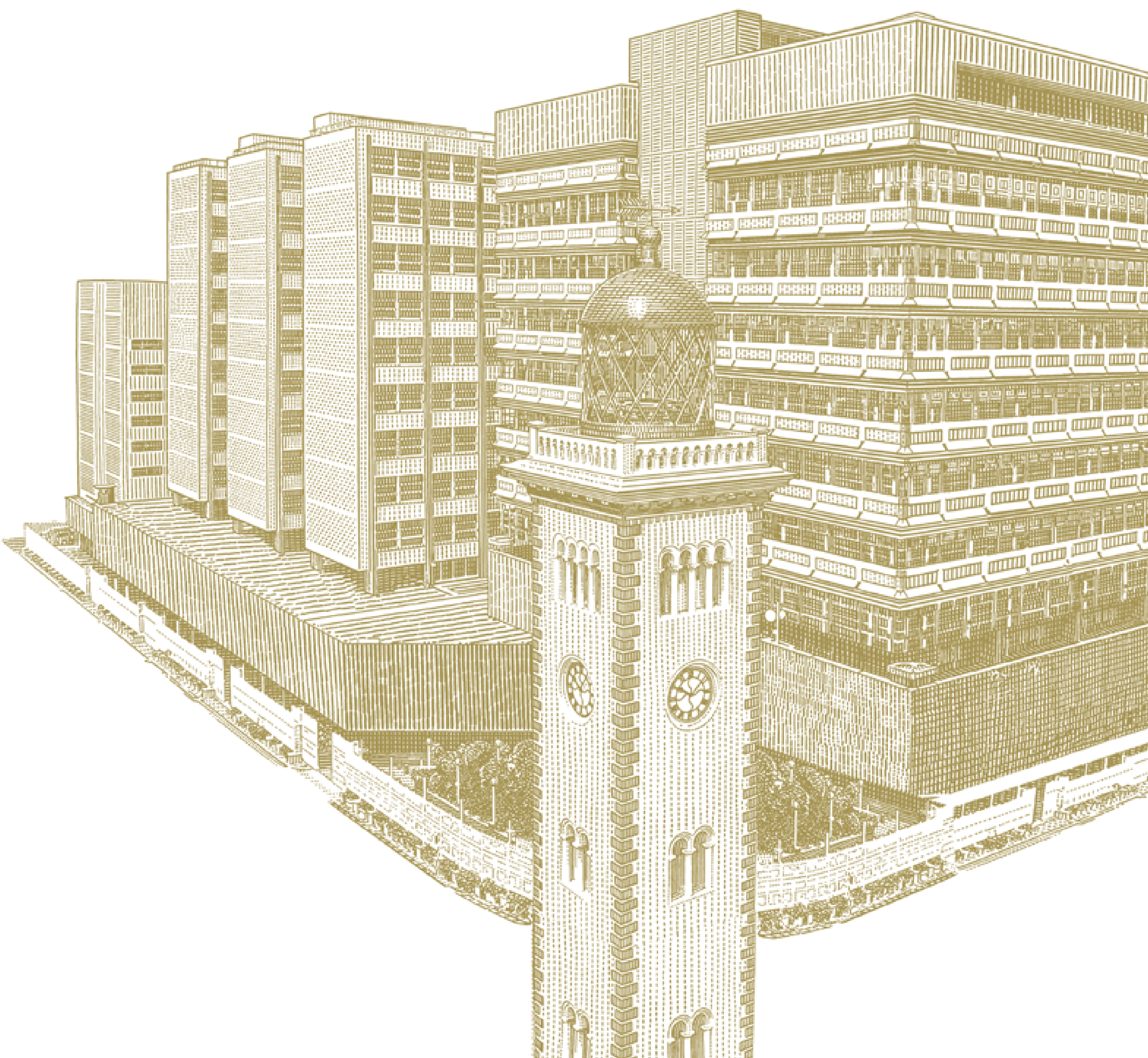
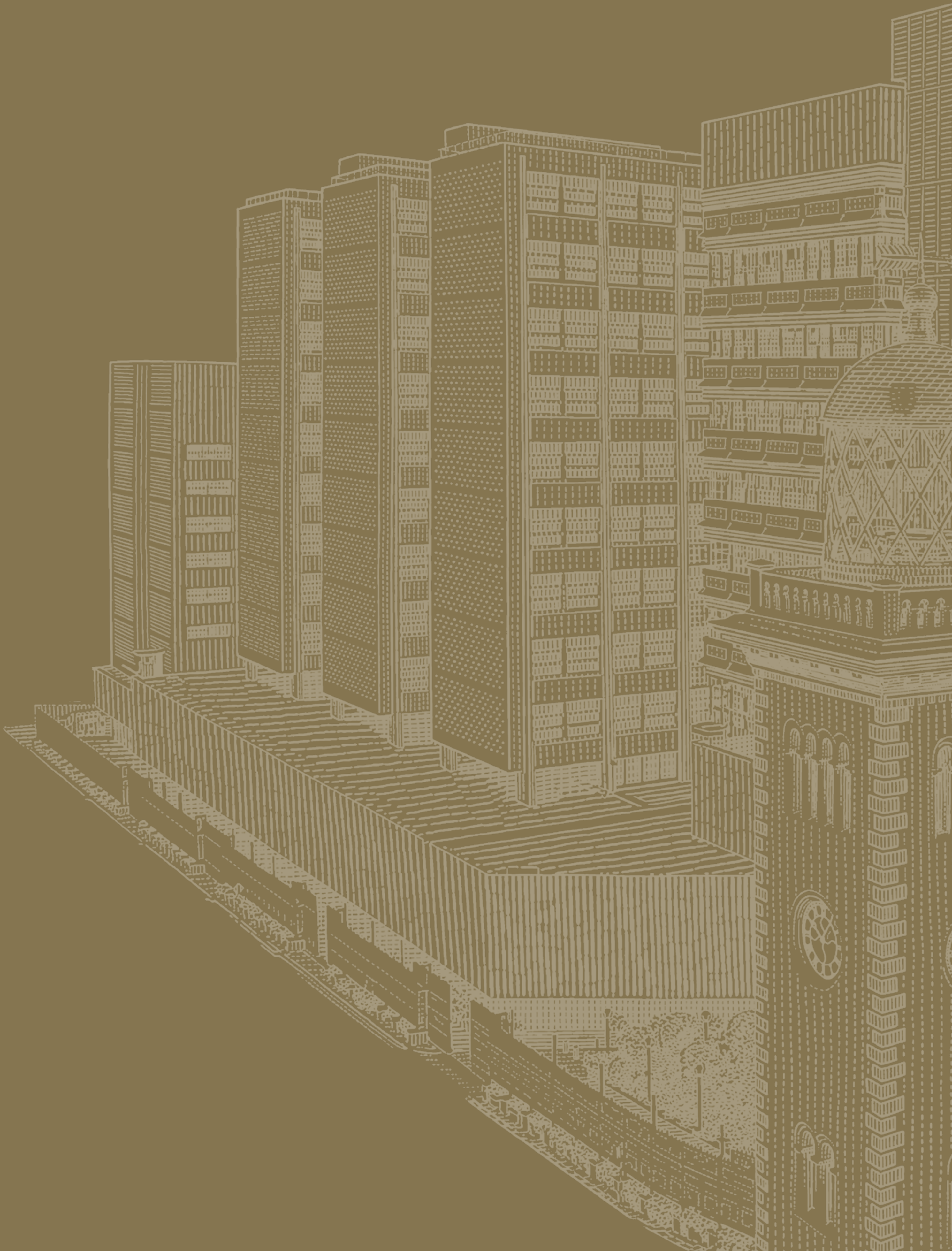
Financial Statements and Operations

2025

ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA





Financial Statements and Operations
Central Bank of Sri Lanka

2025

75 YEARS

STABILITY FOR PROSPERITY

1950-2025

Our Vision

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

Our Mission

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

Our Values

Integrity:

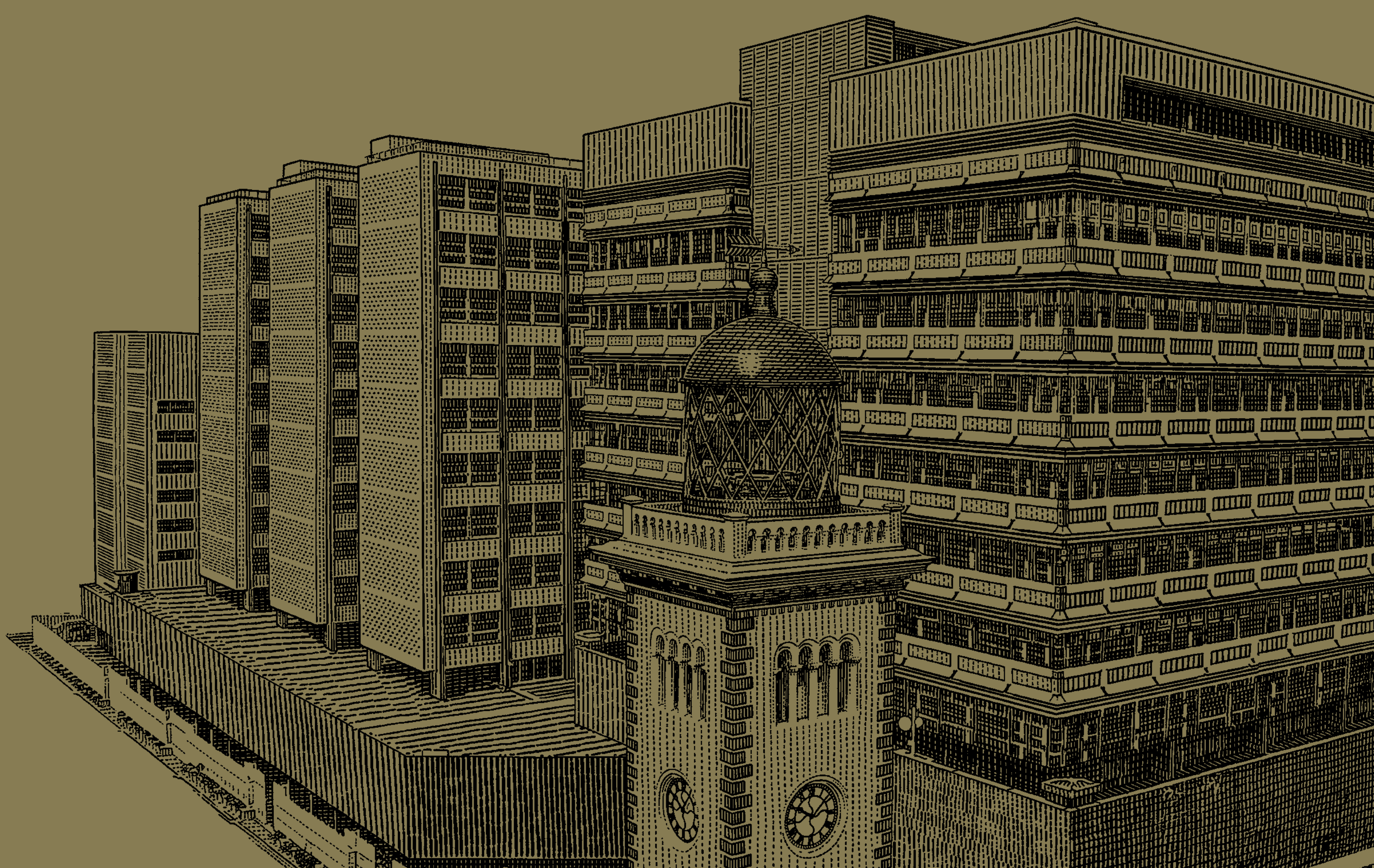
Ethical conduct
Trustworthy
Consistency
Leadership
Professionalism
Technical excellence
Independence of views

Accountability and Transparency:

Responsibility
Ownership
Commitment
Governance
Transparency

Inclusiveness:

Progressive
Integration
Teamwork



Note to the Reader

The "Financial Statements and Operations of the Central Bank of Sri Lanka 2025" is published in accordance with the statutory requirements outlined in the Central Bank of Sri Lanka Act No. 16 of 2023 (CBA).

As stipulated under Section 99 (2) of the CBA, the financial statements contained herein have been approved by the Bank's Governing Board (GB), signed by the Governor and the Chief Accountant, and audited by the Auditor-General. CBA mandates that these financial statements be submitted to the Minister of Finance within four months after the close of each financial year.

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

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

The comprehensive end-to-end interactive PDF version of the Financial Statements and Operations-2025 will also be published.

Explore the interactive features of the online report for a more engaging experience.

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

Message from the Governor

The year 2025 marked a defining milestone for Sri Lanka, as the economy transitioned from stabilisation towards a path of resilient and sustainable growth.

The year 2025 stands as a defining milestone for the Central Bank of Sri Lanka with the notable recovery following the most severe economic crisis faced by the nation. The Central Bank's primary focus throughout the year was to consolidate hard-earned macroeconomic stability and support the economy's transition from stabilisation towards resilient and sustainable growth. The Financial Statements and Operations of the Central Bank for 2025 reflect this continued commitment to policy discipline, institutional reform, and prudent financial stewardship.

During 2025, the Central Bank continued to exercise its mandate under the Central Bank of Sri Lanka Act, No. 16 of 2023, with operational independence and accountability, with a clear focus on achieving domestic price stability while safeguarding financial system stability. Monetary policy was conducted in a forward-looking and data-dependent manner, enabling inflation expectations to remain well anchored and supporting a gradual recovery in economic activity, amidst global and domestic uncertainties. This approach contributed to improve investor confidence and more stable financial market conditions.

In 2025, the Central Bank made significant progress in maintaining price stability and gradually steering inflation back toward its 5% target from the negative levels observed for a brief period. The accommodative monetary policy stance enabled supporting robust private sector credit growth, thereby boosting economic activities further in a low interest rate environment.

The financial system remained resilient throughout the year, underpinned by strong regulatory oversight and proactive supervisory engagement. The Central Bank continued to work closely with licensed banks and non-bank financial institutions to strengthen their balance sheets, improve governance, and risk management practices. These efforts were complemented by targeted macroprudential measures, strengthened data-driven surveillance, and progress in financial sector consolidation, all of which contributed to reinforcing systemic resilience.

The Central Bank remained firmly committed to price stability and financial system resilience, guided by forward looking, data driven policy decisions.

The external sector showed further signs of stability in 2025, supported by improved export performance, tourism inflows, and sustained workers' remittances. Disciplined macroeconomic management enabled the strengthening of external buffers within a market-determined exchange rate framework. The Central Bank's foreign exchange market operations remained transparent and consistent with the objective of reserve accumulation, while preserving exchange rate flexibility.

Preserving recent gains will require continued policy discipline, strong institutions, and a steadfast commitment to building a resilient and inclusive economy.

In parallel, the Central Bank placed strong emphasis on institutional strengthening and operational efficiency. Key initiatives were undertaken to strengthen internal governance, risk management frameworks, and digital infrastructure, recognising that a future-ready Central Bank is essential to sustain policy credibility and institutional resilience. The Financial Statements for 2025 have been prepared in accordance with applicable accounting standards and reflect the Central Bank's continued commitment to transparency and prudent use of resources.

The Central Bank also remained actively engaged in supporting the country's broader reform agenda. Technical expertise and policy advice were provided to the Government and other stakeholders on various aspects of macroeconomic policies and strategies. These efforts were guided by the recognition that durable economic stability requires coherent policies, strong institutions, and sustained coordination between monetary, financial and fiscal sector policies.

In 2025, the Central Bank proudly marked its 75th Anniversary, a significant milestone in its institutional journey. Since its establishment in 1950, the Central Bank has evolved alongside the nation, navigating periods of growth, transformation, and adversity. This milestone provided an opportunity to reflect on the Bank's legacy and to reaffirm its commitment to independence, professionalism, and integrity, while preparing for emerging challenges such as climate-related risks, digital transformation, etc. within an increasingly complex global environment.

Looking ahead, the Central Bank remains mindful that while significant progress has been achieved, preserving these gains will require continued policy discipline and reform momentum. The global environment remains uncertain with climate-related and geopolitical shocks underscoring the importance of building resilience, strengthening buffers, and maintaining credibility while keeping pace with a rapidly evolving technological landscape. The Central Bank will therefore remain steadfast in fulfilling its mandate, while supporting the transition from recovery to a more resilient and inclusive growth path.

I wish to place on record my sincere appreciation to the staff of the Central Bank of Sri Lanka for their professionalism, integrity, and dedication, particularly during a period of extraordinary challenges. I also extend my gratitude to the Government, financial institutions, market participants, and international partners for their continued cooperation and support. Together, we remain committed to building a stable, resilient, and prosperous economy for the people of Sri Lanka.

Nandalal Weerasinghe
Governor
Central Bank of Sri Lanka

About the Bank

Establishment and Legal Form

The Central Bank of Sri Lanka (CBSL) is a statutory body corporate with perpetual succession, responsible for the oversight and regulation of Sri Lanka's monetary, financial, and payment systems. The Bank operates under the Central Bank of Sri Lanka Act, No. 16 of 2023, effective from 15 September 2023, which replaced the Monetary Law Act, No. 58 of 1949. The Act strengthened the legal and institutional framework, enhanced the independence of the Central Bank and supported the effective and autonomous discharge of its mandate.

Objectives

As per Section 6 of the CBA, the Central Bank's primary objective is to achieve and maintain domestic price stability while taking into account the stabilisation of output towards its potential.

The other objective is to secure financial system stability while ensuring the development and efficiency of the financial system.

In addition, the Central Bank shall support the general economic policy framework of the Government.

Functions

In fulfilling its mandate, the Central Bank formulates and implements monetary policy, determine and implement the exchange rate and manages the country's official international reserves.

The Bank also regulates and supervises financial institutions and oversees payment systems to ensure their safety and soundness, thereby contributing to the resilience of the country's financial system.

Moreover, the Central Bank engages in monitoring financial institutions under its regulation and supervision, adopts and implements macroprudential policy measures, promotes financial inclusion in Sri Lanka, and manages deposit insurance and liquidity support schemes to secure financial system stability.

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

The Central Bank acts as the financial adviser, banker, and fiscal agent of the Government.

Governing Structure

The governance framework of the Central Bank is anchored on two main decision-making bodies: the Governing Board (GB), which is responsible for the overall administration and management of the Bank, and the Monetary Policy Board (MPB), which is responsible for the formulation and conduct of monetary policy. Board members are appointed by the President on the recommendation of the Minister of Finance and with the approval of the Constitutional Council established under Article 41A of the Constitution.

The Governor is the Chief Executive Officer and the principal representative of the Central Bank. In addition, the Senior Management team comprises the Senior Deputy Governor, Deputy Governors, Assistant Governors and Heads of Departments.

International Collaborations and Engagements

The Central Bank actively engages with international financial institutions including the International Monetary Fund (IMF), the World Bank, the Asian Development Bank (ADB), and the central banking networks such as Bank for International Settlements (BIS), to support capacity development, policy formulation, and financial sector reforms. The Bank also participates in bilateral and multilateral arrangements with other central banks, regional institutions, and international regulatory bodies, fostering cooperation, knowledge sharing, and regulatory harmonisation. Through its engagement in global and regional economic forums, the Central Bank remains closely connected to the international financial system and responds to emerging global economic and financial developments.

Public Engagement and Services

The Central Bank maintains continuous engagement with the public through diverse communication channels, including traditional media, digital platforms, and official publications. The Bank implements financial literacy and outreach programmes, seminars, and educational initiatives to strengthen public understanding of economic and financial issues. It also provides accessible channels for public inquiries and feedback on banking regulations, consumer protection, financial fraud prevention, and monetary policy. Through these efforts, the Central Bank supports financial inclusion, builds consumer confidence, and promotes informed participation in the financial system.

Principal Office

The Central Bank's principal place of business is in Colombo 01. It also has six regional offices in Anuradhapura, Matara, Matale, Nuwara Eliya, Kilinochchi, and Trincomalee allowing the Bank to extend its services and outreach nationwide.

Contents

75 Years of Journey in Shaping Sri Lanka's Economic Future

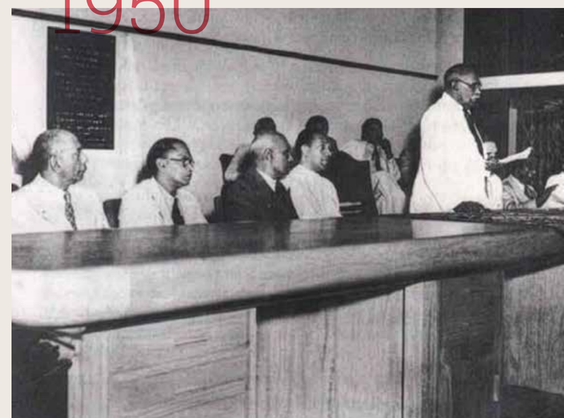
A Journey Rooted in National Aspiration

The story of the Central Bank of Sri Lanka (CBSL) mirrors the nation's own economic evolution. From the early years of independence to a modern era defined by reform, resilience and renewed stability, the Bank has remained at the center of Sri Lanka's economy and financial system.

As the Central Bank of Sri Lanka marks its 75th Anniversary in 2025, this milestone goes beyond longevity, it reflects decades of commitment to safeguarding monetary stability, strengthening the financial system, and supporting the economic growth.

1884

1950



From Currency Board to Central Bank

Sri Lanka's formal monetary administration began under the Currency Board System, established by the Paper Currency Ordinance No. 32 of 1884. While the Currency Board ensured strict backing of domestic currency with foreign reserves, it offered limited flexibility for domestic monetary management.

Following independence in 1948, the national leadership recognised the need for a modern central banking institution capable of supporting development and managing economic shocks.

In July 1948, American Economist John Exter was appointed to design the framework for Sri Lanka's Central Bank. His recommendations, known as the Exter Report, laid the institutional and legal foundation for central banking in the country.

The enactment of the Monetary Law Act No. 58 of 1949 formally established the Central Bank of Ceylon, which commenced operations on 28 August 1950.

Establishing the Mandate

The original objectives included:

- Stabilising domestic monetary values (price stability)
- Preserving the external value of the rupee
- Promoting high levels of production, employment, and real income
- Encouraging and promoting the full development of the productive resources of the country

These objectives shaped the Bank's early institutional identity.

From the inception, the Bank was entrusted with wide-ranging responsibilities:

- Conduct of monetary policy
- Continuous supervision and periodical examination of all banking institutions
- Sole authority to issue currency
- Maintain adequate level of international reserves
- Regulate foreign exchange operations of commercial banks
- Act as the fiscal agent, banker and financial adviser of the Government

1996

From Direct Controls to Market-Based Frameworks

In its early decades, the Central Bank relied heavily on direct instruments such as credit ceilings, administered interest rates and statutory reserve ratio. Also, the Central Bank operated in a fixed exchange rate regime.

As Sri Lanka's economy liberalised from 1977, the Bank gradually modernised its policy framework:

Monetary Targeting Era

The Central Bank adopted reserve money as the operating target and broad money as the intermediate target to guide overall money supply growth and support stable economic development.

Market-Oriented Financial Shift

The Central Bank gradually strengthened its role in the non-bank financial institutions sector while enhancing regulatory oversight. The Sri Lanka Interbank Payment System was introduced in 1992 to enable electronic fund transfers, and adopted a market-determined exchange rate system in 1995, marking a shift toward a more liberalised and modern financial framework.

1996: A Defining Test of Institutional Resilience

On 31 January 1996, the Bank faced one of the most tragic events in its history when a terrorist attack devastated its head office, claiming the lives of staff members and civilians.

Despite severe damage to infrastructure, the Bank restored critical operations within days. Records, systems, and institutional capacity were rebuilt with remarkable speed and determination.

This moment remains a defining testament to the resilience and commitment of the Central Bank's staff.

New Headquarters, New Era

In 2000, the Central Bank celebrated its 50th anniversary, marking five decades of guiding the nation's economy, and moved to a new, state-of-the-art head office building, reflecting its expanding role and commitment to modernising Sri Lanka's financial system.

Refining Central Bank's Mandate

In 2002, amendments to the Monetary Law Act refined the Bank's core objectives to explicitly emphasise,

- Economic and price stability
- Financial system stability

This reform strengthened institutional clarity and accountability.

Contribution to the Recovery from Economic Crisis

In response to the most severe post-independence economic crisis during 2020–2022, the Central Bank implemented a decisive monetary tightening, interest rate adjustments, and stabilisation measures as part of the broader national reforms.

These actions were critical in averting hyperinflation, building up foreign reserves, reducing balance-of-payments pressures and restoring macroeconomic stability.

A New Legal Era: The Central Bank of Sri Lanka Act, 2023

A historic milestone was reached with the enactment of the Central Bank of Sri Lanka Act No. 16 of 2023, which repealed the Monetary Law Act.

The Act empowered the Central Bank to adopt a Flexible Inflation Targeting (FIT) framework with the flexible exchange rate regime.

The new framework strengthened institutional autonomy, governance and accountability.

In addition, designated the Central Bank as macroprudential and resolution authority.

2025

Stability for Prosperity: A Legacy of Trust

From a rigid currency board to a modern, autonomous central bank, the evolution of the Central Bank over 75 years reflects Sri Lanka's enduring pursuit of stability and development.

Today, the institutional focus rests on:

- Anchoring inflation
- Strengthening financial system resilience
- Enhancing crisis preparedness
- Promoting financial inclusion

while ensuring transparency and accountability.

For three-quarters of a century, the Central Bank of Sri Lanka has remained steadfast in its mission.

The journey continues, guided by decades of experience, shaped by reforms, and upheld by technical excellence, professionalism, and integrity.

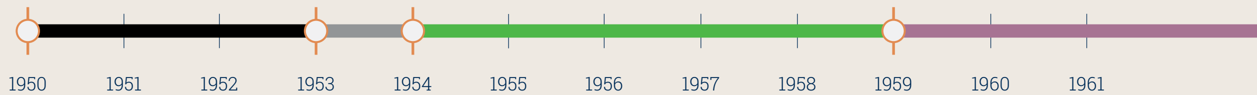

75
YEARS
STABILITY FOR PROSPERITY
1950-2025
CENTRAL BANK OF SRI LANKA

Past Governors

John Exter
1950 – 1953

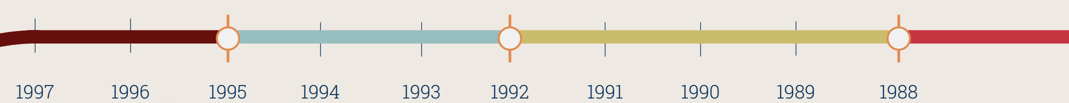
N. U. Jayawardena
1953 – 1954

Sir Arthur Ranasinghe
1954 – 1959

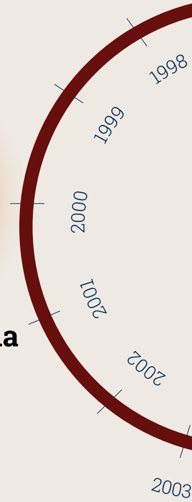


H. B. Dissanayaka
1992 – 1995

Dr. H. N. S. Karunatillake
1988 – 1992

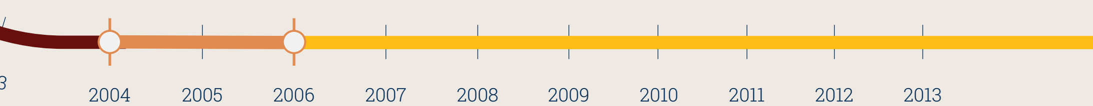


A. S. Jayawardena
1995 – 2004



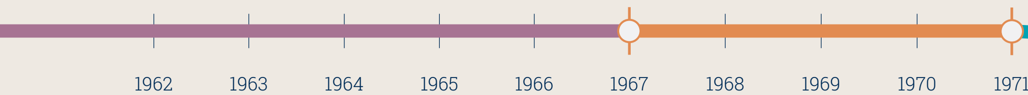
Sunil Mendis
2004 – 2006

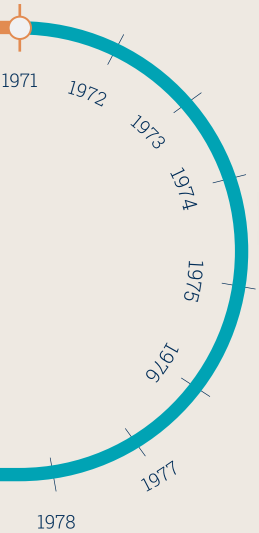
Ajith Nivard Cabraal
2006 – 2015

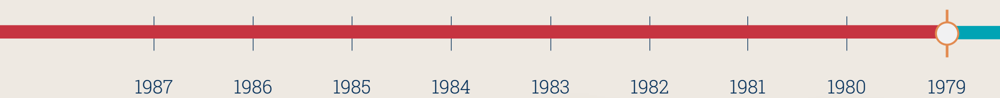


D. W. Rajapathirana
1959 – 1967

W. Tennekoon
1967 – 1971





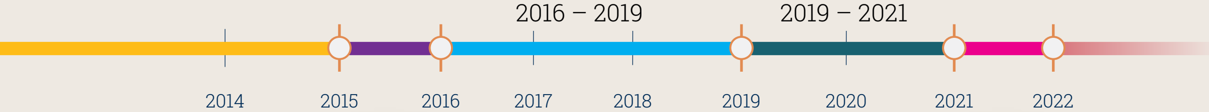


H. E. Tennekoon
1971 – 1979

Dr. W. Rasaputram
1979 – 1988

Dr. Indrajith Coomaraswamy
2016 – 2019

Prof. W. D. Lakshman
2019 – 2021



Arjuna Mahendran
2015 – 2016

Ajith Nivard Cabraal
2021 – 2022

01

Operational Insights

Bank-Wide Strategic Priorities

The Central Bank's strategic planning process has steadily evolved, with continuous refinement since 2006. The Bank's strategic planning cycle spans three years and follows a process that ensures a clear link between long-term objectives and day-to-day operations. The process operates in both top-down and bottom-up directions, linking institutional goals and departmental mandates.

The Central Bank continued to implement its 2024–2026 Strategic Plan, introduced in 2024 which was anchored on its strengthened legal mandate, and included a renewed emphasis on transparency, accountability, and institutional credibility.

Defining Strategic Issues

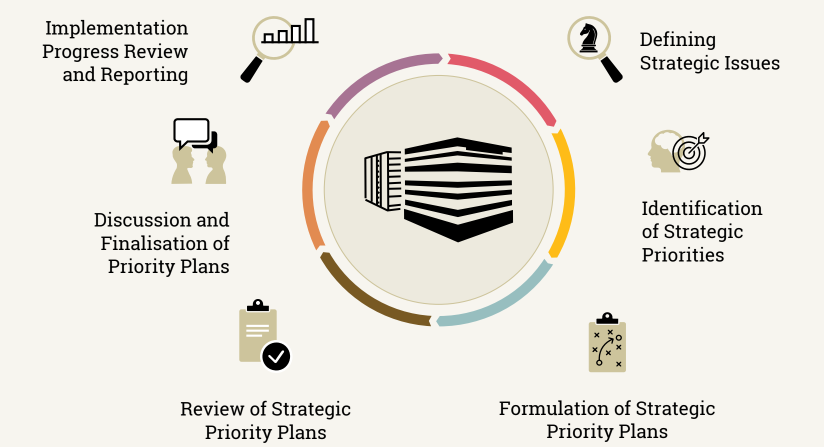
The strategic planning cycle begins with an environmental scan to identify key strategic issues. Currently this is conducted based on in-depth analyses on price stability, financial system stability, risk management considerations, external stakeholder expectations, and internal developments including human capital management and information technology. These analyses use a traffic light system to highlight areas requiring immediate attention allowing the Bank to systematically assess both internal and external factors that influence its medium-term strategic direction.

In preparation for the 2024-2026 planning cycle, key strategic issues were identified in the latter part of 2023.

Identification of Strategic Priorities

Following the analysis, strategic priorities are selected through multiple rounds of management discussions. However, new priorities can be identified even during the strategic planning cycle considering market development and urgencies.

Strategic Planning Process Figure – 01



Five strategic priorities have been identified for the 2024-2026 cycle.

These priorities are then classified as core priorities and enhancing priorities. Core priorities are directly linked to the core objectives of the Bank, while enhancing priorities facilitate strengthening the Bank's capacity, efficiency and resilience, such as fostering stakeholder engagement, improving internal processes, advancing technology and enhancing staff capabilities.

By blending top-down strategic direction with bottom-up input, the Central Bank fosters an integrated planning approach that ensures strong alignment among its vision, mission, and strategic objectives, driving domestic price stability and financial system stability.

Formulation of Strategic Priority Plans

Once the priorities are finalised, detailed Strategic Priority Plans are developed for a three-year horizon with defined objectives, time-bound actions, measurable outcomes and Key Performance Indicators (KPIs), weightages for each action, quarterly output targets, and the designation of responsible departments.

Review of Strategic Priority Plans

These plans undergo a structured peer-review process to assess their feasibility and associated risks. For this purpose, Review Groups (RGs), each comprising 10 – 12 senior management members, are appointed annually. Typically, five to six RGs are formed. Through brainstorming sessions, the peer-review process provides collective insights, comments, and recommendations.

Discussion and Finalisation of Priority Plans

Priority Plans are discussed at the annual Strategic Planning Retreat, the key platform where the senior management deliberates on and finalises the Bank's medium-term strategic direction with the guidance of Board members.

Implementation Progress Review and Reporting

Progress of strategic priorities are monitored on a quarterly basis against targeted outputs and the progress is reported to the Management and the Governing Board.

