements

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 Government of Sri Lanka (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. The transfer was made to PRGF-HIPC Trust account not as an outright grant but as an interest free deposit in 2018 and later extended to 2024. In 2025, GOSL consented to transfer this deposit to a grant account, hence the deposit was derecognised.

11.4 Movement in Expected Credit Losses on IMF Related Assets

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Stage 1		
Balance as at 01 January	9	7
Charge/(Reversal) for the Year	(9)	2
Balance as at 31 December	–	9

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	2025 Rs. '000	2024 Rs. '000
Treasury Bonds	1,834,889,192	1,748,873,060
	1,834,889,192	1,748,873,060

Face value worth of Rs. 6,700 Mn. Treasury Bonds matured during 2025.

Investments in Sri Lankan Government Securities are subject to Expected Credit Loss (ECL) assessment in accordance with IFRS 9. Accordingly, bank performed an assessment on the ECL estimation on the Sri Lanka Government Securities portfolio for this year and the ECL amount calculated therein, was deemed immaterial compared to the cost of the assets. However, the Bank will continue to review its judgements and assumptions to assess whether ECL estimations have changed.

Notes to the Financial Statements

13 Securities Purchased Under Resale Agreements

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Securities Purchased under Resale Agreements	1,107,000	26,189,000
Interest Receivable on Securities Purchased under Resale Agreements	251	5,922
	1,107,251	26,194,922

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	2025		2024	
		Number of Shares Rs. '000	Cost of Purchase Rs. '000	Number of Shares Rs. '000	Cost of Purchase Rs. '000
Lanka Pay (Private) Limited	Automated Clearing	2,986,824	35,989	2,986,824	35,989
Lanka Financial Services Bureau Limited	Automated Fund Transfers	500,000	5,000	500,000	5,000
Credit Information Bureau of Sri Lanka Limited	Provision of Credit Information	48,244	5,845	48,244	5,845
			46,834		46,834

15 Loans to Banks

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Loans to Banks	15.1	5,561,004	9,704,369
Less: Expected Credit Loss on Loans to Banks	15.2	(142,514)	(142,939)
		5,418,490	9,561,430

Notes to the Financial Statements

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	2025 Rs. '000	2024 Rs. '000
Medium and Long-term Credit Scheme		
– Related Parties	11,772	13,906
Saubagya COVID-19 Renaissance Facility		
– Related Parties	–	129
Saubagya Loan Scheme		
– Related Parties	4,797,376	8,302,336
– Others	340,644	813,371
Loans Recognised under Credit Guarantee Scheme of CBSL		
– Related Parties	130,478	120,456
– Others	9,090	9,091
Domestic Agriculture Development Pilot Phase (DAD-PP) Loan Scheme		
– Related Parties	222,769	364,714
– Others	48,875	80,366
	5,561,004	9,704,369

Saubagya Loan Scheme and Saubagya COVID-19 Renaissance 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 disasters 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

	2025				2024			
	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 01 January	7,220	6,173	129,546	142,939	14,696	10,457	110,318	135,471
Charge/(Reversal) during the year	(5,260)	(5,188)	10,023	(425)	(7,476)	(4,284)	19,228	7,468
Balance as at 31 December	1,960	985	139,569	142,514	7,220	6,173	129,546	142,939

Notes to the Financial Statements

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 01 January 1998 and complete 10 years of service become eligible to the scheme. The employees who have joined the Bank after 01 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 01 January 1998 whereas the new Widows' and Orphans' and Widowers' and Orphans' Pension Scheme is open for employees of the Bank who joined after 01 January 1998. Eligible Employees under the Widows' and Orphans Pension Scheme (old) and Widowers' and Orphans' Pension Scheme (old) plans who were recruited before 01 August 1994 contribute 5% of the monthly basic salary and employees

who were recruited on or after 01 August 1994 contribute 10% of the monthly basic salary whereas the eligible employees under the new Widows' and Orphans and Widowers' and Orphans' Pension Scheme contribute 5.5% of the monthly basic salary.

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

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

The Bank employed an Independent Actuary Messrs K. A. Pandit, Consultant & Actuary (Mumbai) to reassess 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 Employees' Retirement Pension Schemes, Widows' and Orphans' Pension Scheme, Widowers' and Orphans' Pension Scheme are managed separately and separate books are maintained. However, Gratuity Scheme and Medical Benefit Scheme are not separated from the books of accounts of the Bank. Further, investments and investment income are recorded separately for these funds in the Bank books and the income earned from the investments are transferred back to these funds and reinvested without being distributed.

The total fair value of plan assets/ investments of Rs. 77,684.50 Mn. (2024 – Rs. 79,783.16 Mn.) exceeds the total present value of all benefit obligations of Rs. 56,553.68 Mn. (2024 – Rs. 68,106.70 Mn.) at the end of the reporting period resulting in a surplus of Rs. 21,130.87 Mn. (2024 – Rs. 11,676.47 Mn.).

As at 31 December 2025

Benefit (Asset)/Liability	Employees' Retirement Pension Scheme Rs. '000	Employees' 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	34,274,521	4,157,356	7,873,508	935,322	1,309,971	701,459	7,301,539	56,553,676
Fair Value of Plan Assets/Investments	(43,737,487)	(12,262,790)	(9,791,258)	(4,122,125)	(2,846,005)	(435,536)	(4,489,349)	(77,684,550)
Net Benefit Liability/(Asset)	(9,462,966)	(8,105,434)	(1,917,750)	(3,186,803)	(1,536,034)	265,923	2,812,190	(21,130,874)

Notes to the Financial Statements

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

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

	2025 Rs. '000	2024 Rs. '000
Asset Position of Employment Benefit Plans		
Employee Retirement Pension Scheme	9,462,966	1,335,417
Employee Retirement Pension Scheme-New	8,105,434	7,727,244
	17,568,400	9,062,661
Liability Position of Employment Benefit Plans		
Gratuity Scheme (Gross)	701,459	596,971
Medical Benefit Scheme (Gross)	7,301,539	6,847,798
	8,002,998	7,444,769

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 01 January 2025	(1,335,417)	(7,727,244)	(1,191,328)	(3,306,888)	(1,148,656)	307,478	2,725,588	(11,676,467)
Net Benefit Expense/(Income)	(154,908)	(786,619)	(176,000)	(395,893)	(329,104)	74,618	447,711	(1,320,195)
Amount recognised in Other Comprehensive Income	(7,779,489)	1,258,913	(550,422)	515,978	(58,274)	42,062	652,530	(5,918,702)
Contribution Paid	(193,152)	(850,484)	–	–	–	(158,235)	(1,013,639)	(2,215,510)
As at 31 December 2025	(9,462,966)	(8,105,434)	(1,917,750)	(3,186,803)	(1,536,034)	265,923	2,812,190	(21,130,874)

Notes to the Financial Statements

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 01 January 2025	44,210,086	3,946,467	9,936,350	1,016,579	1,552,444	596,971	6,847,798	68,106,695
Interest Cost	5,128,370	457,790	1,152,617	117,923	180,084	69,249	794,345	7,900,378
Current Service Cost	–	109,741	–	–	–	38,950	150,865	299,556
Benefit Paid from the Fund	(4,047,163)	(30,132)	(975,752)	(64,384)	(4,020)	(64,467)	(587,474)	(5,773,392)
Actuarial (Gains)/Losses on Obligations – Due to Change in Financial Assumptions	(9,130,754)	(565,641)	(2,310,464)	(349,340)	(455,928)	51,582	243,736	(12,516,809)
Actuarial Gains on Obligations	(1,886,018)	239,131	70,757	214,544	37,391	9,174	(147,731)	(1,462,752)
As at 31 December 2025	34,274,521	4,157,356	7,873,508	935,322	1,309,971	701,459	7,301,539	56,553,676

Movement in Fair Value of Plan Assets/ Investments	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 01 January 2025	45,545,503	11,673,711	11,127,678	4,323,467	2,701,100	289,493	4,122,210	79,783,162
Interest Income	5,283,278	1,354,150	1,290,811	501,522	313,328	33,581	478,176	9,254,846
Contributions by the Employer	193,152	850,484	–	–	–	158,235	1,013,639	2,215,510
Contributions by the Employees	–	–	37,806	12,294	195,860	–	19,323	265,283
Benefit Paid from the Fund	(4,047,163)	(30,132)	(975,752)	(64,384)	(4,020)	(64,467)	(587,474)	(5,773,392)
Return on Plan Assets/Investments, Excluding Interest Income	(3,237,283)	(1,585,423)	(1,689,285)	(650,774)	(360,263)	18,694	(556,525)	(8,060,859)
As at 31 December 2025	43,737,487	12,262,790	9,791,258	4,122,125	2,846,005	435,536	4,489,349	77,684,550

Notes to the Financial Statements

Expenses/(Income) Recognised in Other Comprehensive Income (OCI) for the Year Ended 31 December 2025	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
Actuarial (Gains)/Losses on Obligations for the Year								
Due to Change in Financial Assumptions	(9,130,754)	(565,641)	(2,310,464)	(349,340)	(455,928)	51,582	243,736	(12,516,809)
Due to Experience	(1,886,018)	239,131	70,757	214,544	37,391	9,174	(147,731)	(1,462,752)
Return on Plan Assets/Investments, Excluding Interest Income	3,237,283	1,585,423	1,689,285	650,774	360,263	(18,694)	556,525	8,060,859
Net (Income)/Expense for the Year Recognised in OCI	(7,779,489)	1,258,913	(550,422)	515,978	(58,274)	42,062	652,530	(5,918,702)
Benefit Expense for the year Ended 31 December 2025								
Interest Cost on Benefit Obligation	5,128,370	457,790	1,152,617	117,923	180,084	69,249	794,345	7,900,378
Interest Income on Plan Assets/Investments	(5,283,278)	(1,354,150)	(1,290,811)	(501,522)	(313,328)	(33,581)	(478,176)	(9,254,846)
Current Service Cost	–	109,741	–	–	–	38,950	150,865	299,556
Contributions by the Employees	–	–	(37,806)	(12,294)	(195,860)	–	(19,323)	(265,283)
Benefit Expense/(Income)	(154,908)	(786,619)	(176,000)	(395,893)	(329,104)	74,618	447,711	(1,320,195)

Notes to the Financial Statements

Composition of the Plan Assets/ Investments	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
Investment in Government Securities	42,235,794	11,379,503	9,597,010	3,944,348	2,648,967	432,006	4,161,583	74,399,211
Investment in Reverse Repo	620,487	165,251	55,510	19,213	70,664	–	111,452	1,042,577
Investment in Debentures	726,217	436,072	46,235	104,249	62,025	3,529	216,314	1,594,641
Investment in Fixed Deposits	138,517	278,921	86,454	51,837	63,626	–	–	619,355
Balances Remaining in Current Accounts	16,472	3,043	6,049	2,478	724	–	–	28,766
Total Plan Assets/ Investments as at 31 December 2025	43,737,487	12,262,790	9,791,258	4,122,125	2,846,006	435,535	4,489,349	77,684,550

Maturity Analysis of the Benefit Payments as at 31 December 2025

Projected Benefit Payable in Future Years from the Date of Reporting	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
1st Following Year	4,171,935	27,242	984,949	74,200	1,705	80,826	515,054	5,855,911
2nd Following Year	4,106,235	35,108	960,752	80,384	4,691	81,090	533,660	5,801,920
3rd Following Year	4,065,673	52,094	935,487	85,813	8,206	79,204	559,556	5,786,033
4th Following Year	4,007,365	67,582	909,240	90,508	12,316	77,341	592,257	5,756,609
5th Following Year	3,937,292	77,829	882,154	94,496	17,068	82,049	593,887	5,684,775
Sum of Years 6 to 10	18,215,889	1,027,596	3,985,339	510,698	186,882	381,588	3,389,441	27,697,433

Notes to the Financial Statements

As at 31 December 2024

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 01 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 01 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 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								
01 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								
	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 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
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 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
Investment in Government Securities	44,650,902	11,485,484	11,010,285	4,277,287	2,663,919	286,048	3,933,210	78,307,135
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	–	–	14,863
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 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
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

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

	2025	2024
Discount Rate	10.20%	11.60%
Expected Rate of Return on Assets	10.20%	11.60%
Rate of Salary Increases – Gratuity and All Pension Schemes	0.00% until 2028 5.00% thereafter	0.00% until 2028 5.00% thereafter
Rate of Salary Increase – Pension New	6.50%	6.50%
Future Pension Increases – Old and New pension Schemes	0.00%	5.00%
Attrition Rate	2.00%	2.00%
Medical Cost Inflation Rate	5.00%	6.00%
Average Remaining Years of Service		
CBSL Pension	27 Years	28 Years
CBSL Pension – New	38 Years	38 Years
W and OP Pension Scheme	27 Years	28 Years
WR and OP Pension Scheme	27 Years	28 Years
W and OP and WR and OP Pension Scheme – New	37 Years	37 Years
Gratuity Scheme	16 Years	16 Years
CBSL Medical Benefit Scheme	30 Years	28 Years
Retirement Age	60 Years	60 Years

Notes to the Financial Statements

Sensitivity Analysis at 0.5% (As at 31 December 2025)	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' Pension Scheme – New Rs. '000	Gratuity Scheme Rs. '000	Medical Benefit Scheme Rs. '000
Projected Benefit Obligation on Current Assumptions	34,274,521	4,157,356	7,873,508	935,322	1,309,971	701,459	7,301,539
Effect of "+" change in discount rate	(931,977)	(346,023)	(221,561)	(33,267)	(141,655)	(19,315)	(346,117)
Effect of "-" change in discount rate	986,633	388,816	235,568	35,570	164,214	20,401	380,778
Effect of "+" change in salary escalation rate	9,963	253,574	370	179	89,269	21,386	–
Effect of "-" change in salary escalation rate	(9,857)	(234,836)	(366)	(177)	(82,189)	(19,369)	–
Effect of "+" change in medical cost inflation	–	–	–	–	–	–	398,623
Effect of "-" change in medical cost inflation	–	–	–	–	–	–	(364,085)
Effect of "+" change in rate of pension escalation	1,049,681	–	257,607	38,456	–	148,083	–
Effect of "-" change in rate of pension escalation	–	–	–	–	–	(159,577)	–

17 Other Assets

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Financial Assets			
Investments of Designated Funds		30,155,550	24,795,139
Less: Expected Credit Loss on Investments by Designated Funds	17.1	(367)	(305)
Net Investment of Designated Funds		30,155,183	24,794,835
Staff Loans at Amortised Cost		5,947,737	5,655,709
Receivable from Treasury and Other Ministries		3,056,772	19,033,179
Other Receivables		2,315,422	2,271,171
Less: Expected Credit Loss on Other Receivables	17.2	(2,226,887)	(2,226,887)
		9,093,044	24,733,171
		39,248,227	49,528,007
Non-Financial Assets			
Deferred Asset on Staff Loan		3,623,822	3,249,138
		42,872,049	52,777,144

Notes to the Financial Statements

17.1 Movement in Expected Credit Loss on Investments of Designated Funds

	2025			2024		
	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 01 January	43	262	305	63	173	236
Charge/(Reversal) during the Year	324	(262)	62	(20)	89	69
Balance as at 31 December	367	–	367	43	262	305

17.2 Movement in Expected Credit Losses on Other Receivables

	2025 Stage 3 Rs. '000	2024 Stage 3 Rs. '000
Balance as at 01 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 19,948.16 Bar Fine Ounce as at 31 December 2025 (2024 – 15,148.16 Bar Fine Ounce) priced at USD 4,318.65 per Troy Ounce as at 31 December 2025 (2024 – USD 2,624.01 per Troy Ounce). The change in gold balance during the year is disclosed under Note 49.

19 Inventories

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Notes for Circulation	2,122,814	2,907,190
Coins for Circulation	798,708	1,229,713
Notes in Transit from the Supplier	848,657	598,339
Cost Adjustments	1,044	3,272
	3,771,223	4,738,514
Less: Provision for Slow Moving Items	(69)	(17)
	3,771,154	4,738,497
Stationary and Sundry Inventory	97,042	100,881
Total Inventories	3,868,196	4,839,378

In 2025, inventories of Rs. 4,928.55 Mn. (2024 – Rs. 3,568.29 Mn.) were recognised as an expense during the year and included in "Cost of Inventory (Cost of New Currency Issue)" in the Statement Income.

Notes to the Financial Statements

20 Other Receivables and Prepayments

The block of land bearing assessment No. 13, Sir Baron Jayathilaka 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	Plant and Plant Integrals	Furniture and Equipment	Vehicles	Computers	Right-of-Use Assets	Others	Construction in Progress	2025 Total	2024 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation										
As at 01 January	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
Additions during the Year	-	21,567	106,181	191,414	350,416	-	670	165,767	836,015	517,776
Disposals during the Year	-	-	(32,292)	(23,779)	(61,579)	-	-	-	(117,650)	(49,849)
Transfers during the Year	-	-	-	-	-	-	-	(45,657)	(45,657)	(220,651)
Adjustments during the Year	3,999	-	1,178	-	32	-	-	(3,999)	1,210	-
Remeasurement of Right-of-Use Asset	-	-	-	-	-	7,006	-	-	7,006	-
As at 31 December	22,284,102	1,788,525	1,866,360	779,428	1,779,049	63,705	59,811	266,472	28,887,452	28,206,528

Notes to the Financial Statements

	Land and Buildings	Plant and Plant Integrals	Furniture and Equipment	Vehicles	Computers	Right-of-Use Assets	Others	Construction in Progress	2025 Total	2024 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated Depreciation										
As at 01 January	266,341	1,283,929	1,366,672	552,615	1,178,962	28,543	40,408	-	4,717,470	4,235,996
Depreciation for the Year	266,401	36,930	67,974	25,827	143,453	5,917	671	-	547,173	481,474
Retirements during the year	-	-	(31,777)	(23,779)	(61,541)	-	-	-	(117,096)	-
As at 31 December	532,742	1,320,859	1,402,869	554,663	1,260,874	34,460	41,079	-	5,147,547	4,717,470
Net Book Value	21,751,360	467,666	463,491	224,765	518,175	29,245	18,732	266,472	23,739,905	23,489,058

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. 670.25 Mn. (2024 – Rs. 249.88 Mn.).

The value of the fully depreciated assets which are still in use as at 31 December 2025 was Rs. 3,613.17 Mn. (2024 – Rs. 3,447.21 Mn.).

Notes to the Financial Statements

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
Land and Buildings		
Head Office – Colombo 01	A. A. M. Fathihu	Market Approach and Cost Approach
Whiteaways Building – Colombo 01	-do-	Market Approach and Income Approach
Central Point Building – Colombo 01	-do-	Market Approach and Income Approach
Centre for Banking Studies – Rajagiriya	-do-	Market Approach and Cost Approach
Bank House – Colombo 07	-do-	Market Approach and Cost Approach
Regional Office – Matara	-do-	Market Approach and Cost Approach
Regional Office – Matale	-do-	Market Approach and Cost Approach
Holiday Home – Nuwara Eliya	-do-	Market Approach and Cost Approach
Holiday Home – Kataragama	-do-	Market Approach and Cost Approach
Building on Leasehold Land		
Regional Office – Anuradhapura	A. A. M. Fathihu	Cost Approach
Holiday Home – Anuradhapura	-do-	Cost Approach
Regional Office – Kilinochchi	-do-	Cost Approach
Holiday Home – Somawathiya	-do-	Cost Approach

For the year ended 31 December	Carrying value 2025 Rs. '000	Carrying value 2024 Rs. '000
Composition of Land and Buildings		
Freehold Land	14,197,618	14,197,619
Buildings on Freehold Land	7,362,786	7,616,452
Buildings on Leasehold Land	190,956	199,691
	21,751,360	22,013,762

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. 6,706.94 Mn. (2024 – Rs. 6,849.21 Mn.).

Notes to the Financial Statements

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
21,000,000	14,000-23,500	–	–	–	12,914,256
18,500,000	–	7,596,000	40	16.66	876,986
21,000,000	–	10,800,000	40	16.66	1,196,644
5,000,000	4,000-15,000	–	–	–	3,507,578
12,000,000	5,000-13,500	–	–	–	2,047,831
2,250,000-4,500,000	5,000-12,000	–	–	–	445,062
200,000-1,000,000	4,000-12,000	–	–	–	308,500
2,000,000	6,000-18,000	–	–	–	446,400
400,000	5,000-15,500	–	–	–	272,891
–	5,800-12,500	–	–	–	53,625
–	9,050	–	–	–	18,953
–	2,500-10,500	–	–	–	135,850
–	15,900-16,000	–	–	–	55,529

22 Intangible Assets

For the year ended 31 December	2025			2024
	Intangible Assets Rs. '000	Intangible Assets – WIP Rs. '000	Total Rs. '000	Rs. '000
Computer Software:				
Cost:				
As at 01 January	2,276,811	100	2,276,911	2,184,409
Additions during the Year	23,222	5,241	28,463	401,041
Transfers during the Year	–	–	–	(308,539)
As at 31 December	2,300,033	5,341	2,305,374	2,276,911
Amortisation:				
As at 01 January	1,761,261	–	1,761,261	1,494,526
Amortisation Charge for the year	308,565	–	308,565	266,735
As at 31 December	2,069,826	–	2,069,826	1,761,261
Net Book Value:				
As at 31 December	230,207	5,341	235,548	515,650

The Bank has acquired intangible assets by means of cash with an aggregated cost of Rs. 23.22 Mn. during the year (2024 – Rs. 307.34 Mn.).

The value of fully amortised intangible assets which are still in use as at 31 December 2025 was Rs. 1,955.54 Mn. (2024 – Rs. 1,005.04 Mn.).

Notes to the Financial Statements

23 Banks and Financial Institutions

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Payable to Foreign Banks	1,861,514	10,772
Payable to other Foreign Financial Institutions	2,426,278	1,027,846
	4,287,792	1,038,618

24 International Monetary Fund

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Interest Bearing Loans	24.1	149,180,083	195,025,399
Allocation of Special Drawing Rights	24.2	403,402,239	363,294,134
Quota Liability	24.3	113,981,716	102,649,130
Other Amounts Payable to IMF	24.4	133,334,287	120,647,906
		799,898,325	781,616,569

24.1 Interest Bearing Loans

- Interest bearing loans consist of the Extended Fund Facility (EFF) obtained from the IMF. EFF is a three year facility provided to support the Balance of Payments and Government's economic reform agenda in 2016. Under the EFF arrangement, a total of SDR 952.23 Mn. (approximately USD 1,329.36 Mn.) was received up to 2019. The interest rate comprises of the basic rate of charge, which is equivalent to the SDR interest rate (as of 31 December 2025, rate stands at 2.664% per annum) plus 60 basis points.
- EFF arrangement amounting to SDR 2.3 Bn. (USD 3 Bn.) for direct budget financing of Sri Lanka was approved in 2023. As per the Memorandum of Understanding

(MOU) signed between Central Bank of Sri Lanka (CBSL) 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 recorded 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 (GOSL) and to be paid by the MoF on its behalf. Three loan tranches received for direct budget support prior to 2025 amounting to SDR 762 Mn. (equivalent USD 1,004,756,108.84) have been transferred to GOSL. During 2025, SDR 508 Mn. (equivalent USD 682,701,730.29) was obtained through 4th and 5th tranches and

subsequently transferred to GOSL. The promissory notes signed by the Secretary, MoF in favour of IMF upon the receipt of loan tranches are kept under the safe custody of CBSL as per MOU.

- In terms of the MOU signed between the MoF and the Central Bank of Sri Lanka, IMF Executive Board approved financial assistance for Sri Lanka under the Rapid Financing Instrument (RFI) on 19 December 2025. Accordingly, SDR 150.5 Mn. equivalent to USD 205,552,232.11 was received on 23 December 2025 for budget financing. Therefore, servicing of obligations to IMF in this regard is fulfilled without a financial burden to the CBSL and thus not recorded in the CBSL balance sheet and transferred to GOSL.

Notes to the Financial Statements

	Effective SDR Interest Rate as at 31 December 2025 %	Maturity	2025 Rs. '000	2024 Rs. '000
Extended Fund Facility	3.264	2029	149,180,083	195,025,399
Total Interest Bearing Loans			149,180,083	195,025,399

24.2 The Special Drawing Right (SDR)

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 GOSL by the Bank, the IMF may allocate SDRs to members in proportion to their IMF quotas. An allocation of SDRs by the IMF provides each member with a costless asset on which interest is neither earned nor paid. The Articles of Agreement also allow for cancellations of SDRs, but to date, this provision has not been used. Increases in allocation of SDR represents increases in holding of SDR as described in Note 11. Members of IMF are obligated to pay to the IMF an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Rights Department at the point of termination or liquidation of IMF's SDR Department.

24.3 Quota Liability

The amounts payable in respect of the IMF Quota as described in Note 11.1.

24.4 Other Payable to IMF

Represent amounts owed by the Bank to IMF on account of operational and administrative transactions.

25 Other Foreign Liabilities

25.1 Other Foreign Liabilities

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Amount due to People's Bank of China (PBoC) under SWAP facility	25.1.1	438,928,000	411,279,000
RBI Special SWAP	25.1.2	203,225,677	457,272,340
		642,153,677	868,551,340

Notes to the Financial Statements

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

In 2024, the CBSL and the PBoC, successfully renewed the BCSA signed in 2021, for a period of another three (03) years with annual rollovers, 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).

The SWAP was rolled over in December 2025 for another period of one year and the outstanding balance as of 31 December 2025 shows the value of the swap facility of CNY 10 Bn.

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).

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 addendums to the Agreement in view of extending the existing Special SWAP Agreement and under the Second Addendum, the CBSL received a reduction in applicable interest rate of 50 basis points. CBSL has honoured monthly repayments with due interests from September 2023, and it is expected to settle this liability in full during 2026.

25.2 Other

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Liability towards GOSL	25.2.1	132,935,362	60,705,593
Sri Lanka Deposit Insurance Fund	25.2.2	41,660,795	29,258,330
Other Foreign Liabilities		29,616,487	15,011,333
		204,212,644	104,975,256

25.2.1 Liability towards GOSL

This represents the liability towards GOSL for the DST's US dollar funds held in the CBSL accounts. The balance as at 31 December 2025 is USD 428.83 Mn.

25.2.2 Sri Lanka Deposit Insurance Fund

Under the Financial Sector Safety Net Strengthening Project (FSSNP) of the World Bank, the International Development Association (IDA) provided an Investment Project Financing to the Democratic Socialist Republic of Sri Lanka, and through a subsidiary loan agreement, such financing has been on lent to the CBSL, acting in the name of Sri Lanka Deposit Insurance Fund (SLDIF). As at 31 December 2025, CBSL has received funds amounting to a total of USD 130.00 Mn. under FSSNP. This fund is maintained as a ring-fenced balance in CBSL Nostro accounts and has been invested in foreign currency investments by CBSL with effect from 05 June 2025, in accordance with the Investment Policies approved by the Governing Board. All risks and rewards associated with these investments are transferable to the Sri Lanka Deposit Insurance Fund, and these funds can only be used by the Sri Lanka Deposit Insurance Scheme (SLDIS) to execute its mandate. Accordingly, the bank maintains separate liability towards SLDIS to match the corresponding invested assets on account of SLDIS.

Notes to the Financial Statements

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 honouring 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 collateralised 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	2025 Rs. '000	2024 Rs. '000
Deposits by Banks:		
– Related Parties	170,032,185	132,888,919
– Others	44,561,463	35,034,229
	214,593,648	167,923,148
Deposits by Financial Institutions:		
– Related Parties	300	63
– Others	13,106,139	13,023,742
	13,106,439	13,023,805
Total Deposits by Banks and Other Financial Institutions	227,700,087	180,946,953

27 Deposits of Government and Governmental Entities

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Government Deposits	3,128,354	1,465,924
Government Agencies and Funds	4,776,813	69,072
	7,905,167	1,534,996

These are the deposits maintained in terms of Section 81 and 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

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Standing Deposit Facility	176,322,112	194,337,033
	176,322,112	194,337,033

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 2025 (2024 – Nil).