Bank-Wide Strategic Priorities

CORE PRIORITIES 2024-2026

Maintaining Price Stability Facilitating Sustainable Economic Growth in Line with the Macroeconomic Adjustment Programme

Objective

Maintain domestic price stability

Expected Output

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

Expected Outcome

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

Expected Impact

Sustainable economic growth

Securing Financial System Stability by Limiting the Systemic Risk and Strengthening the Resilience of Financial Institutions

Objective

Secure the financial system stability

Expected Output

- Stability of public deposit taking institutions contributing to efficient financial intermediation
- Establishment of sound macroprudential framework and policy
- Amendments to acts and regulations
- Implementation resolution measures and establish adequate safety net mechanism
- Implementation technological driven supervisory tools

Expected Outcome

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

Expected Impact

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

Figure – 02

ENHANCING PRIORITIES 2024-2026

Strengthening Internal and External Communication for Enhanced Transparency, Accountability and Credibility

Objective

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

Expected Output

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

Expected Outcome

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

Expected Impact

Increased trust and credibility through transparency and accountability

Bridging the Current and Emerging Talent Dynamics for a Modern Central Bank

Objective

Revamping the existing HR Strategy

Expected Output

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

Expected Outcome

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

Expected Impact

Aligned human resources strategy

Enhancing Technological Capacity of the Central Bank

Objective

To strengthen the Central Bank's technological and digital capacity

Expected Output

- Modernised IT systems and upgraded hardware/software
- Enhanced cybersecurity frameworks and tools
- Digitised workflows and automated key processes
- Advanced data analytics platforms

Expected Outcome

- Faster, more reliable operations
- Improved analytical capacity for policy formulation
- Higher resilience against cyber threats
- Enhanced service delivery to stakeholders

Expected Impact

Advancing technological capabilities for a modern Central Bank

Role of the Bank

Maintaining Domestic Price Stability

Maintaining domestic price stability is the primary objective of the Central Bank. It ensures that the general price level remains stable without undue volatility. Price stability also promotes investor confidence, facilitates efficient economic decision-making, and contributes to overall macroeconomic and financial stability thereby supporting sustainable economic growth.

Monetary Policy Formulation

As specified in the Central Bank of Sri Lanka Act No.16 of 2023 (CBA), the Bank's Monetary Policy Board (MPB) is responsible for formulating monetary policy and the implementation of a flexible exchange rate regime that is consistent with the Flexible Inflation Targeting (FIT) framework. This framework aims to keep inflation aligned with the target set out in the Monetary Policy Framework Agreement (MPFA)[1] reached between the Minister of Finance, on behalf of the Government, and the Central Bank. The current agreement requires the Central Bank to maintain quarterly headline inflation at 5%.[2]

Monetary Policy Decision-Making Process

Monetary policy decisions are forward-looking and data-driven. The MPB meets at least once in two months to determine the appropriate monetary policy stance, based on a comprehensive assessment of current and expected macroeconomic conditions. In its deliberations, the MPB evaluates inflation dynamics and its outlook, economic activity and future growth prospects, as well as associated risks and uncertainties, while also taking into account global economic developments and trends.

The policy formulation process begins with staff-level meetings, where sectoral experts analyse granular economic and financial data, including interest rates, monetary aggregates, external sector developments, and other key macroeconomic indicators. This process also evaluate forecasts generated by the Quarterly Projection Model (QPM), along with expert staff judgements.

These assessments are subsequently discussed at the Pre-Monetary Policy Committee (Pre-MPC), which includes both open (Tier I) and closed (Tier II) sessions, focusing on technical evaluations, risk analysis, and medium-term macroeconomic projections.

Thereafter, the Monetary Policy Committee (MPC), chaired by the Governor and comprising Deputy Governors, relevant Assistant Governors, and relevant Heads of Department, deliberates on the macroeconomic conditions and makes recommendations to the MPB on the appropriate monetary policy stance. Finally, the MPB carefully considers the MPC's recommendations, along with its own assessment of macroeconomic developments, projections, and risks, before deciding on the monetary policy stance.

Once the MPB reaches a decision, the policy announcement is made public through a press release on the Monetary Policy Review, typically issued on the following day at 7.30 am, followed by a press conference chaired by the Governor to provide further clarity on the decision to the media and other stakeholders.

2025 Highlights

- In 2025, the MPB held six meetings to determine the monetary policy stance, issuing announcements on 29 January, 26 March, 22 May, 23 July, 24 September, and 26 November.
- The quarterly average of the Colombo Consumer Price Index (Base 2021=100) based year-on-year headline inflation remained below 5% target throughout the year.
- Detailed reports outlining the reasons for inflation remaining below the target, the remedial measures proposed by the Central Bank, and the estimated timeframe for attaining the target were submitted to Parliament via the Minister of Finance. These reports were subsequently reviewed by the Committee on Public Finance (CoPF) and made available to the public[3].

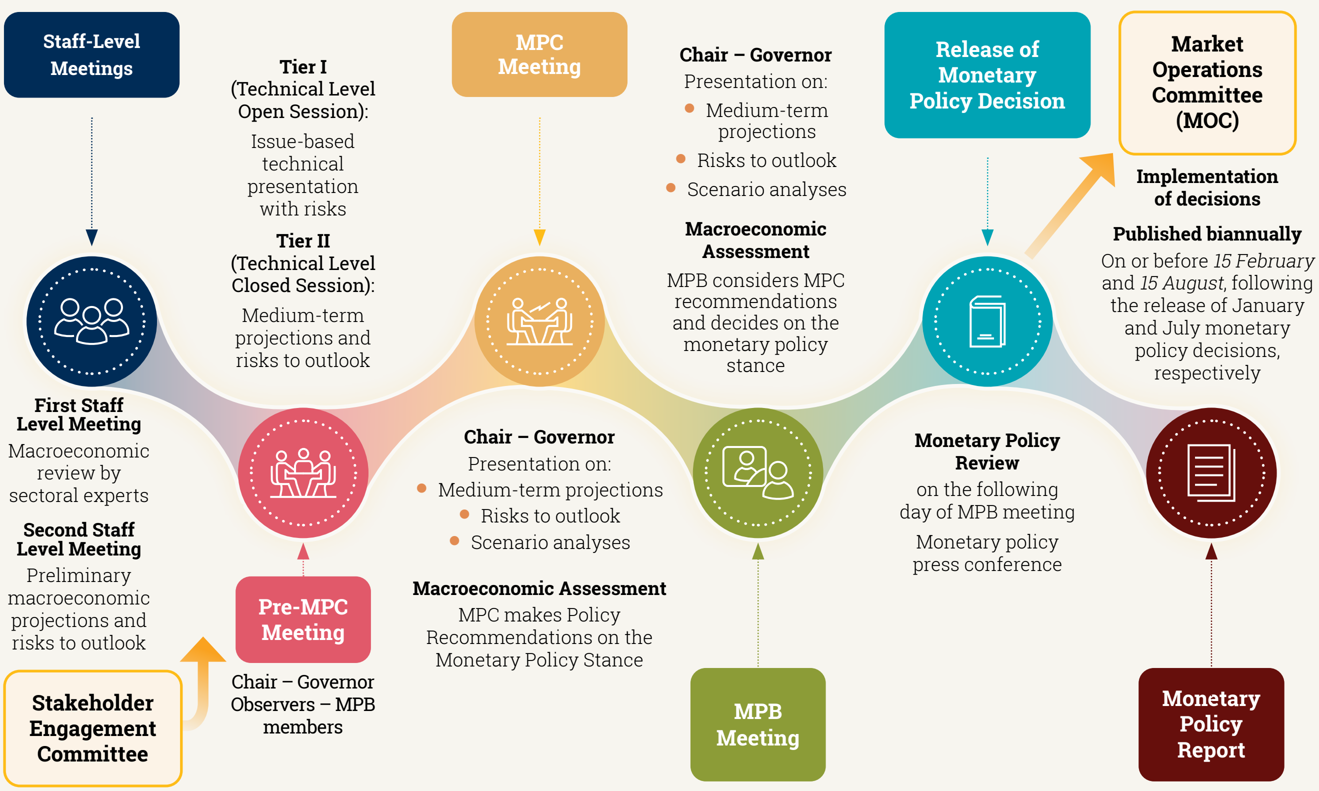
[1] The Minister and the Central Bank may review the inflation target and related parameters every three years or at other intervals if exceptional circumstances arise. Upon such review, the Minister shall publish the updated target and parameters, along with the exceptional circumstances, in the Gazette.

[2] The quarterly headline inflation rate refers to the simple average of the year-on-year percentage changes in the monthly headline Colombo Consumer Price Index (CCPI) for the three months of the corresponding quarter, with a margin of ±2 percentage points allowed under the MPFA to measure potential deviations of realised inflation from the target.

[3] https://www.cbsl.gov.lk/en/monetary-policy/monetary-policy-communication/accountability-to-parliament

Monetary Policy Decision-Making Process in Sri Lanka (Six Times a Year)

Figure – 03



MPB – Monetary Policy Board

MPC – Monetary Policy Committee

Coordination of Fiscal, Monetary, and Financial Stability Policies

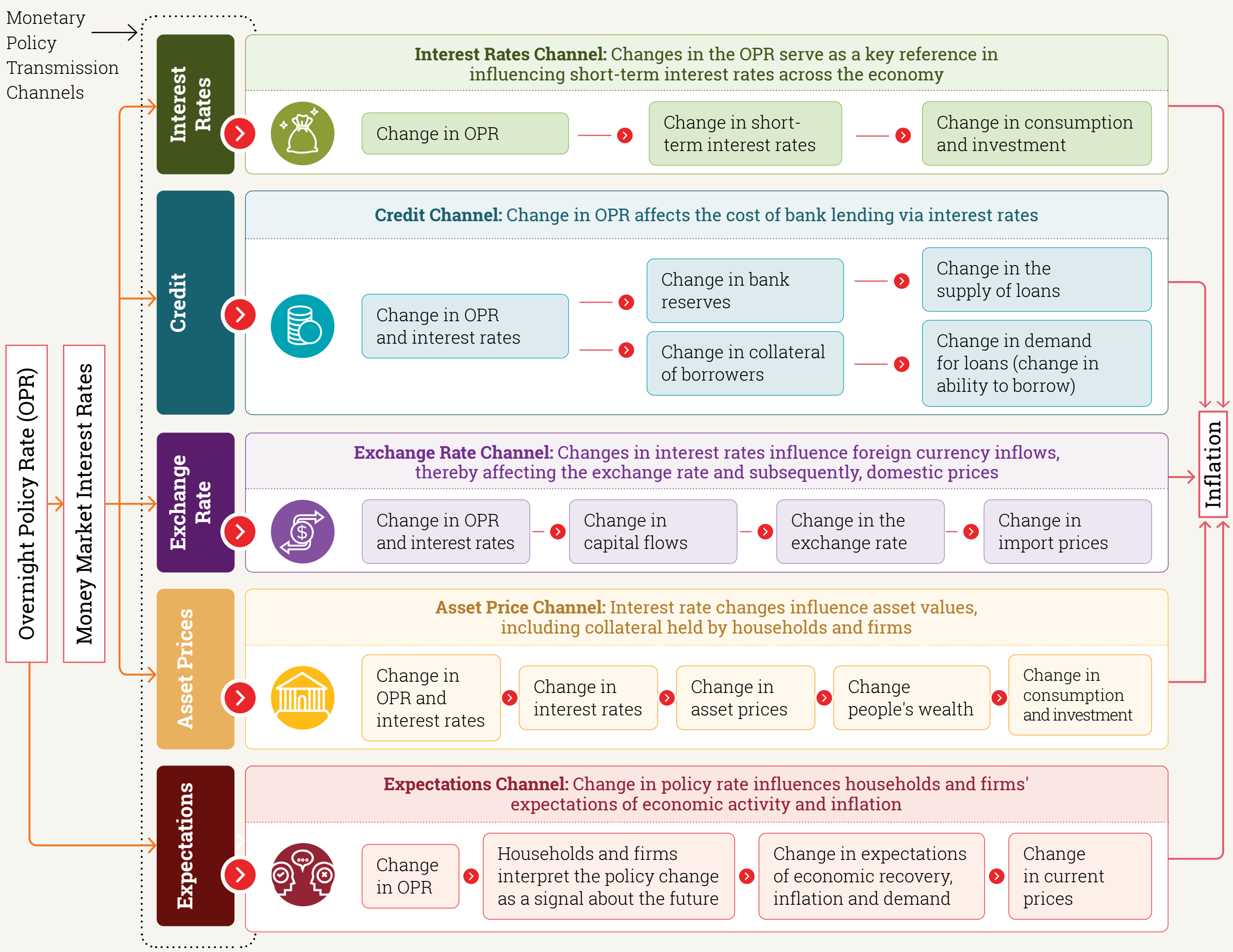
As stipulated under Section 83 of CBA, the Council for the Coordination of Fiscal, Monetary, and Financial Stability (Coordination Council) was established in late 2023 to facilitate detailed deliberations on how the Government's fiscal policy actions and the Central Bank's monetary and financial stability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

During the year 2025, Coordination Council meetings were held between the Governor of the Central Bank and the Secretary to the Treasury on 27 February, 26 June, 23 September and 16 December 2025.

Monetary Policy Transmission Mechanism

Figure – 04

Central Bank policy decisions are transmitted to the broader economy via multiple transmission channels. The Overnight Policy Rate (OPR) is the Central Bank's policy rate, that signals its monetary policy stance, which is adjusted from time to time to steer inflation towards the target. The OPR serves as the primary benchmark for influencing short-term interest rates across the economy. Changes in the OPR are transmitted to the broader economy through five key channels: **interest rates, credit, exchange rate, asset prices, and expectations.** Through these channels, changes in the OPR influence consumption and investment patterns, the demand and supply of loans, import prices, and overall price dynamics, thereby ultimately altering the general price level of the economy and inflation.



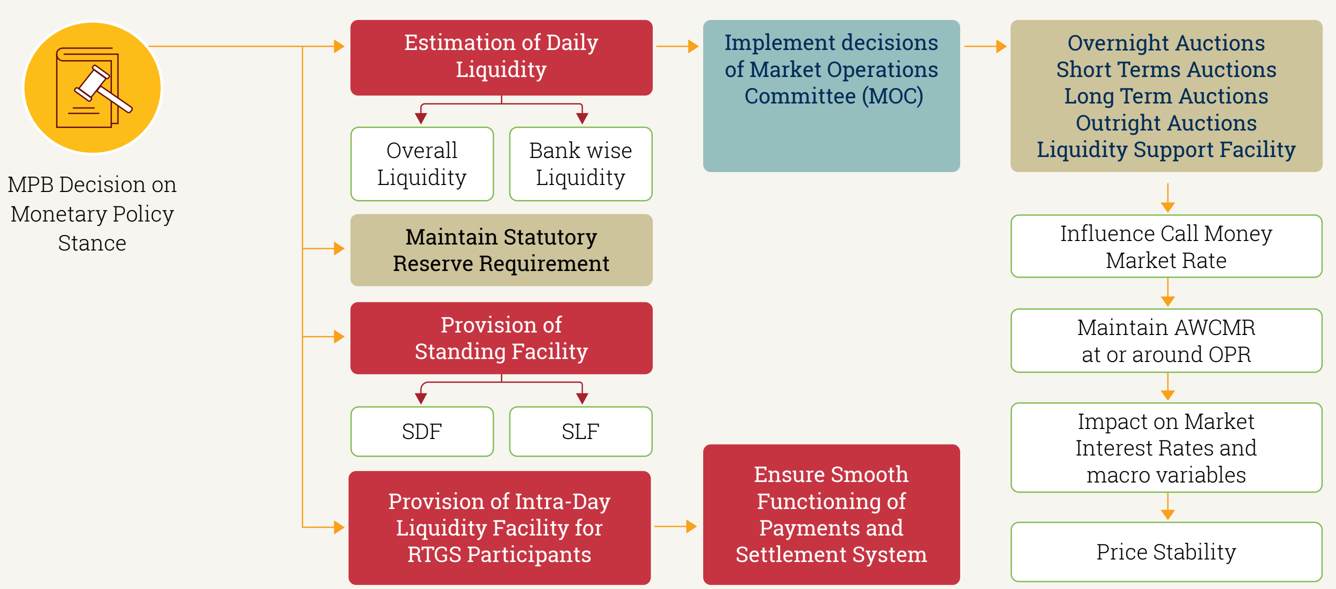
Monetary Policy Implementation

Implementing the Central Bank's Monetary Policy under the Flexible Inflation Targeting (FIT) Framework

To achieve domestic price stability, the Central Bank conducts Open Market Operations (OMOs) and deploys other monetary policy instruments to steer the Average Weighted Call Money Rate, the operating target of monetary policy, in line with the Overnight Policy Rate. In parallel, it operationalises a flexible exchange rate regime that allows market forces to determine the exchange rate, with interventions limited to mitigating excessive volatility and building external reserves. These actions are undertaken while ensuring the orderly functioning of money and domestic foreign exchange (FX) markets, the smooth operation of payment and settlement systems, and the overall stability of the financial system.

Process of Monetary Policy Implementation in Sri Lanka

Figure – 05



Open Market Operations

OMOs are used by the Central Bank to manage liquidity in the domestic money market, ensuring that short-term interest rates are steered in line with the OPR.

- Liquidity injection operations, such as Short and Long-term Reverse Repo Auctions (1-7 days and 8-90 days respectively), Outright Purchase Auctions, the Liquidity Support Facility (LSF) for Standalone Primary Dealers (SPDs), and FX Swaps transactions (Buy-Sell) transactions, are employed when liquidity needs to be injected. Liquidity absorption operations, such as Short-term Repo Auctions (1-7 days), Long-term Repo Auctions (8-90 days), Outright Sales Auctions, and FX Swaps (Sell-Buy), help absorb excess liquidity from the market.
- The Central Bank also sets the Statutory Reserve Requirement (SRR), which is the minimum amount of reserves Licensed Commercial Banks (LCBs) must hold in their reserve accounts with the Central Bank, in proportion to their total rupee deposit liabilities.

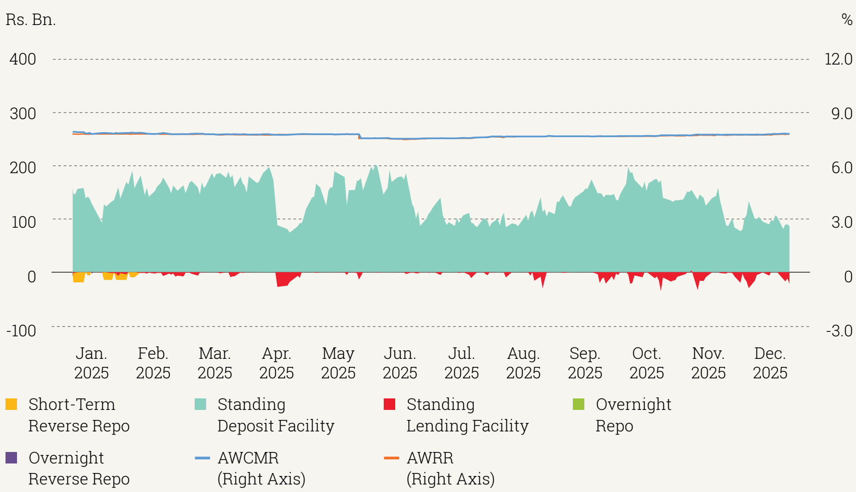
In addition, the Central Bank provides the following:

- **Standing Facilities:** Standing facilities are provided to Participating Institutions (PIs) that are unable to fulfill their short-term liquidity requirements through the money market and the daily OMO auctions. These facilities include the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) at the Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR) respectively.
- **Intraday Liquidity Facility (ILF):** ILF is provided to the Real Time Gross Settlement (RTGS) participants to ensure the smooth and efficient functioning of the RTGS system.

2025 Highlights

- Liquidity conditions in the domestic money market remained consistently in a surplus throughout the year 2025. Liquidity surplus stood at Rs. 175.2 Bn. at end December 2025, compared to Rs. 168.1 Bn. reported by end 2024. The surplus liquidity was mainly due to substantial foreign exchange purchases of the Central Bank undertaken to strengthen the foreign reserve position of the Country. However, liquidity surplus was partly absorbed through foreign loan repayments by the Government, utilising foreign exchange obtained from the Central Bank, coupon payments to the Central Bank on account of its Treasury bonds holdings, as well as due to increased currency withdrawals of banks from the Central Bank throughout 2025.
- The usage of interest-free Intra-day Liquidity Facility provided by the Central Bank was Rs. 111,788.0 Bn. with a daily average of Rs. 467.7 Bn. during 2025.
- The AWCMR broadly hovered closer to the OPR during the first half of 2025, but somewhat tightened liquidity conditions in the second half coupled with asymmetric liquidity distribution, and the concentration of liquidity within certain banks resulted in the AWCMR to increase from mid July 2025. As this deviation was considered tolerable, the Central Bank refrained from providing additional liquidity to tame the uptick in short-term rates. The AWCMR realigned with the OPR by January 2026.
- The Central Bank did not intervene in the domestic money market through its OMOs, since end January 2025. However, on a need basis in January 2025, the Central Bank conducted limited number of overnight reverse repo auctions and short-term reverse repo auctions amounting to Rs. 48.4 Bn.
- During 2025, Rs. 33,686.7 Bn. was accepted from Participating Institutions (PIs) under Standing Deposit Facility, while the usage of Standing Lending Facility was Rs. 1,082.3 Bn.
- During 2025, SRR remained unchanged at 2% throughout the year, and the Central Bank continued to monitor the compliance of LCBs with the SRR ratio.

Monetary Operations and Behaviour of Short-term Interest Rates: 2025 Graph – 01



Domestic FX Market Operations

The Central Bank monitors the interbank and customer FX transactions via Central Integrated Market Monitor (CIMM), a system that captures both domestic money market and domestic FX market transactions executed in the interbank market through Authorised Money Brokers or electronic trading platforms. These systems facilitate the Central Bank to identify movements in the exchange rate.

In addition, the Central Bank introduced a matching platform to support enhanced price discovery, promote greater transparency in the domestic FX market and to monitor real-time market conditions.

In line with the overall policy stance, the Central Bank intervenes in the domestic FX market by way of injecting (selling) or absorbing (purchasing) FX in order to curtail the excessive volatility in the exchange rate and to augment FX reserves. In addition, bilateral buy-sell swap transactions are executed with Licensed Commercial Banks (LCBs) and the National Savings Bank (NSB) to temporarily accumulate FX reserves. Similarly, the Central Bank executes sell-buy swap agreements with LCBs and NSB to inject FX liquidity without permanently depleting the FX reserve positions. These swap transactions help banks to manage their liquidity positions and cash flows, in both FX market and domestic money market and to be used for hedging requirements.

2025 Highlights

- The Sri Lanka rupee recorded a modest depreciation of 5.6% against the USD moving from Rs. 292.58 at end 2024 to Rs. 309.99 at end 2025. Lifting of vehicle import restrictions, geopolitical tensions, and imposition of reciprocal tariffs by the United States created volatility in the exchange rate and exerted deprecation pressure on the exchange rate during the year.
- New buy-sell swaps totaling USD 2,045.0 Mn. were executed, while USD 1,442.0 Mn. buy-sell swaps matured and USD 1,320.0 Mn. buy-sell swaps were rolled over by the Central Bank. As a result, the outstanding amount of buy-sell swap transactions increased from USD 1,318.3 Mn. at end-2024 to USD 1,921.3 Mn. by the end-2025, on value date basis. These swap transactions helped banks to manage their liquidity positions and cash flows, in both the FX market and the domestic money market and served for hedging requirements.
- The Central Bank purchased USD 2,100.4 Mn. and sold USD 108.0 Mn. during 2025 on value date basis recording a net purchase of USD 1,992.4 Mn. on value date basis. These net purchases helped the country's gross official reserves to reach USD 6,827.2 Mn. by end 2025; is the highest level of reserves recorded during the post-crisis period.
- In the year 2025, the FX market of Sri Lanka successfully implemented the FX matching platform, as per the initiative taken by the Central Bank aimed at developing a deeper and more efficient FX market. This platform, which is accessible to all LCBs, NSB and the Central Bank, has enabled market participants to deal with each other on a common platform aiming at enhanced price discovery, promoting greater transparency and efficiency in the domestic FX market, while modernising Sri Lanka's financial infrastructure.
- Measures were taken to improve the accuracy and comprehensiveness of the FX-related data reported by LCBs and NSB via CIMM System, to enhance the accuracy of the calculation of the FX Net Open Position (NOP), and related reporting that enabled the Central Bank to closely monitor market activity and assess FX NOP with greater precision.
- As announced in the Governor's Annual Policy Statement – 2026, the Central Bank comprehensively reviewed Sri Lanka's existing SRR framework in 2025 to seek areas to improve effectiveness of SRR framework and to strengthen monetary policy implementation in line with international best practices.

Providing Provisional Advances to the Government

In terms of Section 127 of the Central Bank of Sri Lanka Act, the Central Bank may provide direct provisional advances to the Government to finance expenditure within the first month of the financial year at the prevailing market interest rate. However, no provisional advances were provided to the Government during the year 2025, as no such request was received from the Government.

Maintaining Government Accounts

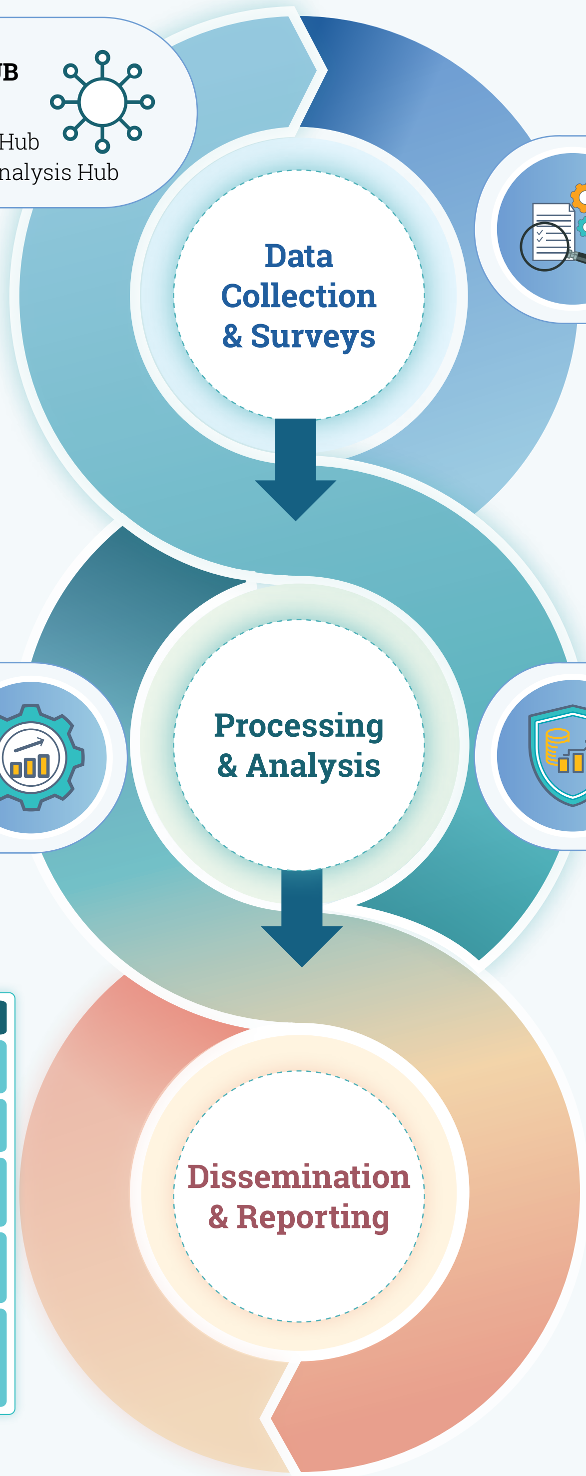
In performing the functions relating to the role of the Central Bank as the banker to the Government, Central Bank continued to provide banking facilities to government departments, agencies, institutions, and certain foreign entities on behalf of the Government. Accordingly, the Central Bank maintained 42 such accounts during 2025. Approximately 90% of the transaction volume of these accounts related to the Deputy Secretary to the Treasury (DST) Account, the Public Debt Current Account, the Inland Revenue Commissioner's VAT Refund Account, and the President's Fund Account.

Maintaining Accounts of Financial Institutions

In performing the functions relating to its role as the banker to the banks, the Central Bank continued to maintain current accounts facilitating payment and settlement services to Licensed Banks. With respect to settlement facilities provided to such banks, settlements were made in relation to the key payment and settlement systems, i.e., Cheque Imaging and Truncation System (CITS), Sri Lanka Inter-bank Payment System (SLIPS), via the RTGS System. As at end 2025, the Central Bank maintained General Ledger (GL) accounts for 24 LCBs, National Savings Bank, and 7 SPDs to facilitate the payments and settlements among the RTGS participants.

Statistics for Monetary Policy

Figure – 06



SPECIALISED ANALYTICS HUB

AI Analytics Hub
DSGE Modelling Hub
Labour Market Analysis Hub

Continuous execution of monthly and quarterly surveys including PMI (Manufacturing, Services, Construction), Business Outlook, Inflation Expectations, Condominium Market Survey and Credit Supply Survey

Compiling core indices, forecasting near-term inflation and GDP to support monetary policy decision making

CENTRAL BANK DATA PROCESSING AND ANALYTICS SYSTEM (CDPAS)

DATA GOVERNANCE FRAMEWORK

Developing a formal framework based on international best practices and IMF Technical Assistance to ensure data quality and security

Output/Indicator	Frequency
Economic Indicators, Price Report	Daily
Economic Indicators	Weekly
PMI Surveys, CCPI Press Release, Wage Rate Indices, Used Vehicle Price Index, Asking Price Indices	Monthly
Business Outlook Survey, Credit Supply Survey, Condominium Market Survey	Quarterly
Economic & Social Statistics, Provincial GDP, Socio Economic Data and contributions to Annual Economic Review	Annual

- Enhanced Private Sector Wage Assessment
- Improved Representativeness of used vehicles Price Indices
- Interactive Daily Price Report/Economic Indicators Report
- NLP and Text-Based Indices

Monetary Policy Communication

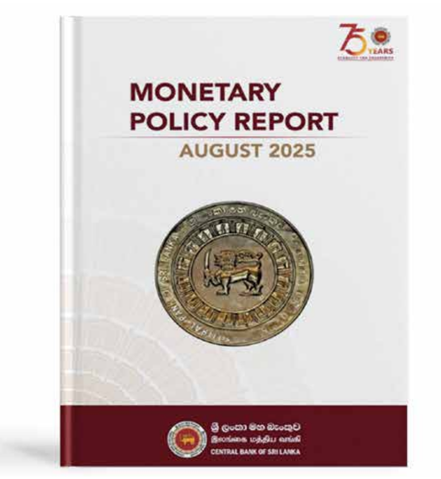
In 2025, the Central Bank strengthened its monetary policy communication framework to enhance transparency, accountability, and credibility in support of price stability. This was achieved through targeted initiatives, including awareness campaigns on the monetary policy, technical engagements with media professionals, dissemination of multilingual digital content, and a range of outreach programmes. Monetary policy decisions were announced according to the Advance Release Calendar published at the beginning of the year, and each of the six MPB meetings was followed by a Monetary Policy Review press release and a press conference explaining the rationale for the decision and the outlook for the economy.

These announcements were complemented by a structured communication effort designed to improve accessibility and public understanding. In addition to trilingual press releases and press conferences, the Bank disseminated layered communication products such as Monetary Policy At a Glance flyers and video snippets highlighting key messages from the press conference across digital and social media platforms.

The statutory Monetary Policy Report (MPR), published in February and August continues to serve as one of the Bank's flagship publications, presenting an assessment of key macroeconomic developments, underlying drivers, medium-term projections, and associated risks, together with an overview of monetary policy implementation, within the FIT framework, with a focus on maintaining price stability and supporting a flexible, market-determined exchange rate with interventions limited to curbing excessive volatility.

The Market Operations Report (MOR) is a bi-annual publication that enhances transparency and strengthens stakeholder understanding of monetary operations and developments in the domestic money market. It provides comprehensive insights into the monetary and foreign exchange operations undertaken by the Central Bank in implementing monetary policy under the FIT framework, supported by a flexible exchange rate regime. By clearly outlining these operations, the MOR promotes greater awareness of how market activities are aligned with the prevailing monetary policy stance.

With inflation remaining below the 5% target in 2025, the Central Bank submitted reports on breach of the agreed inflation target under the FIT framework as the provisions of the CBA, to Parliament outlining the reasons for the deviation, the expected time frame for a return to the target, and the policy measures undertaken to restore price stability.



Management of International Reserves

Under the CBA, the Central Bank of Sri Lanka is responsible for managing the international reserves of the country, in accordance with internationally accepted best practices and policies approved by the Governing Board (GB).

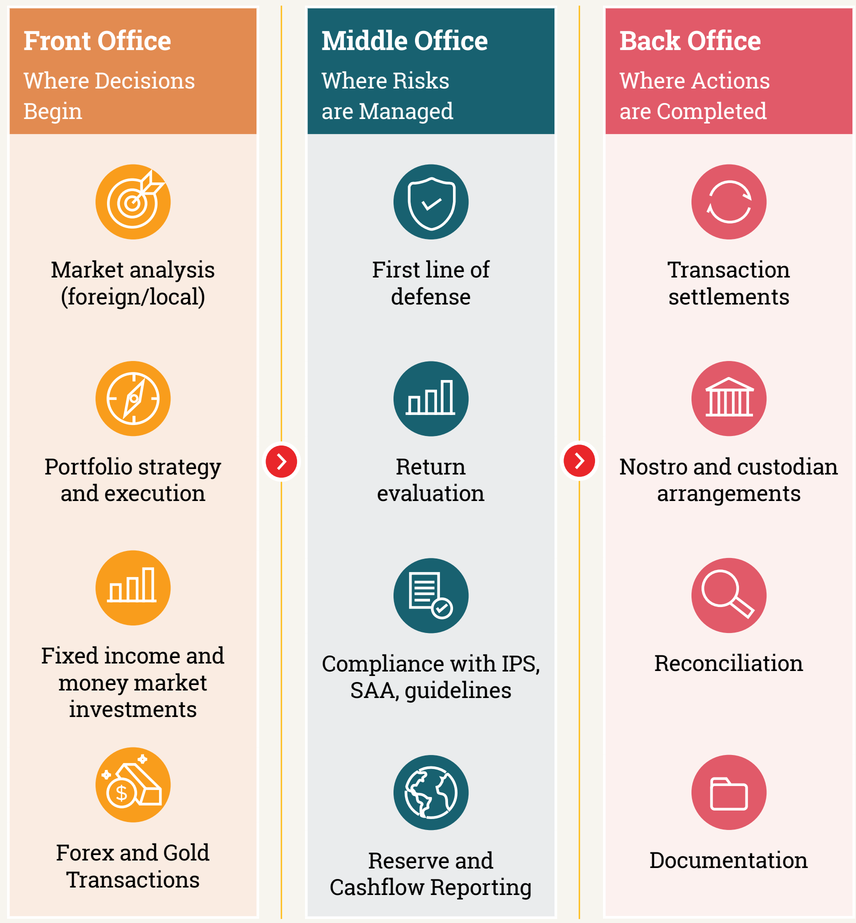
The international reserve investment portfolio of the Central Bank comprises foreign fixed-income securities, money market instruments, gold investments, securities lending activities (managed by the custodians on behalf of the Central Bank), repurchase and reverse repurchase transactions, foreign exchange swaps and forwards, and other derivative instruments.