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

Notes to the Financial Statements

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	2025 Rs. '000	2024 Rs. '000
Coins:		
1 cent	3,631	3,631
2 cent	5,709	5,709
5 cent	23,268	23,267
10 cent	39,240	39,236
25 cent	122,395	122,389
50 cent	184,768	184,766
1 rupee	1,093,694	1,084,398
2 rupee	1,710,714	1,685,590
5 rupee	5,655,074	5,586,164
10 rupee	9,717,465	9,156,267
20 rupee	149,841	149,841
Commemorative coins	613,722	611,240
	19,319,521	18,652,498
Notes:		
1 rupee	4,981	4,981
2 rupee	26,694	26,694
5 rupee	37,190	37,190
10 rupee	1,242,649	1,243,786
20 rupee	9,677,062	8,603,637
50 rupee	9,092,312	8,196,329
100 rupee	34,160,079	30,923,216
200 rupee	126,095	125,946
500 rupee	68,407,962	63,800,400
1,000 rupee	177,377,960	173,510,525
2,000 rupee	13,575,319	2,284,891
5,000 rupee	1,235,891,042	1,051,312,790
	1,549,619,345	1,340,070,385
Total Currency in Circulation	1,568,938,866	1,358,722,883

Notes to the Financial Statements

30 Other Payables

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Provision and Charges		4,194,161	3,437,174
Liability against Abandoned Property – Transfers Received	30.1	27,635,283	24,207,097
Balances of Employee Benefit Plans	30.2	36,685	18,308
Other Payables		2,655,312	2,508,972
		34,521,441	30,171,551

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, the 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	2025 Rs. '000	2024 Rs. '000
Balances in CBSL Provident Fund, Pension Schemes and Widows'/Widowers' and Orphans' Pension Schemes	36,685	18,308
	36,685	18,308

31 Deferred Grants

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
As at 01 January	7,168	2,475
Additions during the Year	9,112	7,952
Utilisation during the Year	(1,366)	(1,546)
Derecognitions during the Year	–	(1,685)
Amortisation during the Year	(1)	(28)
As at 31 December	14,913	7,168

Notes to the Financial Statements

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.

Deferred grants also include grants received for trainings and grants received under SEACEN Trust Fund Scholarship.

During the year 2025, a grant amounting to Rs. 0.7 Mn. received from Yonsei University Industry Foundation as a grant for training and another grant amounting to Rs. 8.4 Mn. received under SEACEN Trust Fund Scholarship.

Further, during the year 2025, Rs. 1.4 Mn. has been utilised from the grants received for trainings (Rs. 1.5 Mn. in 2024).

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 derecognised during 2024 (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	2025 Rs. '000	2024 Rs. '000
Lease Liability	32.1.4	24,397	20,303
Provision for Credit Guarantees	32.2	27,773	18,941
Other Liabilities		473,260	1,011,895
		525,430	1,051,139

Notes to the Financial Statements

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	2025 Rs. '000	2024 Rs. '000
Interest on Lease Liability	1,987	2,530
Amortisation of Right-of-Use Asset	4,676	6,016

32.1.3 Amount Recognised in the Statement of Cash Flows

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Total Cash Outflow for Leases	4,899	6,829

32.1.4 Lease Liability

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Balance as at 01 January	20,303	24,602
Additions during the Year	7,006	-
Interest Charges during the Year	1,987	2,530
Lease Payments during the Year	(4,899)	(6,829)
Balance as at 31 December	24,397	20,303

Notes to the Financial Statements

32.1.5 Maturity Analysis of Lease Liability

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Non-current	19,252	15,227
Current	5,145	5,076
Balance as at 31 December	24,397	20,303

32.1.6 Maturity Analysis Based on Contractual Undiscounted Cash Flows

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Less than One Year	4,901	7,012
One to Five Years	9,443	7,020
More than Five Years	33,615	33,615
Total Undiscounted Lease Liabilities	47,959	47,647

32.2 Provision for Credit Guarantees

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Expected Credit Loss on Credit Guarantees	32.2.1	27,774	18,941
Balance as at 31 December		27,774	18,941

32.2.1 Movement in Expected Credit Losses on Credit Guarantees

For the year ended 31 December	2025 Stage 1 Rs. '000	2024 Stage 1 Rs. '000
Balance as at 01 January	18,941	31,293
Reversal during the Year	8,833	(12,352)
Balance as at 31 December	27,774	18,941

Notes to the Financial Statements

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 capitalising 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 Land and Buildings 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) and 95 of the Central Bank Act to record unrealised gains and losses arising from exchange rate. As per Section 95 (b), unrealised revaluation losses from exchange rates shall be transferred to the respective unrealised 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 and 95 applies to MRR.

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

Unrealised 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 any upgrades to 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% 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 for Rs. 10.00 Bn. (2024 – Rs. 10.00 Bn.)

Notes to the Financial Statements

The movements in the reserves are as follows:

	General Reserve	Fixed Asset Revaluation Reserve	IRR
	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2025	–	16,655,356	–
Transfer to RTGS Sinking Fund	–	–	–
Transfer to General Reserve	57,789,288	–	–
Transfer of Net Foreign Exchange Revaluation Gain/(Loss)	–	–	22,690,918
Net Fair Value Gain/(Loss) on Securities at Fair Value through Other Comprehensive Income	–	–	–
Transfer of Funds to Market Revaluation Reserve	–	–	–
Incremental adjustment on Market Valuation Reserve – Domestic Treasury Bills/Bonds	–	–	–
Expected Credit Losses on FVOCI Investments	–	–	–
Balance as at 31 December 2025	57,789,288	16,655,356	22,690,918

34 Profit Distribution

i. In terms of Section 94 and 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 Central Bank shall establish and maintain a general reserve account.

(b) The general reserve account shall not be used for any other purposes, except for the purposes of transferring to retained earnings if it becomes negative.

(c) 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 unrealised revaluation gains and losses arising from exchange rates, and by allocating an equivalent amount to the respective unrealised revaluation reserve accounts.

ii. Further, any other adjustment as required by accounting standards and management decisions are adjusted in arriving at the profit available for distribution.

Based on the above adjustments, the adjusted profit available for distribution for the year ended 31 December 2025 is as follows,

Item	Rs. '000	Rs. '000
Part I – Calculation of Distributable Profit/(Loss)		
Opening adjusted retained earnings balance as at 01 January 2025*		(57,561,439)
Add: Accounting Profit for the Year 2025		193,147,076
Adjusted Accounting Profit for the Year 2025		135,585,637
Less:		
(a) Transfer of Exchange Gain to International Revaluation Reserve (IRR) as per Section 95 (2) (a) of CBA	(22,690,918)	
(b) Transfer of "Marked to Market" Gains on Foreign Assets to Market Revaluation Reserve (MRR) as per Section 95 (2) (a) of CBA	(8,888,100)	
(c) Transfer of Interest Income on Designated Funds to Respective Funds	(970,981)	(32,549,999)
Adjusted Profit/(Loss) available for Distribution		103,035,639

* This negative balance has been recovered by transferring an equivalent amount from General Reserve as per Section 94 (2) of CBA.

Notes to the Financial Statements

Market Revaluation Reserve Rs. '000	Net Fair Value Gain/(Loss) on FVOCI Securities Rs. '000	RTGS Sinking Fund Rs. '000	Pension Fund Reserve Rs. '000	Reserve for Funding Purposes of Post-Employment Benefit Plans Rs. '000	Other Reserves Rs. '000	Total Rs. '000
170,422,860	73,336,859	4,900,206	2,000,000	2,554,624	10,000,000	279,869,905
-	-	969,804	-	-	-	969,804
-	-	-	-	-	-	57,789,288
-	-	-	-	-	-	22,690,918
-	3,515,239	-	-	-	-	3,515,239
45,092,496	-	-	-	-	-	45,092,496
-	84,729,446	-	-	-	-	84,729,446
-	(395,961)	-	-	-	-	(395,961)
215,515,356	161,185,583	5,870,010	2,000,000	2,554,624	10,000,000	494,261,135

iii. In terms of Section 96 of CBA, following adjustments are made to the adjusted profit available for distribution to arrive at the amount available to be credited to the Consolidated Fund.

- (a) The Central Bank may establish special reserves for such purposes as the Governing Board may deem fit.
- (b) An amount equivalent to 100% of distributable earnings remaining after allocation to special reserves pursuant to the previous provision shall be credited to the general reserve account until the sum of the paid-up capital and general reserve is at least six per centum of the total monetary liabilities of the Central Bank.
- (c) Any remaining distributable earnings after compliance with the preceding provisions shall, as determined by the Governing Board in consultation with the Minister, either be applied in liquidation of any outstanding Government obligations to the Central Bank due as at the end of the financial year or be paid and credited to the Consolidated Fund.

Item	Rs. '000	Rs. '000
Part II – Distributable Profit/(Loss)		
Adjusted Profit available for Distribution (from Part I)		103,035,639
Less: Transfer to Reserves (As per CBA)		
(a) Transferred to a Specific Reserve an Amount Equivalent to 50% of Benefit Expenses of the Actuary as per Section 96 (1) (a) of CBA	(261,165)	
(b) Transferred to General Reserves to Maintain 6% ratio as per Section 96 (1) (b) of CBA	(57,789,288)	(58,050,453)
Amount Available to be Credited to the Consolidated Fund		44,985,186
Less: Recovery of Outstanding GOSL Obligations as of 31 December 2025 (Recoverable in Rupee Terms)		(3,035,612)
Balance Amount Available to be Credited to the Consolidated Fund		41,949,574

In addition to the Rs.3.04 Bn. GOSL obligation recovered from the distributable profit, further outstanding amounts of USD 4,306,167.73, EUR 4,835.87 & GBP 10,821.00 paid by CBSL on behalf of the GOSL are to be recovered in USD as per the Cabinet approval.

Notes to the Financial Statements

35 Interest Income from Financial Assets

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest Income from Foreign Currency Financial Assets		
Cash and Short-Term Deposits	21,948,971	24,147,419
Financial Assets	29,733,995	21,787,768
Total Interest Income from Foreign Currency Financial Assets	51,682,966	45,935,187
Interest Income from Local Currency Financial Assets		
Sri Lanka Government Securities	194,705,933	203,462,124
Securities Purchased under Resale Agreements	472,902	9,801,653
Other Loans and Advances	1,282,097	1,633,517
Interest Income on Liquidity Support Facility to Banks	–	1,593,933
Interest Income from Other Assets	3,348,039	2,911,333
Total Interest Income from Local Currency Financial Assets	199,808,971	219,402,560
Total Interest Income from Financial Assets	251,491,937	265,337,747

Total interest income calculated using the effective interest method during 2025 was Rs. 224,293.25 Mn. (2024 – Rs. 225,094.25 Mn.).

36 Gain/(Loss) from Foreign Reserve Investment Activities and Market Operations Activities

36.1 Gain/(Loss) from Foreign Reserve Investment Activities

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Gain/(Loss) from Unrealised Price Revaluations		
Gold	8,636,539	2,270,947
Forex and Currency SWAPS	–	12,378,717
Foreign Securities	251,561	–
	8,888,100	14,649,664
Gain/(Loss) from Realised Price Changes		
Forex and Currency SWAPS	2,744,559	8,248,687
Foreign Securities	2,272,553	249,166
	5,017,112	8,497,853
Total Gain/(Loss) from Foreign Reserve Investment Activities	13,905,212	23,147,517

Notes to the Financial Statements

36.2 Gain/(Loss) from Market Operations Activities

	2025 Rs. '000	2024 Rs. '000
Gain/(Loss) from Unrealised Price Revaluations		
Forex and Currency SWAPS	(11,597,766)	21,554,732
	(11,597,766)	21,554,732
Gain/(Loss) from Realised Price Changes		
Forex and Currency SWAPS	(8,059,661)	19,913,032
	(8,059,661)	19,913,032
Total Gain/(Loss) from Market Operations Activities	(19,657,427)	41,467,764

	2025 Rs. '000	2024 Rs. '000
Movement in Forex and Currency SWAPS		
Opening Net Assets/(Liability) Position	(9,239,225)	(43,172,674)
Closing Net Assets/(Liability) Position	(28,634,409)	(9,239,225)
Reversal of Unrealised Gain of JPY matured Forex and Currency SWAPS during 2025 matched with realised Gain	7,797,418	-
Gain/(Loss) From Unrealised Price Revaluations – Forex and Currency SWAPS	(11,597,766)	33,933,449

	2025 Rs. '000	2024 Rs. '000
Movement in Closing Net Assets/(Liability) Position of Forex and Currency SWAPS		
Derivative Financial Instruments – Assets	16,039	27,957,163
Derivative Financial Instruments – Liabilities	28,650,448	37,196,388
Net Asset/(Liability) Position	(28,634,409)	(9,239,225)

Notes to the Financial Statements

37 Interest Expenses on Financial Liabilities

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Interest Expense on Foreign Currency Financial Liabilities		
IMF Related Liabilities	18,834,012	25,629,871
Other Foreign Payables	26,295,417	55,793,114
Total Interest Expense on Foreign Currency Financial Liabilities	45,129,429	81,422,985
Interest Expense on Local Currency Financial Liabilities		
Standing Deposit Facility	10,383,902	12,025,820
Abandoned Property	2,073,460	2,458,313
Miscellaneous Interest Expenses	1,068,361	609,521
Total Interest Expense on Local Currency Financial Liabilities	13,525,723	15,093,654
Total Interest Expense on Financial Liabilities	58,655,152	96,516,639

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

For the year ended 31 December	Note	2025 Rs. '000	2024 Rs. '000
Foreign Currency Financial Assets			
Financial Assets at Amortised Cost			
Cash and Cash Equivalents	8.2	754,723	(342,731)
IMF Related Assets	11.4	9	(2)
Securities at Fair Value through Other Comprehensive Income	9.2	395,960	(1,391,590)
Total Expected Credit Loss Reversal/(Charge) on Foreign Currency Financial Assets		1,150,692	(1,734,322)
Local Currency Financial Assets			
Financial Assets at Amortised Cost			
Loans to Banks	15.2	425	(7,468)
Investments by Designated Funds	17.1 & 17.2	(62)	(69)
Credit Guarantee Provision	32.2	(8,833)	12,352
Total Expected Credit Loss Charge on Local Currency Financial Assets		(8,470)	4,815
Total Expected Credit Loss Reversal/(Charge) on Financial Assets		1,142,222	(1,729,507)

39 Other Income

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Dividend Income – Related Party	197,535	189,465
Amortisation of Assets Received from Grants	1	28
Licensing Fees of Financial Institutions	756,900	749,950
Rent Income	223,023	188,744
Charges Collected from RTGS Participants	94,180	90,008
Miscellaneous Income	189,030	238,833
Total Other Income	1,460,669	1,457,028

Notes to the Financial Statements

39.1 Other Expense

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Incentives on Inward Foreign Remittances	-	387,009
	-	387,009

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 is disclosed under other expense.