International reserves are managed in accordance with a scientific model-based Strategic Asset Allocation (SAA) framework. Under the SAA, foreign reserves are objectively divided mainly into three tranches for better management purposes, and each tranche is assigned with an investment horizon, currency composition and benchmarks. Investment decisions are taken following a comprehensive analysis of liquidity requirements and market conditions at the Dealers' meeting.

Performance and the risk aspects of the international reserves are reported to the GB, through quarterly board papers, subsequent to monthly presentations made to the International Reserves Investment Oversight Committee (IRIOC), following the daily/weekly discussions executed as deemed necessary. Additionally, certain information such as breach of approved limits for trading, counterparty credit rating downgrades, premature withdrawal of deposits, if any, are reported to the management as and when necessary.

Operational Structure

Figure – 07



Risk Management and Business Continuity

The investment management team operates under a rigorous Code of Conduct, with all team members required to formally confirm their adherence to ethical and professional standards on an annual basis, reinforcing a culture of integrity and accountability.

To ensure uninterrupted operations, business continuity is maintained through a dedicated disaster recovery site, which provides continuous access to critical trading systems for any unexpected disruptions such as system failures, natural disasters, cyber incidents or other unforeseeable operational emergencies. This is further supported by secured off-site provisions, enabling the team to execute essential tasks seamlessly, even under exceptional or emergency circumstances in line with international best practices, thereby safeguarding the resilience and reliability of the operations.

2025 Highlights

- Established the Investment Management Department by amalgamating investment activities of international reserves, internal investment funds and deposit insurance funds into a single department within the Central Bank.
- Generated a total rate of return of 5.5% by investing the Central Bank's international reserves in 2025, which amounted to USD 260 Mn.
- With the increase of international reserves, re-established the investment tranche after four years, aiming at enhancing portfolio returns.
- Re-joined the Reserve Advisory and Management Partnership (RAMP) of the World Bank by appointing the World Bank as an external manager, following the withdrawal in 2021.
- Established an Early Warning Framework (EWF) to monitor movements of international reserves.
- Re-entered the international gold market with the objective of rebuilding core gold reserves, in line with the portfolio diversification strategy.
- Signed the second addendum to the special swap agreement with the Reserve Bank of India, with a reduction of the interest cost by 50 basis points.

Ensuring Financial System Stability

Macroprudential Authority

With the enactment of the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA), the Central Bank of Sri Lanka was designated as the country's macroprudential authority. Accordingly, the Central Bank is empowered to formulate and implement macroprudential policies aimed at strengthening the resilience and stability of the financial system.

Strengthened Macroprudential Oversight of Systemically Important Financial Sector Participants

As the macroprudential authority, the Central Bank is mandated to adopt and apply enhanced macroprudential oversight over systemically important financial sector participants. In this context, during 2025, the Central Bank designated five Licensed Banks (LBs) as Domestic Systemically Important Banks (D-SIBs). These banks are required to maintain an additional capital surcharge to enhance their resilience to adverse shocks. Furthermore, the Central Bank conducts bi-annual risk assessments to identify risks and vulnerabilities arising from D-SIBs and to formulate policy recommendations aimed at safeguarding overall financial system stability. The first bi-annual risk assessment for the year was conducted in September 2025.

Loan-to-value (LTV) caps

In July 2025, revisions were introduced to the LTV caps applicable to credit facilities granted in respect of motor vehicles. This revision is intended to enhance the effectiveness of LTV caps as a macroprudential policy tool by aligning their application solely with macroprudential objectives. Further, considering the significant growth in credit facilities granted in respect of motor vehicles by LBs and Finance Companies (FCs), the Central Bank further revised the LTV limits in November 2025 by tightening those applicable to certain categories of unregistered vehicles and registered vehicles that have been used in Sri Lanka for less than one year.

Macroprudential Surveillance to Monitor the build-up of Systemic Risks

During 2025, the Central Bank continued to undertake macroprudential surveillance to monitor the build-up of systemic risks. Accordingly, the Central Bank conducted quarterly risk analyses of the financial sector through the Quarterly Risk Assessment (QRA), comprehensively covering key areas such as macro-financial conditions, financial institutions, and financial markets, with a view to identifying potential vulnerabilities in the financial system. In addition, the Central Bank continued to conduct stress testing of the banking sector to assess its resilience to adverse shocks. The analysis to evaluate interlinkages among financial institutions was further enhanced by incorporating bilateral and bidirectional exposures of FCs with the banking sector. These exercises support the early identification of systemic vulnerabilities, strengthen policy preparedness, and facilitate timely macroprudential interventions to safeguard overall financial system stability.

Financial Stability Review 2025

In line with the CBA, the Central Bank published Financial Stability Review 2025[1] in October together with summary reports issued in Sinhala, Tamil and English. This publication provides an assessment of the stability and resilience of Sri Lanka's financial system by analysing macro-financial conditions, financial institutions, and financial markets. It identifies key risks and vulnerabilities, evaluates the system's capacity to absorb shocks, and outlines policy measures to safeguard overall financial stability.

2025 Highlights

- Five LBs were identified as D-SIBs and additional capital surcharge requirements were imposed.
- The first bi-annual risk assessment of D-SIBs for 2025 was completed in September 2025.
- LTV caps on motor vehicle financing were revised in July 2025 and further tightened in November 2025 in response to rising credit growth.
- QRAs and stress testing exercises were conducted to monitor systemic risks and assess the resilience of financial institutions.
- Financial sector interlinkage analysis was strengthened by incorporating bilateral and two-way exposure data between FCs and LBs.
- The Financial Stability Review 2025 was published in October 2025.

[1] *https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/financial-system-stability-review*

Preserving Financial System Stability

Figure – 08

PRESERVING FINANCIAL SYSTEM STABILITY

Macroprudential Authority

Formulation and implement macroprudential policies:
To strengthen resilience stability of the financial system

Surveillance of systemically important financial sector participants:
Bi-annual risk assessments to identify risk and vulnerabilities

Monitor the build-up of systemic risks:
Conduct quarterly risk analysis and stress testing

Regulation and Supervision

Issuance of prudential regulations:
Issuance of directions, rules and guidelines

Statutory examinations and continuous supervision:
Assess underlying risks and enable prompt corrective measures

Rigorous Governance:
Enforce governance requirements and assess fitness and propriety of KMPs

National Payment Systems

Real Time Gross Settlement (RTGS) System:
Settlement of large-value payments among 35 institutions

Retail and Regional Connectivity:
LankaPay for retail payments with cross boarder connectively

Global Standards via SWIFT:
Secure international and domestic transaction data exchange

Financial Sector Safety Nets

Dedicated Resolution Authority:
Central Bank manages resolution of regulated financial institutions

Sri Lanka Deposit Insurance Scheme:
Provides safety net for depositors

Financial Inclusion, Literacy, and Consumer Protection

National Financial Inclusion Strategy:
Implement NFIS to further empower citizens

Financial Literacy:
Empowering individuals across diverse social economic background to make financial decisions responsibly

Market conduct supervision:
Identify operational gaps and weakness in disclosure practices

Regulation and Supervision of Banks

In terms of the provisions of the Central Bank of Sri Lanka Act, No. 16 of 2023 and the Banking Act No. 30 of 1988, as amended, the Central Bank of Sri Lanka carries out its functions to ensure the safety and soundness of the banking system in Sri Lanka and to safeguard the interests of depositors and other stakeholders of licensed commercial banks (LCBs) and licensed specialised banks (LSBs) (hereinafter referred to as licensed banks (LBs)). Accordingly, the Central Bank carries out the following key functions:

- **Licencing and regulation:** the Central Bank issues licences to conduct banking business, formulates and issues prudential regulations.
- **Continuous supervision and statutory examinations of LBs:** conducts continuous surveillance and statutory examinations of LBs.
- **Governance oversight:** assesses and approves the fitness and propriety of Directors, Chief Executive Officers (CEOs) and Officers Performing Executive Functions in LBs.
- **Regulatory approvals:** grants regulatory approvals in terms of the Banking Act, initiating regulatory actions, where necessary.
- **Awareness and capacity building:** the Central Bank enhances awareness and capacity in the banking sector through continuous training and guidance.

The Sri Lankan banking sector comprised of 24 LCBs and 6 LSBs as at end 2025.

Issuance of Prudential Regulations

During 2025, the Central Bank issued several Banking Act Directions, Determinations, and Circulars on prudential and regulatory requirements to enhance the resilience of LBs. The key regulations include the Banking (Special Provisions) Act Directions on Recovery Plans for LBs, Circular on Reporting of Information Technology and Cybersecurity Incidents of LBs, an Addendum to the Banking Act Directions on Corporate Governance for LBs, Amendments to the Banking Act Determination on Approved Securities for Accommodation Granted to Related Parties of LBs and Circular on Guidelines for the Establishment of Mobile Banking Units (MBUs), Banking Act Determination on Annual Licence Fee for LBs, and relief measures to individuals and businesses whose income or business has been directly affected due to recent cyclonic and flood disasters.

The Central Bank entered into a Memorandum of Understanding (MoU) with the Nepal Rastra Bank on 20 February 2025, for the purpose of sharing information and enhancing cooperation in the areas of supervision, regulation, crisis management, and resolution of financial institutions and providing capacity building and technical assistance.

Further, the Central Bank and Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) entered into an MoU on 01 December 2025, for the purpose of sharing relevant information between the two parties with respect to non-compliances with the applicable regulations/standards and other concerns of regulated financial institutions.

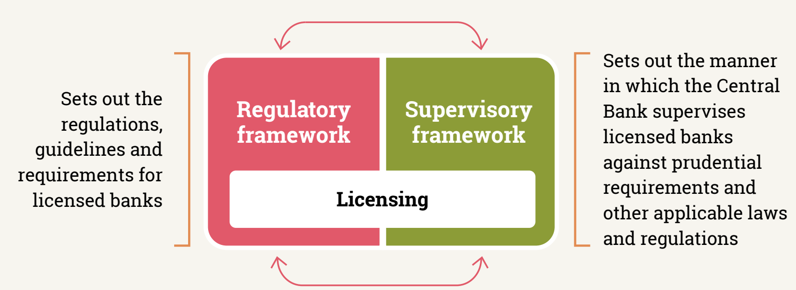
Further, in order to facilitate the offshore banking activities in Colombo Port City, while strengthening the regulatory and supervisory framework relating to such activities, the Central Bank provided observations and suggestions to the Ministry of Finance, Planning and Economic Development on the draft Bill to amend the Colombo Port City Economic Commission Act No. 11 of 2021.

Moreover, the Central Bank contributed to the formulation of the Sustainable Finance Roadmap 2.0 by providing observations whilst participating in several discussions and proceeded with further development related to the new Banking Act Directions on sustainable finance activities of LBs.

Conduct of Continuous Supervision

During 2025, continuous supervision was further strengthened to assess the underlying risks of the banking sector and to enable prompt corrective measures to safeguard depositors' funds. During the year, the process of granting regulatory approvals was further streamlined, and the process of automating workflows was initiated.

Regulatory and Supervisory Framework Figure – 09



Licensing straddles both regulation and supervision

Licensing criteria are established through applicable laws and regulatory provisions

Regulatory Approvals

During 2025, regulatory requests relating to 3,627 branches, banking outlets, and agents were processed, of which 3,555 approvals were granted.

Approvals Relating to Branches and Other Banking Outlets

Table: 01

Types of approvals	No. of branches/banking outlets/agents	
	Processed	Granted
Opening and installation of branches, self-service machines (SSMs), student saving units (SSUs), other banking outlets and agents of LBs	130	103
Relocation of branches, SSMs and others	83	64
Closures and cancellation of approvals granted for branches and other service outlets	37	28
Discontinuation and cancellation of approvals granted for ATMs and Other Automated Machines	62	45
Discontinuation and cancellation of approvals granted for agents of LBs	3,315	3,315
Total number of branches/banking outlets/agents	3,627	3,555

In addition to the approval granted for branches and other banking outlets, the Central Bank granted the following regulatory approvals to LBs in 2025.

Other Regulatory Approvals Granted

Table: 02

Type of approval	No. of approvals
Assessing fitness and propriety for appointment of KMPs including CEOs	130
Assessing fitness and propriety for appointment of Directors	47
Outsourcing arrangement – concurrence	12
Disposal of property below market value	3
Inclusion of debentures in Tier 2 capital	7
Abandoned property reimbursements	1
Expatriate staff visa recommendations/renewals	13
Other approvals/assessments	86
Total	299

In case of a refusal of a request made by an LB, the decision was communicated to LBs with justifications/reasons. During 2025, the Central Bank facilitated the process of appointing new directors to State-Owned Banks (SOBs) as a part of SOB reforms related to governance, risk management, and oversight of such banks, as approved by the Cabinet of Ministers.

Further, the Central Bank, with a view to facilitating the present economic recovery path of the country by promoting resilience and financial stability, introduced the Banking Sector Consolidation Framework, requiring locally incorporated LBs with assets less than Rs. 400 Bn. to submit self-assessments bi-annually which will be evaluated based on specific scoring criteria.

The Central Bank continuously facilitated the on-going restructuring process of the Housing Development Finance Corporation Bank of Sri Lanka (HDFC) and the State Mortgage and Investment Bank (SMIB), during 2025.

Furthermore, the Central Bank facilitated the consolidation of LBs by overseeing the absorption of the Sri Lanka Savings Bank by the National Savings Bank and two foreign banks in the disposal of their retail portfolios and purchase of the same by two LBs.

Regulatory Actions

During 2025, instructions on corrective measures were issued on 08 occasions in relation to non-compliances with the Banking Act and related Directions.

Conduct of Periodic Examinations

The Central Bank conducted 17 statutory examinations of LBs, 6 examinations on full scope including 2 consolidated supervision, 6 examinations on limited scope and 5 examinations on follow-up basis, covering statutory examinations of 5 Domestic systemically Important Banks (D-SIBs), 4 foreign banks, 1 large bank and 7 medium and small sized banks in 2025.

6 Spot Examinations were conducted on several LBs, *inter-alia*, to verify matters relating to core banking system failures, data breaches, credit governance, market risk and offshore lending of 5 banks.

Onsite examinations were conducted jointly with Financial Intelligence Unit (FIU) and on a standalone basis, as well as off-site supervision to assess the compliance of each LB's Money Laundering (ML), Terrorist Financing (TF) Proliferation Financing (PF) risks, and informs the concerns, if any, to FIU to effect enforcement actions under Financial Transactions Reporting Act (FTRA) as may be deemed appropriate.

During 2025, 10 joint supervision examinations were conducted with FIU and 5 standalone examinations.

Further, the Central Bank carried out prudential supervision of 5 Primary Dealer Units of LCBs in 2025.

Stakeholder Communication and Engagement

With a view to having effective communication with stakeholders, monthly meetings chaired by the Governor were conducted with CEOs. In addition, two meetings were held with bank chairpersons to apprise on the banking sector performance and developments in the economy. As a part of the supervisory mechanism, several discussions were held with the Board of Directors and senior management of certain banks on key supervisory concerns/findings. Moreover, several meetings were held with the external auditors to discuss matters related to the audit of financial statements of LBs. Further, with a view to building a secure financial ecosystem, two meetings were held in 2025 with the Chief Information Officers of LBs to discuss the latest developments in the information security landscape and to assess the readiness of the banking system to mitigate such potential risks and challenges. The Chief Information Security Officers of LBs also participated to one of such meetings. In addition, several meetings were held with external parties, including discussions on the implementation of relief measures for Small and Medium-sized Enterprises (SMEs) by LBs.

During 2025, the Central Bank coordinated and participated in several missions of the International Monetary Fund, World Bank, and Asian Development Bank with respect to implementing financial sector stabilisation measures to ensure the resilience of the banking sector. In addition, the Central Bank continued to contribute to capacity building in the banking sector by providing resource persons for training programmes, while also offering training and development opportunities for its staff.

The Central Bank regularly updated selected financial information and indicators related to the banking sector to the Central Bank website to facilitate informed decision-making of the public. Further, the Central Bank provided banking industry-related data requirements to external parties as and when required, with necessary approvals.

2025 Highlights

- Signed MoUs with Nepal Rastra Bank and SLAASMB to enhance cooperation, information sharing, and supervisory coordination.
- Strengthened continuous supervision, including streamlined regulatory approvals and initiation of workflow automation.
- Processed 3,627 regulatory requests for branches, outlets, and agents, granting 3,555 approvals.
- Granted 299 additional regulatory approvals, including assessments of Directors and CEOs, outsourcing concurrences, capital instruments, property disposals, and expatriate staff visas.
- Facilitated governance-related reforms in State Owned Banks, including director appointments and oversight improvements.
- Implemented the Banking Sector Consolidation Framework, requiring smaller locally incorporated banks to submit bi-annual self-assessments.
- Oversaw the restructuring of HDFC and SMIB, and facilitated consolidation activities including the absorption of Sri Lanka Savings Bank by National Savings Bank and the exit of two foreign banks from retail operations.

Banking Sector Evolution and Regulatory Dynamics in Sri Lanka

For decades, the banking sector has focused on building a reliable and secure environment through steady expansion and a commitment to global standards. Having navigated significant economic hurdles, the industry has reached a level of maturity where financial stability is now a well-established baseline. Today, this established foundation continues to drive the future of finance, as the main financial intermediary.

Evolution of the Banking Sector

The banking sector in Sri Lanka has evolved over decades underpinned by legal, institutional, and policy frameworks that strengthened financial intermediation and system stability. The Central Bank of Sri Lanka, established in 1950 under the Monetary Law Act No. 58 of 1949 (MLA), provided the legal foundation for regulation and supervision of banks, while the Department of Bank Supervision was established as one of its two statutory departments under the MLA.

During 1950-1976, the banking sector expanded considerably with the extension of the branch networks of the two state-owned banks (SOBs), into rural areas aligned with the Government vision, gradually asserting their dominance in the banking sector over foreign banks which primarily served foreign trade and capital requirements of the plantation sector. The limited presence of private banks with weak competitive dynamics within the sector constrained improvements in efficiency and sophistication in the financial system.

Following the 1977 liberalisation measures, the banking sector further broadened in terms of scale, complexity and sophistication with the establishment of branches of foreign banks and incorporation of new domestic private banks with the introduction of new financial instruments, emerging financial requirements and technological developments. Furthermore, Foreign Currency Banking Units were established, facilitating lending in designated foreign currencies to non-residents and resident corporates under Board of Investment. In addition, Regional Rural Development Banks were established with a view to facilitating rural development via financing of regional entrepreneurs and small and medium enterprises.

Marking a significant milestone in the evolution of the banking industry, the Banking Act No. 30 of 1988 was enacted in response to the increasing complexity of the financial system and the need for a more robust regulatory framework. The Act conferred explicit authority on the Central Bank to license, regulate and supervise institutions carrying on banking business, thus promoting safety and soundness of the banking sector and safeguarding the interests of depositors and other stakeholders.

Furthermore, upon the enactment of the Central Bank of Sri Lanka Act No. 16 of 2023, securing the financial system stability was identified as a objective of the Central Bank, emphasising the need to maintain a resilient and sound banking sector.

Evolution of Regulatory Landscape

The regulatory framework of Sri Lankan banking sector has continued to evolve in line with international standards to strengthen supervision, prudential regulations, risk management, and governance practices across the sector. Accordingly, the Central Bank initially adopted capital adequacy requirements aligned with Basel I in 1993, establishing minimum capital standards for credit risk, and subsequently moved to Basel II in 2008, which introduced a more comprehensive and risk-sensitive framework incorporating a three-pillar approach of minimum capital requirements, supervisory review, and market discipline. A major milestone in regulatory reforms was the introduction of the Banking Act Directions on Capital Requirements under Basel III in 2016, in line with post-global financial crisis standards implemented by the Basel Committee on Banking Supervision aimed at strengthening global banking sector's resilience to financial shocks.

Furthermore, the Central Bank issued Directions from time to time to strengthen the regulatory and supervisory framework, ensuring continued alignment with evolving market conditions and developments in aspects including:

- Corporate Governance
- Integrated Risk Management Framework
- Leverage Ratio under Basel III
- Directions on Statutory Liquidity Ratios of LBs including Liquidity Coverage Ratio and Net Stable Funding Ratio
- Classification, recognition and measurement of credit facilities and other financial assets in line with SLFRS 9: Financial Instruments
- Directions on Regulatory Framework on Technology Risk Management and Resilience for LBs
- Directions on Large Exposures of LBs
- Regulations on Approved Securities and Limits for Accommodation granted to Related Parties of LBs

Banking Sector Resilience

Total asset base of the banking sector surpassed Rs. 24.9 Tn. by the end of 2025. The sector comprises 30 LBs, with 24 Licensed Commercial Banks including 11 branches of foreign banks, and 6 Licensed Specialised Banks, operating through a network of 3,642 branches to support financial intermediation by enhancing access to banking services. Country's banking density (number of branches per 100,000 people) stood at 17.37 as at end 2025.

Over the past few years Sri Lanka faced multifaceted economic and financial challenges, including the Easter Sunday attacks, the Covid-19 pandemic, post pandemic disruptions accompanied by a slow recovery of economic activities, political uncertainties and extraordinarily adverse economic conditions. However, despite these challenges, the banking sector of Sri Lanka continued to remain resilient, largely supported by proactive key regulatory reforms implemented in the banking sector by the Central Bank.

Maintenance of strong capital and liquidity buffers based on Basel III standards and sufficient impairment provisions for expected credit losses in terms of SLFRS 9 accounting standards by the banks largely contributed in ensuring the stability of the banking sector during this period.

In view of the continuous economic challenges faced by the banking sector, the Central Bank initiated several crisis preparedness measures including the enactment of Banking (Special Provisions) Act No. 17 of 2023, establishing the Financial Sector Crisis Management Committee, developing a framework for providing emergency loans and advances to LBs and developing the Bank Recapitalisation Strategy, in order to minimise the spillover effects to the economy and to enhance the resilience.

In addition, the Central Bank fortified supervision of LBs by strengthening risk based supervision, ensuring intensified supervision for D-SIBs. Further, the Central Bank adopted consolidated supervision for banking groups and entered into a Memorandum of Understanding with the Securities and Exchange Commission of Sri Lanka and the Insurance Regulatory Commission of Sri Lanka to conduct effective consolidated risk-based supervision, thereby strengthening the resilience of the banking system against systemic risks.

The Banking (Amendment) Act, No. 24 of 2024

Considering the developments in regulatory framework, economic and market conditions, and changes in international best practices, the Central Bank formulated the Banking (Amendment) Act, No. 24 of 2024, to reinforce the legal and regulatory framework applicable to LBs on several key areas, *inter alia* minimum requirements in bank licensing, shareholder suitability, bank ownership, corporate governance, related party transactions, consolidated supervision, capital and liquidity framework, and large exposures.

Based on the amendments introduced to the Banking Act, revised Directions on Large Exposures of LBs were issued to mitigate credit concentration risk arising from inter alia sovereign bank nexus, which caused stress on banks' credit and liquidity risk profiles in the past. Accordingly, LBs are required to reduce exposures to the Government on a staggered basis.

Governance of SOBs has improved through merit-based and transparent board appointments under a Cabinet-approved framework for SOBs and in this regard, the Central Bank facilitated appointing independent directors to the respective LBs.

The Central Bank implemented various relief measures to assist businesses and individuals adversely affected by Easter Sunday attacks and the COVID-19 outbreak since 2019 to overcome their difficulties by way of debt moratoria, provision of credit facilities at concessionary interest rates and COVID-19 revival units to revive the viable borrowers. Furthermore, to facilitate sustainable economic revival of businesses affected by the extraordinary macroeconomic circumstances and to improve assets quality of LBs, the Central Bank issued guidelines on establishing Business Revival Units (BRUs) in March 2024. Having considered the need to grant effective relief to those affected by the recent cyclonic and flood disasters, the Central Bank issued a Circular to all LBs in December 2025.

Additionally, the Central Bank launched the Sustainable Finance Roadmap 2.0 to foster a climate resilient and socially inclusive financial system, conducted Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) examinations to strengthen the processes and controls within the banks to identify and mitigate financial crime risks.

The Central Bank also contributed to drafting of Colombo Port City Economic Commission Act No. 11 of 2021 and subsequent amendments thereto with a view to facilitating off-shore banking activities under robust regulatory standards.

Digital adoption is rapidly reshaping banking in Sri Lanka, enhancing efficiency, accessibility, and resilience while demanding stronger cybersecurity governance.

Digital Transformation of the Banking Sector

The COVID-19 pandemic accelerated digital adoption in banking while reshaping customer behaviour and service delivery. To meet evolving expectations amidst intense competition, banks have leveraged technology to enhance efficiency, accessibility, and resilience. Innovations such as digital and mobile banking platforms with enhanced user experience, real time interbank payments, digital onboarding (eKYC, vKYC), cloud infrastructure, and AI-driven automation including digital assistants and chatbots are being rapidly adopted, transforming how banking is delivered. These developments have improved decision-making and customer experience, while also heightening cybersecurity risks, requiring robust governance and operational controls.

Regulatory Framework on Technology Risk and Cyber Resilience

With a view to enhancing the resilience of the financial sector to technology related risks, the Central Bank issued a regulatory framework on technology risk management and resilience for LBs in 2021 setting minimum regulatory requirements covering the technology risk governance, information security, information system availability and disaster recovery, staff competencies and use of third-party infrastructure. Furthermore, to strengthen the operational resilience of LBs and safeguard customer information and assets, a circular was issued in 2025, on reporting of information technology and cybersecurity incidents of LBs, requiring prompt reporting of IT and cybersecurity incidents, and online and digital scams. Additionally, the Central Bank recently conducted a survey to assess current status for AI adoption by LBs, to facilitate the formulation of guidelines on AI that ensure responsible AI deployment in the banking sector.

The Central Bank will continue to enhance the stability and resilience of the banking sector through timely adoption of prudential measures in line with regulatory and market developments and international best practices while enhancing the effectiveness of supervision through the introduction of technology-driven supervisory tools.

Regulation and Supervision of Non-Bank Financial Institutions

The Central Bank is entrusted with regulating and supervising Finance Companies (FCs), Specialised Leasing Company (SLC), and Licensed Microfinance Companies (LMFCs) under the Finance Business Act (FBA) No. 42 of 2011, Finance Leasing Act (FLA) No. 56 of 2000[1], and Microfinance Act No. 06 of 2016 respectively, read with Section 61 of the Central Bank of Sri Lanka Act No. 16 of 2023. The Bank also supervises Primary Dealer Companies (PDCs) under the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 as amended and Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 as amended. Related key functions are;

- **Licensing and regulation:** The Central Bank issues licenses/registrations for Non-Bank Financial Institutions(NBFIs) and formulates prudential regulations.
- **Continuous supervision and statutory examinations of NBFIs:** The Central Bank conducts continuous monitoring and statutory examinations, including AML/CFT supervision to ensure regulatory compliance and assess sustainability of NBFIs.
- **Governance oversight:** The Central Bank assesses and approves the fitness and propriety of Directors, Chief Executive Officers (CEOs), and Other Key Responsible Persons (KRPs) of NBFIs.
- **Regulatory actions:** The Central Bank has the authority to initiate actions with respect to NBFIs.
- **Investigations:** The Central Bank conducts investigation of unauthorised finance businesses, to ensure that institutions are not illegally accepting deposits or operating without proper authorisation.

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

Issuing Directions, Rules and Guidelines

Prudential regulations were issued to further streamline and strengthen the existing regulatory framework of NBFIs in line with the current market developments and international best practices. A list of major prudential measures introduced during 2025 are directions on maximum interest rates on deposits and debt instruments and liquidity risk management for FCs[2], credit risk management for LMFCs and minimum core capital requirements for PDCs.

Regulatory Approvals

The Central Bank granted 1,121 regulatory approvals to NBFIs to issue debt instruments, enhance/reduce share capital, ownership transfers, amend the Articles of Associations, formation of subsidiaries, annual branch expansion plans and matters related to KRPs, such as their appointments, continuation, resignations and retirements.

Statutory Examination and Continuous Supervision

The Central Bank conducted statutory examinations on 16 FCs, three PDCs, and two LMFCs. Spot examinations were carried out for four FCs to investigate irregularities. Further, AML/CFT supervision on FCs and PDCs were conducted, focusing mainly on assessment of AML/CFT related policies/procedures and the compliance with the relevant provisions of applicable laws, rules and regulations, including Financial Transactions Reporting Act, No.6 of 2006. At the same time, joint AML/CFT examinations were conducted with Financial Intelligence Unit (FIU), where necessary.

The Central Bank continued off-site surveillance using its FinNet reporting system, analysing financial information, audit reports, external ratings, and media reports. Identified risks were escalated to the Governing Board, ensuring informed decision making. Internal supervisory ratings, were prepared to group FCs into varying risk categories ranging from very high to very low to facilitate continuous supervision. The Bank also engaged in monitoring of FCs under the phase II of the Masterplan for Consolidation of FC sector and addressed 354 public complaints, primarily concerning policy issues and cancelled licenses of FCs.

Restrictions and Other Regulatory Actions

The Central Bank took swift action against non-compliant FCs under the Prompt Corrective Action Framework and other applicable legal/regulatory provisions:

- Restrictions on deposit-taking, lending, and borrowing were imposed on FCs that did not meet capital requirements and were lifted for FCs that achieved compliance.
- Resolution actions were initiated on an FC considering the continuous non-compliance with regulatory requirements on capital and liquidity.
- Meetings were held with boards and senior management to address regulatory concerns.
- Efforts were made to collaborate with liquidators of failed FCs to expedite liquidation processes.

---

[1] Central Bank is in the process of making necessary amendments to the FBA to enhance the supervision and regulation and resolution framework of FCs and FLA to address the concerns identified in the finance leasing business.

[2] https://www.cbsl.gov.lk/en/laws/directions-circulars-guidelines-for-non-banks

Communication and Data Dissemination

To enhance market transparency, the Central Bank publicly disclosed the names of NBFIs that failed to meet prudential capital requirements and with regulatory restrictions on its website[3].

The Bank also intensified stakeholder engagement, by holding discussions with:

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

To improve accessibility to sectoral insights, the Central Bank published quarterly financial information of the FCs sector[4] and shared data with global institutions such as World Bank, International Monetary Fund, Asian Development Bank and government entities.

The Central Bank implemented a comprehensive series of awareness programmes mainly relating to regulatory and supervisory framework of NBFIs and unauthorised deposit taking/finance businesses, targeting a broad range of stakeholders, including the general public, law enforcement officers, government officials, journalists, staff of regional offices of the Central Bank, and other sector participants.

These initiatives were delivered through number of platforms, including media programmes, online sessions, training programmes, and stakeholder discussions.

Accordingly, the Central Bank conducted several structured training programmes with the objective of enhancing the knowledge and professional standards of stakeholders, particularly in relation to the directions and regulatory requirements applicable to FCs. These programmes were facilitated by qualified and experienced resource persons of the Central Bank.

Furthermore, several awareness sessions were organised with a strong focus on educating the public on the risks associated with unauthorised deposit-taking and illegal financial business activities, while simultaneously promoting financial literacy.

Meanwhile, specialised capacity building sessions were conducted for police officers and government officials, with emphasis on the relevant legal framework, regulatory requirements, and enforcement mechanisms pertaining to unauthorised financial activities.

Outreach initiatives in rural areas, with the engagement with community leaders, enabled the extension of awareness to vulnerable segments in society, thereby supporting financial inclusion and strengthening consumer protection.

2025 Highlights

- Strengthened the regulatory framework through licensing, prudential regulation, continuous supervision (including AML/CFT oversight), statutory examinations, and governance assessments of Directors, CEOs, and KRPs.
- Granted 1,121 regulatory approvals covering debt issuances, capital changes, ownership transfers, branch expansion plans, subsidiary formation, and matters relating to KRPs.
- Enhanced transparency by publicly disclosing NBFIs that failed to meet prudential capital requirements or were under regulatory restrictions.
- Strengthened stakeholder engagement through regular discussions with CEOs, Boards, senior management, external auditors, industry associations, and international agencies on regulatory matters and sector developments.
- Implemented comprehensive awareness program series relating to strengthen the compliance and control unauthorised deposit taking/financial business

Regulation of the Money Broking Companies

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

Issuing certificates of authorisation to eligible money broking companies.

Imposing an annual certificate fee for Authorised Money Broking Companies (AMBs).

Monitoring compliance through guidelines, circulars, and supervisory examinations (both on-site and off-site).

[3] https://www.cbsl.gov.lk/authorized-financial-institutions/licensed-finance-companies

[4] https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector

Evolution of the Non-Bank Financial Institutions Sector and Regulatory Dynamics

The evolution of the NBFI sector reflects the long-standing commitment of the Central Bank to safeguarding financial stability as a foundation for sustainable and inclusive economic growth. Over nearly a century, NBFI sector has undergone a remarkable evolution, and played a vital role in providing financial services beyond the traditional banking system, catering to the underserved segments of the population while supporting economic growth and financial inclusion.

The transformation of NBFIs sector has been closely tied to regulatory reforms along with stability measures taken by the Central Bank, institutional developments and technological advancements.

Early beginnings: 1940s–1970s

The origins of the NBFI sector date back to the 1940s, with the emergence of FCs marking the beginning of a formal NBFI sector to meet credit demands that were not adequately served by the banking sector. During this formative period, the sector expanded largely in the absence of a formal regulatory framework. Although the Central Bank and its Department of Bank Supervision were established in the 1950s, FCs remained outside the scope of a systematic regulatory oversight until the 1980s.

The existence of this regulatory vacuum that prevailed until late 1970's led to the increase in unregulated FCs, many of which failed, particularly during the pre-1977 period. These failures highlighted the risks posed by unregulated financial intermediation and reinforced the need for a formal regulatory framework to protect depositors, maintain public confidence and preserve financial stability.

Introduction of Formal Regulation: 1979–1999

Enactment of the Control of Finance Companies Act, No. 27 of 1979 (CFCA)

A major regulatory milestone was achieved with the enactment of the CFCA, which introduced formal regulatory oversight of FCs for the first time. This Act marked the beginning of structured regulatory intervention by the Central Bank, aimed at monitoring sector activities, protecting depositors, and ensuring compliance with prudential regulatory requirements. Initially, the responsibility of implementing the provisions of CFCA has been assigned to the Department of Bank Supervision of the Central Bank.

Enactment of the Finance Companies Act, No. 78 of 1988 (FCA)

Consequently, the regulatory framework was further strengthened with the enactment of FCA, which replaced CFCA and modernised the supervisory and regulatory framework by enhancing the authority of the Central Bank to issue prudential regulations. Following this Act, the Central Bank established a dedicated department for the supervision of NBFIs, named as Department of Supervision of Non-Bank Financial Institutions (DSNBFI), in 1988. This institutional separation of supervision process of NBFIs from supervision of banks resulted in an effective sector specific supervisory and regulatory framework.

Restructuring Initiatives of Finance Companies in the 1980s

By the late 1980s, several FCs faced serious financial difficulties leading to their inability to repay the obligations to depositors largely due to poor governance and risk management practices. In response, restructuring initiatives were undertaken to rationalise the industry. The number of active FCs, which stood at approximately 72 at end 1988, was reduced to around 40 by end 1990 through regulatory intervention and consolidation measures.

Expansion of the Regulatory Scope, Regulatory Reforms and Stability Measures: 2000–2025

Enactment of the Finance Leasing Act No. 56 of 2000 (FLA)

The 2000s marked a phase of expanded regulatory coverage to encompass new categories of NBFIs. The FLA was enacted to bring the entities offering finance leasing facilities under the supervisory and regulatory scope of the Central Bank.

Enactment of the Finance Business Act, No. 42 of 2011 (FBA)

A landmark reform occurred with the enactment of FBA, which replaced the earlier FCA. The FBA further strengthened licensing, regulation and supervision of FCs and provided enhanced authority to investigate and prosecute unauthorised finance business. This legislation modernised the regulatory architecture governing finance businesses in Sri Lanka.

First program on the Consolidation of NBFIs

Amid growing concerns regarding structural weaknesses and vulnerabilities in the sector, the Central Bank introduced the first program on the Consolidation of NBFI sector in January 2014. At the time, the sector comprised 58 NBFIs. Following the implementation of this plan, the number of NBFIs was reduced to 42 by the end of November 2020.

Strengthening Supervision of Primary Dealer Companies (PDCs)

With a view to strengthening and enhancing the supervisory framework applicable to PDCs, w.e.f. 03 June 2016, the Central Bank transferred the supervision, examination and investigation of PDCs to DSNBFI under the provisions of the Local Treasury Bills (Primary Dealers) Regulations No.01 of 2009 and the Registered Stock and Securities (Primary Dealers) No.01 of 2009, from the Public Debt Department.

Supervision of Licensed Micro Finance Companies(LMFCs)

In addition, Central Bank commenced supervision of LMFCs. with effect from 01 January 2018.

Second Program on the Consolidation of NBFIs

Subsequently, in 2020, the Central Bank introduced the second consolidation programme named as Masterplan for Consolidation for NBFIs Sector (the Masterplan) with the objective of fostering a stronger and more stable NBFI sector. This programme was structured in two phases. Phase I of the Masterplan focused on the consolidation of FCs with capital shortfalls, entities operating within the same group, and stand-alone SLCs. Upon completion of Phase I, the number of FCs declined to 32 by end 2025. The revised framework for Phase II of the Masterplan is currently in operation, with an implementation period spanning from 2025 to 2028.

Improving Sectoral Resilience

Based on lessons learned from past financial crises and institutional failures, the Central Bank introduced regulatory directions and guidelines to strengthen corporate governance, capital requirements, and risk management frameworks within NBFI sector. These measures addressed key weaknesses observed during periods of stress, including deficiencies in board oversight, governance practices, and internal controls, while reinforcing fit-and-proper requirements for key responsible persons to enhance accountability and transparency. The enhanced frameworks for core capital, capital adequacy, credit, liquidity, and operational risk management were designed to improve resilience and shock-absorption capacity across NBFI sector.

By end 2025, NBFI sector comprised of 32 FCs, 1 SLC, 4 LMFCs and 5 PDCs regulated by Central Bank.

Combating Unauthorised Deposit-taking and Finance Business Activities

The Central Bank continued to conduct investigations relating to unauthorised deposit-taking and finance business activities with a view to detecting, preventing, and taking enforcement action against such activities, thereby protecting the interests of the public.

From Fragmentation to Stability

The evolution of Sri Lanka's NBFI sector clearly demonstrates the Central Bank's enduring pursuit of stability as a prerequisite for prosperity from an initially unregulated landscape of credit providers, the sector has progressively transformed into a well-regulated and integral pillar of the financial system. Successive legislative reforms have strengthened supervisory capacity, enhanced governance and risk management standards, and enabled timely regulatory intervention, while consolidation initiatives have mitigated structural vulnerabilities and improved the overall soundness of the sector.

As the Central Bank marks its 75th anniversary under the theme *"Stability for Prosperity"*, the NBFI sector stands as a testament to how regulatory foresight, institutional strengthening, and proactive supervision contribute to sustained financial stability. Looking forward, continued regulatory responsiveness, risk-based supervision, and forward-looking policy measures will ensure that NBFIs effectively support inclusive economic development, financial deepening, and national prosperity, while preserving the stability of the financial system.

The NBFI sector has now transformed into a well regulated financial pillar, demonstrating how regulatory foresight and institutional strengthening have enhanced system-wide stability.

Financial Inclusion and Financial Literacy

The Central Bank facilitated effective, timely and coordinated implementation of the National Financial Inclusion Strategy (NFIS) in close collaboration with key stakeholders, within a well-defined and robust governance framework. The NFIS Secretariat, established within the Central Bank, undertook systematic monitoring and evaluation of implementation progress on a quarterly basis, ensuring accountability and alignment with strategic objectives.

"Financial Literacy and Capacity Building" constitutes a core pillar of the NFIS. In this context, the Financial Literacy Roadmap (FLR) of Sri Lanka (2024–2028) was launched in mid-2024 to establish a comprehensive, structured and nationally coordinated framework for enhancing financial capability across all segments of the population. The Roadmap's Action Plan is currently being operationalised, providing strategic direction for the phased and systematic implementation of targeted interventions and coordinated stakeholder-led initiatives.

Financial Literacy Initiatives under the FLR

Under the FLR, the Financial Literacy Curriculum was successfully developed and formally launched on 03 July 2025, with technical expertise provided by the University of Kelaniya and financial support from the United Nations Development Programme (UNDP). To ensure wide accessibility, inclusiveness and equitable reach, the curriculum was made publicly available in all three national languages through the Central Bank website, thereby empowering individuals across diverse socio-economic backgrounds to make responsible financial decisions.

Financial Literacy Video Series

Two thematic financial literacy video series were developed with the financial support of Japan International Cooperation Agency (JICA) and UNDP in alignment with the Financial Literacy Curriculum, with the objective of reinforcing key learning outcomes through accessible and engaging digital content.

These video series were designed to address critical gaps in financial literacy among the general public by raising awareness on prevalent financial risks and behavioural challenges. In particular, the content focuses on issues such as reliance on informal borrowing, imprudent spending patterns, inadequate financial planning and the risks associated with unauthorised deposit-taking and pyramid schemes, thereby promoting informed decision-making and responsible financial behavior.

Financial Literacy Month Programme

As a significant milestone under the FLR implementation, the Central Bank in collaboration with key stakeholders, successfully inaugurated "Financial Literacy Month – 2025" on 10 September 2025, enhancing financial awareness and empowerment across the country. Regional Financial Literacy Day programmes were conducted in Matale, Kilinochchi, Anuradhapura, Badulla, Trincomalee and Galle during September – October 2025, under the title "Fin Lit Expo – 2025", engaging over 30,000 participants.

Credit Counselling Centre

The Credit Counselling Centre (CCC), operating under the oversight of the Central Bank in collaboration with the Sri Lanka Banks' Association (SLBA), has demonstrated significant progress following its revamp, contributing to strengthened financial literacy, inclusion and financial stability in line with the Central Bank Act, No. 16 of 2023. The CCC provides targeted financial counselling and debt resolution support to individuals and Micro, Small and Medium Enterprises (MSMEs), particularly those facing credit constraints or financial distress. It also offers guidance on financial planning, credit management and access to finance.

In 2025, the CCC handled 1,257 inquiries primarily from non-performing MSMEs and successfully resolved approximately 75% through mediation, interest dispute resolution and loan rescheduling guidance. Looking ahead, extending CCC services to the regional level through the deployment of trained Credit Counsellors and enhanced outreach would enable broader and more timely access to financial guidance for individuals and MSMEs.

The Role of Regional Offices in Promoting Financial Literacy and Inclusion

In 2025, the Regional Offices conducted over 635 financial literacy awareness programmes across the island, reaching approximately 70,000 participants and reinforcing the Central Bank's commitment to broad-based financial empowerment.

Conducting Regional Forums

During the year, three Regional Forums were convened, underscoring Central Bank's strategic commitment to advancing financial literacy and financial inclusion at the regional level, and further strengthened and broadened the Central Bank's institutional presence across the country. These Forums were successfully held in Hambantota, Nuwara Eliya and Matale, in close collaboration with the Regional Offices in Matara, Nuwara Eliya and Matale, respectively.

All forums were attended by the Governor, together with the senior management of the Central Bank and senior representatives from key government institutions, licensed banks, the Police, the Armed Forces and prominent regional entrepreneurs.

Towards NFIS Phase II

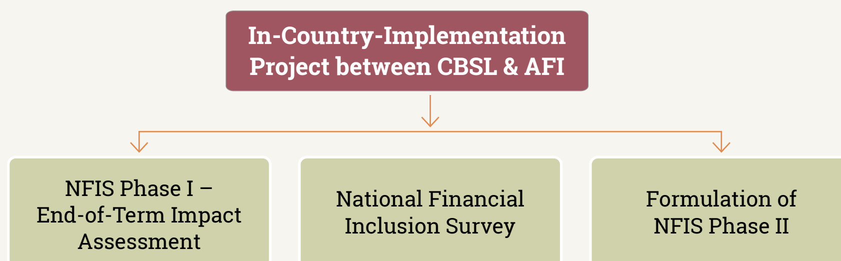
Following the successful conclusion of NFIS Phase I, a series of preparatory initiatives were undertaken to support the formulation of NFIS Phase II. In this context, the Central Bank secured both technical and financial assistance from the Alliance for Financial Inclusion (AFI) under its In-Country Implementation (ICI) Programme. This support is being utilised:

i. to conduct a comprehensive End-of-Term Evaluation of NFIS Phase I.

ii. implement a nationally representative Financial Inclusion Survey; and

iii. provide specialised technical assistance to underpin the evidence-based design and formulation of NFIS Phase II.

In-Country-Implementation Project Between CBSL & AFI Figure – 10

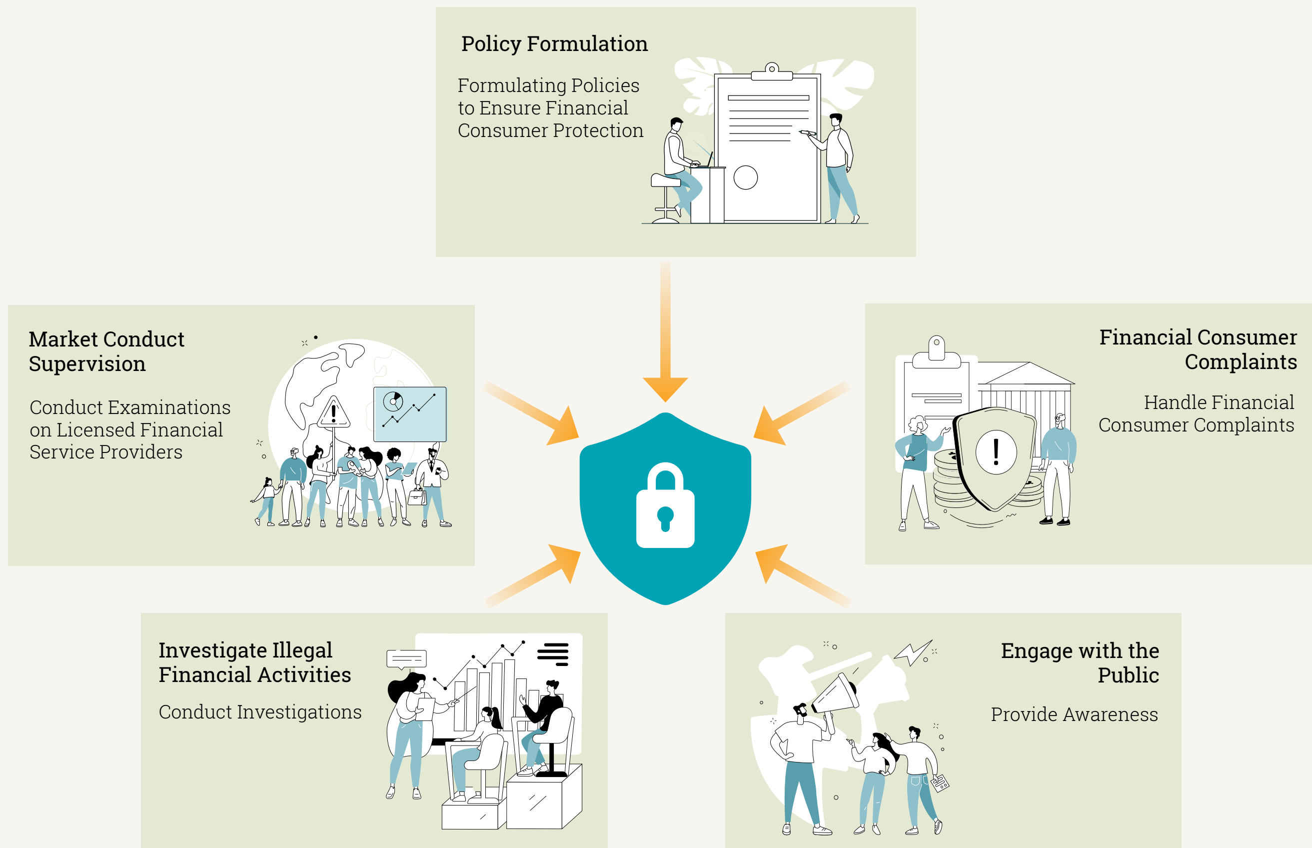


With a view to more accurately reflect its core mandate and functional responsibilities, aligning with the international practices adopted by comparable central banking institutions globally and further strengthening the strategic role of Central Bank in advancing financial inclusion, the Regional Development Department (RDD) of Central Bank was formally renamed as the Department of Financial Inclusion (DFI) with effect from 01 January 2026.

Financial Consumer Protection

Financial Consumer Protection Figure – 11

Safeguarding Your Financial Rights



During 2025, the Central Bank focused on the practical implementation of the Financial Consumer Protection Regulations No. 01 of 2023, with emphasis on supervisory execution, complaint handling, investigations, and public engagement. Operational efforts as well as policy initiatives during the year were directed at strengthening market conduct oversight, responding to financial consumer complaints, addressing prohibited schemes, and improving consumer awareness through targeted outreach.

Market Conduct Supervision

Central Bank carried out four full-scope market conduct examinations and three thematic reviews during the year to assess compliance with financial consumer protection requirements. These supervisory activities covered minor accounts, digital financial products, and credit card operations. The examinations enabled supervisors to identify operational gaps, weaknesses in disclosure practices, deficiencies in complaint handling processes, and conduct-related risks. Findings were communicated to institutions with specific supervisory directions and follow-up actions to address identified issues.

Financial Consumer Complaints Handling

Operational enhancements were made to strengthen handling of financial consumer complaints. During 2025, the Central Bank received 5,610 complaints, of which 4,252 were related to financial consumer protection matters. Of these, 2,226 complaints were resolved during the year, while 2,026 cases remained under review as at end 2025. Complaint handling efforts focused on verifying institutional responses, obtaining clarifications from financial service providers, facilitating corrective actions, and ensuring compliance with redress obligations. The increase in complaints reflected greater public awareness and utilisation of the Central Bank's complaint handling mechanisms.

Public Awareness

Efforts were undertaken to improve public awareness of financial risks through targeted outreach programmes. A nationwide Anti-Pyramid Week was implemented across schools, administrative divisions, and armed forces, involving a series of coordinated awareness sessions and dissemination of educational materials. In addition, 43 public awareness programmes were conducted during the year to improve financial literacy, enhance awareness of consumer rights, and strengthen the public's ability to identify and avoid fraudulent financial schemes.

Institutional Development and International Cooperation Related to Consumer Protection

To support operational improvements, the Central Bank conducted a detailed assessment of existing financial consumer protection processes with technical assistance from the Asian Development Bank. The assessment focused on identifying operational gaps in supervision, complaint handling, and enforcement processes. During the year, the Central Bank also became a full member of the International Financial Consumer Protection Organisation, enabling operational staff to access practical supervisory tools, peer experiences, and international case studies relevant to day-to-day market conduct supervision.

Operational activities undertaken during 2025 strengthened the Central Bank's capacity to supervise market conduct, handle financial consumer complaints, investigate prohibited schemes, and engage directly with the public. These actions contributed to improved supervisory responsiveness, enhanced consumer confidence, and more effective implementation of financial consumer protection requirements across the financial sector.

2025 Highlights

- Strengthened implementation of Financial Consumer Protection Regulations No. 01 of 2023 focusing on supervision, complaint resolution, investigations, and public engagement.
- Conducted four full-scope examinations and three thematic reviews (minor accounts, digital products, credit cards), resulting in corrective supervisory actions.
- Received 5,610 complaints (4,252 on financial consumer protection); of which 2,226 were resolved, with the remainder under review as at year-end.
- Conducted targeted public awareness efforts, including "Anti-Pyramid Week", campaign with 43 programmes on consumer rights and financial risks.
- Completed an operational assessment of consumer protection processes with Asian Development Bank support, to identify gaps in supervision, complaint handling, and enforcement.

Strengthening Financial Sector Safety Nets

Resolution Authority

A robust and credible resolution framework is essential for maintaining public confidence in the regulated financial institutions and safeguarding financial system stability. The Central Bank ensures its effective functioning under the Banking (Special Provisions) Act, No. 17 of 2023 (BSPA) while extending its resolution powers to the finance companies licensed by the Central Bank which marked a significant milestone in strengthening Sri Lanka's financial safety net and resolution framework.

The Central Bank, in 2025, continued to focus on advancing the operationalisation of the framework, with particular emphasis on planning, institutional preparedness and stakeholder awareness. These efforts were undertaken in line with statutory requirements and international best practices.

During the year, the Central Bank obtained technical assistance under the Financial Sector Stability and Reforms Programme of the Asian Development Bank, and the International Monetary Fund on effective resolution execution. These technical assistance contributed to strengthening planning methodologies, enhancing staff capacity and further aligning Sri Lanka's resolution framework with internationally accepted standards.

During 2025 the Central Bank developed institution specific resolution plans complying with international standards and best practices focusing on identifying appropriate strategies, assessing operational and financial feasibility, and identifying potential impediments to resolvability, thereby enhancing resolution preparedness across different segments of the financial system.

Following the development of resolution triggers for licensed banks, the Central Bank completed resolution triggers for Finance Companies (FCs) in 2025. These triggers are intended to provide an objective, transparent and timely basis for the initiation of resolution actions in respect of FCs, consistent with the application of the BSPA.

In accordance with Section 15 of the BSPA, the Financial Stability Fund (FSF), which was established on 03 October 2024, continued to be operationalised during 2025. The Ministry of Finance allocated initial corpus of Rs. 1,000 Mn., with the agreement of providing additional funding to build up the fund through subsequent budgetary allocations.

During 2025, Central Bank appointed a Panel of Independent Professional Valuers and initiated the process to appoint a Panel of Administrators, thereby strengthening the Central Bank's operational readiness to execute any resolution action.

The Central Bank conducted a series of awareness programmes on the resolution framework under the BSPA, targeting Chief Executive Officers of LBs and FCs, Chairpersons and Boards of Directors of LBs, and key management personnel of LBs. In addition, a programme on the Directions and data templates relating to resolution planning was conducted for relevant officers of LBs.

Sri Lanka Deposit Insurance Scheme

The Sri Lanka Deposit Insurance Scheme (SLDIS) continued to function as a financial sector safety net in the country contributing to the stability of Sri Lanka's financial sector. During 2025, several measures were initiated to strengthen the financial and institutional capacity of the SLDIS.

The Central Bank ensured the smooth implementation of the Financial Sector Safety Net Strengthening Project (FSSNP) of the World Bank (WB) during the year 2025,which is a four year project commenced in 2024. The cumulative loan proceeds received under the Project increased to USD 130 Mn. as at end 2025 with the completion of Performance Based Conditions targeted for the year.

Further, during 2025, a nationwide baseline survey was conducted to measure the level of public awareness on SLDIS in order to develop and implement a long-term public awareness strategy for SLDIS.

Directions were issued to the Member Institutions (MIs) of the SLDIS on 15 December 2025 on the "Display of Membership with the Sri Lanka Deposit Insurance Scheme and Availability of Deposit Insurance Coverage", with the intention of enhancing public awareness on the SLDIS.

Further, under the FSSNP, measures were taken to strengthen policy-driven enhancements and alignment of the SLDIS with the Core Principles for Effective Deposit Insurance Systems issued by the International Association of Deposit Insurers. Developing a risk-based premium methodology, a target funding model for the SLDIS and a policy for SLDIS in providing financial assistance to facilitate the transfer of assets and liabilities of an MI as a resolution measure, were among such key policy improvements that were initiated during the year.

With the objective of enhancing the operational efficiency and the payout infrastructure of SLDIS, the Central Bank is currently engaged in implementing a fully-fledged integrated Management Information System for SLDIS as an improvement to the existing IT infrastructure.

In 2025, the Central Bank continued to carry out compensation payment related activities under the SLDIS and disseminated relevant information to the necessary stakeholders. In addition, with the aim of ensuring the operational efficiency of the SLDIS in managing large scale or simultaneous payouts during times of crises, the Central Bank developed a contingency plan for the SLDIS as a Performance Based Condition of FSSNP. Further, in order to minimise the overreliance on a single Agent Bank and ensure the effective disbursement of compensation payments, the Central Bank initiated measures to establish a pool of accredited Agent Banks, comprising LBs with wider branch networks and adequate resources.

The Central Bank continued the administration and management of the SLDIS, while ensuring the timely submission of the Annual Financial Statements of the Sri Lanka Deposit Insurance Fund, as required under the BSPA.

Investigations into Prohibited and Fraudulent Schemes

The Central Bank conducts investigations into prohibited and fraudulent schemes by gathering information, verifying financial flows, coordinating with relevant authorities, and issuing determinations to support timely intervention and risk mitigation.

During the year, two investigations into such activities were concluded, bringing the total number of determined prohibited schemes to 23. As at end-2025, two investigations were ongoing, while 21 fact-finding inquiries had been completed.

Ensuring Institutions are Not Illegally Accepting Deposits or Operating Without Proper Authorisation

In response to complaints and information regarding unauthorised deposit-taking and finance business, the Central Bank has initiated 119 investigations by end 2025 under Section 42 of FBA.

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

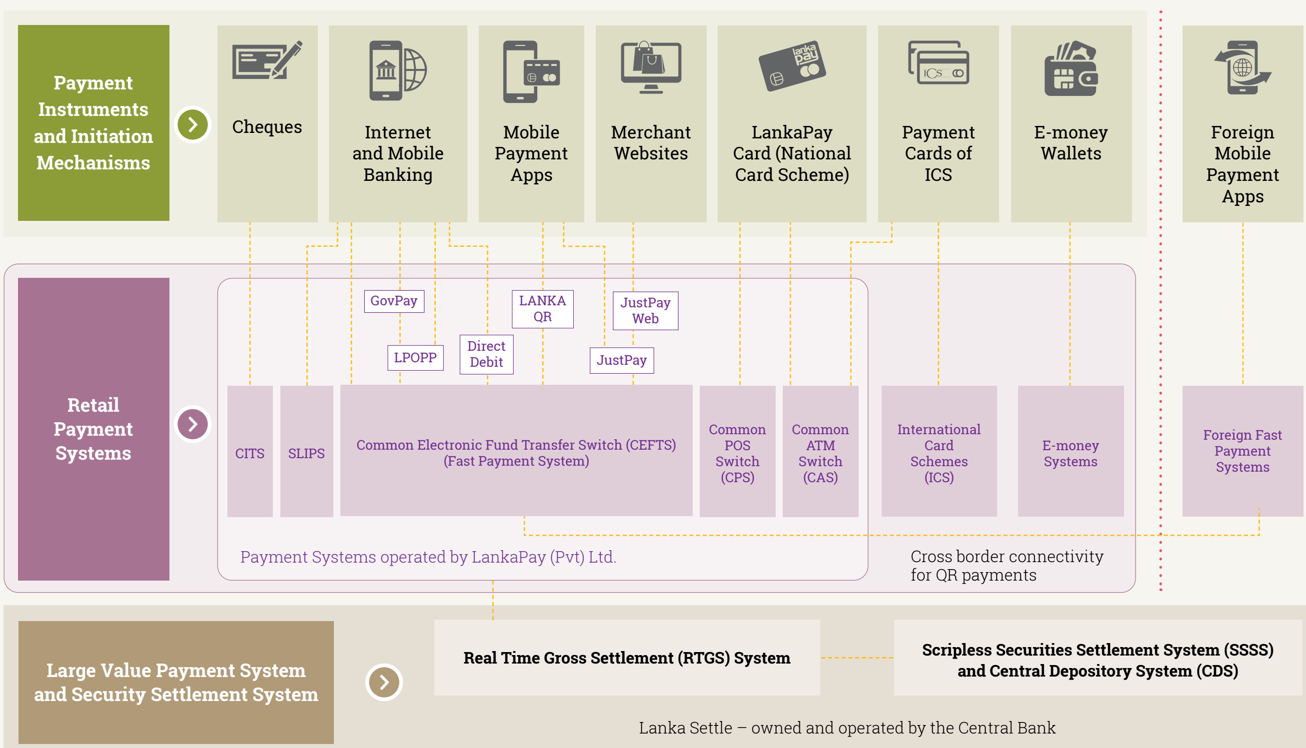
In 2025, the Central Bank obtained 23 extensions from the High Court of Colombo for freezing orders under Section 44 of FBA, preventing the alienation of assets of entities and individuals under investigation. Further, three individuals were subject to travel bans, with orders from Magistrate Courts under Section 45 (3) of FBA.

Central Bank published the notices in Sinhala, Tamil, and English in daily and weekend newspapers in terms of Section 42 (10) to inform the public on determinations of entities/individuals, which/who have carried on/are carrying on finance business or have accepted/are accepting deposits in contravention of the provisions of FBA.

Payments and Settlements

The national payment system of Sri Lanka is regulated by the Central Bank and comprises of a large value payment system, retail payment systems and payment services offered by Licensed Service Providers (LSPs). The large value payment system of the country is the Real Time Gross Settlement (RTGS) system owned and operated by the Central Bank. Retail payment systems primarily include Fast Payment Systems (FPS) and batch payment systems operated by LankaPay (Pvt) Ltd (operator of the national retail payment network), e-money systems operated by telecommunication service providers, and payment card networks operated by International Card Schemes (ICS). RTGS supports high-value interbank payments while retail payment systems support instant payments, enhancing accessibility, convenience and safety for individuals, businesses, and government entities.

The National Payment System of Sri Lanka Figure – 12



Regulation, Oversight, and Supervision of the Payment System

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

The Central Bank is empowered to oversee the payment systems operating in the country to ensure their safety and efficiency while identifying and mitigating associated risks. In addition, the Central Bank licenses and supervises payment services provided by LSPs, which include payment card issuers, financial acquirers, and e-money system operators. Risk-based regulations are adopted to ensure safety and efficiency, while encouraging innovation and industry development. Third party financial technology (Fintechs) services are guided by directions and guidelines for payment related mobile applications and card based electronic commerce transactions specifying requirements for Fintechs. The Credit Card Guidelines set out the requirements applicable to credit card issuers, with a particular focus on consumer protection aspects. To promote innovations in the financial sector, the Central Bank introduced regulatory sandbox framework in 2020. It provides controlled live environment for testing innovative fintech products, with temporary relaxations of applicable Central Bank directions, circulars, guidelines, and rules, while ensuring full compliance with Acts of Parliament and related regulations.

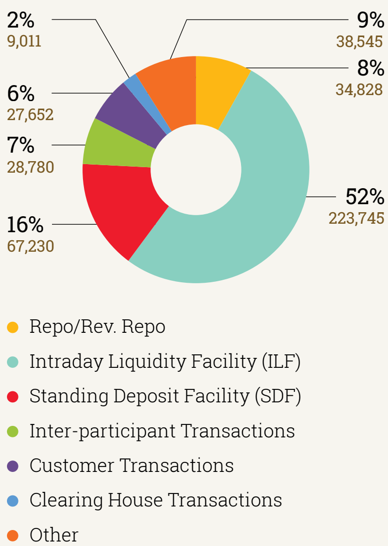
Operations of the Large Value Payment System (RTGS System)

The RTGS system operated by the Central Bank is a Systemically Important Payment System (SIPS). This facilitates real-time settlement of large-value payments among the participating institutions in a secure and irrevocable manner. Thus any failure of RTGS system may disrupt critical operations, threatening the stability of the financial system and the wider macroeconomy. Following the upgrade of the RTGS with a new system (LankaRTGS) in 2024, which brought the system in line with ISO 20022, the Central Bank continued to strengthen, its operational efficiency and risk management processes.

The participants of the RTGS system include the Central Bank, 24 Licensed Commercial Banks (LCBs), 1 Licensed Specialised Bank (LSB), 7 Authorised Primary Dealers (PDs), the Employees' Provident Fund (EPF), and the Central Depository System of the Colombo Stock Exchange.

The RTGS system supports the settlement of funds with respect to various types of transactions including, interbank call money transactions, government securities transactions, open market operations, the domestic leg of foreign exchange transactions, clearing house (LankaPay) net settlement of retail transactions, other inter-participant fund transfers and customer transactions. To ensure uninterrupted transaction settlement, the Central Bank provides collateralised Intraday Liquidity Facility to RTGS System participants with government securities serving as eligible collateral.

Value and Types of Transactions Settled in the RTGS System in 2025 (Rs. Bn.) Graph – 02



In 2025, the RTGS system processed 597,859 transactions representing a value of nearly Rs. 430 Tn.

Operations of Retail Payment Systems

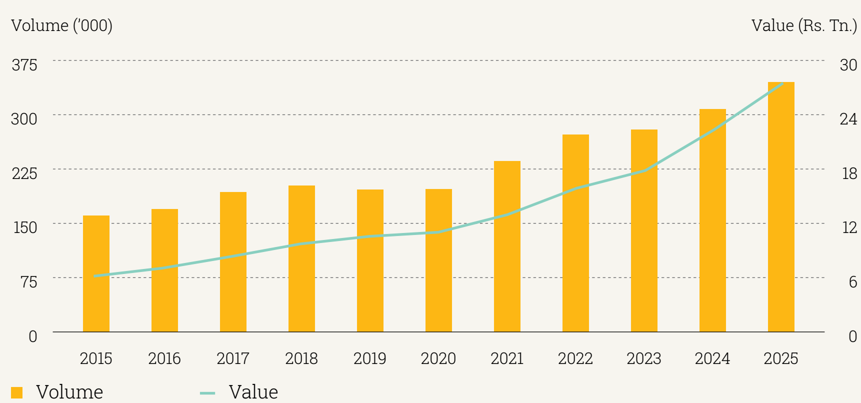
Digital payments adoption by the public has continued to grow, driven by the safe, reliable, and efficient operation of the country's retail payment systems.

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

The FPS enables customers to conduct real-time online fund transfers through payment channels such as internet banking, mobile banking, ATMs, Kiosks and over the counter in financial institutions. LANKAQR, LankaPay Online Payment Platform (LPOPP), JustPay, GovPay and Direct Debit are operating on the FPS infrastructure.

The FPS has shown a growth of 34.1% in value during 2025 compared to the previous year with a total transaction value of Rs. 23.13 Tn. This indicates a high level of adoption of the FPS based payment channels for retail payments.

Growth of Customer Transactions in RTGS System: 2015 – 2025 Graph – 03



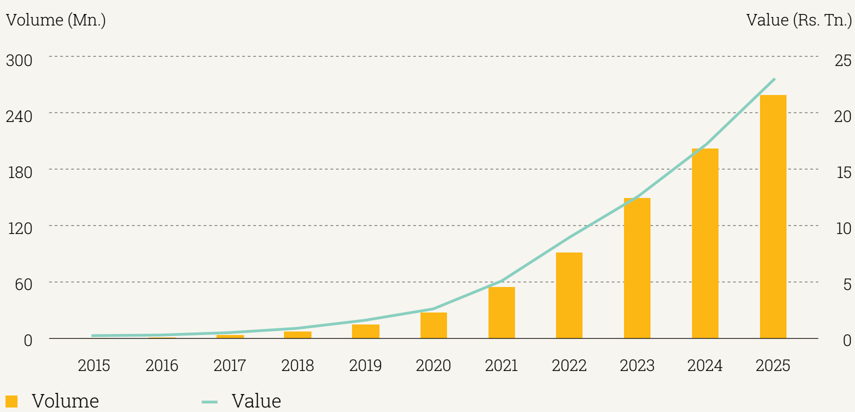
The LANKAQR mechanism is used by merchants as the National Quick Response(QR) code standard to accept digital payments from customers who are using supporting mobile payment applications.

LPOPP facilitates online real-time payments to government institutions such as Sri Lanka Customs, Inland Revenue Department, Sri Lanka Ports Authority, Employees' Provident Fund and allows customers of member financial institutions to transfer money instantly from their current or savings account to a government institution conveniently and securely.

In 2025, the LPOPP processed payments with a total transaction value of Rs. 3.40 Tn., representing a growth exceeding 90% compared to 2024.