40 Personnel Expenses

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Salaries, Wages and Other Staff Cost	11,051,292	10,517,344
Defined Contribution Plan Costs	2,919,517	4,790,845
Post Employee Defined Benefit Plan Costs	(1,231,639)	(91,918)
Total Personnel Expenses	12,739,170	15,216,271

41 Administration and Other Expenses

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Repairs and Maintenance	1,965,469	1,786,920
Operating Expenses for Reuters, Bloomberg, SWIFT, etc.	470,911	268,006
Travelling	99,055	64,366
Rental Expenses	56	236
Printing	37,904	29,363
Statutory Audit Fees	10,856	9,499
Remuneration to Members of the Governing Board/Sub committees	15,764	12,250
Advertising Cost	105,043	56,142
Consultancy, Communication, Advisory and Professional Fees	151,254	205,434
Interest Expense on Lease Liability	1,987	2,530
Miscellaneous Expenses	594,003	441,385
Total Administration and Other Expenses	3,452,302	2,876,131

Notes to the Financial Statements

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, Inland Revenue (Amendment) Act No. 04 of 2023, Inland Revenue (Amendment) Act No.14 of 2023 and Inland Revenue (Amendment) Act No.02 of 2025.

During the year 2025, the Bank did not pay any taxes (2024 – Nil).

43 Reconciliation of Operating Profit with Cash Flows from Operating Activities

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Reported Profit/(Loss) from Operating Activities	193,147,076	274,791,135
Add/(Less): Non-Cash Items		
Depreciation and Amortisation	855,935	798,226
Amortisation of Sri Lanka Government Securities	(283,340)	(410,505)
Interest Receivable – Local Currency – Investment Portfolio	(3,048,321)	(2,855,316)
Interest Receivable on Fixed Deposits	79,334	507,390
Bad Debts and Net Sundry Write-offs	(106,446)	–
Net Provision for Defined Employee Benefit Plans	(1,790,392)	1,202,263
Gross Unrealised Foreign Exchange Gain	3,161,911	(65,189,980)
Loss/(Profit) on Sale of Property, Plant and Equipment	(26,212)	(1,729)
Provisions and Accruals	1,749,483	(1,538,777)
Expected Credit Loss Provision on Financial Assets	(1,142,223)	1,729,506
Deferred Grants	7,746	4,693
Provision for Slow-moving inventory	54	–
Amortisation Expense of Fixed Income Securities	(7,116,656)	(10,082,708)
Other income Net Impact from the RDD net asset incorporation	–	(5,999)
Disposal Gain/(Loss) of DDO	(2,744,703)	(4,168,300)

Notes to the Financial Statements

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Add/(Less): Movements in Other Working Capital Items		
Decrease in Inventories	971,130	594,460
Decrease in Interest Receivable	(2,140,252)	(4,206,458)
Increase in Miscellaneous Liabilities	(507,193)	(1,996,725)
Increase in Interest Payable	2,450,165	(520,696)
Increase in Other Receivables	(2,966,794)	(7,696,869)
(Increase)/Decrease in Securities Purchased under Resale Agreements	25,087,671	307,757,018
Add/(Less): Investing and Financing Activities		
Net Unrealised Market Value Changes	10,507,084	(36,204,396)
Net Cash Flows from Operating Activities	216,145,057	452,506,233

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

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
Purchase of Sri Lanka Government Securities	(1,741,358)	(306,606,037)
(Increase)/Decrease in Balances with Government and Governmental Entities	(6,370,170)	538,293
	(8,111,528)	(306,067,744)

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

For the year ended 31 December	2025 Rs. '000	2024 Rs. '000
(Increase)/Decrease in Deposits by Banks and Financial Institutions	(46,753,134)	(38,474,372)
	(46,753,134)	(38,474,372)

Notes to the Financial Statements

46 Concentrations of Funding

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

46.1 Balance as at 31 December 2025

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks
	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets			
Cash and Cash Equivalents	-	-	-
Securities at Fair Value through Profit or Loss	-	-	-
Securities at Fair Value through Other Comprehensive Income	-	-	-
Derivative Financial Instruments	-	-	16,039
IMF Related Assets	-	-	-
Other Receivables	1,341,167	-	-
Total Foreign Currency Financial Assets	1,341,167	-	16,039
Local Currency Financial Assets			
Sri Lanka Government Securities	1,834,889,192	-	-
Securities Purchased under Resale Agreements	-	-	1,107,251
Equity Investments in Financial and Other Institutions	-	-	-
Loans to Banks	-	-	5,418,490
Pension and Other Post-Employment Benefit Plans	-	-	-
Other Assets	29,989,728	-	3,091,505
Total Local Currency Financial Assets	1,864,878,920	-	9,617,246
Total Financial Assets	1,866,220,087	-	9,633,285
Foreign Currency Non – Financial Assets			
Gold	-	-	-
	-	-	-
Non-Financial Assets			
Inventories	-	-	-
Other Receivables and Prepayments	-	-	-
Property, Plant and Equipment	-	-	-
Intangible Assets	-	-	-
Total Non-Financial Assets	-	-	-
Total Assets	1,866,220,087	-	9,633,285

Notes to the Financial Statements

Foreign Government	Foreign Central Banks	Foreign Banks and Financial Institutions	Supranational Financial Institutions	Other	Total
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
154,808,122	466,275,660	170,152,037	326,781,693	-	1,118,017,512
71,813,480	-	20,218,687	3,415,352	-	95,447,519
636,441,211	-	-	239,511,574	-	875,952,785
-	-	-	-	-	16,039
-	-	-	246,363,338	-	246,363,338
-	-	58	-	-	1,341,225
863,062,813	466,275,660	190,370,782	816,071,957	-	2,337,138,418
-	-	-	-	-	1,834,889,192
-	-	-	-	-	1,107,251
-	-	-	-	46,834	46,834
-	-	-	-	-	5,418,490
-	-	-	-	17,568,400	17,568,400
-	-	-	-	9,790,816	42,872,049
-	-	-	-	27,406,050	1,901,902,216
863,062,813	466,275,660	190,370,782	816,071,957	27,406,050	4,239,040,634
-	26,705,749	-	-	-	26,705,749
-	26,705,749	-	-	-	26,705,749
-	-	-	-	3,868,196	3,868,196
-	-	-	-	4,877,338	4,877,338
-	-	-	-	23,739,905	23,739,905
-	-	-	-	235,548	235,548
-	26,705,749	-	-	32,720,987	59,426,736
863,062,813	492,981,409	190,370,782	816,071,957	60,127,037	4,298,467,370

Notes to the Financial Statements

46.2 Balance as at 31 December 2024

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks
	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets			
Cash and Cash Equivalents	-	-	-
Securities at Fair Value through Other Comprehensive Income	-	-	-
Derivative Financial Instruments	-	-	20,159,745
IMF Related Assets	-	-	-
Total Foreign Currency Financial Assets	-	-	20,159,745
Local Currency Financial Assets			
Sri Lanka Government Securities	1,748,873,060	-	-
Securities Purchased under Resale Agreements	-	-	26,194,922
Equity Investments in Financial and Other Institutions	-	-	-
Loans to Banks	-	-	9,561,430
Pension and Other Post-Employment Benefit Plans	-	-	-
Other Assets	43,279,509	-	548,522
Total Local Currency Financial Assets	1,792,152,569	-	36,304,874
Total Financial Assets	1,792,152,569	-	56,464,619
Foreign Currency Non – Financial Assets			
Gold	-	-	-
	-	-	-
Non-Financial Assets			
Inventories	-	-	-
Other Receivables and Prepayments	-	-	-
Property, Plant and Equipment	-	-	-
Intangible Assets	-	-	-
Total Non-Financial Assets	-	-	-
Total Assets	1,792,152,569	-	56,464,619

Notes to the Financial Statements

Foreign Government Rs.'000	Foreign Central Banks Rs.'000	Foreign Banks and Financial Institutions Rs. '000	Supranational Financial Institutions Rs. '000	Other Rs. '000	Total Rs. '000
87,034,541	581,074,086	250,580,264	144,839,384	–	1,063,528,275
339,992,275	–	–	332,469,475	–	672,461,750
–	–	–	7,797,418	–	27,957,163
–	–	–	222,876,069	–	222,876,069
1,008,100,902	581,074,086	250,580,264	707,982,346	–	1,986,823,257
–	–	–	–	–	1,748,873,060
–	–	–	–	–	26,194,922
–	–	–	–	46,834	46,834
–	–	–	–	–	9,561,430
–	–	–	–	9,062,661	9,062,661
–	–	–	–	8,949,113	52,777,144
–	–	–	–	18,058,608	1,846,516,051
1,008,100,902	581,074,086	250,580,264	707,982,346	18,058,608	3,833,339,308
–	11,629,873	–	–	–	11,629,873
–	11,629,873	–	–	–	11,629,873
–	–	–	–	4,839,378	4,839,378
–	–	–	–	2,294,558	2,294,558
–	–	–	–	23,489,058	23,489,058
–	–	–	–	515,650	515,650
–	11,629,873	–	–	31,138,644	42,768,517
1,008,100,902	592,703,959	250,580,264	707,982,346	49,197,252	3,876,107,825

Notes to the Financial Statements

46.3 Balance as at 31 December 2025

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks
	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Liabilities			
Banks and Financial Institutions	407,124	-	-
Derivative Financial Instruments	-	-	28,650,448
IMF	-	-	-
Other Foreign Liabilities	-	-	-
Other	162,515,866	-	-
Total Foreign Currency Financial Liabilities	162,922,990	-	28,650,448
Local Currency Financial Liabilities			
Deposits of Banks and Financial Institutions	-	-	214,593,648
Deposits of Government and Government Entities	7,904,966	201	-
Securities Sold Under Repurchase Agreements	-	-	176,322,112
Currency in Circulation	-	1,568,938,866	-
Other Payables	364,296	-	-
Pension and Other Post-Employment Benefit Plans	-	-	-
Total Local Currency Financial Liabilities	8,269,262	1,568,939,067	390,915,760
Total Financial Liabilities	171,192,252	1,568,939,067	419,566,208
Other Liabilities			
Deferred Grants	-	-	-
Miscellaneous Liabilities and Accruals	-	-	-
Total Other Liabilities	-	-	-
Total Liabilities	171,192,252	1,568,939,067	419,566,208

Notes to the Financial Statements

Foreign Government Rs. '000	Foreign Central Banks Rs. '000	Foreign Banks and Financial Institutions Rs. '000	Supranational Financial Institutions Rs. '000	Other Rs. '000	Total Rs. '000
-	-	-	1,850,101	2,030,567	4,287,792
-	-	-	-	-	28,650,448
-	-	-	799,898,325	-	799,898,325
-	642,153,677	-	-	-	642,153,677
-	-	-	35,983	41,660,795	204,212,644
-	642,153,677	-	801,784,409	43,691,362	1,679,202,886
-	-	-	-	13,106,439	227,700,087
-	-	-	-	-	7,905,167
-	-	-	-	-	176,322,112
-	-	-	-	-	1,568,938,866
-	-	-	-	34,157,145	34,521,441
-	-	-	-	8,002,998	8,002,998
-	-	-	-	55,266,582	2,023,390,671
-	642,153,677	-	801,784,409	98,957,944	3,702,593,557
-	-	-	-	14,913	14,913
-	-	-	-	525,430	525,430
-	-	-	-	540,343	540,343
-	642,153,677	-	801,784,409	99,498,287	3,703,133,900

Notes to the Financial Statements

46.4 Balance as at 31 December 2024

	Sri Lanka Government	Sri Lanka Public	Sri Lanka Commercial Banks
	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Liabilities			
Banks and Financial Institutions	918,442	-	-
Derivative Financial Instruments	-	-	37,196,388
IMF	-	-	-
Other Foreign Liabilities	-	-	-
Other	75,390,058	-	-
Total Foreign Currency Financial Liabilities	76,308,500	-	37,196,388
Local Currency Financial Liabilities			
Deposits of Banks and Financial Institutions	-	-	167,923,148
Deposits of Government and Governmental Entities	1,534,820	176	-
Securities Sold Under Repurchase Agreements	-	-	194,337,033
Currency in Circulation	-	1,358,722,883	-
Other Payables	388,712	-	-
Pension and Other Post-Employment Benefit Plans	-	-	-
Total Local Currency Financial Liabilities	1,923,532	1,358,723,059	362,260,181
Total Financial Liabilities	78,232,032	1,358,723,059	399,456,569
Other Liabilities			
Deferred Grants	-	-	-
Miscellaneous Liabilities and Accruals	-	-	-
Total Other Liabilities	-	-	-
Total Liabilities	78,232,032	1,358,723,059	399,456,569

Notes to the Financial Statements

Foreign Government Rs. '000	Foreign Central Banks Rs. '000	Foreign Banks and Financial Institutions Rs. '000	Supranational Financial Institutions Rs. '000	Other Rs. '000	Total Rs. '000
-	-	-	-	120,176	1,038,618
-	-	-	-	-	37,196,388
-	-	-	781,616,569	-	781,616,569
-	868,551,340	-	-	-	868,551,340
-	-	-	34,158	29,551,040	104,975,256
-	868,551,340	-	781,650,727	29,671,216	1,793,378,171
-	-	-	-	13,023,805	180,946,953
-	-	-	-	-	1,534,996
-	-	-	-	-	194,337,033
-	-	-	-	-	1,358,722,883
-	-	-	-	29,782,839	30,171,551
-	-	-	-	7,444,769	7,444,769
-	-	-	-	50,251,413	1,773,158,185
-	868,551,340	-	781,650,727	79,922,629	3,566,536,356
-	-	-	-	7,168	7,168
-	-	-	-	1,051,139	1,051,139
-	-	-	-	1,058,307	1,058,307
-	868,551,340	-	781,650,727	80,980,936	3,567,594,663

Notes to the Financial Statements

47 Risk Management and Compliance

The Central Bank of Sri Lanka (CBSL) engages with local and international financial markets in pursuit of its policy objectives and is therefore exposed to financial risks – such as credit, market, and liquidity risks – arising from its financial market operations. Since the materialisation of such risks could adversely impact the financial position, reputation and achievement of the CBSL's objectives, 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 comprises both a Risk Governance Structure and a Risk Management Structure covering financial as well as non-financial risks confronted by the Bank. The Risk Governance Structure consists of the Governing Board (GB), Monetary Policy Board (MPB) and two Board subcommittees, i.e., the Board Risk Oversight Committee (BROC) and the Audit Committee (AC). The GB holds the ultimate responsibility for the overall risk management function of the Bank and sets the "Tone at the Top".

The BROC oversees CBSL's overall Risk Management Functions via a formal delegation from the GB and assists the

GB to ensure a dedicated focus on risk management at the Bank. The Financial Risk Management Structure comprises the Financial Risk Management Committee (FRMC), the Investment Oversight Committees (IOCs) and all fund management departments.

Risk Management and Compliance Department (RMCD) at the second line of risk management, is responsible for facilitating the financial risk management of the fund management activities of the International Reserves, the Employees' Provident Fund which is managed by CBSL as an agency function of the Government and the Internal Investment Funds of CBSL including Deposit Insurance and Resolution Department Funds. 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 IPS, SAA and IGs and presents to the respective Investment Oversight Committees, and reports to the BROC and the GB on a periodic basis. Further, the scope of RMCD was expanded to assess the risk of overall CBSL balance sheet. Accordingly, the RMCD conducts

quarterly stress testing of the CBSL balance sheet to project the equity path, with a focus on strengthening CBSL's resilience and policy solvency against various economic and financial shocks. To achieve this, the CBSL's Balance Sheet Risk Assessment Framework was approved by the GB in 2025, and the FRMC was established to oversee overall balance sheet risk and implement necessary risk-mitigation measures as the risk owner.

RMCD continued the development of CBSL's Risk Appetite Framework (RAF) during the year and introduced CBSL's first Risk Appetite Statement (RAS) covering the operational risk. As part of the next phase of this initiative, financial risk appetites and Key Risk Indicators (KRIs) to monitor risk exposures will be developed and incorporated into the RAS, with the approval of the GB. Accordingly, financial risks will be managed and monitored in alignment with the approved financial risk appetites.

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:

	2025 Rs. '000	2024 Rs. '000
Sri Lanka	1,903,259,423	1,866,675,796
USA	535,031,484	181,752,711
Japan	32,165,002	203,698,858
Britain	160,839,979	34,851,711
Europe	201,944,354	339,280,185
China	444,638,969	401,359,709
Supranational	814,206,335	700,184,928
Other	146,955,088	105,535,410
Total Financial Assets	4,239,040,634	3,833,339,308

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:

	2025 Rs. '000	2024 Rs. '000
Governments	2,729,282,900	2,219,179,386
Supranational Financial Institutions	816,071,956	700,184,928
Foreign Central Banks	466,275,660	581,074,086
Foreign Banks and Financial Institutions	190,370,782	250,580,264
Sri Lanka Banks and Financial Institutions	9,633,285	64,262,036
Other	27,406,051	18,058,608
Total Financial Assets	4,239,040,634	3,833,339,308

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

Credit Exposure by Credit Rating	Credit Rating	2025		2024	
		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					
		547,150,439	12.91	812,948,010	21.21
Other Counterparties					
	AAA	307,881,417	7.26	–	0.00
	AA+	35,116,976	0.83	–	0.00
	AA	119,691,146	2.82	–	0.00
	AA-	63,334,560	1.49	89,769,885	2.34
	A+	40,529,705	0.96	154,940,279	4.04
	A	3,657,634	0.09	1,120	0.00
	A-	351,958	0.01	5,832,196	0.15
	BBB+	137,901	0.00	–	0.00
	BBB	–	0.00	82	0.00
	NR	165,776	0.00	36,703	0.00
		1,118,017,512	26.37	1,063,528,275	27.74

Notes to the Financial Statements

Credit Exposure by Credit Rating	Credit Rating	2025		2024	
		Rs. '000	%	Rs. '000	%
Securities at Fair Value through Other Comprehensive Income					
	AAA	356,775,846	8.42	495,363,313	12.92
	AA+	446,990,583	10.54	101,121,868	2.64
	AA	40,987,893	0.97	37,063,341	0.97
	AA-	17,980,712	0.42	18,040,346	0.47
	A+	13,217,751	0.31	20,872,882	0.54
		875,952,785	20.66	672,461,750	17.54
Securities at Fair Value through Profit or Loss					
	AAA	5,855,977	0.14	–	0.00
	AA+	64,870,070	1.53	–	0.00
	AA	3,623,470	0.09	–	0.00
	AA-	10,663,249	0.25	–	0.00
	A+	9,506,001	0.22	–	0.00
	A	928,752	0.02	–	0.00
		95,447,519	2.25	–	0.00
Derivative Financial Instruments					
	AAA	–	0.00	7,797,418	0.20
	AAA (lka)	–	0.00	116,251	0.00
	AA- (lka)	13,892	0.00	–	0.00
	A+ (lka)	1,407	0.00	–	0.00
	A (lka)	740	0.00	19,106,282	0.50
	A- (lka)	–	0.00	925,005	0.02
	BBB- (lka)	–	0.00	12,207	0.00
		16,039	0.00	27,957,163	0.73
IMF Related Assets					
		246,363,338	5.81	222,876,069	5.81
		246,363,338	5.81	222,876,069	5.81
Other receivables					
GOSL					
	CCC+	1,341,168	0.03	–	0.00
	AA+	51	0.00	–	0.00
	A-	6	0.00	–	0.00
		1,341,225	0.03	–	0.00
Total Foreign Currency Financial Assets					
		2,337,138,418	55.13	1,986,823,257	51.83

Notes to the Financial Statements

Credit Exposure by Credit Rating	Credit Rating	2025		2024	
		Rs. '000	%	Rs. '000	%
Local Currency Financial Assets					
Sri Lanka Government Securities	AAA (lka)	1,834,889,192	43.29	1,748,873,060	45.62
Securities Purchased under Resale Agreements	AA (lka)	112,025	0.00	–	0.00
	AA- (lka)	–	0.00	1,588,279	0.04
	A (lka)	995,226	0.02	17,750,099	0.46
	A- (lka)	–	0.00	855,200	0.02
	BBB- (lka)	–	0.00	6,001,343	0.16
Equity Investments in Financial and Other Institutions	NR	46,834	0.00	46,834	0.00
Loans to Banks	AA- (lka)	949,004	0.02	–	0.00
	A+ (lka)	176,343	0.00	–	0.00
	A (lka)	106,074	0.00	1,799,389	0.05
	A- (lka)	–	0.00	433,426	0.01
	BBB (lka)	46,939	0.00	–	0.00
	BBB- (lka)	86,003	0.00	283,945	0.01
	BB+ (lka)	144,409	0.00	354,873	0.01
	BB (lka)	2,513	0.00	–	0.00
	NR	3,907,205	0.09	6,689,796	0.17
Pension and Other Post-Employment Benefit Plans	NR	17,568,400	0.41	9,062,661	0.24
Other Assets	AAA (lka)	130,810	0.00	–	0.00
Sri Lanka Government Securities – Designated Funds	AAA(lka)	26,932,957	0.64	24,246,330	0.63
GOSL	AAA(lka)	3,056,771	0.07	19,033,179	0.50
	AA- (lka)	633,178	0.01	–	0.00
	A (lka)	2,423,026	0.06	255,012	0.01
	A- (lka)	–	0.00	293,510	0.01
	NR	9,695,307	0.23	8,949,114	0.23
Total Local Currency Financial Assets		1,901,902,216	44.87	1,846,516,050	48.17
Total Financial Assets		4,239,040,634	100.00	3,833,339,308	100.00

Notes to the Financial Statements

(d) Summary by Major Credit Category

Summary by Major Credit Category	Credit Rating	2025		2024	
		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		547,150,439	12.91	812,948,010	21.21
IMF Related Assets		246,363,338	5.81	222,876,069	5.81
	AAA	670,513,240	15.81	503,160,731	13.12
	AA+/-	803,258,710	18.95	245,995,441	6.42
	A+/-	68,191,807	1.61	181,646,477	4.74
	BBB+/-	137,901	0.00	82	0.00
GOSL	CCC+	1,341,168	0.03	–	0.00
	NR	165,775	0.00	36,702	0.00
		2,337,122,378	55.13	1,966,663,512	51.29
	AAA (lka)	–	0.00	116,251	0.00
	AA+/- (lka)	13,892	0.00	–	0.00
	A+/- (lka)	2,148	0.00	20,031,287	0.53
	BBB+ (lka)	–	0.00	12,207	0.00
		16,040	0.00	20,159,745	0.53
Total Foreign Currency Financial Assets		2,337,138,418	55.13	1,986,823,257	51.83
Local Currency Financial Assets	AAA (lka)	130,810	0.00	–	0.00
Sri Lanka Government Securities	AAA (lka)	1,861,822,149	43.92	1,773,119,390	46.26
GOSL	AAA (lka)	3,056,771	0.07	19,033,179	0.50
	AA+/- (lka)	1,694,207	0.04	1,588,279	0.04
	A+/- (lka)	3,700,669	0.08	21,386,636	0.55
	BBB+/- (lka)	132,942	0.00	6,285,288	0.16
	BB+/- (lka)	146,922	0.00	354,873	0.01
	NR	31,217,746	0.75	24,748,405	0.66
Total Local Currency Financial Assets		1,901,902,216	44.87	1,846,516,050	48.17
Total Financial Assets		4,239,040,634	100.00	3,833,339,308	100.00

Notes to the Financial Statements

(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.

Maximum Exposure to Credit Risk by Risk Rating	Not Subject to ECL Rs. '000	12 – Month ECL			Lifetime ECL		2025
		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 Riks Bank/Bank of Canada/Reserve Bank of New Zealand/Reserve Bank of India/People's Bank of China	–	547,386,258	–	–	–	–	547,386,258
AAA	–	307,966,755	–	–	–	–	307,966,755
AA+	–	35,125,780	–	–	–	–	35,125,780
AA	–	119,784,141	–	–	–	–	119,784,141
AA-	–	63,365,387	–	–	–	–	63,365,387
A+	–	40,529,824	–	–	–	–	40,529,824
A	–	3,657,680	–	–	–	–	3,657,680
A-	–	351,971	–	–	–	–	351,971
BBB+	–	137,924	–	–	–	–	137,924
NR	–	165,798	–	–	–	–	165,798
Gross Carrying Amount	–	1,118,471,518	–	–	–	–	1,118,471,518
Loss Allowance	–	(454,009)	–	–	–	–	(454,009)
Carrying Amount	–	1,118,017,509	–	–	–	–	1,118,017,509

Maximum Exposure to Credit Risk by Risk Rating	Not Subject to ECL Rs. '000	12 – Month ECL			Lifetime ECL		2025
		Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total		
					Rs. '000		
Securities at Fair Value through Other Comprehensive Income							
AAA	–	356,775,846	–	–	–	–	356,775,846
AA+	–	446,990,583	–	–	–	–	446,990,583
AA	–	40,987,893	–	–	–	–	40,987,893
AA-	–	17,980,712	–	–	–	–	17,980,712
A+	–	13,217,751	–	–	–	–	13,217,751
	–	875,952,785	–	–	–	–	875,952,785

Notes to the Financial Statements

Maximum Exposure to Credit Risk by Risk Rating		Not Subject to ECL Rs. '000	12 – Month ECL		Lifetime ECL		2025
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
IMF Related Assets		-	246,363,338	-	-	-	246,363,338
Gross Carrying Amount		-	246,363,338	-	-	-	246,363,338
Loss Allowance		-	-	-	-	-	-
Carrying Amount		-	246,363,338	-	-	-	246,363,338
Local Currency Financial Assets							
Sri Lanka Government Securities	AAA (lka)	1,834,889,192	-	-	-	-	1,834,889,192
		1,834,889,192	-	-	-	-	1,834,889,192
Securities Purchased under Resale Agreements	Other Risk free Investment	1,107,251	-	-	-	-	1,107,251
		1,107,251	-	-	-	-	1,107,251
Maximum Exposure to Credit Risk by Risk Rating							
		Not Subject to ECL Rs. '000	12 – Month ECL		Lifetime ECL		2025
			Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
Loans to Banks	AA- (lka)	-	949,019	-	-	-	949,019
	A+ (lka)	-	176,356	-	-	-	176,356
	A (lka)	-	106,090	-	-	-	106,090
	BBB (lka)	-	46,979	-	-	-	46,979
	BBB- (lka)	-	-	86,269	-	-	86,269
	BB+ (lka)	-	-	145,108	-	-	145,108
	BB (lka)	-	-	2,533	-	-	2,533
	NR	-	3,909,081	-	-	-	3,909,081
	Credit Guarantee Scheme of CBSL	-	-	-	139,569	-	139,569
Gross Carrying Amount		-	5,187,525	233,910	139,569	-	5,561,004
Loss Allowance		-	(1,960)	(985)	(139,569)	-	(142,514)
Carrying Amount		-	5,185,565	232,925	-	-	5,418,490
Pension and Other Post Employment Benefit Plans	NR	17,568,400	-	-	-	-	17,568,400
Gross Carrying Amount		17,568,400	-	-	-	-	17,568,400
Loss Allowance		-	-	-	-	-	-
Carrying Amount		17,568,400	-	-	-	-	17,568,400

Notes to the Financial Statements

Maximum Exposure to Credit Risk by Risk Rating		Not Subject to ECL	12 – Month ECL			2025
			Lifetime ECL			
			Stage 1	Stage 2	Stage 3	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other Assets						
	Sri Lanka Government Securities- Designated Funds	26,932,957	–	–	–	26,932,957
	Receivable from the Government	3,056,772	–	–	–	3,056,772
	Other Risk Free Receivable	9,616,794	–	–	–	9,616,794
	AAA (lka)	–	130,810	–	–	130,810
	AA- (lka)	–	633,100	–	–	633,100
	A (lka)	–	2,423,373	88	–	2,423,461
	NR	–	78,522	–	2,226,887	2,305,409
Gross Carrying Amount		39,606,523	3,265,805	88	2,226,887	45,099,303
Loss Allowance		–	(367)	–	(2,226,887)	(2,227,254)
Carrying Amount		39,606,523	3,265,438	88	–	42,872,049

Comparative figures as at 31 December 2024 were as follows:

Maximum Exposure to Credit Risk by Risk Rating		Not Subject to ECL	12 – Month ECL			2024
			Lifetime ECL			
			Stage 1	Stage 2	Stage 3	
		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 Riks Bank/Bank of Canada/Reserve Bank of New Zealand/Reserve Bank of India/People's Bank of China	–	814,107,227	–	–	814,107,227
	AA-	–	89,817,766	–	–	89,817,766
	A+	–	154,941,737	–	–	154,941,737
	A	–	5,545,568	–	–	5,545,568
	A-	–	287,913	–	–	287,913
	BBB+	–	82	–	–	82
	NR	–	36,714	–	–	36,714
Gross Carrying Amount		–	1,064,737,007	–	–	1,064,737,007
Loss Allowance		–	(1,208,732)	–	–	(1,208,732)
Carrying Amount		–	1,063,528,275	–	–	1,063,528,275

Notes to the Financial Statements

Maximum Exposure to Credit Risk by Risk Rating		Not Subject to ECL Rs. '000	12 – Month ECL		Lifetime 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	–	495,363,314	–	–	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	
			–	672,461,750	–	–	672,461,750
IMF Related Assets		–	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	AAA (lka)	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	
Loans to Banks							
Maximum Exposure to Credit Risk by Risk Rating	A (lka)	–	116,215	1,684,033	–	1,800,248	
	A- (lka)	–	396,941	36,724	–	433,665	
	BBB- (lka)	–	284,742	–	–	284,742	
	BB+ (lka)	–	–	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 and Other Post Employment Benefit Plans							
Maximum Exposure to Credit Risk by Risk Rating	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		

Notes to the Financial Statements

Maximum Exposure to Credit Risk by Risk Rating	Not Subject to ECL Rs. '000	12 – Month ECL		Lifetime ECL		2024
		Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
Other Assets						
Sri Lanka Government Securities-Designated Funds	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
A (lka)	–	59,842	149,638	–	–	209,480
A- (lka)	–	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

(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.