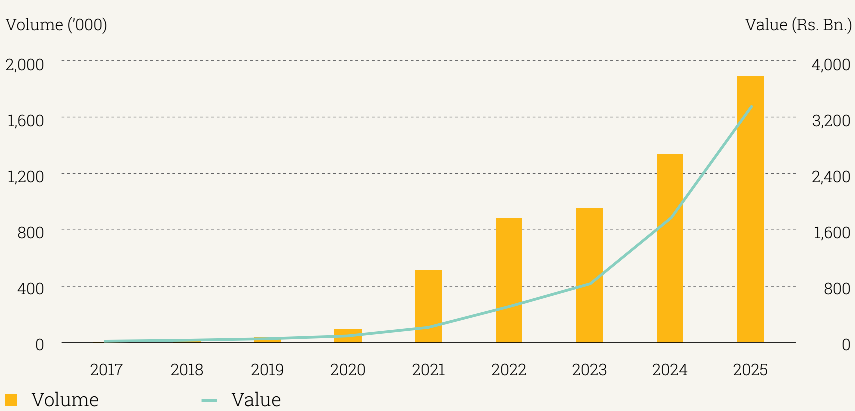
Growth of Fast Payments: 2015 – 2025

Graph – 04



Growth of Payments to Government Institutions Through LPOPP: 2017 – 2025

Graph – 05



GovPay was launched in February 2025 and enables government institutions, which do not have their own IT systems to accept instant digital payments from the public, for the services they provide. This mechanism further expands the coverage of government institutions accepting digital payments, while improving their efficiency and accessibility to the public. As of December 2025, 254 institutions have been onboarded to GovPay, and the aggregate value of transactions processed through the platform in 2025 amounted to Rs. 2.27 Bn.

Operations of the SWIFT System

The Central Bank uses SWIFT financial communication network for transmitting and receiving both cross border and domestic payment messages. In line with global standards and international implementation timelines, the Central Bank successfully completed the migration of all SWIFT-based systems to the ISO 20022 messaging standard by 22 November 2025. This transition reinforces Sri Lanka's payment infrastructure, ensuring continued compliance with international best practices and enhances the efficiency and security of financial messaging.

Operations of the Asian Clearing Union

As a member of the Asian Clearing Union (ACU), the Central Bank continued fulfilling its role in 2025 within this multilateral settlement system.

ACU enables participating central banks to settle intra-regional payments on a net basis, reducing the use of foreign exchange reserves and transfer costs, while promoting trade and banking relations among its members: Bangladesh, Belarus, Bhutan, Iran, India, Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka.

2025 Highlights

- Implemented policy measures to promote digital payments, enhancing inclusiveness, efficiency, and safety. This included lowering transaction fees of LPOPP and CEFTS, mandating a maximum per transaction fee for GovPay and raising the SLIPS per-transaction limit from Rs. 5 Mn. to Rs. 10 Mn. for bulk retail payments.
- Directed Mobile Payment Application Providers (MPAPs) to verify that the mobile number of the devices on which the payment application is installed matches the mobile number registered with the customer's bank account, reducing scams and frauds in digital payment systems.
- Approved LankaPay to link with AliPay+ for the acceptance of LANKAQR transactions made by tourists through AliPay+ enabled mobile applications at LANKAQR merchants, boosting cross-border compatibility and strengthening the national payment infrastructure.
- Revised the FinTech Regulatory Sandbox framework by relaxing the qualifying conditions to provide greater accessibility for FinTech firms.
- Developed the National Payment System Roadmap 2026–2027 in collaboration with the members of the National Payments Council, to provide strategic guidance to transform Sri Lanka into a less-cash economy and to enable the financial well-being of people through the development of a secure, efficient, inclusive, and globally connected payment system.
- Conducted targeted digital payments promotion campaigns in Hambantota, Nuwara Eliya, Dambulla, and at the Central Bank premises to increase awareness among the general public.

Regulation and Supervision of Money or Value Transfer Services

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

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

Amendments to the MVTS Regulations were issued with effect from 31 December 2025 as Money or Value Transfer Service (MVTS) Providers Regulations No. 01 of 2025, requiring overseas money transfer service providers to register under the regulatory and supervisory framework of the MVTS Regulations.

Settlement of Forex, Gold and Foreign Securities

The Central Bank performs international operations related to foreign exchange, gold and foreign securities, as empowered by the Central Bank of Sri Lanka Act, No. 16 of 2023 to conduct foreign exchange operations. As part of this activity, the Central Bank manages the settlement and reconciliation of all transactions which are related to the foreign reserve management and domestic foreign exchange operations of the Central Bank, promptly and accurately, upholding the safety and efficiency of the settlement process.

In addition, the Central Bank also handles the opening and closing of Nostro and custodian accounts and addresses policy matters pertaining to their maintenance and management, specifically for the purpose of foreign reserve management.

Maintenance of LankaSecure System and Its Services

The LankaSecure System, which comprises the Central Depository System (CDS) and the Scripless Securities Settlement System (SSSS), operated with 100% availability throughout 2025. The CDS records ownership of scripless government securities, while the SSSS facilitates the settlement of transactions relating to such securities.

During the year, LankaSecure has facilitated 649,629 number of transactions, including primary issuances, secondary market trades (outright, repurchase and pledge transactions), Open Market Operations, the Intra-Day Liquidity Facility, and other related transactions.

Periodic electronic statements of security holdings, transactions, interest and maturity payments were issued to CDS account holders during the year. In addition, real-time notifications for every debit and credit transaction involving securities were provided via SMS and/or email alerts to CDS account holders who have registered for such facilities.

Furthermore, registered CDS account holders are able to view their securities account details online through the LankaSecureNet facility. Facilities were also provided to obtain statements of outstanding securities balances for specific purposes such as annual or periodic audits, visa applications, and regulatory submissions, among other services introduced to further enhance the safety and transparency of government securities investments.

The Evolution of the Payment and Settlement Systems

The evolution of Sri Lanka's payment and settlement systems reflects a continuous journey of modernisation and innovation. The Central Bank has proactively steered the development of the national payment system from manual, paper-based processes into a fast, interoperable and internationally connected digital ecosystem that enables safe and efficient payment mechanisms, built on a foundation of stability, and inclusion which continues to support the evolving needs of the economy through innovation.

Building the Foundation: From Cheque Clearing to Instant Payments

The establishment of Central Bank marked a turning point in formalising interbank payments. Assuming its role as the banker to banks, the Central Bank commenced the operation of cheque clearing for commercial banks.

Establishment of Sri Lanka Automated Clearing House

With the increasing volume of cheques presented for daily clearing, it became necessary to automate the process. Accordingly, the Sri Lanka Automated Clearing House (SLACH) was established in 1988, which significantly reduced the time required to clear cheques.

Introduction of Sri Lanka Interbank Payment System

The Sri Lanka Interbank Payment System (SLIPS) was introduced in 1993 to facilitate electronic fund transfers between banks, enabling payments from one account to another or to multiple accounts without the use of paper instruments such as cheques or pay orders, marking a new era of electronic payments among banks.

SLIPS was upgraded in 2010 to an online interbank payment platform, enabling same day receipt of funds for retail electronic transfers and significantly improving the speed, efficiency, and reliability of low value payment processing.

Modernisation of the Payment Systems Infrastructure

In 2002, Central Bank embarked on a holistic modernisation of the national payment system, supported by legal and institutional reforms to promote financial market development and innovation.

Strategic Divestment in Clearing Operations – Establishment of LankaClear

Under the modernisation program, Central Bank divested its clearing operations to LankaClear (Pvt) Ltd (currently renamed as LankaPay (Pvt) Ltd (LPPL)), an entity jointly owned by Central Bank and licensed commercial banks in Sri Lanka.

The governance model of LPPL facilitated the rapid advancement in the retail payment space in Sri Lanka. Key achievements included the launch of Cheque Imaging and Truncation System (CITS) in 2006 which enabled the island-wide receipt of funds on the following business day for cheques presented for clearing.

Launch of the Real-Time Gross Settlement (RTGS) System

Launch of the RTGS System in 2003, which made Sri Lanka the first South Asian country to adopt real-time settlement of high-value and time-critical payments was one of the key milestones in advancing the national payment system. Upgraded to the ISO 20022 messaging standard in 2024, the RTGS System remains the backbone of the financial system of the country, settling transactions exceeding Rs. 400 Tn. in 2025, with a daily average of Rs. 1.8 Tn.

Strengthening of the Legal and Regulatory Framework

The Payment and Settlement Systems Act, No. 28 of 2005 (PSSA) further strengthened Central Bank's role as the regulator and the overseer of payment systems, while ensuring safety and promoting innovation.

Establishment of National Payment Council

The National Payments Council (NPC) was established in 2006 to guide the strategic direction of the payment industry as a consultative body comprising public authorities and financial market participants.

Introduction of an Interoperable Payment Infrastructure

Common Card and Payment Switch

The launch of the Common Card and Payment Switch (CCAPS) in 2013 accelerated digital adoption and payment service innovation in the country. The CCAPS connected banks to interoperable payment systems, creating a new era of interoperable instant payments in Sri Lanka. Under CCAPS, the Common ATM Switch (CAS) which was launched in 2013, enabled the public to withdraw cash from any ATM in the country while the Common Electronic Fund Transfer Switch (CEFTS) which was launched in 2015, enabled the public to perform fund transfers to customers of any financial institution in the country, removing the need for customers having to visit their own banks to access such payment services.

LankaPay National Card Scheme

Furthermore, the LankaPay National Card Scheme, introduced in 2018, facilitated the issuance of payment cards, where local transactions are routed through the local Common POS Switch (CPS), while international transactions are routed via a co-branded international card network.

Instant Payment System

Sri Lanka's Instant Payment System, CEFTS, is a landmark development that ushered in a new era for digital payments in Sri Lanka, forming the foundation for innovative and inclusive digital payments for the public.

CEFTS Enabled Innovations: LANKAQR, JustPay, LPOPP, and GovPay

The interoperable and versatile architecture of CEFTS enabled the introduction of multiple features that propelled the creation of new digital payment instruments and fund transfer methods enabling account-to-account instant payments. LANKAQR (2018) for interoperable Quick Response (QR) code payments, JustPay (2019) for linking customer's bank accounts to any mobile payment app, and JustPay Web (2024) for e-commerce transactions using their bank accounts, are key innovations built on the CEFTS infrastructure, significantly expanding access, convenience and efficiency of digital payments in Sri Lanka.

CEFTS facilitated the introduction of the LankaPay Online Payment Platform (LPOPP), launched in 2017 and the GovPay arrangement, launched in 2025 to facilitate instant payments to government institutions.

Paving the Path for a Competitive and Secure Digital Payments Ecosystem

The Central Bank created a conducive environment enabling competition, innovation and safety in the payments landscape of the country. Such environment facilitated the introduction of multiple digital payment instruments, including payment cards, QR-enabled payment apps, e-money systems and payment wallets. Payment cards, which have been introduced to Sri Lanka in 1989, were brought under a licensing framework in 2009 and 2013. Similarly mobile phone–based e-money service providers were also licensed since 2012.

Currently, Sri Lanka has over 30 JustPay and LANKAQR enabled mobile payment apps, with over 400,000 LANKAQR merchants accepting QR payments, reducing reliance on cash for small value retail payments. Financial Technology (FinTech) innovations were further encouraged through the FinTech Regulatory Sandbox introduced in 2020, which provides FinTech firms with a controlled environment, supervised by the regulator, to test their solutions under relaxed regulatory measures before full commercial deployment.

Global Integration of Sri Lanka's Payment System

Central Bank has facilitated the international connectivity of Sri Lanka's payment system by integrating LANKAQR with UnionPay – China in 2023, NIPL – India in 2024 and AliPay+ International in 2025. The internationally standardised, interoperable design of LANKAQR has been instrumental in enabling these successful integrations.

The evolvement of Sri Lanka's payment and settlement systems demonstrates a progressive transformation from manual cheque clearing to internationally connected digital payment ecosystem available today.

This transformation continues to evolve, driven by the dynamic nature of technology and the payments industry, which creates a continuous need for a supportive regulatory framework and ongoing industry innovation. Recognising these imperatives, the Central Bank actively promotes the adoption of emerging technologies to enhance the safety and efficiency of payment systems while encouraging cross-border integrations, ensuring that Sri Lanka's payment and settlement systems remain at the forefront of technological advancement and operational excellence.

Currency Operations

Under the provisions of Central Bank of Sri Lanka Act No. 16 of 2023 (CBA) the Central Bank is entrusted with the responsibility of issuing and managing the full lifecycle of currency notes and coins.

In fulfilling this mandate, the Central Bank oversees the entire cash cycle, ensuring the availability of clean, secure and adequate currency in circulation (CIC), thereby supporting public confidence in the Sri Lankan Rupee and the effective functioning of cash transactions across the country.

Liability for Currency and Recent Trends

The Central Bank supplies currency notes and coins to Licensed Commercial Banks (LCBs) based on their requirements and accepts surplus currency returned by them. Through this continuous process of issuance and withdrawal, Central Bank manages the level of CIC, which represents the value of notes and coins held by the public and serves as a key operational indicator of currency demand in the economy. Currency issued by Central Bank remains a liability of the Bank until it is withdrawn from circulation and extinguished.

In 2025, a significant increase in the demand for currency notes was observed with CIC growing by 15.5% to Rs. 1,568.94 Bn., compared to Rs. 1,358.72 Bn. in 2024.

Currency Management

Currency management at the Central Bank encompasses currency design, printing and minting, order placement, stock management, replacement of unfit currency, counterfeit prevention, currency processing, and public awareness.

Designs of Currency

Central Bank periodically introduces new currency designs, new series, and commemorative issues based on operational and national requirements. In August 2025, to mark the 75th Anniversary of the Central Bank, a Rs. 2000 Circulation Standard Commemorative Currency Note was issued, designed in line with the 75th Anniversary theme, "Stability for Prosperity," reflecting the Central Bank's unwavering commitment to maintaining economic stability as the foundation for national progress. This is the fifth commemorative currency note issued by the Central Bank and was released as a limited issue of 50 million notes.

Printing and Minting

As the sole issuer of currency in Sri Lanka, Central Bank is responsible for ensuring an adequate supply of currency notes and coins through systematic planning, accurate forecasting, continuous monitoring, and timely placement of orders.

Order Placement

Annual currency orders are placed based on projected issuance requirements, replacement needs for unfit currency, contingency stock levels, and prevailing economic conditions. Based on order quantities and supplier readiness, consignments are delivered according to the agreed delivery schedule.

Stock Management

The Central Bank maintains adequate stocks of currency notes and coins to ensure a stable and uninterrupted supply, supported by systematic demand forecasting. Safe stock levels are maintained to mitigate risks arising from unforeseen events such as supply delays, natural disasters, or sudden increases in demand, particularly during festive seasons. This forms part of a broader contingency strategy to ensure the Bank's ability to meet the country's currency needs under all circumstances.

Replacement of Unfit Currency

The Central Bank ensures the quality of currency in circulation by systematically withdrawing soiled, mutilated, and otherwise unfit notes and coins and replacing them with fit currency.

Combating Counterfeit Currency

To prevent counterfeiting and maintain public confidence, Central Bank works closely with the Counterfeit Currency Bureau of the Criminal Investigation Department (CID).

Awareness

The Bank also conducts awareness programmes on the security features of genuine currency for law enforcement officers, cash handlers, students, and the general public. These programmes enhance the ability to identify genuine currency and detect counterfeits.

Currency Exchange

The Central Bank facilitates currency exchange through a dedicated public exchange counter at the Pettah branch of Bank of Ceylon (BOC) and a damaged notes exchange counter at the Central Bank Head Office.

Revamping Currency Operations (RCO)

In response to increase in CIC, the growing volume of currency operations, and the capacity constraints within existing currency processing infrastructure, Central Bank initiated a comprehensive revamp of its currency operations in December 2025.

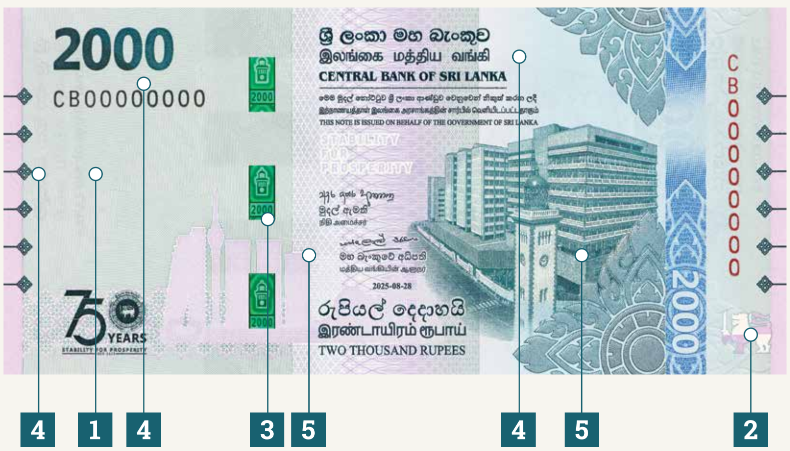
2025 Highlights

- Issued a total of Rs. 496.95 Bn. to LCBs, which Rs. 496.29 Bn. in currency notes and Rs. 0.66 Bn. in coins and total deposits acceptance from LCBs accounted to Rs. 287.08 Bn. in currency notes.
- Issued of 83 certificates for determining of counterfeit notes cases as evidence of imitating the currency notes for court proceedings and attended 13 court cases relating to counterfeited notes.
- Exchanged Rs. 1,139 Mn. in notes and Rs. 11.84 Mn. coins through the Currency Exchange Counters at the Central Bank while damaged notes exchanged stood at Rs. 196.46 Mn.
- Removed 141.55 Mn. pieces of currency notes from the circulation amounting to Rs. 91.23 Bn.

Specimen of the 5th Commemorative Currency Note

Figure – 13

FRONT



REVERSE

FRONT:

The Central Bank Head Office Building and the Colombo Lighthouse Clock Tower, together with a stylised Colombo skyline showcasing recent urban developments and the 75th anniversary logo. The image is overlaid with numbered markers (1, 2, 3, 4, 5) pointing to the security features

REVERSE:

The note presents a stylised map of Sri Lanka, a water lily, and the Central Bank's vision statement, symbolising the Central Bank's commitment to economic resilience and progress. It also overlaid with numbered markers (1, 2, 5)

Commemorative Currency Note Rs. 2000

The Central Bank of Sri Lanka issued this Rs. 2000 commemorative currency note on 28 August 2025 to mark its 75th anniversary.

1 **LOOK**

2 Look for the extra small text hidden in the note's design

Hold the currency note to the light to see the Lion with Sword Watermark

See the complete Lion with Sword image in the See-Through security feature when you hold the currency note to light

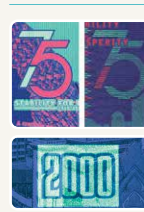
3 **TILT**

Tilt the note up and down to see the colour change in the security thread from blue to green and vice versa, and see the Colombo Lighthouse Clock Tower and 2000 in the security thread

4 **FEEL**

Feel the raised print in the 2000 denomination and the Bank's title

Also feel along the six bars with a diamond shape on each bar. This tactile feature helps visually impaired people identify the value of the currency note



5 **INSPECT**

Inspect the currency note under ultraviolet light and see the fluorescent dual colours appear in the anniversary theme as well as the Colombo skyline on the front

The denomination also appears under ultraviolet lighting. This feature can be machine readable

Evolution of Currency Management

Over the past 75 years, currency management in Sri Lanka has evolved significantly, in response to shifting economic conditions, technological advancements, enhanced security requirements, and increasing public expectations.

This progression reflects the Central Bank's continued commitment to maintaining confidence in the Sri Lankan currency and upholding the integrity and stability of the national cash cycle.

Origin of the Legal Framework: Governing Currency Management

The formal framework for currency management in Sri Lanka was originated with the establishment of the Currency Board System under the Paper Currency Ordinance of 1884. This framework prevailed until the enactment of the Monetary Law Act, No. 58 of 1949, which provided the legal foundation for the establishment of the Central Bank of Ceylon on 28 August 1950, making a pivotal milestone in the nation's monetary history. Since then, the Central Bank has assumed sole responsibility for issuing, managing, and safeguarding Sri Lanka's legal tender.

The responsibility of currency management was initially assigned to the Currency Division of the Banking and Currency Department of the Central Bank.

Establishment of Currency Department at the Central Bank

The institutional capacity related to currency management was further strengthened with the establishment of the Currency Department (CRD) in 1978, thereby significantly expanding currency operations. The CRD is entrusted with managing the entire lifecycle of currency, from design and production to circulation and final disposal. The key currency management functions of the CRD are outlined below.

- Assess currency note printing and coin minting requirement
- Design and Production (procurement)
- Supply and distribution (while ensuring quality and quantity)
- Timely withdrawal of unfit currency from circulation
- Currency authentication and counterfeit deterrence

With the enactment of the Central Bank of Sri Lanka Act No. 16 of 2023, replacing the Monetary Law Act, the legal framework for currency management was further strengthened, enhancing the Central Bank's independence , accountability and governance, while reflecting its exclusive authority over currency issuance and management.

All currency notes and coins issued by the Central Bank are legal tender, except for Rs. 50 and Rs. 100 notes bearing dates prior to 26 October 1970, which ceased to be legal tender following their demonetisation in 1970.

Evolution in Currency Denomination Structure

Central Bank issued its first series of banknotes in 1951 under the King George VI series featuring Re. 1/- and Rs. 10/- denominations. Since then, Sri Lanka's currency denomination structure has evolved steadily in response to economic growth, inflation, and advances in currency management. Early post-independence issues included smaller denominations; Re. 1/-, Rs. 2/-, Rs. 5/-, Rs. 10/-, Rs. 50/-, and Rs. 100/- reflecting the purchasing power of the era. Over the following decades, denominations were progressively increased to accommodate rising economic activity: Rs. 20/- was introduced in 1979, followed by Rs. 500/- and Rs. 1000/- in 1981, Rs. 200/- in 1998, and higher-value Rs. 2000/- and Rs. 5000/- notes in the 2000s to facilitate large-value transactions.

The latest series, the eleventh series, introduced in 2011—feature denominations from Rs. 20/- to Rs. 5000/-, supported by enhanced security features to deter counterfeiting and accommodate higher transaction needs in a growing economy. This evolving structure reflects the Central Bank's continuous adaptation of the currency management system to meet economic realities, technological change, and public usage patterns.

Similarly, coinage has evolved through changes in denominations, sizes, and metal compositions to enhance durability, ease of handling, and cost efficiency. The most recent circulation coin series, introduced in 2017, comprises four denominations, all minted in stainless steel.

Establishment of CVCS System

In response to the gradual evolution of currency operations, currency handling processes have transited from labour intensive manual methods to technology based operations aligned with international best practices. Manual counting, sorting, authentication, and destruction processes were gradually replaced by high-speed Currency Note Verification, Counting, and Sorting Systems, first introduced in 1992, followed by several upgrades to more advanced Currency Note Processing systems. These systems facilitate fitness sorting, authentication, packing, shrink-wrapping, automated accounting, and secure destruction through briquetting. The existing Currency Note Processing machines were introduced into operation in 2013.

Damaged currency notes that cannot be processed through machines are handled manually and destroyed using controlled shredding systems under strict supervisory controls. These improvements have resulted in a highly automated, efficient, and secure operational framework, strengthening internal controls, reducing operational risks, and enhancing service delivery across the currency lifecycle.

Issuance of Commemorative Notes and Coins

The Monetary Law Act (Amendment) No. 6 of 1998 introduced Section 52A, explicitly empowered the Central Bank to issue commemorative currency notes and coins and to sell them at a price higher than their face value. The provision is deemed to have taken effect from 04 February 1998, and any commemorative currency note, or coin issued or sold before that date is legally recognised as having been lawfully issued or sold.

The first commemorative coin was issued in 1957 and so far the Central Bank has released 76 commemorative currencies, comprising 71 coins and 5 notes. While these issues retain legal tender status, they are primarily intended for numismatic, educational, and collection purposes.

Currency Museum

Public education is further supported through the Currency Museum, first established in 1982 and expanded over time. The modern Economic History Museum at the Central Point Building, opened in 2011, provides interactive displays and educational content on the evolution of currency, security features, and the Central Bank's role, serving as a key platform for public outreach and financial literacy.

Revamping Currency Operations

In response to emerging operational requirements, CRD is implementing a Revamping Currency Operations (RCO) project aimed addressing medium-term operational constraints. The project focuses on expanding processing capacity while streamlining operational workflows, minimising manual intervention, strengthening safety and security standards, and enhancing the resilience of the Central Bank's cash management operations.

Towards a Future-Ready Currency Management System

Over its 75-year journey, the Central Bank has continuously strengthened the nation's currency system to ensure resilience, reliability, and public confidence, even in times of economic and operational stress. Drawing on decades of experience, the Bank has built robust business continuity arrangements, secure storage infrastructure, and efficient cash distribution frameworks that safeguard uninterrupted public access to currency nationwide. The ongoing enhancements in contingency planning, operational flexibility, and modern infrastructure demonstrate the Central Bank's commitment to preserving the quality, integrity, and trustworthiness of the national currency under all circumstances.

As the payments landscape continues to evolve, cash remains a vital and inclusive component of the economy. Going forward, the future of currency management will be shaped by greater automation, data-driven demand forecasting, advanced security features, and sustainable practices. Building on 75 years of institutional knowledge and public service, the Central Bank remains committed to ensuring that cash continues to function as a secure, resilient, and trusted medium of exchange, supporting economic stability and prosperity for generations to come.

International Engagements

The Central Bank has long played a pivotal role in representing the country in its financial and economic engagements with the global community. In 2025, the Bank continued to strengthen its international presence by fostering strategic partnerships with multilateral agencies and bi-lateral partners, foreign central banks, international financial organisations, and other global stakeholders. Through active participation in international forums, collaborative initiatives, and knowledge-sharing platforms, the Central Bank further enhanced policy coordination, technical cooperation, and institutional capacity.

Multilateral and Bi-Lateral Engagements

The Central Bank continued to play a key role in supporting the implementation of Sri Lanka's Extended Fund Facility (EFF) programme with the International Monetary Fund (IMF) in 2025. In close coordination with the Government and other relevant stakeholders, the Central Bank engaged actively in policy consultations, programme reviews, and technical discussions with IMF staff to ensure the successful implementation of agreed reforms and macroeconomic policy measures.

During 2025, the bilateral currency swap agreement between the Central Bank and the People's Bank of China was extended. Further, the Central Bank signed a Second Addendum to the Special Swap Agreement with the Reserve Bank of India (RBI) and conducted high level comprehensive and constructive discussions on a range of matters of mutual interest.

In 2025, the Central Bank strengthened its collaboration with several international partners to advance the financial system including enhancing financial literacy and inclusion and strengthening the financial sector safety net and resolution framework. The United Nations Development Programme (UNDP) and the Japan International Cooperation Agency (JICA) provided technical and financial assistance to develop and launch the financial literacy curriculum and awareness materials. Engagement with the Alliance for Financial Inclusion (AFI) facilitated financial and technical support for assessing the impact of the National Financial Inclusion Strategy (NFIS) and developing its next phase, The Central Bank was also recognised as an AFI Gender Inclusive Finance Ambassador Institution in 2025. In addition, under the Financial Sector Safety Net Strengthening Project (FSSNP) supported by the World Bank, significant progress was made in strengthening the institutional capacity and governance framework of the Sri Lanka Deposit Insurance Scheme (SLDIS), alongside financial assistance extended through performance-based financing. In addition, the Central Bank strengthened its regional collaboration through active participation in SEACEN's capacity-building and policy dialogue initiatives.

The Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka extensively engaged with the international organisations focusing primarily on preparing for the Asia/pacific Group of Money Laundering (APG) 3rd Mutual Evaluation scheduled for 2026.

The Central Bank participated in several policy related meetings with international institutions such as International Finance Corporation (IFC), UNDP, SAARCFINANCE, French Development Agency, Banque de France etc. on areas such as monetary policy, financial sector stability and reforms, Small and Medium-sized Enterprises (SME) sector Programs, macrofinancial supervision and sustainable finance. In addition, the Central Bank launched an interview in collaboration with India to strengthen Central Bank's digital presence in economic policy discourse and institutional thought leadership among domestic and global stakeholders.

Alternate Executive Director of the IMF

The Central Bank officers continued to serve as Alternate Executive Director at the IMF, reflecting the strong recognition of their expertise in macroeconomic policy and international economic affairs. The officer is well positioned to represent the interests of the constituency comprising Sri Lanka, India, Bangladesh, and Bhutan at the global level.

Capacity Building

Parallel to policy-focused engagements, capacity building and knowledge sharing formed a core part of Central Bank's international activities. Central Bank officers participated for training programmes, technical assistance programmes, peer learning initiatives, international forums and international conferences, organised mainly by the institutions such as IMF, IMF SARTTAC, Deutsche Bundesbank, and SEACEN Centre. Technical Assistance were received to enhance analytical capabilities of the Central Bank staff on investments, and development of models and frameworks.

The Central Bank also shared its knowledge and experience with peer central banks. A peer learning exchange hosted by the Reserve Bank of Fiji covered several areas of consumer protection, sustainable finance, digital financial services, and market conduct supervision. The Central Bank played a dual role by hosting and conducting training sessions for officers of the Nepal Rastra Bank. The Central Bank participated in the 18th annual Central Bank Risk Managers Forum as a panel presenter on the topic "Managing Balance sheet Risk amidst Crisis and recovery – A Risk Indicator Approach".

Credit Ratings and Regulatory Agreements

To maintain Sri Lanka's financial credibility, the Central Bank continued its collaboration with credit rating agencies i.e., Fitch, Moody's, and Standard & Poor's (S&P) throughout 2025.

Governor's International Engagements – 2025

The Governor's international engagements in 2025 focused on strengthening relationships with multilateral institutions, enhancing financial system resilience, advancing financial inclusion, and supporting investor confidence. These engagements allowed for deeper policy dialogue, progress reviews under ongoing reform programmes, and broad collaboration with development partners, regulators, and regional counterparts.

Engagements with Multilateral Institutions

Strengthening cooperation with the IMF and the World Bank remained central throughout the year. The Governor participated in the IMF–JICA Regional Conference in Tokyo in February and served as a panellist at the session on 'What is Next for Economic Policy makers in Emerging and Frontier Asia?' which facilitated extensive knowledge sharing. This was followed by the IMF High Level Event in Tokyo in March, focusing on regional resilience through cooperation corporation and the Governor contributed as the panellist at the session on 'A Reinforced GFSN and the IMF's Role at its Core'.

Furthermore, participation in both the IMF–World Bank Spring Meetings in April and the Annual Meetings in October provided platforms to review progress under the IMF supported EFF programme, discuss policy priorities, identify technical assistance and training needs, and conduct extensive bilateral meetings with development partners, international financial institutions, and investor groups.

Regional Collaboration and Knowledge Sharing

The Governor actively contributed to regional policy dialogue through participation in the 6th South Asia Leaders' Roundtable organised by Nepal Rastra Bank and the Alliance for Financial Inclusion. These discussions strengthened capacities in managing cyber risks in digital payments, improving consumer protection for vulnerable groups, and enhancing resilience of digital financial infrastructure across South Asia.

Governor's engagements in the AFI Global Policy Forum in Namibia and the Kautilya Economic Conclave in New Delhi further reinforced Sri Lanka's commitment to global and regional level knowledge exchange and policy development.

Financial Stability and Regulatory Engagements

Ensuring financial system stability continued to be a high priority. The Governor's participation in the Financial Stability Board Plenary Meetings and Conference in Madrid facilitated discussions on emerging global risks to financial stability and the policy measures required to mitigate them. These engagements helped strengthen Sri Lanka's alignment with global regulatory standards and enhance surveillance of system wide risks.

Advancing AML/CFT Commitments

A significant milestone in 2025 was the Governor's participation in the Asia/Pacific Group on Money Laundering (APG) Annual Meeting in Tokyo. Several high level bilateral discussions reaffirmed Sri Lanka's strong commitment to AML/CFT standards and focused on preparations for the Mutual Evaluation scheduled to commence in March 2026.

These engagements also facilitated enhanced cooperation with the APG secretariat, donors, and technical support providers, securing access to several targeted technical assistance programmes.

Trade and Investor Outreach

In support of Sri Lanka's external sector and investment climate, the Governor with other government officials engaged with the United States Trade Representative, where discussions contributed towards progress on negotiating tariff reductions, a process that remains ongoing.

In August, the Governor also participated in the 'Invest Sri Lanka' Investor Forum in Singapore, organised by the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka. The forum served as a key platform for promoting Sri Lanka to international investors, strengthening market confidence, and supporting investment outreach.

Governor's participation across all international engagements, contributed towards strengthened relationships with key global and regional stakeholders, advanced reform priorities, supported macroeconomic stability objectives, and enhanced investor and development partner confidence. These engagements also contributed significantly to improving readiness for external evaluations, reinforcing financial stability frameworks, and promoting greater resilience and inclusiveness in the financial sector.

"A" Grade Central Bank Governors Award – 2025

The Governor, Dr. Nandalal Weerasinghe, was honoured with the prestigious 'A' Grade Central Bank Governors award in 2025, by Global Finance magazine in recognition of his exceptional leadership and outstanding contributions to economic management. This accolade acknowledges not just the outcomes delivered, but the independence, discipline and strategic vision that underpinned them.

Other Entrusted Responsibilities

Regulating and Promoting Foreign Exchange Transactions

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

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

- Reviewing the effectiveness of existing policies and identifying the necessity for new policies to be in line with the developments in the foreign exchange market
- Making recommendations to the Minister in charge of Finance to issue regulations and orders under the FEA
- Issuing directions to Authorised Dealers (ADs) on foreign exchange transactions
- Granting permissions to Authorised Money Changers (AMCs) and other entities to engage in foreign exchange dealings
- Granting special approvals for foreign exchange transactions not covered under general permissions
- Monitoring compliance with the FEA and taking actions for violations
- Monitoring export proceeds repatriation into Sri Lanka and residual conversions in compliance with the Rules issued under CBA

Repatriation of Export Proceeds

Central Bank supervises the repatriation of export proceeds into Sri Lanka in accordance with the rules issued under the Central Bank Act No. 16 of 2023. The total export proceeds repatriation and conversion in 2025 amounted to USD 17,103 Mn. and USD 5,207 Mn., respectively.

Monitoring and Enforcement Measures

ADs and AMCs were supervised throughout the year with a predetermined plan to ensure proper compliance with respect to the existing foreign exchange regulatory framework. Accordingly, a total of 16 inspections were carried out on ADs while 24 onsite inspections were conducted on AMCs followed by initiation of regulatory actions. In strengthening the level of compliance by exporters on country's requirement to repatriate and convert export proceeds, regulatory actions were initiated with respect to 201 exporters on identified non compliances.

Further, special emphasis was given to initiating regulatory actions with regard to reported cases where goods have not been imported to the country having made payments on advance terms in 2025. During the year penalties totaling a Rs. 34 Mn. were imposed on entities and persons who have violated the foreign exchange regulatory requirements.

Foreign Exchange Licensing and Public Awareness

As part of its regulatory efforts, the Central Bank issued permits for 59 money changers (including one new permit), 06 permits to licensed finance companies and 12 permits to hotels in 2025. In fulfilling the statutory minimum requirement of depositing foreign currency to the banking system, these AMCs all together had deposited USD 171 Mn. in 2025.

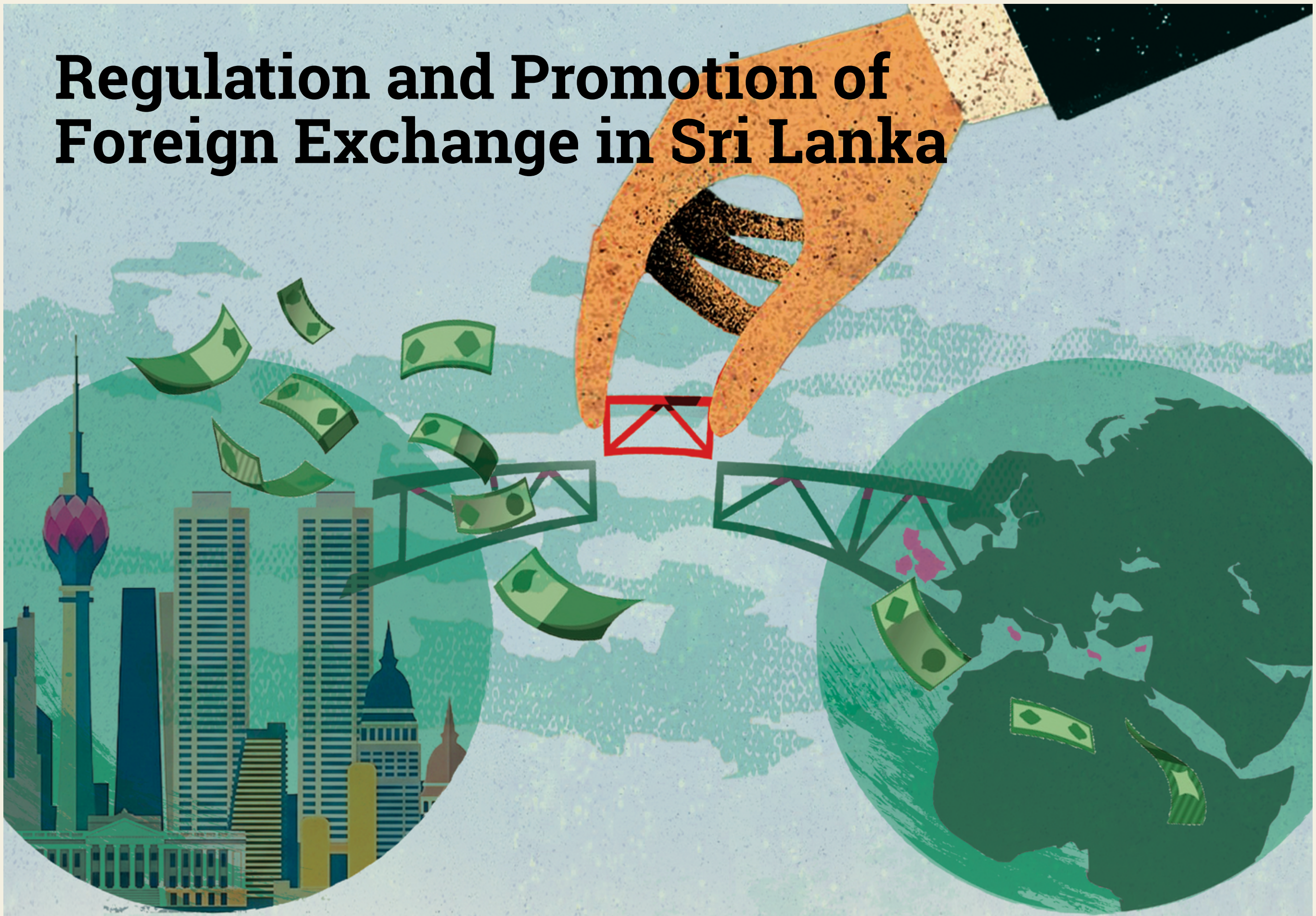
To improve stakeholder engagement and public awareness, Central Bank conducted:

- Awareness sessions on Foreign Exchange Regulations, foreign exchange regulation framework and operational compliance requirement.

2025 Highlights

- Orders were issued under the Section 22 of the FEA, easing specified restrictions and limitations on outflows relating to capital transactions, including:
  - i. Companies listed on the Colombo Stock Exchange (CSE) were permitted to invest up to USD 750,000, or 20% of their net assets, whichever is lower, in ordinary shares of companies incorporated abroad via OIAs for the purpose of expanding their business abroad.
  - ii. Non-listed companies were allowed to invest up to USD 200,000 under similar conditions mentioned i. above.
  - iii. The limit on capital transactions via BFCAs was increased to USD 500,000 to facilitate business expansion abroad by enterprises with foreign exchange earnings.
  - iv. The maximum limit permitted for capital transactions through Personal Foreign Currency Accounts (PFCAs) of residents was raised to USD 25,000.
- Directions were issued to AMCs, by revising existing directions, extending the validity period of their permit for up to three (3) years, requiring them to engage in exclusively in money changing businesses at their premises, bringing changes on capital requirement primarily based on their geographical locations to encourage carrying out money changing business outside the western province and tourist destinations.
- During 2025, the Central Bank granted 03 special approvals for capital transactions and 82 permissions, and issued 929 clearances on outward investments and remittances by emigrants, etc.

Regulation and Promotion of Foreign Exchange in Sri Lanka



The Department of Foreign Exchange (DFE) of the Central Bank, is vested with the responsibility for regulating and promoting foreign exchange in Sri Lanka. Acting as the agent of the Government of Sri Lanka under the Foreign Exchange Act, No. 12 of 2017 (FEA), the DFE plays a pivotal role in regulating foreign exchange in Sri Lanka facilitating the current[1] and capital[2] transactions of the stakeholders of the country.

Evolution of the Foreign Exchange Regulatory Framework in Sri Lanka

Sri Lanka's foreign exchange regulatory framework has undergone a significant transformation over the past seven decades. The foundation was laid under the Monetary Law Act, No. 58 of 1949, with the establishment of the Central Bank of Ceylon. A comprehensive legal structure subsequently emerged under the Exchange Control Act, No. 24 of 1953 (ECA), which implemented a control-oriented regime to administer scarce foreign exchange resources of the country.

---

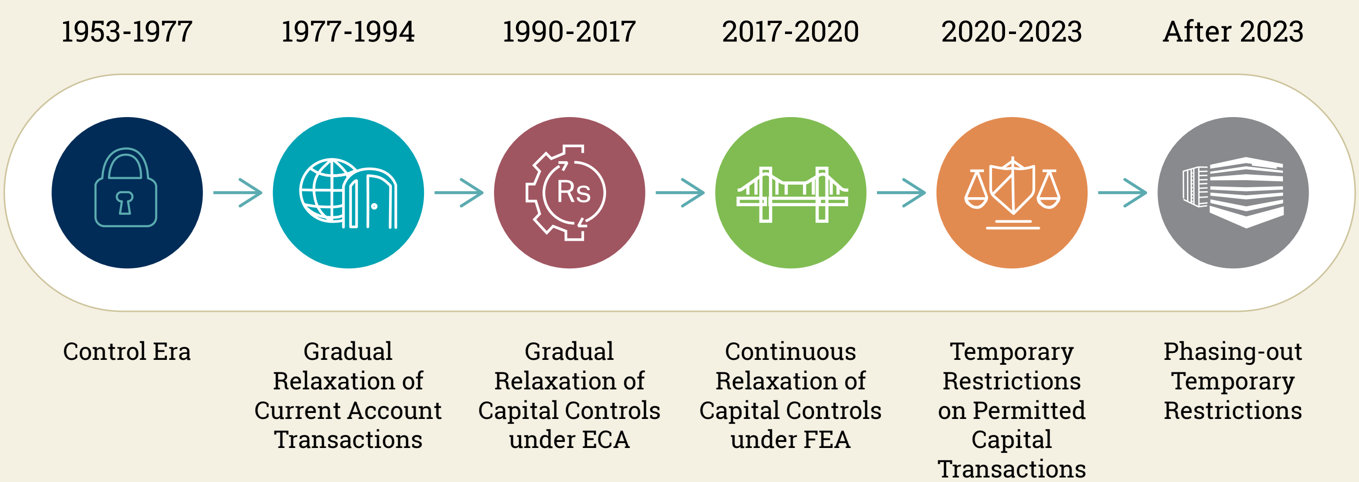
[1] Current Transactions – include everyday international payments such as payments related to foreign trade and services, Interest payments and investment income, loan repayments and family remittances for living expenses.

[2] Capital Transactions – involve cross-border foreign exchange transactions related to investments or asset transfers. (E.g. Investments made in Sri Lanka by non-residents, overseas investments made by residents and migrant fund transfers).

Open-Economy Reforms and Partial Liberalisation

The liberalisation reforms initiated in 1977 marked a fundamental structural shift. Trade reforms gradually eased exchange controls, with Sri Lanka's acceptance of the Article VIII obligations of the International Monetary Fund in 1994, thereby advocating full current account convertibility. While certain inflows relating to capital transactions were progressively liberalised, outflows relating to capital transactions remained subject to significant controls and special approvals.

Evolution of the Foreign Exchange Regulatory Framework in Sri Lanka



The regulatory journey has progressed from strict controls to a more liberalised framework reflecting a structural shift in regulating and promoting foreign exchange in Sri Lanka.

Transition to the Foreign Exchange Act No. 12 of 2017

Foreign Exchange Act, No. 12 of 2017 (FEA) was enacted in 2017, repealing the previous ECA, aiming to regulate and promote foreign exchange in Sri Lanka which marked an important milestone in the evolution of foreign exchange policy.

The main changes introduced in the FEA included,

- Statutory assurance on full current account convertibility
- Freedom for foreign currency earners to use their earnings for all current and capital transactions
- Empowerment of the Minister of Finance to issue Regulations and Orders, to prescribe permitted class of capital transactions with the approval of the cabinet of ministers
- All violations under FEA are considered as non-compliances as contrary to the offences under the ECA
- Establishment of a Board of Inquiry as an appealing authority to ensure administrative fairness
- Introducing measures to restrict or regulate foreign exchange remittances in instances where the remittance of foreign exchange into or out of Sri Lanka is deemed to constitute a potential threat to the financial stability

Accordingly, DFE as the implementing authority of the provisions of FEA, operates with the vision of facilitating the development of efficient, effective and an orderly managed foreign exchange market that would contribute to the economic prosperity of the country.

The Foreign Exchange Act, No. 12 of 2017 (FEA), enacted in 2017 marked an important milestone in the evolution of foreign exchange policy in Sri Lanka, with a focus on regulating and promoting foreign exchange.

DFE as the implementing agency of the FEA,

- Recommends to the Government, the capital classes to be liberalised to ensure sequential liberalisation of capital transactions supported by data driven analysis
- Issues directions to License Banks (LBs) and Authorised Money Changers (AMCs) on the conduct of foreign exchange transactions
- Grants permissions to LBs, AMCs and other entities to engage in foreign exchange dealings
- Collects data and information on foreign exchange transactions through foreign exchange reporting systems
- Carries out continuous oversight of foreign exchange transactions through on-site and off-site inspections as per a pre-determined plan and take enforcement actions where necessary which include suspension or revocation of licenses, and the imposition of monetary penalties
- Conducts investigations on unauthorised foreign exchange dealings on public information and takes actions under FEA

Provisions for Crisis Management

FEA provides adequate tools to immediately deploy interventions with foreign exchange crisis situations. These were proven in the middle of recent foreign exchange crisis. Foreseeing the emerging difficulties, the DFE was empowered to introduce effective policy measures in a timely manner supporting country's effort in its path to recovery, including,

- Implementation of capital flow management measures temporarily suspending liberalised capital transactions in order to moderate outflows
- Repatriation of export proceeds within stipulated time and conversion of proceeds uplifting foreign exchange liquidity in the domestic market
- Introduction of the Special Deposit Accounts (SDAs) to encourage foreign exchange inflows
- Facilitation of certain domestic foreign exchange transactions between resident entities allowing them to effectively manage their import requirement without disturbing foreign exchange market (E.g. Energy and power generating sector)

These measures which were introduced on temporary basis, and action has been initiated to gradually relax with favourable developments in the foreign exchange market. Accordingly, Central Bank is currently committed to easing capital flow management measures, with a priority placed on facilitating the global expansion of Sri Lankan enterprises reflecting a more market-oriented framework intended to deepen the country's global integration and to improve external stability.

Employees' Provident Fund

Employees' Provident Fund (EPF) managed by the Central Bank in partnership with the Department of Labour, continues to fortify its position as the nation's premier superannuation fund. By the close of 2025, the Fund's asset base reached an unprecedented level of Rs. 5 Tn., reflecting its scale and systemic importance to the financial system.

The Central Bank's commitment to disciplined fund management is evidenced by the competitive returns delivered to its members. By prioritising the long-term wealth of its contributors, the Fund successfully navigated shifting economic landscapes to declare interest rates that consistently outperformed market benchmarks. For the year 2025, Central Bank expects to declare 10.75% interest, subject to the concurrence of the respective ministers.

Throughout 2025, the EPF executed a strategic portfolio rebalancing. This involved diversifying into corporate debentures and ESG-themed bonds, alongside a proactive approach to the equity market. By capitalising on bullish market trends while simultaneously divesting from underperforming assets, the Fund has enhanced its risk-adjusted performance and ensured long-term sustainability.

Through these combined efforts in prudent financial stewardship and member centric operational reforms, the EPF remains steadfast in its mission to provide a secure and dignified retirement for the Sri Lankan workforce.

For comprehensive details, please refer to the EPF Website[1]

Public Debt Management

The public debt management function of the Central Bank during 2025 was carried out within a clearly defined transitional legal framework established under the Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA). In terms of Section 132 of the Act, Central Bank was authorised to continue to act as the agent of the Government in respect of the issuance of Government securities and the management of public debt, only on an interim basis, until the relevant law establishing a separate public debt management authority came into operation. Accordingly, pending the full operationalisation of the Public Debt Management Act, No. 33 of 2024, the Central Bank continued to perform public debt agency functions until December 2025. All of these responsibilities were transferred to the Public Debt Management Office (PDMO) established under the Ministry of Finance, effective from 01 January 2026.

In terms of the relevant provisions of the Public Debt Management Act 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 Central Bank. The supervision of Primary Dealers will also remain at the Central Bank.

In addition, the Central Bank facilitated the process of obtaining international sovereign credit ratings for the country.

For comprehensive details, please refer to the Public Debt Management Office Website[2]

Financial Intelligence Unit

The Financial Intelligence Unit (FIU) functions as an operationally independent department within the administrative structure of the Central Bank of Sri Lanka since February 2007, in terms of the Order made by H E the President under Financial Transactions Reporting Act, No. 6 of 2006 (FTRA).

The operational scope of the FIU is derived from the FTRA. The FIU facilitates the prevention, detection, and investigation of the offence of money laundering, financing of terrorism and related unlawful activities.

In 2025, the FIU further strengthened the national Anti-Money Laundering, Countering the Financing of Terrorism and Countering the Proliferation Financing of Weapons of Mass Destruction (AML/CFT/CPF) framework through the dissemination of proactive and reactive financial intelligence, strengthened supervisory and enforcement activities, enhanced stakeholder coordination and facilitated legislative reforms relating to AML/CFT/CPF.

Under the leadership of the AML/CFT National Coordinating Committee, the FIU has taken a series of comprehensive and strategic measures to strengthen the country's AML/CFT/CPF framework in preparation for the Mutual Evaluation-2026.

The FIU continued to carry out its core function of producing actionable financial intelligence through the collection, analysis, and timely dissemination of high-quality financial intelligence to law enforcement and competent authorities demonstrating operational effectiveness.

For comprehensive details, please refer to the FIU Annual Report available at FIU Website[3]

[1] *https://epf.lk/*

[2] *https://www.treasury.gov.lk/web/public-debt-management-office/section/public%20debt%20management%20office*

[3] *https://fiusrilanka.gov.lk/annual_reports.html*

A Synopsis of the Central Bank's Public Debt Management Agency Function and It's Cessation

The Central Bank's Traditional Role in Public Debt Management

Debt Management Agency Function

Since its establishment in 1950, the Central Bank had played a limited debt management function as the Government's Agent under Section 113 of the repealed Monetary Law Act (MLA).

In this capacity, the Central Bank was responsible for mobilising government financing through the issuance of marketable securities in both domestic and foreign currency including Treasury bills, Treasury bonds, International Sovereign Bonds (ISBs), and Sri Lanka Development Bonds (SLDBs).

Key Reforms and Modernisation of Debt Markets

Over the decades, the Central Bank progressively strengthened the institutional and market infrastructure for public debt management. Key milestones included;

- **1986** – Introduction of weekly Treasury bill auctions
- **1997** – Issuance of Treasury bonds
- **1998** – Automation of the auction system
- **2000** – Establishment of the Primary Dealer system
- **2004** – Transition to a fully scripless Government securities system
- **2006** – Opening of the Treasury bond market to foreign investors
- **2007** – Issuance of ISBs in the international capital markets
- **2008** – Opening of the Treasury bill market to foreign investors
- **2017** – Introduction of web-based auction system for Government securities

These instruments enabled the Government to raise funds for public expenditure while supporting the development of local capital markets.

Development of Government Securities Market Infrastructure

Over the decades, the Central Bank progressively strengthened the institutional and market infrastructure for public debt management. Key milestones included the introduction of weekly Treasury bill auctions in 1986, the issuance of Treasury bonds in 1997, and the automation of the auction process in 1998.

These reforms were followed by the establishment of the Primary Dealer system in 2000, the transition to a scripless government securities system in 2004, and the gradual opening of the domestic government securities market to foreign investors first for Treasury bonds in 2006 and subsequently for Treasury bills in 2008. In line with its commitment to transparency and market-based practices, the Central Bank introduced web-based platforms for the primary issuance of Treasury bonds and Treasury bills in 2017 and 2023, respectively.

Fund Raising and Debt Servicing

Throughout this period, the Central Bank pursued the objective of meeting the Government's financing requirements at the lowest possible cost, subject to prudent risk management considerations. Meanwhile, under its role as the Government's fiscal agent, the Central Bank also maintained an unblemished record of timely public debt servicing until the Government announced its Interim Policy Regarding the Servicing of Sri Lanka's External Public Debt in April 2022, consequent to the then ongoing economic crisis.

Facilitation of Government's Debt Restructuring Initiatives

Under the Extended Fund Facility arrangement with the International Monetary Fund (IMF-EFF), the Central Bank provided extensive technical and operational support to the Government throughout the debt restructuring process. This support initially focused on the domestic debt optimisation initiative and later extended to the external debt restructuring process. In this context, the Central Bank participated in the implementation of the Government's domestic debt optimisation programme announced in July 2023, including through the restructuring of its Treasury bill holdings and provisional advances to the Government.

In addition, the Central Bank facilitated the restructuring of Treasury bonds, Sri Lanka Development Bonds, and local-law foreign currency-denominated bank loans by operationalising the agreed payment arrangements and the issuance of re-structured Treasury bonds in line with agreements reached between the Government and respective creditors.

Establishment of the Public Debt Management Office

In line with commitments under the IMF-EFF arrangement and in accordance with international best practices, the Public Debt Management Office (PDMO) was established in December 2024 under the Public Debt Management Act, No. 33 of 2024.

The PDMO consolidated debt management functions that had previously been dispersed across the Ministry of Finance, Planning and Economic Development (MoF) and the Central Bank's Public Debt Department. To ensure a smooth transition, the Central Bank provided extensive on-the-job training to PDMO staff, drawing on its institutional experience accumulated over more than seven decades.

During the transition phase, debt management operations were carried out at the Central Bank initially under its oversight, and subsequently under the approval of the MoF. This phased approach ensured continuity, operational stability, and knowledge transfer, culminating in the full operationalisation of the PDMO in December 2025.

Reforms in Public Debt Management Governance

Effective coordination between fiscal and monetary authorities remains essential for macroeconomic stability. To this end, a Coordination Council, chaired by the Governor of the Central Bank and including the Secretary to the Treasury as a member, has been established to facilitate high-level policy coordination, as per the CBA.

At the operational level, a Public Debt Coordinating Committee, chaired by the Deputy Secretary to the Treasury and comprising representatives from the Central Bank, supports ongoing collaboration on debt management matters.

The establishment of a fully functional PDMO under the Ministry of Finance has further eliminated the long-standing conflict of interest arising from the Central Bank's dual role in monetary policy formulation and public debt management. This institutional separation enables the Central Bank to focus exclusively on its core mandates, maintaining price stability as its primary objective and safeguarding financial system stability as its other objective in line with international best practice.

Managing the Bank

Human Capital Management

Talent Acquisition Initiatives

In response to evolving organisational needs to effectively deliver its mandates and ensure the smooth functioning of operations, the Central Bank undertook a series of targeted talent acquisition and workforce strengthening initiatives throughout 2025. During the year, the Bank continued to strengthen its workforce by recruiting across a range of positions identified within various departments and finalising a key general recruitment process at the bottom tier of the Bank's hierarchy, with the objective of maintaining an appropriate balance in staffing requirements. These recruitment efforts brought in specialised knowledge, industry experience, and diverse professional perspectives, contributing positively to operational effectiveness.

Manpower Planning

With a view to supporting workforce optimisation in the Bank, structured manpower planning exercises were continued during the year, using a scientific and structured approach, including manhour calculations. This approach is applied to determine the optimal staffing requirement by identifying all current and anticipated departmental activities over a defined planning horizon and estimating the time required to perform each activity at different staff levels. The outcomes of this process are expected to support future recruitment decisions while ensuring the efficient and effective functioning of the Bank and the continued alignment of human resources with organisational needs.

Career Progression and Internal Talent Pool Development

As part of the Bank's ongoing commitment to career progression and internal talent pool development, eligible officers were promoted and strategically placed to strengthen leadership and managerial capacity. These progression initiatives reflect the Bank's continued emphasis on leadership development, succession readiness, and internal talent pool progression.

Human Resources Strategies Revamping Project

Transformational HR Initiatives

In line with the Bank's commitment to building a future-ready, competent, and high-performing workforce, transformational human resource initiatives were introduced under the ongoing Human Resources Strategies Revamping Project (HRSRP). These initiatives encompassed key areas including performance management, competency assessment, leadership development, the Job Family framework, flexible working arrangements and talent engagement.

Enhanced Performance Evaluation System

In support of effective talent management and a high-performance culture, the Central Bank introduced an enhanced Performance Evaluation System (PES) with effect from 2025. The revised framework was designed to strengthen both individual and organisational performance by aligning employee goals with departmental objectives and the Bank's strategic priorities, while strengthening transparency, accountability, and continuous professional development through clearly defined goals and competency-based assessments.

Comprehensive Competency Framework

To modernise HR practices and strengthen competency-based talent management in line with the Bank's evolving functional needs, measures were taken to introduce the phased implementation of the Leadership Competency Model (LCM), Technical Competency Model (TCM), and the Leadership Assessment and Profiling Framework (LAPF). The LCM defines the key leadership behaviours and capabilities required across all levels of the Bank, focusing on competencies such as adaptability, strategic orientation, risk awareness, innovativeness, stakeholder inclusiveness, and talent development. The TCM provides a structured framework outlining the technical knowledge and skills required for specific roles, ensuring alignment between job requirements and organisational objectives. Complementing these models, the LAPF is being established as a three-tiered profiling approach, comprising of Leadership Profiling Centre (LPC), Middle Management Profiling Centre (MMPC), and Executive Profiling Centre (EPC), which will facilitate to evaluate and develop competencies at different levels across the Bank, ensuring readiness for current and future roles.

Job Family Framework

A Job Family framework was also introduced as a macro-level structure for the Central Bank, grouping together roles with similar functional responsibilities and requiring comparable bodies of knowledge, skills, and competencies. Integrating related roles within defined job families facilitates development and enhancement of leadership and technical capabilities, in a structural manner and ease movement and progression.

Redesigning and Modernising HRM Business Processes

Moreover, the Bank focused on enhancing efficiency, effectiveness, and alignment with best practices through the re-engineering of existing HR related processes and the introduction of new workflows. By the end of 2025, a significant portion of the process redesign had been completed, representing a major milestone in the Bank's HR transformation journey.

Transformation Agent Initiative

In line with the Central Bank's institutional reform agenda and the HRSRP, the Transformation Agent initiative was initiated to enhance internal change capability by enabling officers to serve as change champions, supporting organisational agility, leadership and capability development, cultural transformation, and the sustainable implementation of people-centric reforms across the Bank.

To promote employee engagement and transparency, the Central Bank has taken several initiatives including open, agenda-free discussions and town hall meetings, inviting a sense of openness and collective problem-solving.

Training and Development

During the year, key policy initiatives were also undertaken to strengthen the Bank's training and development framework. These efforts were complemented by a notable expansion in learning opportunities, reflecting the Bank's continued commitment to nurturing talent and investing in the professional growth of its employees. While encouraging staff to pursue postgraduate studies, the Bank recorded a significant increase in foreign training exposure compared to the previous year, with broader participation in overseas programmes, webinars, and both physical and virtual training modalities. In addition, targeted training initiatives were implemented for operational, leadership, and support staff categories, reinforcing a holistic and inclusive approach to capability development.

Centre for Banking Studies

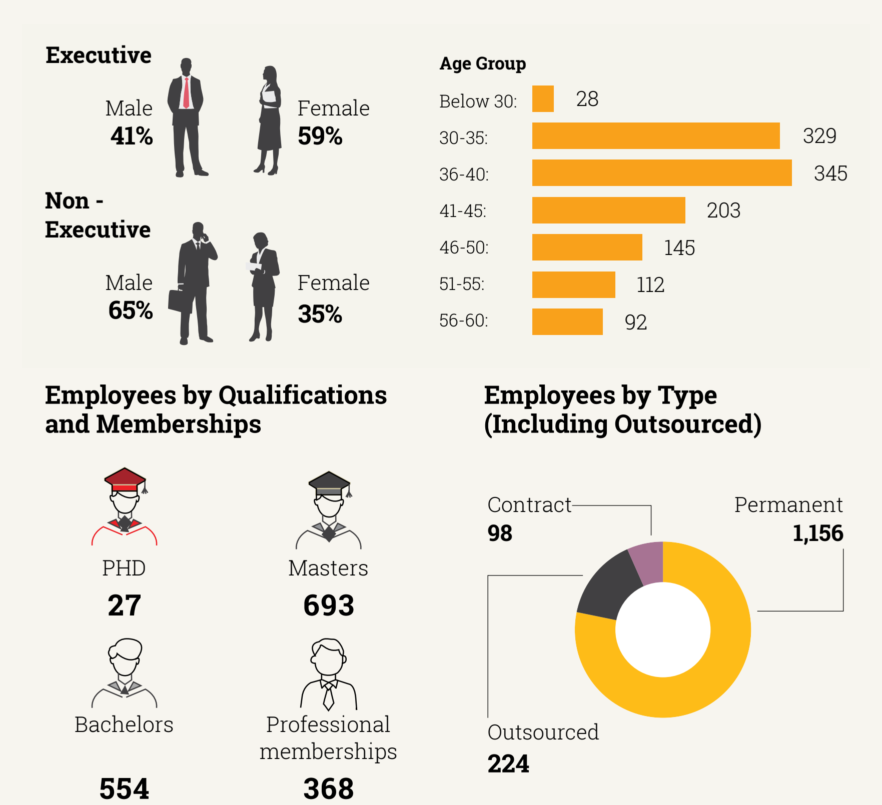
In 2025, the Centre for Banking Studies (CBS), the human capital development arm of the Central Bank of Sri Lanka, further strengthened its position as a premier institution for professional development and capacity building in the banking and financial sector. The CBS delivered a range of structured and comprehensive training programmes , workshops, and awareness initiatives that enhanced the skills, knowledge, and operational readiness of the Central Bank staff, while also extending its learning opportunities to participants from the wider financial sector.

The Centre emphasised the development of technical, analytical, and strategic competencies, enabling staff to process complex data, conduct quantitative analyses, and generate actionable insights that support sound decision-making. Financial and operational acumen was further enhanced, preparing staff to manage core central banking functions, adapt to dynamic market conditions, and make informed strategic decisions. Regulatory compliance, leadership, and professional competencies were systematically developed through targeted capacity-building sessions, fostering a culture of ethical practice, accountability, and operational excellence. In order to enhance operational efficiency and institutional coordination in staff development, the CBS commenced the integration of the training functions of the Human Resources Department during 2025, with the unified training operations becoming effective from 01 January 2026

The CBS also proactively addressed emerging trends and challenges in operations and technology, offering awareness sessions on regulatory framework, cyber – security risks, anti-corruption measures, and technological innovations, including artificial intelligence and cloud computing. Collaborations with regional and international institutions enriched learning opportunities, facilitating knowledge exchange, exposure visits, and cross-border professional development that benefitted both internal staff and participants from the broader financial ecosystem.

Through its integrated and forward-looking approach to capacity building, CBS not only enhanced technical competencies and regulatory awareness but also strengthened organisational effectiveness, supporting institutional modernisation and contributing meaningfully to the stability, resilience, and sustainable growth of Sri Lanka's financial system.

Key HR Statistics as at 31 December 2025 Figure – 14



Information Technology

During 2025, Information Technology focused on strengthening the Bank's core infrastructure via resilience, security, optimisation, and modernisation.

Comprehensive Review of Current Payments and Settlements Processes

One of the key initiatives undertaken was initiating a comprehensive review of current payments and settlements processes. Detailed business process mapping of existing workflows across relevant departments was completed, enabling the identification of inefficiencies and critical bottlenecks. Based on these findings, future-state (To-Be) processes are being designed with the objective of simplifying workflows, minimising manual interventions, and enabling phased automation.

Web-Based Open Market Operations Auction System

In parallel, significant progress was made in enhancing the Bank's core systems. Development of the web-based Open Market Operations (OMO) Auction System advanced substantially, with core system modules completed. This initiative aims to strengthen the efficiency, reliability, and user experience of the market operations.

Foundational work was also undertaken for a secure Open Application Programming Interface (API) platform to enable controlled access to selected financial and economic data for external stakeholders. The Bank's Human Resources Department benefitted from systems deployed, which streamlined and simplified the recruitment process.

Centralised Big Data and Data Warehouse Platform

Another major policy initiative taken in 2025 was the establishment of a roadmap for a Centralised Big Data and Data Warehouse platform.

This initiative reflects a strategic shift toward enhanced data integration, improved analytical capability, and evidence-based decision-making across the Bank.

IT Structure at Central Bank

Figure – 15

A Collaborative Team Enabling Secure, Reliable and Modern Digital Operations across the Central Bank.

Infrastructure and Operations	Applications and Systems	Information Security	Data and Analytics	IT Governance and Compliance
Maintains data centres, servers, networks and end-user devices.	Designs, develops and maintains core banking.	Protects Central Bank's information assets and ensures cyber resilience.	Supports policy-making through data management, reporting and analytics.	Defines IT policies, manages risks and complies with standards.

Regulatory Technology and Supervisory Support

The year also saw a progress in regulatory technology and supervisory support. Central Bank implemented new and modified FinNET regulatory returns, including enhanced reporting on related party transactions and cyber and IT security incidents.

Analytical dashboards and reporting solutions were developed using business intelligence tools to support policy analysis, supervision, and management oversight. Several internal systems were enhanced to align with evolving policy and operational needs of the Bank as well as to align with global ISO standards.

Maintenance of National Critical IT Infrastructure

Central Bank maintained industry-leading standards for its national critical IT infrastructure by successfully renewing the Telecommunications Industry Association (TIA)-942 Rated-3 certification for the primary datacentre.

Disaster Recovery (DR) capabilities were strengthened with redundant network links between Head Office and the DR site, significantly improving resilience and failover readiness. In parallel, security of the CBSLNET VPN (Virtual Private Network) was enhanced providing stronger encryption and more reliable tunnel stability.

IT Systems of Employees' Provident Fund

In addition, Central Bank continued to provide critical application, infrastructure, and operational support services to the Employees' Provident Fund (EPF), ensuring system stability, data integrity, and uninterrupted services.

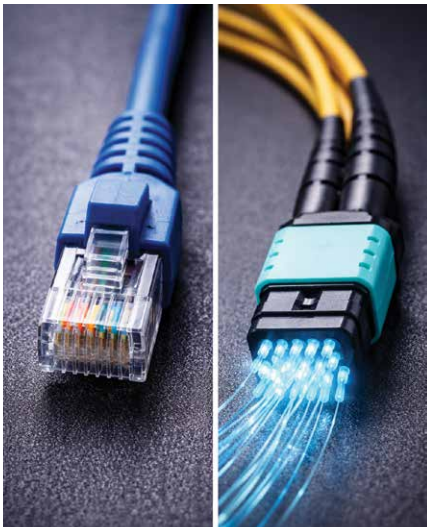
Significant progress was made in upgrading the FileNet Document Management System of EPF, marking an important step towards enhancing productivity.

System Security and Resilience

Ensuring system security and resilience remained a key priority throughout 2025. Full compliance with international information security standards, including the SWIFT Customer Security Programme, was maintained.

Regular vulnerability assessments were conducted across critical systems, and independent security evaluations of key payment and settlement platforms were initiated.

In line with improved security governance and risk management practices, Central Bank implemented a Privileged Access Management (PAM) solution. In addition, user awareness programmes on information and cyber security were organised to strengthen the Bank's preparedness against emerging threats.