	2025				2024			
	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
Cash and Cash Equivalents								
Balance as at 01 January	1,208,732	–	–	1,208,732	635,409	230,592	–	866,001
Transfer to Stage 1	–	–	–	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–	–	–	–
Amount charged to the Income Statement	(754,723)	–	–	(754,723)	573,323	(230,592)	–	342,731
Balance as at 31 December	454,009	–	–	454,009	1,208,732	–	–	1,208,732

Notes to the Financial Statements

	2025				2024			
	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
Securities at Fair Value through Other Comprehensive Income								
Balance as at 01 January	1,461,863	-	-	1,461,863	70,273	-	-	70,273
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(395,960)	-	-	(395,960)	1,391,590	-	-	1,391,590
Balance as at 31 December	1,065,903	-	-	1,065,903	1,461,863	-	-	1,461,863
IMF Related Assets								
Balance as at 01 January	9	-	-	9	7	-	-	7
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(9)	-	-	(9)	2	-	-	2
Balance as at 31 December	-	-	-	-	9	-	-	9
Loans to Banks								
Balance as at 01 January	7,220	6,173	-	13,393	14,696	10,457	-	25,153
Transfer to Stage 1	859	(859)	-	-	1,920	(1,920)	-	-
Transfer to Stage 2	(523)	523	-	-	(348)	348	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	(5,596)	(4,852)	-	(10,448)	(9,048)	(2,712)	-	(11,762)
Balance as at 31 December	1,960	985	-	2,945	7,220	6,173	-	13,391

Notes to the Financial Statements

	2025				2024			
	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
Claims Paid under Credit Guarantee Scheme								
Balance as at 01 January	-	-	129,547	129,547	-	-	110,318	110,318
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	-	-	10,022	10,022	-	-	19,229	19,229
Balance as at 31 December	-	-	139,569	139,569	-	-	129,547	129,547
Other Assets								
Balance as at 01 January	43	262	2,226,887	2,227,192	63	173	2,226,887	2,227,123
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	323	(262)	-	61	(20)	89	-	69
Balance as at 31 December	366	-	2,226,887	2,227,253	43	262	2,226,887	2,227,192
Credit Guarantees								
Balance as at 01 January	18,941	-	-	18,941	31,293	-	-	31,293
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Amount charged to the Income Statement	8,832	-	-	8,832	(12,352)	-	-	(12,352)
Balance as at 31 December	27,773	-	-	27,773	18,941	-	-	18,941

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		
	2025	2024	Principal Type of Collateral Held
Securities Purchased under Resale Agreements	100	100	Marketable Government Securities
Loans to Banks			
<i>Saubagya</i> Covid Renaissance Facility	-	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.

	2025 Impact: Increase/(Decrease)		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000
Cash and Cash Equivalents			
Decreased due to the improvement in economic conditions in corresponding risk parties	(754,723)	-	-
Securities at Fair Value through Other Comprehensive Income			
Decreased due to the improvement in economic conditions in corresponding risk parties	(395,360)	-	-
IMF Related Assets			
Decreased due to decline in IMF related assets	(9)	-	-
Loans to Banks			
- Already Existed Balances			
Decreased due to the loan repayment during the year	(5,260)	(5,188)	-
Increased due to the payment of credit guarantee claims to banks	-	-	10,022
Designated Funds			
- Already Existed Balances			
Increased due to increase in the investment	323	(262)	-
Credit Guarantees			
Increased due to increase in risk of counterparty	8,832	-	-
	(1,146,197)	(5,450)	10,022

Notes to the Financial Statements

	2024 Impact: Increase/(Decrease)		
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000
Cash and Cash Equivalents			
Cash balances have increased with the net foreign exchange purchase from domestic foreign exchange market, thereby increasing investment in fixed deposits and repos	573,323	(230,592)	-
Securities at Fair Value through Other Comprehensive Income			
Increased due to re-establishment of investment portfolios in the liquidity tranche in 2023 made in terms of Fixed Income Securities and Treasury Bills	1,391,590	-	-
IMF Related Assets			
Increased due to increase in IMF related assets	2	-	-
Loans to Banks			
- Already Existed Balances			
Decreased due to the loan repayments during the year	(7,476)	(4,286)	-
Increased due to the payment of credit guarantee claims to banks	-	-	19,229
Designated 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)	-	-
	1,945,067	(234,789)	19,229

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 point. Sensitivity of the risk exposure of the CBSL reserves is given below.

Portfolio Segment	Potential Loss (USD Mn.)	
	2025	2024
CBSL foreign Reserves	0.57	0.31

RMCD is responsible for facilitating the interest rate risk of the foreign assets portfolio by employing the following strategies:

i. Modified Duration:

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	
	2025	2024
CBSL foreign Reserves	0.93	0.54

Notes to the Financial Statements

ii. Convexity

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 measures the curvature of the price-yield relationship. It provides a correction term to reduce the error in price prediction. 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.)	
	2025	2024
CBSL foreign Reserves	0.03	0.02

iii. Value at Risk (VaR)

VaR summarises, in a single number, the maximum expected loss of a portfolio over a specified time horizon and at a given confidence level, under normal market conditions, due to movements in financial market variables. Therefore, VaR represents the maximum expected loss over a specified time horizon at a given confidence level, such that the probability of a larger loss is low and pre-specified. VaR expresses potential losses in monetary terms and can be aggregated across positions and risk factors, subject to diversification assumptions. For CBSL foreign reserves, VaR is calculated over a 10-day horizon at a 99% confidence level using both Historical and Parametric methodologies.

Portfolio Segment	Value at Risk (VaR) (USD Mn.)			
	2025		2024	
	Historical	Parametric	Historical	Parametric
CBSL foreign Reserves	38.45	34.45	37.41	64.67

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 Document".

(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. Instead, 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 under market liquidity conditions. 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.

Notes to the Financial Statements

(c) Assets and Liabilities that will Mature or re-price within the following Periods

Foreign Currency Interest Rate Sensitivity Gap:	Weighted Ave. Int. Rate %	2025 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	1.8978	1,118,017,512	674,376,152	443,641,360	-	-	-
Securities at Fair Value through Profit or Loss	2.5887	95,447,519	17,449,357	26,475,305	30,617,931	20,904,926	-
Securities at Fair Value through Other Comprehensive Income	3.0934	875,952,785	103,855,510	95,699,209	267,514,273	386,074,151	22,809,642
IMF Related Assets	2.6640	1,537,923	1,537,923	-	-	-	-
Total Interest Sensitive Foreign Currency Financial Assets		2,090,955,739	797,218,941	565,815,874	298,132,204	406,979,077	22,809,642
Non-Interest Sensitive Foreign Currency Financial Assets							
IMF Related Assets		244,825,406	-	81,783	81,783	151,243	244,510,596
Derivative Financial Instruments		16,039	16,039	-	-	-	-
Other Receivables		1,341,225	57	1,341,168	-	-	-
Total Non-Interest Sensitive Foreign Currency Financial Assets		246,182,670	16,097	1,422,951	81,783	151,243	244,510,596
Total Foreign Currency Financial Assets		2,337,138,410	797,235,037	567,238,825	298,213,987	407,130,320	267,320,238
Interest Sensitive Foreign Currency Financial Liabilities							
IMF	2.6640	149,180,084	16,867,897	46,266,828	50,409,824	35,635,534	-
Other Foreign Liabilities	7.9886	203,225,677	140,783,841	62,441,836	-	-	-
Total Interest Sensitive Foreign Currency Financial Liabilities		352,405,761	157,651,738	108,708,664	50,409,824	35,635,534	-

Notes to the Financial Statements

Foreign Currency Interest Rate Sensitivity Gap:	Weighted Ave. Int. Rate %	2025 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
Non Interest Sensitive Foreign Currency Financial Liabilities							
Banks and Financial Institutions		4,287,792	4,287,792	-	-	-	-
Derivative Financial Instruments		28,650,448	10,696,662	8,776,230	7,052,520	2,125,036	-
IMF		650,718,241	-	-	-	-	650,718,241
Other Foreign Liabilities		438,928,000	-	438,928,000	-	-	-
Others		204,212,644	162,551,849	-	-	-	41,660,795
Total Non Interest Sensitive Foreign Currency Financial Liabilities		1,326,797,125	177,536,303	447,704,230	7,052,520	2,125,036	692,379,036
Total Foreign Currency Financial Liabilities		1,679,202,886	335,188,041	556,412,894	57,462,344	37,760,570	692,379,036
Foreign Currency Interest Rate Sensitivity Gap		1,738,549,978	639,567,203	457,107,210	247,722,380	371,343,544	22,809,642
Local Currency Interest Rate Sensitivity Gap:							
Local Currency Interest Rate Sensitivity Gap:	Weighted Ave. Int. Rate %	2025 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	7.5539	1,834,889,192	11,083,033	5,863,940	294,454	175,751,679	1,641,896,085
Securities Purchased under Resale Agreements	8.2500	1,107,251	1,107,251	-	-	-	-
Loans to Banks	3.0500	5,418,490	-	-	8,649	5,409,842	-
Other Assets – Staff Loans	0.0400	9,571,559	256,167	235,345	481,549	1,543,210	7,055,288
– Others	12.4155	30,155,183	6,126,616	2,156,357	2,070,722	9,693,161	10,108,327
Total Interest Sensitive Local Currency Financial Assets		1,881,141,676	18,573,068	8,255,641	2,855,376	192,397,892	1,659,059,700
Non-Interest Sensitive Local Currency Financial Assets							
Investment in Equity Securities – Fair Value through Other Comprehensive Income		46,834	-	-	-	-	46,834
Pension and Other Post-Employment Benefit Plans		17,568,400	-	-	-	-	17,568,400
Other Assets – Others		3,145,307	3,102,094	43,213	-	-	-
Total Non-Interest Sensitive Local Currency Financial Assets		20,760,541	3,102,094	43,213	-	-	17,615,234
Total Local Currency Financial Assets		1,901,902,216	21,675,161	8,255,641	2,855,376	192,397,892	1,676,674,934

Notes to the Financial Statements

Local Currency Interest Rate Sensitivity Gap:	Weighted Ave. Int. Rate %	2025 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 Liabilities							
Standing Deposit Facility	7.2500	176,322,112	176,322,112	-	-	-	-
Total Interest Sensitive Local Currency Financial Liabilities		176,322,112	176,322,112	-	-	-	-
Non-Interest Sensitive Local Currency Financial Liabilities							
Deposits of Banks and Financial Institutions		227,700,087	227,700,087	-	-	-	-
Deposits of Government and Governmental Entities		7,905,167	7,905,167	-	-	-	-
Currency in Circulation		1,568,938,866	1,568,938,866	-	-	-	-
Pension and Other Post-Employment Benefit Plans		8,002,998	-	-	-	-	8,002,998
Other Payables		34,521,441	34,521,441	-	-	-	-
Total Non-Interest Sensitive Local Currency Financial Liabilities		1,847,068,558	1,839,065,560	-	-	-	8,002,998
Total Local Currency Financial Liabilities		2,023,390,670	2,015,387,672	-	-	-	8,002,998
Local Currency Interest Rate Sensitivity Gap		1,704,819,564	(157,749,044)	8,255,641	2,855,376	192,397,892	1,659,059,700
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	662,690,797	400,837,478	-	-	-
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	823,349,498	502,936,426	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	838,484,429	517,832,259	189,023,203	221,283,085	220,200,229

Notes to the Financial Statements

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 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	–	–	–
Other		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	659,998,123	340,935,199	(58,505,251)	143,281,320	–
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 Other Institutions	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

Notes to the Financial Statements

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
Non-Interest Sensitive Local Currency Financial Assets							
Investment in Equity Securities – Fair Value through Other Comprehensive Income		46,834	–	–	–	–	46,834
Other Assets – Others		19,077,463	19,077,463	–	–	–	–
Pension and Other Post-Employment Benefit Plans		9,062,661	–	–	–	–	9,062,661
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 and 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

Notes to the Financial Statements

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 2025, the net exposure of the Central Bank of Sri Lanka to major currencies were as follows:

As at 31 December 2025	Currency			
	United States Dollars Rs. '000	Euro Rs. '000	Japanese Yen Rs. '000	Sterling Pound Rs. '000
Foreign Currency Financial Assets				
Cash and Cash Equivalents	645,451,148	4,627,596	18,964,302	508,415
Securities at Fair Value through Other Comprehensive Income	739,965,677	24,789,829	13,217,751	35,855,187
Securities at Fair Value through Profit or Loss	95,447,519	-	-	-
Derivative Financial Instruments	-	-	-	-
IMF Related Assets	-	-	-	-
Other Receivables	1,334,888	1,767	-	4,570
Total Foreign Currency Financial Assets	1,482,199,232	29,419,192	32,182,053	36,368,172
Proportion	63.41%	1.26%	1.38%	1.56%
Foreign Currency Financial Liabilities				
Banks and Financial Institutions	3,507,563	137,684	20,677	165,526
Derivative Financial Instruments	-	-	-	-
IMF	-	-	-	-
Other Foreign Liabilities	203,225,677	-	-	-
Others	204,176,660	-	-	-
Total Foreign Currency Financial Liabilities	410,909,900	137,684	20,677	165,526
Proportion	24.47%	0.01%	0.00%	0.01%
Net Foreign Currency Exposure	1,071,289,232	29,281,508	32,161,376	36,202,646