General Administration

The Central Bank continued to strengthen its institutional administration in 2025 through a range of functions spanning corporate administration, procurement management, administration of superannuation funds, facilitation of official foreign visits and overseas training, asset verification and disposal, and the provision of secretarial and protocol support to senior management.

Corporate Administration

During 2025, Central Bank ensured that its administrative activities were carried out in compliance with applicable regulations, reinforcing accountability, risk management, and good governance. This included maintaining comprehensive insurance coverage for all Bank properties, overseeing outsourced mail management services, managing stationery and inventory efficiently, organising events for the institution, and executing agreements with service providers on behalf of the Governing Board (GB).

Procurement Management

Procurement activities during the year were undertaken in line with the annual procurement plan derived from the Governing Board approved Budget for 2025. All procurements were conducted in accordance with the procurement procedures and guidelines set out in the Central Bank Manual, consistent with national procurement standards. With the implementation of the National Procurement Guidelines 2024 from 01 January 2025, Central Bank began transitioning to a strengthened procurement framework. Central Bank also responded promptly to time critical ad hoc procurement needs and contributed to all centralised Procurement Committees through mandatory representation.

Administration of Superannuation Funds

The Central Bank continued to manage the payments and operational activities relating to its Superannuation Funds, serving 2,266 beneficiaries. These responsibilities included processing gratuity and pension related payments, releasing provident fund balances, and administering Widows' and Orphans' Pension (W&OP) and Widowers' and Orphans' Pension (WR&OP) schemes. Beneficiary correspondence, including the verification and collection of life certificates in accordance with the Pension Rules, was also undertaken.

Employee Well-Being and Support Initiatives

As part of management's commitment to employee satisfaction, benefits such as medical and staff loan facilities continued to be available to employees under the bank's staff benefit schemes.

Security Services

The Central Bank has prioritised a robust security posture to safeguard personnel and critical infrastructure by integrating rigorous surveillance protocols, routine inspections, and advanced security technology with proactive fire safety measures and continuous capacity-building programs.

Board of Survey

In 2025, Central Bank completed a Board of Survey to identify obsolete, damaged, unserviceable, or irreparable fixed assets. Disposal activities were conducted strictly in accordance with the relevant provisions of the Central Bank Manual.

Secretarial and Protocol Support

The Central Bank ensured the smooth execution of official duties of the Governor and senior management through high level secretarial and protocol support. This included coordinating domestic and international visits, organising official functions, and facilitating engagements with local and foreign dignitaries throughout the year.

Legal Affairs

In 2025, the Central Bank effectively managed its legal affairs, safeguarding the institution's interests in legal disputes while also providing legal inputs for the matters of national importance at the level of national policy formulation. The Central Bank is actively engaged in several initiatives of financial sector law reforms, including amendments to the Finance Business Act, No. 42 of 2011, Foreign Exchange Act, No. 12 of 2017 as well as introducing a new Payment and Settlement Systems Act. In addition, the Central Bank provided technical assistance to the formation of Microfinance and Credit Regulatory Authority Bill, Colombo Port City Economic Commission (Amendment) Bill, Public Commercial Enterprise (SOE) law and Rescue, Rehabilitation and Insolvency Bill.

Acknowledging Our Retired Principal Officers – 2025

We extend our heartfelt appreciation to the officers who retired in 2025 after years of dedicated service. Their invaluable contributions have left a lasting impact on the institution, and we wish them all the best in their future endeavours.

Janaka Karunaratne
Deputy Governor

- Jamaldeen Ameer
  Secretary
- Saliya Gunatilleka
  Additional Director, Security Services

Right to Information and Transparency

The Central Bank reinforced its commitment to transparency in 2025, processing Right to Information (RTI) applications throughout the year. Timely responses and strict adherence to the RTI Act served as an example of Central Bank's commitment to open and accountable governance.

RTI Annual Report of the Central Bank of Sri Lanka which was made in compliance with section 10 of the Right to Information Act, No. 12 of 2016 (RTI Act) for the Year 2025

01	Total number of information requests received during 2025 by the Central Bank of Sri Lanka	220
02	Total number of information requests received during 2025 – Information provided	155
03	Total number of information requests received during 2025 – Provision of information rejected	46
04	Total number of information requests which have been forwarded to other public authorities (Part of the information was provided for 11 RTI requests)	30
05	Total number of information requests received during 2025 and being processed as at 31 December 2025	9
06	Fees collected during the year by the Central Bank for provision of information	Rs. 27,750/-
07	Number of requests rejected under section 5 of RTI Act	15
08	Number of requests rejected under section 3 of RTI Act	31
09	Number of appeals to the RTI Commission	7
10	Number of times information was provided at the direction of the RTI Commission	2
11	Number of appeals to the designated officer	47
12	Practices relating to the maintenance, management and destruction of records at the Central Bank	Note 01*
13	Activities relevant to the Central Bank under section 8 of RTI Act	Not applicable

Note 01: The Central Bank maintains records and information in terms of the provision of section 7 of RTI Act. Further, an internal circular No. 09/03/002/005/2019 dated 07.03.2019 has been issued by the Central Bank.*

Management of Internal and Deposit Insurance Funds

The management of internal funds and funds related to deposit insurance scheme is carried out under a unified investment framework that complements the broader policy objectives of the Bank.

These funds are managed in line with relevant investment principles that prioritise safety, liquidity, and sustainable risk adjusted returns.

All investment activities follow a structured approach, guided by the Governing Board's approved policies, risk appetite, and strategic asset allocation parameters.

Portfolios are diversified across government securities and other eligible asset classes, with decisions supported by continuous market analysis and prudent risk monitoring.

Oversight of these activities is further strengthened through the Internal Investment Oversight Committee (IIOC).

Strengthened operational systems, enhanced technological platforms, and rigorous compliance practices ensure that management of these funds remain transparent, resilient, and aligned with the Bank's objectives.

Governance

The governance framework of Central Bank is designed to ensure effective oversight, accountability, and sound management of its operations. Central Bank functions under a Twin Board System comprising the Governing Board and the Monetary Policy Board, each established to fulfil distinct statutory responsibilities.

Governing Board

The Governing Board is responsible for supervising the administration and management of the Bank's affairs, excluding matters related to monetary policy. The Board is chaired by the Governor and consists of six appointed members with professional expertise in Economics, Banking, Finance, Accounting and Auditing, Law, and Risk Management.

Governing Board's responsibilities include setting general policies, formulating corporate strategy, approving budgets and financial statements, enforcing internal controls, and overseeing risk management frameworks.

Monetary Policy Board

The Monetary Policy Board formulates the Bank's monetary policy and oversees its implementation, including the flexible exchange rate regime aligned with the flexible inflation targeting framework. Chaired by the Governor, the Board comprises Governing Board members, two external experts in Economics or Finance, and two Deputy Governors responsible for price stability and financial system stability.

Through this structure, Central Bank ensures transparency, accountability, and the maintenance of stability.

Appointments and Tenure

The Governor, Governing Board members and expert members of the Monetary Policy Board (appointed members) are appointed by the President on the recommendation of the Minister of Finance and with the approval of the Constitutional Council established under Article 41A of the Constitution. Except for the Governor, all other appointed members serve as non executive members.

The Governor and appointed members serve a six year term, renewable subject to a maximum cumulative tenure of twelve years.

Governing Board – Composition

- Dr. Nandalal Weerasinghe – Governor (Chairperson)
- Mr. Nihal Fonseka – Appointed Member
- Dr. Ravindra Ratnayake – Appointed Member
- Mr. Anushka Wijesinha – Appointed Member
- Mr. Visvanathamoorthy Govindasamy – Appointed Member
- Mr. Manil Jayasinghe – Appointed Member
- Mr. Maithri Wickremesinghe – Appointed Member
  - *Secretary: Mrs. Dimuthu Samaratunga – Assistant Governor*

Monetary Policy Board – Composition

- Dr. Nandalal Weerasinghe – Governor (Chairperson)
- Mr. Nihal Fonseka – Appointed Member
- Dr. Ravindra Ratnayake – Appointed Member
- Mr. Anushka Wijesinha – Appointed Member
- Mr. Visvanathamoorthy Govindasamy – Appointed Member
- Mr. Manil Jayesinghe – Appointed Member
- Mr. Maithri Wickremesinghe – Appointed Member
- Dr. (Ms.) Dushni Weerakoon – Appointed Member (Expert)
- Prof. Priyanga Dunusinghe – Appointed Member (Expert)
- Dr. Chandranath Amarasekara – Member (DG in charge of price stability)
- Mr. Sirikumara Kudagama – Member (DG in charge of financial system stability)
  - *Secretary: Mrs. Dimuthu Samaratunga – Assistant Governor*

Board Meetings

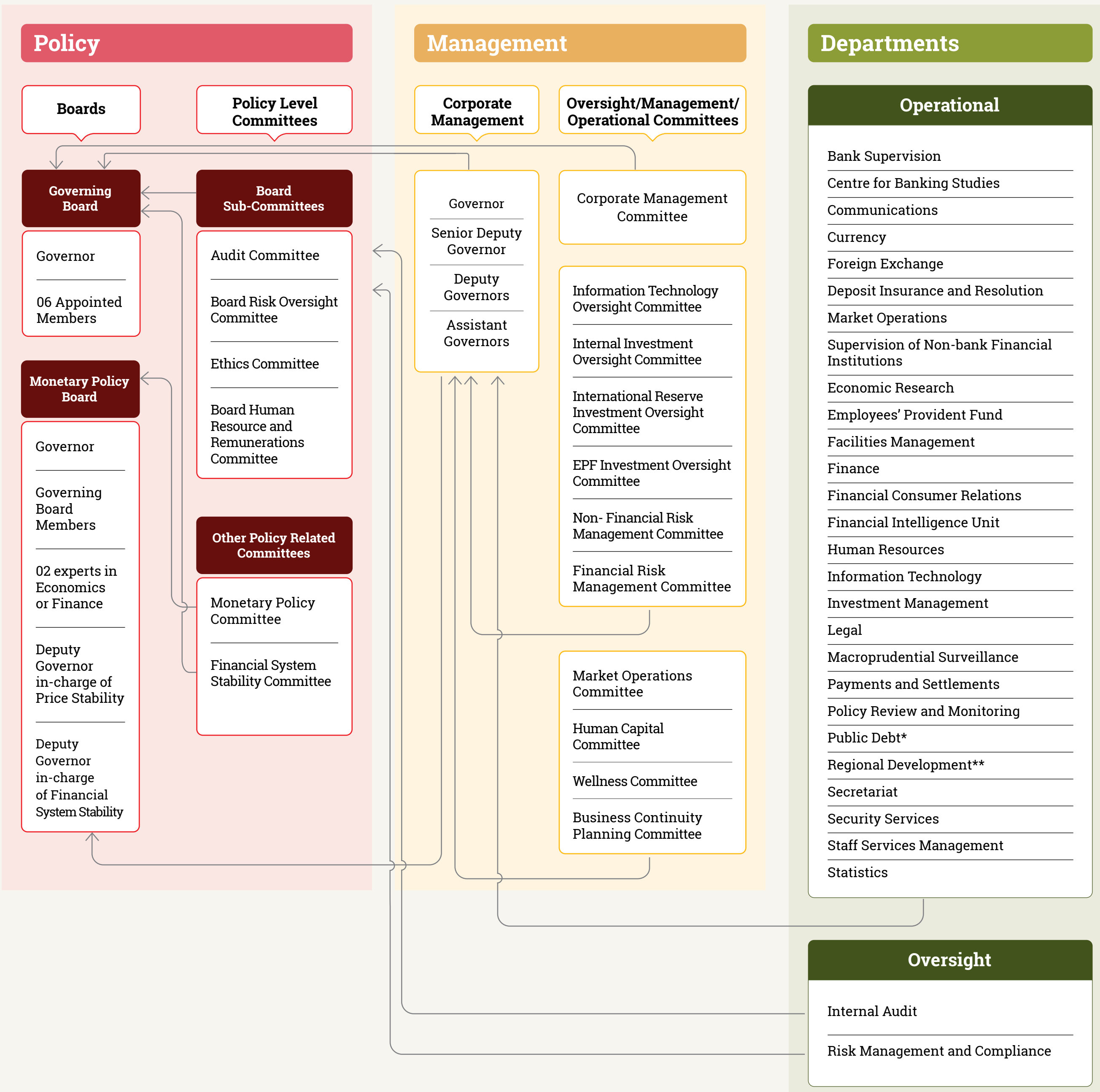
The Governing Board meets at least once each month, while the Monetary Policy Board convenes at least once every two months. Meetings may be called by the Chairperson or upon written request by two members.

A quorum requires five members for the Governing Board and eight members for the Monetary Policy Board, (including the Governor or the Deputy Governor responsible for price stability).

Following each meeting, the Monetary Policy Board publishes its policy decisions accompanied by analyses of recent economic developments and the economic outlook.

Governance Structure of the Central Bank as at 31 December 2025

Figure – 16



** Operations of the Public Debt Department (PDD) wound up on 31 December 2025, full responsibility of operations of Public Debt Management was assumed by Public Debt Management Office w.e.f 01 January 2026.*

*** Regional Development Department (RDD) was renamed as the Department of Financial Inclusion (DFI), w.e.f. 01 January 2026*

Governance

Board Sub-Committees

To strengthen governance and ensure comprehensive oversight, Central Bank operates several specialised committees under the Governing Board. These include:

- Audit Committee
- Board Risk Oversight Committee
- Board Human Resource and Remunerations Committee
- Ethics Committee

Other Policy Related Committees

The Central Bank has also established committees dedicated to analysing economic conditions and the financial system advising on core policy issues, including:

- Monetary Policy Committee
- Financial System Stability Committee

Oversight, Management and Operational Committees

Oversight and management committees support the implementation of policies and oversee operational matters.
They include:

- Corporate Management Committee
- Information Technology Oversight Committee
- Investment Oversight Committees
  - Internal Investment Oversight Committee
  - International Reserve Investment Oversight Committee
  - EPF Investment Oversight Committee
- Non Financial Risk Management Committee
- Financial Risk Management Committee

Operational Committees

- Market Operations Committee
- Human Capital Committee
- Wellness Committee
- Business Continuity Planning Committee

National Level Committees

The Central Bank also contributes to key national committees that promote monetary and financial sector developments including:

- Council for the coordination of Fiscal, monetary and financial stability
- Financial Sector Oversight Committee
- Crisis Management Committee
- National Financial Inclusion Council
- National Payment Council
- AML/CFT National Coordinating Committee
- Stakeholder Committee for Implementation of Sustainable Finance Roadmap

Code of Conduct

The Central Bank's Code of Conduct promotes integrity, professionalism, and ethical behaviour among Board members and employees. It mandates adherence to high ethical standards, avoidance and disclosure of conflicts of interest, strict confidentiality of sensitive information, and full compliance with laws, regulations, and internal policies.

Whistleblowing Framework

A dedicated whistleblowing mechanism supports transparency and accountability by enabling employees to confidentially report misconduct or unethical behaviour. Whistleblowers acting in good faith are protected from retaliation, and all reports are subject to impartial investigation and appropriate corrective action.

Data Governance

The Central Bank gives high priority to safeguarding the accuracy, security, and reliability of its data. The data governance framework includes robust policies on data management, protection against unauthorised access or breaches, and strict role based access controls to ensure secure handling of sensitive information.

Board Sub-Committees

Audit Committee (AC)

Purpose and Task

Ensure transparency and accountability when providing advice and guidance in a structured and systematic manner. Oversee internal audit function, financial statement integrity, engagement with external auditors, evaluation of internal controls including whistleblowing, compliance, and fraud reporting and monitor compliance with internal audit recommendations and evaluate the effectiveness of the risk management structure as per Section 103 of the Central Bank of Sri Lanka Act No. 16 of 2023.

Composition

Mr. Manil Jayesinghe
Chairperson

Dr. Ravindra Ratnayake
Member

Mr. Maithri Wickremesinghe
Member

Board Risk Oversight Committee (BROC)

Purpose and Task

Oversee the implementation of an enterprise-wide risk management framework and compliance functions of the Central Bank through a formal delegation from the Governing Board. BROC is responsible for setting broad strategies and policies ensuring a dedicated focus on risk management and compliance following internationally accepted standards and guidelines in line with risk governance framework of Central Bank.

Composition

Mr. Nihal Fonseka
Chairperson

Mr. Trevine Jayasekara
External Member

Mr. Ranel Wijesinha
External Member

Ethics Committee (EC)

Purpose and Task

Act as an advisory and oversight body to ensure that Central Bank's policies, decisions, and operations align with ethical principles, regulatory requirements, and best governance practices underpinning the requirements under Sections 22 and 25 of the Central Bank of Sri Lanka Act No. 16 of 2023.

Composition

Mr. Anushka Wijesinha
Chairperson

Dr. Ravindra Ratnayake
Member

Mr. Amal Cabraal
External Member

All Deputy Governors

Board Human Resource and Remunerations Committee (BHRRC)

Purpose and Task

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

Composition

Mr. Nihal Fonseka
Chairperson

Mr. Visvanathamoorthy Govindasamy
Member

Mr. Manil Jayesinghe
Member

Mr. Chandrasiri Hewapattini
External Member

Governance

Other Policy Related Committees

Monetary Policy Committee (MPC)

Purpose and Task

Evaluate macroeconomic developments and projections and make recommendations on appropriate future directions of monetary policy for the consideration of the Monetary Policy Board.

Composition

Governor (Chairperson), all DGs, AGs in-charge and Heads of Departments of Economic Research, Statistics, and Market Operations and the Additional Director of Economic Research overseeing the Money and Banking Division.

Financial System Stability Committee (FSSC)

Purpose and Task

The main role of the FSSC is to assess financial system stability related aspects highlighted by members and other stakeholders and monitor risks in the financial system and make recommendations to the Governing Board to mitigate such risks based on technical inputs provided by members.

Composition

DG in-charge of Financial System Stability (Chairperson), DG in-charge of Macroprudential Surveillance (the Deputy Chaiman), DG in-charge of Price Stability, AGs in charge of Macroprudential Surveillance Department, Bank Supervision Department, Department for Supervision of Non-Bank Financial Institutions, Economic Research Department, Deposit Insurance and Resolution Department, Payments and Settlements Department and Directors of all above departments.

Oversight/Management/Operational Committees

Corporate Management Committee (CMC)

Purpose and Task

Make recommendations to the GB on the policy proposals that have an impact on the Bank's human capital competitiveness and sustainability and solve issues relating to corporate support functions. GB has delegated its authority to CMC to make certain decisions.

Composition

Governor (Chairperson)

All DGs and AGs

Information Technology Oversight Committee (ITOC)

Purpose and Task

Provide strategic direction and alignment of Bank's ICT framework with the organisation goals and review and recommend ICT policies and procedures to GB.

Composition

DG in-charge of IT (Chairperson)

All AGs, Director Information Technology

Investment Oversight Committees (IOCs)

Purpose and Task

Ensure adherence to investment guidelines while making broad investment decisions; provide inputs to formulate and review investment policies, and guidelines; translate the strategic decisions of the GB into operational directives: oversee investment activities carried out by fund management departments; approve new issuers/counterparties and monitor investment performance, risk, and compliance; recommend necessary deviations from policies and guidelines, particularly in unavoidable circumstances.

Composition

DG in-charge of relevant Departments (Chairperson), AG in-charge of the respective departments, and AGG as outlined in the investment policy statements

Non-voting Members: heads of relevant departments and Chief Risk Office

Non-Financial Risk Management Committee (NFRMC)

Purpose and Task

Ensure an appropriate framework for Operational and Compliance risk management for Central Bank is in place, and to oversee whether Operational and Compliance risk management process is carried out in line with GB approved policies, procedures and guidelines.

Composition

SDG/DG appointed by the GB (Chairperson), SDG, DGs and AGs, Director Risk Management & Compliance/Chief Risk Officer, Chief Compliance officer

Financial Risk Management Committee (FRMC)

Purpose and Task

Oversee and ensure that market, credit, liquidity, and other risks affecting Central Bank financial stability remain within the approved risk appetites.

Composition

DG overseeing the Finance Department (Chairperson), DGs in charge of Domestic Price Stability and Financial System Stability, all AGs in charge of departments under Domestic Price Stability cluster and Financial System Stability cluster, and the AG in charge of Finance Department.

Non-voting members: Director of Economic Research, Market Operations, Investment Management, Risk Management & Compliance/Chief Risk Officer, Chief Accountant and Chief Internal Auditor.

Market Operations Committee (MOC)

Purpose and Task

Manage rupee liquidity in the interbank money market to maintain the Average Weighted Call Money Rate (AWCMR) at a desired level consistent with the monetary policy stance and make recommendations daily on appropriate domestic foreign exchange market operations in line with the flexible exchange rate regime.

Composition

DG in charge of Price Stability (Chairperson), AG in-charge of Economic Research (Deputy Chairperson), AG in-charge of Market Operations Department and Heads of Departments of Economic Research and Market Operations Department.

Human Capital Committee (HCC)

Purpose and Task

Provide advice, strategic directions and focus to strengthen to Bank's human capital imperatives and make recommendations to the CMC.

Composition

DG in-charge of human resources (Chairperson), AG in-charge of Human Resources, (Deputy Chairperson), Chief Human Resources Officer, Director of Human Resource Strategies Revamping Project, Heads of Departments of Human Resources, Centre for Banking Studies, Policy Review and Monitoring, Staff Services Management, Risk Management, Communications, Secretary of the Bank and four non-permanent members representing the clusters appointed by relevant AGs.

Wellness Committee

Purpose and Task

Ensure a safe and healthy workplace by proactively addressing safety concerns and upholding the well-being of the staff.

Composition

DG in-Charge of Staff Services Management (Chairperson)

Heads of the Department of Staff Services Management, Facilities Management, Secretariat, Security Services, Human Resources (including Chief Human Resources Officer), Centre for Banking Studies, Policy Review and Monitoring, Risk Management, and Legal.

Business Continuity Planning Committee

Purpose and Task

Ensure the continuity of critical Central Bank operations by strengthening preparedness, enhancing institutional resilience, and coordinating timely responses to disruptive events. The Committee is responsible for overseeing business continuity planning, monitoring emerging risks to operational stability, and ensuring that the Central Bank maintains the capacity to operate effectively under adverse conditions.

Composition

DG in-Charge of Payment and Settlements (Chairperson)

Heads of the Departments of Payment and Settlement Systems, Information Technology, Facilities Management, Security Services, Human Resources, Finance, Public Debt and Currency.

Board Members

As at 31 December 2025

Governance > Board Members

Nandalal Weerasinghe

Governor/Chief Executive Officer

PhD in Economics, Australian National University, Australia

MSc in Economics, Australian National University, Australia

B.Sc., University of Kelaniya, Sri Lanka

Current Positions at Central Bank:

- Chairperson – Governing Board
- Chairperson – Monetary Policy Board
- Designated Officer – The Central Bank of Sri Lanka (Under Right to Information Act No. 12 of 2016)

Nihal Fonseka

Board Member

BSc., University of Ceylon, Colombo, Sri Lanka

Fellow, Chartered Institute of Bankers, United Kingdom (FCIB)

Honorary Fellow, Chartered Institute of Securities and Investments, United Kingdom (FCSI)

Current Positions at Central Bank:

- Appointed Member – Governing Board
- Appointed Member – Monetary Policy Board
- Chairperson – Board Risk Oversight Committee
- Chairperson – Board Human Resource and Remunerations Committee

Ravindra Ratnayake

Board Member

PhD in Economics, La Trobe University, Australia

Post Graduate Diploma in Economic Development, University of Colombo, Sri Lanka

B.A (Honours in Economics), University of Peradeniya, Sri Lanka

Current Positions at Central Bank:

- Appointed Member – Governing Board
- Appointed Member – Monetary Policy Board
- Member – Audit Committee
- Member – Ethics Committee

Anushka Wijesinha

Board Member

Masters in Economics, University of Leeds, United Kingdom

BSc. in Economics, University College London, United Kingdom

Current Positions at Central Bank:

- Appointed Member – Governing Board
- Appointed Member – Monetary Policy Board
- Chairperson – Ethics Committee

Visvanathamoorthy Govindasamy

Board Member

MBA and BSc in Electrical Engineering, University of Hartford, USA

Fellow member, the Institute of Certified Professional Managers, Sri Lanka

Current Positions at Central Bank:

- Appointed Member – Governing Board
- Appointed Member – Monetary Policy Board
- Member – Board Human Resource and Remunerations Committee

Manil Jayesinghe

Board Member

Fellow Member, Institute of Chartered Accountants of Sri Lanka

Fellow Member, Chartered Institute of Management Accountants (UK)

Fellow Member, Certified Management Accountants of Sri Lanka

Member, Chartered Institute of Public Finance and Accountancy

Current Positions at Central Bank:

- Appointed Member – Governing Board
- Appointed Member – Monetary Policy Board
- Chairperson – Audit Committee
- Member – Board Human Resource & Remunerations Committee

Maithri Wickremesinghe
Board Member

President's Counsel
Fellow Member, Chartered Institute of Management Accountants (UK)

LLB (Hons), University of Colombo

Current Positions at Central Bank:

- Appointed Member – Governing Board
- Appointed Member – Monetary Policy Board
- Member – Audit Committee

Dushni Weerakoon
Board Member

PhD in Economics, University of Manchester, United Kingdom

MA in Economics, University of Manchester, United Kingdom

BSc in Economics, Queen's University of Belfast, United Kingdom

Current Positions at Central Bank:

- Appointed Member – Monetary Policy Board

Priyanga Dunusinghe
Board Member

Professor in Economics, Department of Economics, University of Colombo

Current Positions at Central Bank:

- Appointed Member – Monetary Policy Board

Chandranath Amarasekara
Deputy Governor

PhD in Economics, University of Manchester, United Kingdom

MSc in Economics, University of Manchester, United Kingdom

B.A. in Economics, University of Peradeniya

Current Positions at Central Bank:

- Member – Monetary Policy Board
- Member – Ethics committee

Sirikumara Kudagama
Deputy Governor

LL.M, Monash University, Australia

LL.M, University of Colombo

LL.B, University of Colombo

Current Positions at Central Bank:

- Member – Monetary Policy Board
- Member – Ethics committee

Corporate Management

Ruwani Gunasekara
Assistant Governor

Chaminda Bandara
Assistant Governor

P K G Harischandra
Assistant Governor
(released to the IMF)

Chandranath Amarasekara
Deputy Governor

Nandalal Weerasinghe
Governor

Anuradha Dilrukshini
Assistant Governor

Dimuthu Samaratunga
Assistant Governor

Enoka Mohotty
Assistant Governor

Nelumani Daulagala
Senior Deputy Governor

Sirikumara Kudagama
Deputy Governor

As at 31 December 2025

Principal Officers

Heads of Departments

Mahinda Fernando
Director, Risk Management and Compliance

Priyantha Herath
Director, Information Technology

Saman Nanayakkara
Chief Compliance Officer

Menaka Jayawardena
Director, Centre for Banking Studies

Chathura Ariyadasa
Director, Regional Development

Dileni Karunaratne
Director, Deposit Insurance and Resolution

Raja Dayananda
Secretary

Sisira Vitharana
Director, Facilities Management

Kalhari Mayadunna
Chief Internal Auditor

Priyantha Thilakaweera
Director, Macroprudential Surveillance

Anil Perera
Director, Market Operations Department

Sanjee Balasuriya
Chief Information Security Officer

Lasanthi Sirimanne
Chief Accountant

Rukshana De Silva Jayatillake
Director, Bank Supervision

Subhani Keerthiratne
Director, Financial Intelligence Unit

As at 31 December 2025

Additional Heads of Departments

Sureka Ketawala
Additional Director, Bank Supervision

Lasantha Siriwardane
Additional Superintendent, Employees' Provident Fund

Lasitha Pathberiya
Additional Director, Economic Research

Sunanda Obeysekera
Additional Director, Payments and Settlements

Udayanthi Tennakoon
Additional Secretary, Secretariate Department

Chandrika Rajapakse
Additional Superintendent of Employees' Provident Fund

Dilhan De Silva
Additional Superintendent of Currency

Lankapathi Sritharan
Additional Director, Macroprudential Surveillance

Ayesh Ariyasinghe
Additional Director, Financial Intelligence Unit

Indunil Ekanayake
Additional Director, Centre for Banking Studies

Chathura Gamage
Additional Director, Information Technology

Priyanka Weerasekara
Additional Secretary, Secretariate Department

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

Maneesha Wimalasuriya
Additional Director, Payments and Settlements

Sisira Jayasekara
Additional Chief Accountant

Vipula Wickramarachchi
Additional Director, Economic Research

Nishantha Jayaweera
Additional Director, Investment Management

Malkanthi Warakagoda
Additional Director, Human Resources

Nayana Perera
Additional Superintendent of Employees' Provident Fund

Manel Damayanthi
Additional Superintendent of Currency

Shan Kurincheedaran
Additional Director, Supervision of Non-Bank Financial Institutions

Pavithri Vithanage
Additional Director, Legal

Dilini Wilathgamuwa
Additional Director, Legal

Erandi Liyanage
Additional Secretary, Secretariate Department

Pradeepa Kumari
Additional Director, Bank Supervision

Nirodha Mallikarachchi
Additional Director, Human Resources

Audit Committee Report

The Audit Committee continued to provide structured oversight and guidance to the Governing Board and Management of Central Bank, reinforcing the effectiveness of governance, risk management, compliance, internal controls, and financial reporting.

1. Role of the Audit Committee

In terms of Section 103(4) of the CBA, the powers, duties and functions of the Audit Committee shall include (a) overseeing the internal audit function; (b) monitoring compliance with the findings and recommendations issued by the Chief Internal Auditor; (c) meeting with the auditors to discuss their findings; and (d) reviewing with the auditors the annual financial statements. In terms of Section 103(6) of the CBA, the Governing Board shall define the composition, and powers, duties and functions of the Audit Committee in the Audit Charter of the Central Bank. This legal foundation provides the Audit Committee with the autonomy and oversight authority reinforcing the Central Bank's commitment to governance, risk management, compliance and inevitably the financial accountability in alignment with international best practices to ensure internal control mechanisms operate effectively, while promoting regulatory compliance, and public confidence in the Central Bank's operations.

The Audit Committee during the year 2025, comprised with the following appointed members of the Governing Board.

i. **Mr. Manil Jayesinghe** – Chairperson
ii. **Dr. Ravindra Ratnayake** – Member
iii. **Mr. Rajeev Amarasuriya** – Member (till 27 June 2025)
iv. **Mr. Maithri Wickremesinghe** – Member (w.e.f. 23 October 2025)

The Secretary to the Governing Board serves as the Secretary to the Audit Committee, while the Chief Internal Auditor serves as the Assistant Secretary. A representative of the Auditor General attends all Audit Committee meetings in the capacity of an observer.

Committee Members and Meeting Attendance

	Eligible to attend/ Attended
Mr. Manil Jayesinghe Chairperson	13/13
Dr. Ravindra Ratnayake Member	13/13
Mr. Rajeev Amarasuriya Member	08/05
Mr. Maithri Wickremesinghe Member	02/02

2. Audit Charter of the Central Bank

Audit Charter of the Central Bank, which is approved by the Governing Board, defines the composition, authority, powers, duties, and functions of the Audit Committee, ensuring its effective operation in accordance with international best practices on governance. The Charter provides a structured, systematic framework for independent oversight of governance, compliance, risk management, internal control environment of the operations of the bank and financial reporting.

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

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

The Committee is required to report to the Governing Board once in every four months, summarising its activities, key decisions, and recommendations, as well as management's progress in implementing audit recommendations. This structured reporting mechanism ensures continuous oversight and accountability, reinforcing the Central Bank's financial and operational resilience.

3. Activities Performed by the Audit Committee

3.1. Oversight on Internal Audit Function

The Audit Committee reviewed,

i. and approved the Internal Audit Charter,

ii. and recommended Risk-Based Annual Audit Plan for the year 2026 and reviewed the progress of the Risk-Based Annual Audit Plan 2025,

iii. the progress of audits conducted by Internal Audit Department (IAD) on quarterly basis,

iv. the implementation status of Internal Audit recommendations provided to process owners on quarterly basis,

v. the Periodic Self-Assessment Report and the Report on Ongoing Monitoring of Internal Audit Function for the year 2024,

vi. and recommended the Action Plan 2026 of IAD,

vii. the Departmental budget of IAD for the year 2026,

viii. the Annual Code of Ethics and Conflict of Interest Declaration of IAD,

ix. the results of the annual Internal Audit Client Feedback Survey.

3.2. Review on Financial Statements and External Audit

Audit Committee reviewed,

i. the progress of the annual statutory audit for the financial year 2024 and the Audit Plan for the financial year 2025 of the External Auditor,

ii. the Financial Statements of the Central Bank for the year ended 31 December 2024,

iii. the Determination of Distributable Profit of the Central Bank for the financial year 31 December 2024,

iv. the Interim Management Letter and the Final Management Letter submitted by External Auditor appointed by the Auditor General relating to the audit of the Financial Statements of the Central Bank for the year ended 31 December 2024 and the comments of the Central Bank management,

v. the Progress of the Implementation Status of the actions taken on External Audit observations for the financial year 2023,

vi. the Draft Report of the Auditor General on the affairs of the Central Bank including Financial Statements for the year ended 31 December 2024 and the responses of the Central Bank,

vii. the Progress of the Implementation Status of the actions taken on the Report of the Auditor General on the affairs of the Central Bank including Financial Statements for the year ended 31 December 2023,

viii. the Financial Statements of six superannuation funds of the Central Bank as at 31 December 2024,

ix. the Financial Statements of the Sri Lanka Deposit Insurance Scheme for the year ended 31 December 2024,

x. the Financial Statements of the Financial Stability Fund for the three months ended 31 December 2024,

xi. the Financial Statements of the Employees' Provident Fund (EPF) for the year ended 31 December 2024,

xii. the Report of the Auditor General on the Financial Statements of the EPF for the year ended 31 December 2024 and relevant responses,

xiii. the Adoption of new Accounting Standards, Accounting Policies reviewing process and the new Expected Credit Loss Model of the Central Bank.

3.3. Review of Other Activities

Audit Committee reviewed,

i. the Audit Charter of the Central Bank,

ii. the Information and Cybersecurity posture of the Central Bank,

iii. the various high-level policies of the bank and provided its views to the Governing Board for its considerations,

iv. the implementation status of its own decisions given to departments, committees and management of the Central Bank to ensure timely implementation,

v. the Central Bank Budget, Budgetary Performance and Financial Performance.