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 2025	Sri Lanka Rupees Rs. '000	United States Dollars Rs. '000
Purchases	574,797,927	-
Sales	-	598,540,287

Notes to the Financial Statements

Currency						
SDR	AUD	CAD	NZD	CNY	Other Currencies	Total All Currencies
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs.'000	Rs.'000	Rs. '000
-	612,123	292,300	144,953	447,870,611	73	1,118,471,521
-	36,203,263	18,502,048	7,419,030	-	-	875,952,785
-	-	-	-	-	-	95,447,519
-	-	-	-	-	16,039	16,039
246,363,338	-	-	-	-	-	246,363,338
-	-	-	-	-	-	1,341,225
246,363,338	36,815,386	18,794,348	7,563,983	447,870,611	16,112	2,337,592,427
10.54%	1.57%	0.80%	0.32%	19.16%	0.01%	100%
-	456,342	-	-	-	-	4,287,792
-	-	-	-	-	28,650,448	28,650,448
799,898,325	-	-	-	-	-	799,898,325
-	-	-	-	438,928,000	-	642,153,677
-	-	-	-	-	35,984	204,212,644
799,898,325	456,342	-	-	438,928,000	28,686,432	1,679,202,886
47.64%	0.03%	0.00%	0.00%	26.14%	1.71%	100%
(553,534,987)	36,359,044	18,794,348	7,563,983	8,942,611	(28,670,320)	658,389,541

Notes to the Financial Statements

As at 31 December 2024	Currency			
	United States Dollars Rs. '000	Euro Rs. '000	Japanese Yen Rs. '000	Sterling Pound Rs. '000
Foreign Currency Financial Assets				
Cash and Cash Equivalents	474,060,085	1,290,010	183,223,097	516,915
Securities at Fair Value through Other Comprehensive Income	560,339,827	26,215,548	20,872,882	28,053,164
Derivative Financial Instruments	–	–	7,797,418	–
IMF Related Assets	–	–	–	–
Total Foreign Currency Financial Assets	1,034,399,912	27,505,558	211,893,397	28,570,079
Proportion	52.03%	1.38%	10.66%	1.44%
Foreign Currency Financial Liabilities				
Banks and Financial Institutions	1,038,284	–	–	296
Derivative Financial Instruments	–	–	–	–
IMF	–	–	–	–
Other Foreign Liabilities	457,272,340	–	–	–
Others	104,941,098	–	–	–
Total Foreign Currency Financial Liabilities	563,251,722	–	–	296
Proportion	31.41%	0.00%	0.00%	0.00%
Net Foreign Currency Exposure	471,148,190	27,505,558	211,893,397	28,569,783

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 Rs. '000	United States Dollars Rs. '000	Japanese Yen Rs. '000
Purchases	–	494,994,139	132,366,204
Sales	467,210,370	138,322,735	41,515,701

Notes to the Financial Statements

Currency							Total All Currencies
SDR	AUD	CAD	NZD	CNY	Other Currencies		Rs. '000
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs.'000	Rs. '000		Rs. '000
-	436,715	413,282	175,853	404,620,993	56		1,064,737,006
-	15,762,064	14,732,536	6,485,729	-	-		672,461,750
-	-	-	-	-	20,159,745		27,957,163
222,876,078	-	-	-	-	-		222,876,078
222,876,078	16,198,779	15,145,818	6,661,582	404,620,993	20,159,801		1,988,031,997
11.21%	0.81%	0.76%	0.34%	20.35%	1.01%		100%
-	38	-	-	-	-		1,038,618
-	-	-	-	-	37,196,387		37,196,387
781,616,569	-	-	-	-	-		781,616,569
-	-	-	-	411,279,000	-		868,551,340
-	-	-	-	-	34,159		104,975,257
781,616,569	38	-	-	411,279,000	37,230,546		1,793,378,171
43.58%	0.00%	0.00%	0.00%	22.93%	2.08%		100%
(558,740,491)	16,198,741	15,145,818	6,661,582	(6,658,007)	(17,070,745)		194,653,826

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

Currency	Average Rate		Year-end Spot Rate	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
1 USD	301.8137	301.4195	309.9944	292.5833
1 EUR	341.5805	325.4802	364.0574	302.8822
1 JPY	2.0128	1.9941	1.9799	1.8617
1 GBP	398.5159	385.6689	417.5935	365.9047
1 SDR	407.2525	399.4087	424.5383	382.3288
1 AUD	194.6409	198.3080	206.7973	180.9920
1 CAD	216.2153	219.8024	225.9270	203.4796
1 NZD	175.1136	182.0108	178.4018	163.6418
1 CNY	42.1322	41.9336	44.3641	40.0837

Notes to the Financial Statements

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 2025	Profit or Loss	
	Strengthening Rs. '000	Weakening Rs. '000
USD (5% movement)	53,564,467	(53,564,467)
EUR (5% movement)	1,464,075	(1,464,075)
JPY (5% movement)	1,607,028	(1,607,028)
GBP (5% movement)	1,810,132	(1,810,132)
SDR (5% movement)	(27,676,749)	27,676,749
AUD (5% movement)	1,817,952	(1,817,952)
CAD (5% movement)	939,717	(939,717)
NZD (5% movement)	378,199	(378,199)
CNY (5% movement)	447,131	(447,131)

31 December 2024	Profit or Loss	
	Strengthening Rs. '000	Weakening Rs. '000
USD (5% movement)	23,557,410	(23,557,410)
EUR (5% movement)	1,375,278	(1,375,278)
JPY (5% movement)	10,594,670	(10,594,670)
GBP (5% movement)	1,428,489	(1,428,489)
SDR (5% movement)	(27,937,025)	27,937,025
AUD (5% movement)	809,937	(809,937)
CAD (5% movement)	757,291	(757,291)
NZD (5% movement)	333,079	(333,079)
CNY (5% movement)	(332,900)	332,900

Notes to the Financial Statements

47.4 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

As at 31 December 2025, contractual maturities of undiscounted 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 2025						
Foreign Currency Financial Assets						
Cash and Cash Equivalents	674,376,152	443,641,360	–	–	–	1,118,017,512
Securities at Fair Value through Profit or Loss	16,705,732	25,770,304	34,505,708	23,382,009	–	100,363,753
Securities at Fair Value through Other Comprehensive Income	125,420,086	103,201,444	292,765,176	395,851,990	23,963,858	941,202,554
IMF Related Assets	1,537,923	81,783	81,783	151,243	244,510,597	246,363,329
Other Receivables	58	1,341,167	–	–	–	1,341,225
Total Undiscounted Foreign Currency Financial Assets	818,039,951	574,036,058	327,352,667	419,385,242	268,474,455	2,407,288,373
Local Currency Financial Assets						
Sri Lanka Government Securities	104,274,138	98,966,343	124,889,523	563,270,502	2,826,321,897	3,717,722,403
Securities Purchased under Resale Agreements	1,107,251	–	–	–	–	1,107,251
Equity Investments in Financial and Other Institutions	–	–	–	–	46,834	46,834
Loans to Banks	1,774,703	1,557,027	2,050,500	273,717	–	5,655,947
Pension and Other Post-Employment Benefit Plans	–	–	–	–	17,568,400	17,568,400
Other Assets	12,385,519	4,068,141	5,454,623	17,340,892	23,425,053	62,674,228
Total Undiscounted Local Currency Financial Assets	119,541,611	104,591,511	132,394,646	580,885,111	2,867,362,184	3,804,775,063
Total Undiscounted Financial Assets	937,581,561	678,627,569	459,747,313	1,000,270,353	3,135,836,639	6,212,063,436
Foreign Currency Financial Liabilities						
Banks and Financial Institutions	4,287,792	–	–	–	–	4,287,792
IMF	51,114,872	46,718,155	92,202,072	380,645,609	1,175,275,470	1,745,956,178
Other Foreign Liabilities	140,783,841	501,369,836	–	–	–	642,153,677
Others	162,551,849	–	–	–	41,660,795	204,212,644
Total Undiscounted Foreign Currency Financial Liabilities	358,738,354	548,087,991	92,202,072	380,645,609	1,216,936,265	2,596,610,291

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	227,700,087	–	–	–	–	227,700,087
Deposits of Government and Governmental Entities	7,905,167	–	–	–	–	7,905,167
Securities Sold Under Repurchase Agreements	176,322,112	–	–	–	–	176,322,112
Currency in Circulation	1,568,938,866	–	–	–	–	1,568,938,866
Pension and Other Post-Employment Benefit Plans	–	–	–	–	8,002,998	8,002,998
Other Payables	34,521,441	–	–	–	–	34,521,441
Total Undiscounted Local Currency Financial Liabilities	2,015,387,673	–	–	–	8,002,998	2,023,390,671
Total Undiscounted Financial Liabilities	2,374,126,027	548,087,991	92,202,072	380,645,609	1,224,939,263	4,620,000,962
Net Undiscounted Financial Assets/(Liabilities)	(1,436,544,465)	130,539,578	367,545,241	619,624,744	1,910,897,376	1,592,062,474

	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 2025						
Derivative Financial Assets	478,552,930	75,222,635	14,661,394	6,360,968	–	574,797,927
Derivative Financial Liabilities	485,760,605	82,302,893	21,874,445	8,602,345	–	598,540,288

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 2024, contractual maturities of undiscounted 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	662,690,797	400,837,478	–	–	–	1,063,528,275
Securities at Fair Value through Other Comprehensive Income	178,083,486	101,872,442	200,941,931	231,354,785	–	712,252,644
IMF Related Assets	2,017,103	73,652	73,652	511,433	220,200,229	222,876,069
Total Undiscounted Foreign Currency Financial Assets	1,243,628,864	101,946,094	201,015,583	231,866,218	220,200,229	1,998,656,988

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	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	–	10,112,211
Pension and 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 Undiscounted Local Currency Financial Assets	154,973,901	98,260,535	211,869,759	488,366,346	3,075,989,449	4,029,459,990
Total Undiscounted Financial Assets	1,398,602,765	200,206,629	412,885,342	720,232,564	3,296,189,678	6,028,116,978
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	1,394,613,782
Other Foreign Liabilities	135,012,633	542,941,485	190,597,222	–	–	868,551,340
Others	104,975,257	–	–	–	–	104,975,257
Total Undiscounted Foreign Currency Financial Liabilities	286,376,096	587,721,386	274,389,572	242,756,533	977,935,410	2,369,178,997
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	194,337,032	–	–	–	–	194,337,032
Currency in Circulation	1,358,722,882	–	–	–	–	1,358,722,882
Pension and Other Post-Employment Benefit Plans	–	–	–	–	7,444,769	7,444,769
Other Payables	30,171,551	–	–	–	–	30,171,551
Total Undiscounted Local Currency Financial Liabilities	1,765,713,414	–	–	–	7,444,769	1,773,158,183
Total Undiscounted Financial Liabilities	2,052,089,510	587,721,386	274,389,572	242,756,533	985,380,179	4,142,337,180
Net Undiscounted Financial Assets/(Liabilities)	(653,486,745)	(387,514,757)	138,495,770	477,476,031	2,310,809,499	1,885,779,798

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
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

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:
- Setting the limit on minimum liquid assets via Strategic Asset allocation
 - Investing in countries with strong capital market and liquidity subject to country concentration limit.
 - Limit on minimum issue size for fixed income securities.
 - Limit on maximum exposure to a single security.
 - 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 2025	Encumbered Pledged as Collateral Rs. '000	Unencumbered Available as Collateral Rs. '000	Total Rs. '000
Foreign Currency Financial Assets			
Cash and Cash Equivalents	–	1,118,017,512	1,118,017,512
Securities at Fair Value through Profit or Loss	–	95,447,519	95,447,519
Securities at Fair Value through Other Comprehensive Income	929,983	875,022,802	875,952,785
Derivative Financial Instruments	–	16,039	16,039
IMF Related Assets	–	246,363,338	246,363,338
Other Receivables	–	1,341,225	1,341,225

Notes to the Financial Statements

31 December 2025	Encumbered Pledged as Collateral Rs. '000	Unencumbered Available as Collateral Rs. '000	Total Rs. '000
Local Currency Financial Assets			
Sri Lanka Government Securities	–	1,834,889,192	1,834,889,192
Securities Purchased under Resale Agreements	–	1,107,251	1,107,251
Equity Investments in Financial and Other Institutions	–	46,834	46,834
Loans to Banks	–	5,418,490	5,418,490
Pension and Other Post-Employment Benefit Plans	–	17,568,400	17,568,400
Other Assets	–	42,872,049	42,872,049
Total Financial Assets	929,983	4,238,110,651	4,239,040,634

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

The restricted use balances of Rs. 443,641.36 Mn. (2024 – Rs. 400,837.48 Mn.) received under the bilateral currency swap agreement between CBSL and the PBoC are included in the cash balances as at 31 December 2025, 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.

Balances in Cash and Cash Equivalents and Securities at Fair Value through Other Comprehensive Income include Rs. 41,661.80 Mn. (2024 – Rs. 29,258.33 Mn.) related to investments on account of Sri Lanka Deposit Insurance Fund as explained in Note 25.2.

Notes to the Financial Statements

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 2025	FVTPL Rs. '000	FVOCI – Debt Instruments Rs. '000	FVOCI – Equity Instruments Rs. '000	Amortised Cost Rs. '000	Total Rs. '000
Foreign Currency Financial Assets					
Cash and Cash Equivalents	–	–	–	1,118,017,512	1,118,017,512
Securities at Fair Value through Profit or Loss	95,447,519	–	–	–	95,447,519
Securities at Fair Value through Other Comprehensive Income	–	875,952,785	–	–	875,952,785
Derivative Financial Instruments	16,039	–	–	–	16,039
IMF Related Assets	246,048,527	–	–	314,811	246,363,338
Other Receivables	–	–	–	1,341,225	1,341,225
Total Foreign Currency Financial Assets	341,512,085	875,952,785	–	1,119,673,548	2,337,138,417
Local Currency Financial Assets					
Sri Lanka Government Securities	–	1,834,889,192	–	–	1,834,889,192
Securities Purchased under Resale Agreements	–	–	–	1,107,251	1,107,251
Equity Investments in Financial and Other Institutions	–	–	46,834	–	46,834
Loans to Banks	–	–	–	5,418,490	5,418,490
Pension and Other Post-Employment Benefit Plans	–	17,568,400	–	–	17,568,400
Other Assets	–	–	–	42,872,049	42,872,049
Total Local Currency Financial Assets	–	1,852,457,592	46,834	49,397,790	1,901,902,217
Foreign Currency Financial Liabilities					
Banks and Financial Institutions	–	–	–	4,287,792	4,287,792
Derivative Financial Instruments	28,650,448	–	–	–	28,650,448
IMF	–	–	–	799,898,325	799,898,325
Other Foreign Liabilities	–	–	–	642,153,677	642,153,677
Others	–	–	–	204,212,644	204,212,644
Total Foreign Currency Financial Liabilities	28,650,448	–	–	1,650,552,438	1,679,202,886
Local Currency Financial Liabilities					
Deposits of Banks and Financial Institutions	–	–	–	227,700,087	227,700,087
Deposits of Government and Governmental Entities	–	–	–	7,905,167	7,905,167
Securities Sold under Repurchase Agreements	–	–	–	176,322,112	176,322,112
Currency in Circulation	–	–	–	1,568,938,866	1,568,938,866
Other Payables	–	–	–	34,521,441	34,521,441
Pension and Other Post-Employment Benefit Plans	–	8,002,998	–	–	8,002,998
Total Local Currency Financial Liabilities	–	8,002,998	–	2,015,387,672	2,023,390,670

Notes to the Financial Statements

31 December 2024	FVTPL Rs. '000	FVOCI – Debt Instruments Rs. '000	FVOCI – Equity Instruments Rs. '000	Amortised Cost 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	–	672,461,750	–	–	672,461,750
Derivative Financial Instruments	27,957,163	–	–	–	27,957,163
IMF Related Assets	222,217,340	–	–	658,729	222,876,069
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
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	–	–	–	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

Notes to the Financial Statements

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 5.2. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

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

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

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

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

31 December 2025	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Foreign Currency Financial Assets				
Securities at Fair Value through Profit or Loss	95,447,519	–	–	95,447,519
Securities at Fair Value through Other Comprehensive Income	875,952,785	–	–	875,952,785
Derivative Financial Instruments	–	16,039	–	16,039
IMF Related Assets	246,048,527	–	–	246,048,527
	1,217,448,831	16,039	–	1,217,464,870
Foreign Currency Non-Financial Assets				
Gold	26,705,749	–	–	26,705,749
	26,705,749	–	–	26,705,749
Local Currency Financial Assets				
Sri Lanka Government Securities	17,241,427	1,817,647,765	–	1,834,889,192
	17,241,427	1,817,647,765	–	1,834,889,192
Other Non-Financial Assets				
Land	–	–	14,197,618	14,197,618
Building	–	–	7,553,742	7,553,742
	–	–	21,751,360	21,751,360
Financial Liabilities				
Derivative Financial Instruments	–	28,650,448	–	28,650,448
	–	28,650,448	–	28,650,448

Notes to the Financial Statements

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	24,702,975	1,724,170,085	–	1,748,873,060
	24,702,975	1,724,170,085	–	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

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.

Notes to the Financial Statements

Gold	2025 Rs. '000	2024 Rs. '000
Balance as at 01 January	11,629,873	10,120,756
Purchases/(Sales) during the Year	5,890,537	-
Foreign Exchange Gains/(Losses)	548,800	(761,830)
Change in Price of Gold	8,636,539	2,270,947
Balance as at 31 December	26,705,749	11,629,873

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 2025 was Rs. 176,322.11 Mn. (2024 – Rs. 194,337.03 Mn.) and the carrying value of Sri Lanka Government Securities purchased under resale agreements as at 31 December 2025 was Rs. 1,107.25 Mn. (2024 – Rs. 26,194.92 Mn.). There was no outstanding balance of Sri Lanka Government Securities sold under repurchase agreements as at 31 December 2025 (2024 – 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	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Foreign Currency Financial Assets				
Cash and Cash Equivalents	1,118,017,512	1,063,528,275	1,118,017,512	1,063,528,275
IMF Related Assets	314,811	658,728	314,811	649,493
Other Receivables	1,341,225	-	1,341,225	-
Local Currency Financial Assets				
Securities Purchased under Resale Agreements	1,107,251	26,194,922	1,107,251	26,194,922
Equity Investments in Financial and Other Institutions	46,834	46,834	46,834	46,834
Loans to Banks	5,418,490	9,561,430	5,502,269	9,464,955
Other Assets	42,872,048	52,777,144	45,689,425	55,109,425
Foreign Currency Financial Liabilities				
Banks and Financial Institutions	4,499,966	1,038,618	4,499,966	1,038,618
IMF	799,898,325	781,616,569	799,898,325	781,616,569
Other Foreign Liabilities	642,153,677	868,551,340	642,153,677	868,551,340
Others	204,000,470	104,975,256	204,000,470	104,975,256

Notes to the Financial Statements

	Carrying Amount		Fair Value	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Local Currency Financial Liabilities				
Deposits of Banks and Financial Institutions	227,700,087	180,946,953	227,700,087	180,946,953
Deposits of Government and Governmental Entities	7,905,167	1,534,996	7,905,167	1,534,996
Securities Sold under Repurchase Agreements and Standing Deposit Facility	176,322,112	194,337,033	176,322,112	194,337,033
Currency in Circulation	1,568,938,866	1,358,722,883	1,568,938,866	1,358,722,883
Other Payables	34,521,441	30,171,551	34,521,441	30,171,551

The fair values of the balances associated with the IMF deposits, loans granted to banks and designated fund investments differ from their carrying amounts. Accordingly, the fair value of IMF related assets and other assets differ from the carrying value of these items.

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

50 Comparative Information

Following comparative figures have been reclassified to conform with current year presentation.

50.1 Reclassification of Gain/(Loss) from Unrealised Price Revaluations and Gain/(Loss) from Realised Price Changes

Changes to Income Statement	As reported previously Rs. 000	Adjustment Rs. 000	Reclassified Balance Rs. 000
Gain/(Loss) from Unrealised Price Revaluations	36,204,396	(36,204,396)	-
Gain/(Loss) from Realised Price Changes	28,410,885	(28,410,885)	-
Gain/(Loss) from Foreign Reserve Investment Activities	-	23,147,517	23,147,517
Gain/(Loss) from Market Operations Activities	-	41,467,764	41,467,764
Total	64,615,281	-	64,615,281

During the year, gains/(losses) from unrealised price revaluations and gains/(losses) from realised price changes, previously presented separately, have been reclassified to better reflect the nature of the underlying activities. Accordingly, these amounts are now presented under "Gains/(Losses) from Foreign Reserve Investment Activities" and "Gains/(Losses) from Market Operations Activities".

51 Related Parties

51.1 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:

Notes to the Financial Statements

Nature of the Transaction	Note	2025 Rs. '000	2024 Rs. '000
Transactions:			
Outright Purchases of Government Securities		–	1,125,844
CBSL and Government Securities Purchased/Sold under Agreement to Repurchase/Sales		10,287,612,870	11,280,112,844
Interest Income on CBSL and Government Securities Purchased under Agreement to Sales		161,764	4,164,552
Interest Expenses on CBSL and Government Securities Sold under Agreement to Repurchase		3,092,355	2,551,106
Funds Received on behalf of the Government		788,800,158	853,928,592
Funds Disbursed on behalf of Government		792,081,752	1,062,078,470
Cost of Printing Currency Notes, for the Year ended 31 December	51.1.3	4,041,470	2,947,555
Payments for Goods, Services and Taxes, during the Year ended 31 December	51.1.4	6,868,444	11,136,712
Gross Foreign Exchange Transactions during the Period	51.1.6		
Sales		43,618,034	68,814,477
Purchases		563,601,550	916,768,375
USD/LKR Derivatives		1,187,848,850	4,086,139
External Legal Expenses		8,853	6,050
Funds Received in Respect of Abandoned Property, during the Year		771,266	476,420
Rent Income		223,023	188,745
Dividend Income		197,535	129,728
Other Transactions	51.1.9	387,567	466,495
Balances:			
Sri Lanka Government Securities held by CBSL	51.1.7	1,834,889,192	1,748,873,060
Loans Given under COVID - 19 Renaissance Refinance Scheme		4,797,376	8,302,464
Loans Given under DAD PP Loan Scheme		222,769	364,714
Loans Recognised under Credit Guarantee Scheme of CBSL & MLTC Loans		142,250	134,362
Government Securities Held for Specific Purposes		29,161,311	23,923,607
RTGS Balances with Banks and Financial Institutions	26	1,700,322,145	132,888,982
Nostro Balance with BOC London		165,798	36,714
Receivable from Treasury and Other Ministries		4,397,939	19,033,179
Payable to Treasury and Other Ministries	25.2	162,515,866	29,660,536
Current Account Balances with Government and Government Entities as at 31 December		156,540	178,324
Abandoned Property Balances		8,954,423	8,172,494
Other Balances	51.1.9	57,808	57,571

51.1.1 As empowered under Section 61 of Part IX of the CBA and authorised 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 the Central Bank of Sri Lanka as empowered under Section 61 of part IX of CBA and authorised by the Governing Board.

Notes to the Financial Statements

51.1.2 As per Section 132 of the CBA, the Central Bank continued to act as the agent of the government in managing public debt in respect of the issuance of securities of the Government for the account of the Government and servicing of both domestic and foreign debt until the operationalisation of the Public Debt Management Office (PDMO). PDMO was established within the Ministry of Finance, Planning and Economic Development (MoF) under the Public Debt Management Act No. 33 of 2024 (PDMA) in December 2024. PDMO became fully operational in December 2025 and assumed full responsibility over the public debt management functions previously carried out by the Public Debt Department (PDD) of the Central Bank under the CBA. However, in terms of the relevant provisions of the PDMA and the CBA, the Central Bank will continue to operate the Scripless Securities Settlement System and the Central Depository System for Government Securities under the Payment and Settlements Department (PSD) of the Central Bank, effective from 01 January 2026, with the Director of PSD appointed as Registrar of Government Securities.

51.1.3 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.

51.1.4 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.

51.1.5 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.

51.1.6 In accordance with the provisions of the CBA, Market 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's 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 programme. During 2025, the Bank was a net buyer in the domestic foreign exchange market with net purchases of US dollars 1,992.35 Mn., on value date basis.

51.1.7 The Market 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 the Central Bank Act No. 16 of 2023 (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 2025 is given in Notes 12, 26, and 28. Interest earned on the Government securities is given in Note 35.

51.1.8 The Bank also has custodial arrangements with one state-controlled bank, for which no charges were levied.

51.1.9 Other balances and transactions include the transactions carried out with the Government, Government departments and state-controlled entities that are not individually significant.

51.2 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:

51.3 Compensation to the Key Management Personnel

	2025 Rs '000	2024 Rs '000
Short-Term Employee Benefits	252,129	295,175

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.

51.4 Other Transactions with Key Management Personnel

	2025 Rs '000	2024 Rs '000
Outstanding Loans to Key Management Personnel	238,684	263,898
Loans Granted during the Year	227,510	124,331
Loans Repaid during the Year	269,162	238,654

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

51.5 Transactions with Post-Employment Benefit Plans

	2025 Rs '000	2024 Rs '000
Contributions Paid and Payable	79,791	103,855

The Bank contributed various amounts to Pension and Other Post Retirement Plans as disclosed in Note 16 and paid Rs. 1,645.66 Mn. (2024 – Rs. 1,617.89 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.

52 Contingent Liabilities

52.1 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 2025.

52.2 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. Until the enactment of CBA in 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	
	2025 Rs '000	2024 Rs '000
Related Parties	27,773	131,687
Others	–	109
Total Credit Guarantees	27,773	131,796

The expected credit loss on credit guarantee is recognised for the year ended 31 December 2025 is recorded in Note 38.

52.3 Legal Claims

There were number of legal proceedings outstanding against the Bank as at 31 December 2025 and no provision has been made as the Bank is of the opinion that it is unlikely that any significant loss will arise.

53 Commitments

- As at 31 December 2025, the Bank has capital commitments amounting to Rs. 895.70 Mn., in respect of the acquisition of Property, Plant and Equipment.
- As at 31 December 2025, outstanding forward exchange transactions are as follows:

Forward Exchange Contracts		2025 Rs '000	2024 Rs '000
Forward Exchange Sales	USD	1,930,810	1,318,306
	JPY	–	71,100,000
Forward Exchange Purchases	USD	–	373,500

54 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 derecognised in their entirety.

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

- Securities Sold under Agreements to Repurchase
- Securities Lending;
- Securities pledged

54.1 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 recognised in their entirety under "Sri Lanka Government Securities" in the Statement of Financial Position because it retains

Notes to the Financial Statements

substantially all of the risks and rewards of ownership. The cash consideration to be paid and the interest accrued there on are recognised 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 recognise 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.

	2025 Financial Assets at FVOCI Rs '000	2024 Financial Assets at FVOCI Rs '000
Assets		
Securities Pledged with Euroclear	929,983	877,750
Carrying Amount of Assets	929,983	877,750

55 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:

55.1 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.

55.2 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. EPF's financial statements are maintained separately and audited by the Auditor General.

55.3 Sri Lanka Deposit Insurance Scheme

The Sri Lanka Deposit Insurance Scheme (SLDIS), administered by the Central Bank of Sri Lanka (CBSL), is governed under the Banking (Special Provisions) Act, No. 17 of 2023 at present. All licensed banks and licensed finance companies are members and currently, there are 62 member institutions. The scheme covers demand, time, and savings deposits, excluding certain debt instruments. The SLDIF is prudently managed, with a total fund size of Rs. 160.9 Bn. as at 31 December 2025. The current maximum compensation amount is Rs. 1,100,000/- per depositor. Payment of compensation shall be limited to the available balance of the fund, and CBSL shall not be liable for any amount exceeding the total balance of the fund. CBSL oversees the administration of SLDIS, with day-to-day operations delegated to the Director of the Deposit Insurance and Resolution Department. The SLDIS financial statements are maintained separately and audited by the Auditor General.

55.4 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 2025, refinance granted to Participatory Finance Institutions (PFIs) amounted to Rs. 20,605.61 Mn.