During 2026, the Audit Committee reviewed the financial statements of the Central Bank of Sri Lanka, EPF, the Sri Lanka Deposit Insurance Scheme, and the Financial Stability Fund for the year ended 31 December 2025.

In addition, the Committee reviewed the Interim Management Letter submitted by the External Auditor, appointed by the Auditor General, in respect of the financial statements of the Central Bank of Sri Lanka for the year ended 31 December 2025.

Furthermore, the Audit Committee conducted a self-evaluation of its activities carried out in 2025, in early 2026.

Risk Management and Compliance

Risk Management

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

The Board Risk Oversight Committee (BROC), oversees the overall risk management and compliance function through a formal delegation from the Governing Board (GB), while reviewing emerging risk trends impacting Central Bank.

In 2025, Central Bank further progressed towards strengthening its Enterprise-wide Risk Management (ERM) practices as part of its broader institutional reform agenda through the implementation of a Risk Appetite Framework (RAF) which represents the top-down approach to risk management, formally articulating the level and types of risks the Bank is willing to accept in pursuit of its strategic objectives. A key milestone was the introduction of the Central Bank's first Risk Appetite Statement (RAS) on operational risk defining acceptable risk levels and enabling clearer alignment between its mandate and strategic priorities.

Further, the Central Bank established the Balance Sheet Risk Assessment Framework (BS-RAF), to ensure the effective and prudent management of balance sheet risks to support policy decisions. Accordingly, the Financial Risk Management Committee (FRMC), was established in 2025, under the BS-RAF to oversee financial risks related to Central Bank's balance sheet to provide timely recommendations to the GB.

Operational Risk

The Central Bank employs a bottom-up Risk Control Self-Assessment (RCSA) approach in line with global best practices, reinforcing the role of individual departments as first line risk owners. These department level risk assessments are critical in ensuring that risks are identified, assessed, and managed at the point of origin.

The Incident Reporting System further strengthens this framework by enabling tracking of incidents and the corrective actions implemented in response. Information captured through this process contributes to the development of a centralised risk repository. RCSAs and incident reporting enhance the Central Bank's ability to proactively manage risks and strengthen the overall control environment.

Financial Risk

The implementation of the Central Bank's policy mandates, particularly in relation to international reserve management, domestic market liquidity operations and financial stability inevitably gives rise to market and credit risk. Against this backdrop, central banks worldwide have increasingly emphasised robust financial risk management frameworks and strong capital policies. Accordingly, with the establishment of the BS-RAF, the Central Bank has further enhanced its overall risk management framework, continued to conduct stress testing of its balance sheet to forecast the trajectory of its equity position under different scenarios, and regularly reported the outcomes to the FRMC, BROC and GB.

During 2025, the fund management activities of International Reserves, Internal Investment Funds including Deposit Insurance and Resolution Department Fund and Employees' Provident Fund were reviewed on a regular basis.

In line with the established governance and oversight arrangements, any material financial and operational risk exposures were promptly reported to respective Investment Oversight Committees/Non-Financial Risk Management Committee respectively and escalated to GB through BROC.

Compliance Function

The Central Bank compliance framework ensures adherence to applicable legal, regulatory, and international standards. While all departments are responsible for identifying, mitigating, and reporting compliance risks arising from their respective functions through established mechanisms, the compliance unit provides independent oversight of compliance risk management across the institution. This includes reviewing and evaluating compliance issues, assessing their severity, and escalating significant matters to relevant Committees and following up the commendations.

In addition, the Central Bank enforces stringent Anti-Money Laundering and Combating the Financing of Terrorism requirements in relation to its international reserve management activities. This involves applying Know Your Customer and Customer Due Diligence measures for all foreign counter-parties, in line with applicable legislative and regulatory frameworks.

Information and Cyber Security Risk

The Information and Cyber Security Unit (ICSU) was established in 2025 within the Central Bank's risk management framework as a second-line function. The ICSU is responsible for strengthening cyber resilience across the Central Bank through governance, policy direction, compliance oversight, and monitoring of information and cyber security risk management practices.

Operating independently of first-line functions, the ICSU oversees information and cyber security risk identification, assessment, and mitigation across all departments. While individual departments, as first-line risk owners, are responsible for identifying and reporting risks at the source, the ICSU ensures consistency in risk assessment, promotes adherence to international information security standards, and oversees the implementation of corrective actions to maintain a robust cyber risk posture, with outcomes regularly reported to the NFRMC, BROC, and GB.

Internal Audit

The Internal Audit (IA) provides independent, risk-based, and objective assurance, advice, insight and foresight to create, protect and sustain the values of the Central Bank and assists the Bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. While functioning as the third line of the Risk Management Framework, IA provides future-focused recommendations to add value and improve the operations of the Central Bank. The Chief Internal Auditor (CIA), Head of IA, reports functionally to the Audit Committee and administratively to the Governor, to ensure the independence of the IA function of the Central Bank. The significance of the IA function is duly acknowledged in Section 102 of the CBA, which defines the appointment and the removal of CIA, while ensuring the unrestricted access to information by CIA to uphold the governance, independence and objectivity of the function.

In line with the Section 102 (5) of CBA, the scope, authority, terms and conditions of IA including independence, organisational position, reporting responsibilities together with the roles and responsibilities of CIA have been defined in the Governing Board approved Audit Charter of the Central Bank.

Further, in 2025 IA adopted the new Global Internal Audit Standards (GIAS) of the Institute of Internal Auditors (IIA), reinforcing its longstanding commitment to compliance with IIA standards, which were adopted since 2009.

Conduct of Audits

During the year 2025, the Risk-Based Annual Audit Plan was executed ensuring the coverage of critical functions of the Bank and provided audit recommendations to improve the Bank's operations to achieve its strategic objectives covering policy, compliance, operational, information and cyber security, legal and other related risk areas. Further, risk related information sharing between IA function and risk management function of the Bank was continued during the year.

Reporting Audit progress and Conduct Follow-ups on Implementation Status of the Audit Recommendations

The progress of the audit assignments conducted during the year, and progress of the implementation of the audit recommendations were reported to the Audit Committee during the year. Further, the progress of the implementation of the Audit Committee's decisions and the actions taken on the observations of the External Auditor which were highlighted in their Management Letter, were also periodically reported to the AC.

Preparation of the Risk-Based Annual Audit Plan

IA continued to use the value chain approach adopted in 2024 in developing the Risk-Based Annual Audit Plan to strengthen the alignment of the Risk-Based Annual Audit Plan with the Bank's organisational strategies and objectives. In this regard, IA conducted one-on-one meetings with departments of the Bank when updating the Audit Universe to enhance the awareness on the identification of auditable activities and to validate such activities directly with the respective process owners. Accordingly, the Risk-Based Annual Audit Plan for the year 2026 was prepared by using the updated Audit Universe, applying a comprehensive risk assessment methodology.

Stakeholder Collaboration

Demonstrating its professional excellence and strong alignment with the GIAS of IIA, IA facilitated a Special Training Programme on Risk-Based Internal Audit, organised by Centre for Banking Studies, for the officers of Nepal Rastra Bank in May 2025.

Further, IA conducted its annual Internal Audit Client Feedback Survey to assess the quality of the internal audit service delivered by IA, and the results of the same were communicated to the Audit Committee.

Quality Assurance and Improvement Program (QAIP)

QAIP established at IA, includes external and internal assessments of the IA function's conformance with the GIAS, as well as performance measurement to assess the IA function's progress toward the achievement of its objectives and promotion of continuous improvement.

Promoting quality within the IA function and implementing the QAIP, IA conducted internal assessments which included periodic self-assessment and ongoing monitoring of the performance of the IA function in 2025.

02

Financial Statements

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.

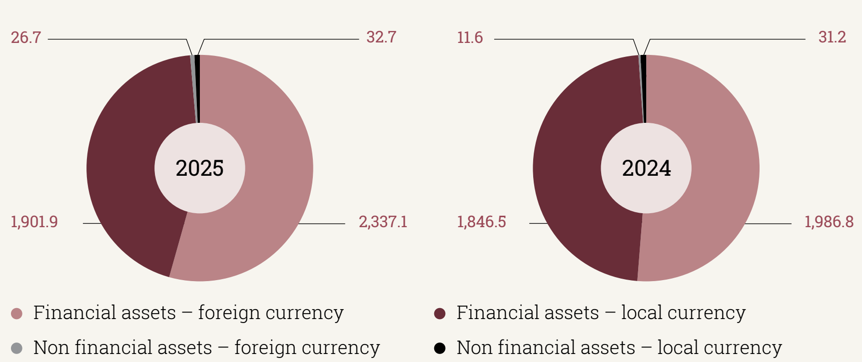
Composition of Assets

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

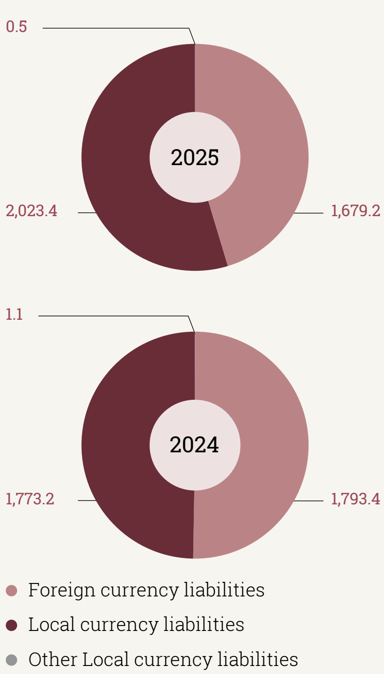


Financial Review

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.

Composition of Total Liabilities (Rs. Bn.) Graph – 07



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.

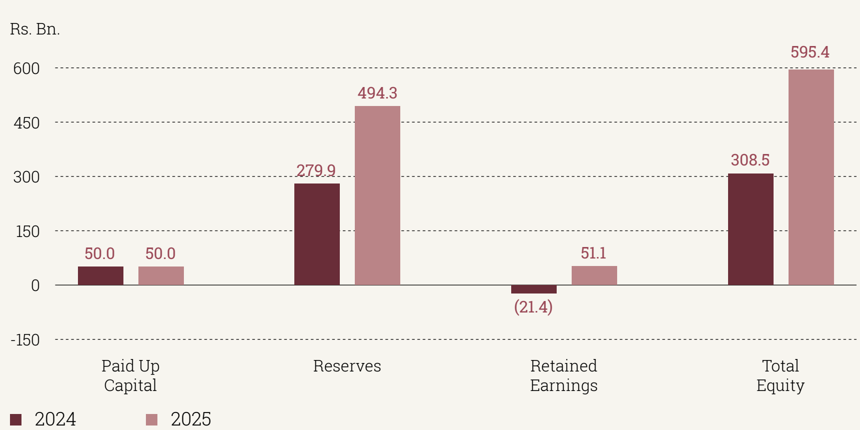
Section 97 of the CBA stipulates that, if CBSL's audited annual Financial Statements reflect that the value of its assets fell below the sum of its monetary liabilities and paid-up capital, a capital restoration requirement would be triggered. The monetary liabilities include currency in circulation 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

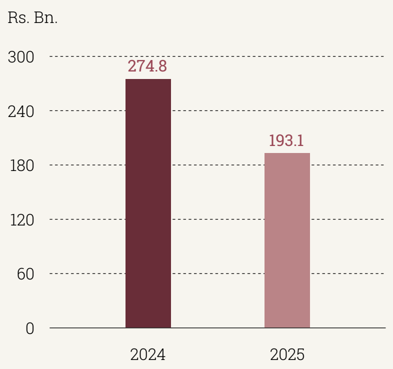
Income, Expenses and Net Profit/(Loss)

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.

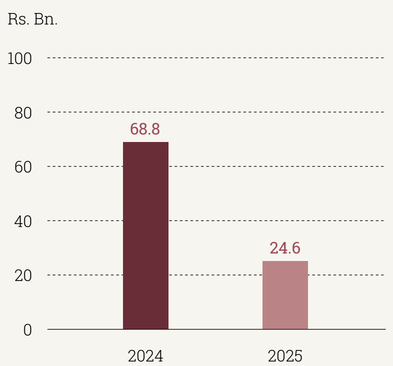
Composition of Equity Graph – 08



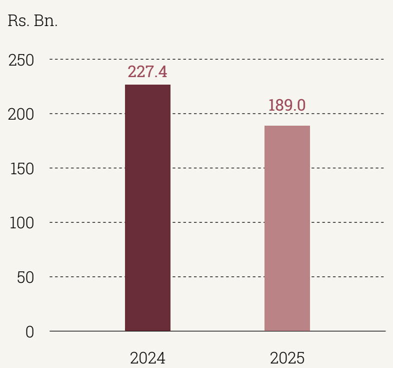
Net Profit/(loss) after Tax Graph – 09



Net Income from Foreign Currency Assets Graph – 10



Net Income from Local Currency Financial Asset Graph – 11



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.

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.

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

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } BAN/G/CBSL/1/25/1 මබේ අංකය / உமது இல. / Your No. } දිනය / திகதி / Date } 08 April 2026

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, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

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

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

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.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

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	40		
– Salaries and Wages		**(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	Notes	2025 Rs.'000	2024 Rs.'000
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.

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.

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

- 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.

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.

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 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

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.

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, Widows' and Orphans' Pensions (W&OP), Widowers' and Orphans' Pensions (WR&OP), Retirement Gratuity and Post-Employment Medical Benefits. The Bank and eligible beneficiaries make contributions, to separately administered funds in respect of the first three schemes.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The Bank's obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the valuation date on Government Bonds that have maturity dates approximating to the average remaining years of service. All principal actuarial assumptions disclosed in Note 16 are revised annually.

7.25.2 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.

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.

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

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.

<table>
<tr><th>Bank</th><th>Date of Agreement</th><th>Outstanding Amount (USD Mn.)</th><th>Last Maturity Date on Tranche-wise</th><th>Tenor/Conditions</th></tr>
<tr><td>Bank of Ceylon</td><td>29 June 2021</td><td>39.78</td><td>15 December 2027</td><td rowspan="2">• 6 years at zero cost.
• Settlements in 5 tranches and approximately USD 10 Mn. is expected to be settled in every 6 months.</td></tr>
<tr><td>People's Bank</td><td>30 September 2021</td><td>39.78</td><td>15 December 2027</td></tr>
<tr><td>DFCC Bank PLC</td><td>15 November 2021</td><td>68.75</td><td>15 August 2028</td><td>• 7 years at zero cost.
• Settlements in 20 tranches and USD 6.25 Mn. is expected to be settled in every 3 months.</td></tr>
<tr><td>Commercial Bank of Ceylon PLC</td><td>17 November 2021</td><td>35.00</td><td>23 November 2026</td><td>• 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.</td></tr>
<tr><td>National Development Bank PLC</td><td>18 March 2022</td><td>21.00</td><td>19 March 2029</td><td>• 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.</td></tr>
</table>

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

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.

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

		2025		2024	
Company	Nature of the Business	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

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

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:

(a) The net asset position of the Widowers' and Orphans' Pension Scheme is not reflected in the Financial Statements due to remote possibility of distributing any residual balance of the fund to the Bank.

(b) For both Gratuity and Medical Benefit Schemes, the Financial Statements represent the gross liability position and not the net liability as per actuary, since the Bank does not keep relevant assets in a separate fund (internally maintained).

	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	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	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)

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	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	(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

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' and Widowers' 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

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 Rs. '000	Plant and Plant Integrals Rs. '000	Furniture and Equipment Rs. '000	Vehicles Rs. '000	Computers Rs. '000	Right-of-Use Assets Rs. '000	Others Rs. '000	Construction in Progress Rs. '000	2025 Total Rs. '000	2024 Total 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 Rs. '000	Plant and Plant Integrals Rs. '000	Furniture and Equipment Rs. '000	Vehicles Rs. '000	Computers Rs. '000	Right-of-Use Assets Rs. '000	Others Rs. '000	Construction in Progress Rs. '000	2025 Total Rs. '000	2024 Total 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.).

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.

	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

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.

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

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

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

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

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 Rs. '000	Fixed Asset Revaluation Reserve Rs. '000	IRR 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

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

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)

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 Rs. '000	Sri Lanka Public Rs. '000	Sri Lanka Commercial Banks 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 Rs. '000	Sri Lanka Public Rs. '000	Sri Lanka Commercial Banks 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 Rs. '000	Sri Lanka Public Rs. '000	Sri Lanka Commercial Banks 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 Rs. '000	Sri Lanka Public Rs. '000	Sri Lanka Commercial Banks 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

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

(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 Riks Bank/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

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 Riks Bank/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

(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	12 – Month ECL	Lifetime ECL		2025
			Stage 1	Stage 2	Stage 3	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Financial Assets						
Cash and Cash Equivalents						
Federal Reserve Bank – USA/Reserve Bank of Australia/Bank for International Settlements/Bank of Japan/Deutsche Bundes Bank/Bank of England/Sveriges 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	12 – Month ECL	Lifetime ECL		2025
			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	–	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	12 – Month ECL	Lifetime ECL		2025
			Stage 1	Stage 2	Stage 3	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	12 – Month ECL	Lifetime ECL		2025
			Stage 1	Stage 2	Stage 3	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	Lifetime ECL		2025
			Stage 1	Stage 2	Stage 3	Total
		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	Lifetime ECL		2024
			Stage 1	Stage 2	Stage 3	Total
		Rs. '000	Rs. '000	Rs. 000	Rs. '000	Rs. '000
Foreign Currency Financial Assets						
Cash and Cash equivalents						
Federal Reserve Bank – USA/Reserve Bank of Australia/ Bank for International Settlements/Bank of Japan/ Deutsche Bundes Bank/Bank of England/Sveriges 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 Stage 1 Rs. '000	Lifetime ECL Stage 2 Rs. '000	Lifetime ECL Stage 3 Rs. '000	2024 Total 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

Maximum Exposure to Credit Risk by Risk Rating		Not Subject to ECL Rs. '000	12 – Month ECL Stage 1 Rs. '000	Lifetime ECL Stage 2 Rs. '000	Lifetime ECL Stage 3 Rs. '000	2024 Total Rs. '000
Loans to Banks	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	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

Maximum Exposure to Credit Risk by Risk Rating		Not Subject to ECL Rs. '000	12 – Month ECL Stage 1 Rs. '000	Lifetime ECL Stage 2 Rs. '000	Lifetime ECL Stage 3 Rs. '000	2024 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

	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			
Saubagya 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

	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.

(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:	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 Rs. '000	AUD Rs. '000	CAD Rs. '000	NZD Rs. '000	CNY Rs.'000	Other Currencies Rs.'000	Total All Currencies 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						
SDR Rs. '000	AUD Rs. '000	CAD Rs. '000	NZD Rs. '000	CNY Rs.'000	Other Currencies Rs. '000	Total All Currencies 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

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

	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**

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

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

	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.

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

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

(a) 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.

(b) As at 31 December 2025, outstanding forward exchange transactions are as follows:

Forward Exchange Contacts		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 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.

03

Supplementary Information

Publications and Data Dissemination 2025

Publications

Economic and Financial

- Monetary Policy Report – February 2025, August 2025
- Annual Economic Review 2024
- Financial Statement and Operations 2024
- Financial Stability Review 2025
- Financial Literacy Roadmap of Sri Lanka (2024-2028)
- Market Operations Report – December 2024, June 2025
- PULSE - Economic and Social Infrastructure Digest 2025

Periodicals

- News survey
- Satahana
- Vaippaham

Other Publications

- Staff Studies
- Employees' Provident Fund Annual Report 2024
- FIU Annual Report 2024
- නොසෙලෙන පහන් ටැඹ - 75th Anniversary coffee table book
- Children's booklet part II
- රජයේ අයවැය න්‍යාය සහ පරිචය
- Comic book on financial literacy

Data and Information Dissemination

Economic Indicators and Bulletins

- Macroeconomic Chart Pack
- Economic Data Library
- Daily Exchange Rates
- Financial Soundness Indicators
- Payments Bulletin
- External Sector Bulletin
- Economic and Social Statistics of Sri Lanka
- Monthly Bulletin of Economic Data
- Bulletin of Workers' Remittances and Labour Migration
- Agriculture Data Bulletin
- Daily, Weekly and Monthly Economic Indicators
- National Accounts Estimates
- SDDS National Summary Data
- Daily Price Report
  (selected key consumer items in key markets)
- Data on Government Securities

Central Bank of Sri Lanka announced its policy agenda for the year 2025 in January outlining the key priorities and strategic direction of the Bank in achieving its core objectives of price stability and financial system stability. It sets out the planned monetary, financial, and institutional measures to support macroeconomic stability, guide economic recovery, and strengthen resilience in the external and financial sectors, in line with the country's broader economic reform programmes.

75th Anniversary of the Central Bank of Sri Lanka

The Central Bank marked its 75th Anniversary in 2025, commemorating over seven decades of service to the nation in maintaining monetary and financial stability. The anniversary was celebrated under the theme **"Stability for Prosperity",** reflecting the Bank's continued commitment to fostering a stable macroeconomic environment to support sustainable economic growth and national prosperity.

To commemorate this milestone, Central Bank organised a series of events throughout the year aimed at highlighting its institutional achievements, strengthening engagement with national and international stakeholders, and promoting knowledge sharing among policymakers, experts, and Central Bank staff.

75th Anniversary Oration

The Central Bank organised a special Annual Oration delivered by the Governor on the theme "Why Central Bank Independence Matters – in Crisis, in Recovery, and Beyond." The oration provided a timely reflection on the critical importance of central bank independence in safeguarding macroeconomic stability, particularly during periods of crisis and recovery. It highlighted how institutional autonomy strengthens policy credibility, supports effective inflation management, and underpins sustained economic resilience.

The event brought together distinguished policymakers, academics, and industry professionals to reflect on the evolution of the Bank and its role in shaping the country's economic and financial landscape.

The Governor delivering the 75th anniversary Oration

Issuance of Rs. 2000 Commemorative Currency Note and Postage Stamp

To mark the occasion, the Central Bank issued a Rs. 2000 commemorative currency note, the fifth commemorative currency note issued by the Bank, in line with the anniversary theme "Stability for Prosperity".

A special commemorative postage stamp was also issued by the Philatelic Bureau of the Department of Posts.

In addition, a tabloid-sized newspaper supplement highlighting the history, milestones, and evolving role of the Central Bank was published in national newspapers.

Governor presenting the first Rs. 2000 commemorative note to H.E. the President

Special commemorative postage stamp issued by the Department of Posts

Knowledge Sharing and Policy Dialogue

Several knowledge-sharing events were organised to strengthen dialogue among policymakers, academics, and financial sector experts.

A Financial Stability Conference was held in Colombo on 23 May 2025, focusing on Sri Lanka's progress in overcoming recent economic challenges while safeguarding financial system stability.

The International Research Symposium – 2025, held from 8–10 December 2025 at the John Exter International Conference Hall of Central Bank, comprised three events:

- the 14th International Research Conference of the Central Bank,
- the SAARCFINANCE Database Seminar 2025, and
- the 6th Joint Workshop co-hosted with the Asian Development Bank and the Asia-Pacific Applied Economics Association.

A public seminar titled "Charting a Growth Strategy in a Changing Global Environment" was also held on 10 October 2025, featuring Montek Singh Ahluwalia as the keynote speaker.

Public Seminar with Montek Singh Ahluwalia

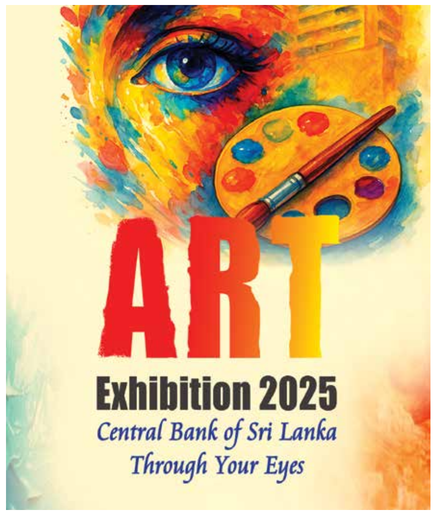
Community Engagements and Cultural Activities

As part of the anniversary programme, several initiatives were undertaken to strengthen public engagement and promote social responsibility. Regional Offices of the Bank conducted six special financial literacy programmes to enhance public awareness of financial matters.

The "Mihikathata Adaren" tree-planting initiative was launched by Governor, Dr. Nandalal Weerasinghe, together with the Senior Deputy Governor, at Bank House, the Centre for Banking Studies, and the Central Bank's Regional Offices.

Tree-planting initiative "Mihikathata Adaren"

A national-level art competition and exhibition was also organized to engage the public and promote awareness of economic and financial themes.



National art competition and exhibition

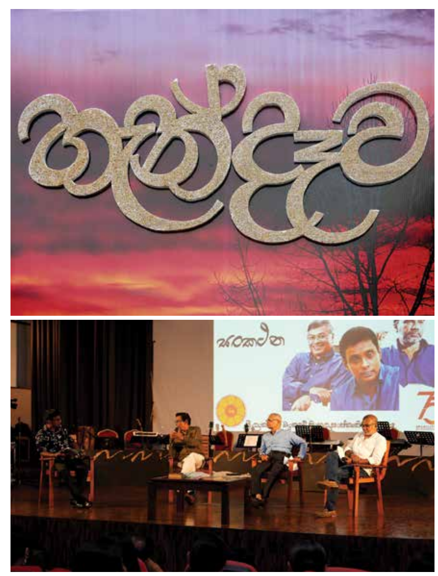
Several cultural and religious activities were also organised to commemorate the anniversary and strengthen staff engagement.

Multi-religious observances

A pirith chanting ceremony, organized by the Buddhist Association of the Central Bank, was held on 29 August 2025, followed by an alms-giving (Heel Dana) on 30 August 2025.

Pirith chanting ceremony

The Sinhala Cultural Association of the Central Bank organised a cultural event titled "The Evening" on 26 July 2025 at the Centre for Banking Studies. The Association also released "Abhimani," a special anniversary song marking the Bank's 75-year journey.



Cultural event "The Evening" at the Centre for Banking Studies

In addition, the Seva Vanitha Unit of the Central Bank donated two school libraries to schools in the Puttalam district on 8 November 2025 commemorating the 75th Anniversary.

Regional Offices

Figure – 17

Regional Office-Anuradhapura

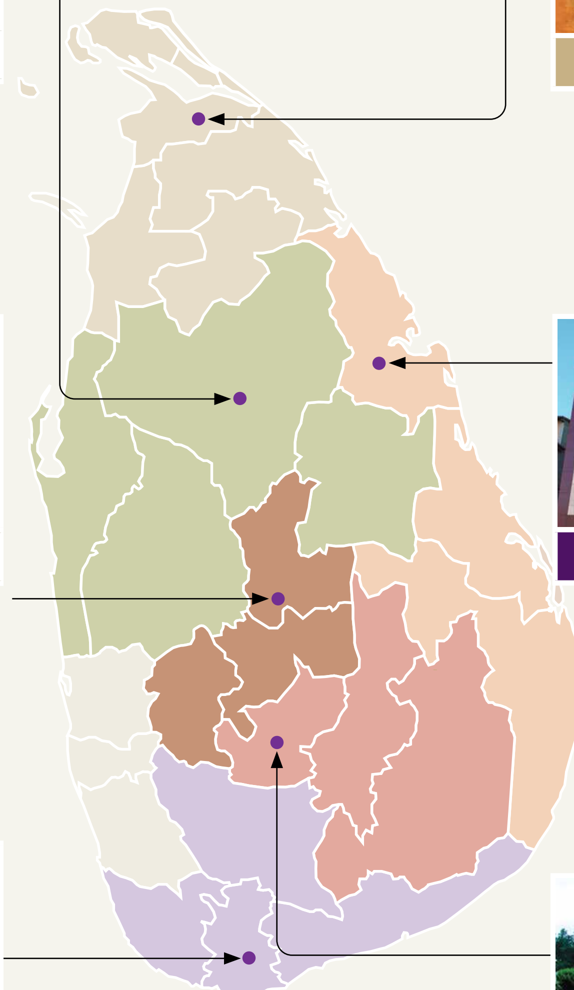
Manager – Palitha Abeysinghe

P.O Box 02, Stage 01,
Anuradhapura.
Tel: 025 2222024
Email: roapura@cbsl.lk

Regional Office-Kilinochchi

Manager – Paheerathy Senthilmaran

Ariviyal Nagar,
Kilinochchi.
Tel: 021 2285912
Email: rokn@cbsl.lk



Regional Office-Matale

Manager – Yasini Rajapaksha

No 805, Trincomalee Street,
Mandandawela,
Matale.
Tel: 066 2222167
Email: romatale@cbsl.lk

Regional Office-Trincomalee

Manager – Prabakaran Karuppaiyah

No.103, Post Office Road,
Trincomalee.
Tel: 026 2226965
Email: po-ep@cbsl.lk

Regional Office-Matara

Manager – Sumudu Gunaratna

P.O. Box 35, Anagarika
Dharmapala Mawatha,
Matara.
Tel: 041 2222269
Email: romatara@cbsl.lk

Regional Office-Nuwara Eliya

Manager – Yasasni Amarasekara

No. 84, Badulla Road,
Nuwara Eliya.
Tel: 052 223 5439
Email: rone@cbsl.lk

Institutions Regulated and Supervised by the Central Bank of Sri Lanka

Authorised Financial Institutions as at 31 December 2025

Licensed Commercial Banks

- Amana Bank PLC
- Bank of Ceylon
- Bank of China Ltd
- Cargills Bank PLC
- Citibank, N.A.
- Commercial Bank of Ceylon PLC
- Deutsche Bank AG
- DFCC Bank PLC
- Habib Bank Ltd
- Hatton National Bank PLC
- Indian Bank
- Indian Overseas Bank
- MCB Bank Ltd
- National Development Bank PLC
- Nations Trust Bank PLC
- Pan Asia Banking Corporation PLC
- People's Bank
- Public Bank Berhad
- Sampath Bank PLC
- Seylan Bank PLC
- Standard Chartered Bank
- State Bank of India
- The Hongkong & Shanghai Banking Corporation Ltd
- Union Bank of Colombo PLC

Licensed Specialised Banks

- Housing Development Finance Corporation Bank of Sri Lanka
- National Savings Bank
- Pradeshiya Sanwardhana Bank
- SANASA Development Bank PLC
- Sri Lanka Savings Bank Ltd
- State Mortgage & Investment Bank

Representative Offices of Foreign Banks

- JP Morgan Chase Bank N.A.
- MUFG Bank Ltd
- ICICI Bank Ltd

Finance Companies

- Abans Finance PLC
- Alliance Finance Co. PLC
- AMW Capital Leasing and Finance PLC
- Asia Asset Finance PLC
- Assetline Finance Ltd
- Associated Motor Finance Co. PLC [(a)]
- CBC Finance PLC [(b)]
- Central Finance Co. PLC
- Citizens Development Business Finance PLC
- Commercial Credit & Finance PLC
- Dialog Finance PLC
- Fintrex Finance PLC
- HNB Finance PLC
- Janashakthi Finance PLC [(c)]
- Lanka Credit and Business Finance PLC
- LB Finance PLC
- LOLC Finance PLC
- Mahindra Ideal Finance Ltd.
- Mercantile Investments & Finance PLC
- Merchant Bank of Sri Lanka & Finance PLC
- Nation Lanka Finance PLC [(d)]
- People's Leasing & Finance PLC
- PMF Finance PLC
- Richard Pieris Finance Ltd
- Sarvodaya Development Finance PLC
- Senkadagala Finance PLC
- Singer Finance (Lanka) PLC
- Siyapatha Finance PLC
- SMB Finance PLC
- Softlogic Finance PLC
- UB Finance PLC
- Vallibel Finance PLC

Note: The Commercial High Court of Colombo ordered that the winding up of ETI Finance Ltd. be carried out subject to the Supervision of the Court on the 15 December 2023. Further, the Court ordered that Mr. Gerard Jeevananthan David, C/o, S J M S Associates, 3rd Floor, No. 11, Castle Lane, Colombo 04 be appointed as the Liquidator of ETI Finance Ltd.

Registered Finance Leasing Establishments

(I) Licensed Commercial Banks

- Amana Bank PLC
- Bank of Ceylon
- Commercial Bank of Ceylon PLC
- DFCC Bank PLC
- Hatton National Bank PLC
- MCB Bank Ltd
- National Development Bank PLC
- Nations Trust Bank PLC
- Pan Asia Banking Corporation PLC
- Sampath Bank PLC
- Seylan Bank PLC
- Union Bank of Colombo PLC

(II) Licensed Specialised Banks

- Housing Development Finance Corporation Bank of Sri Lanka
- Pradeshiya Sanwardana Bank
- Sanasa Development Bank PLC
- Sri Lanka Savings Bank Ltd

Institutions Regulated and Supervised by the Central Bank of Sri Lanka

(III) Finance Companies

- Abans Finance PLC
- Asia Asset Finance PLC
- CBC Finance PLC [b]
- Commercial Credit & Finance PLC
- HNB Finance PLC
- LB Finance PLC
- Mercantile Investments & Finance PLC
- People's Leasing & Finance PLC
- Sarvodaya Development Finance PLC
- Siyapatha Finance PLC
- U B Finance PLC
- Alliance Finance Co. PLC
- Assetline Finance Ltd.
- Central Finance Co. PLC
- Dialog Finance PLC
- Janashakthi Finance PLC [c]
- LOLC Finance PLC
- Merchant Bank of Sri Lanka & Finance PLC
- PMF Finance PLC
- Senkadagala Finance PLC
- SMB Finance PLC
- Vallibel Finance PLC
- AMW Capital Leasing and Finance PLC
- Associated Motor Finance Co. PLC [a]
- Citizens Development Business Finance PLC
- Fintrex Finance PLC
- Lanka Credit and Business Finance PLC
- Mahindra Ideal Finance Ltd
- Nation Lanka Finance PLC [d]
- Richard Pieris Finance Ltd
- Singer Finance (Lanka) PLC
- Softlogic Finance PLC

(IV) Specialised Leasing Company

- Co-operative Leasing Co. Ltd

Note: The Commercial High Court of Colombo ordered that the winding up of ETI Finance Ltd. be carried out subject to the Supervision of the Court on the 15 December 2023. Further, the Court ordered that Mr. Gerard Jeevananthan David, C/o, S J M S Associates, 3rd Floor, No. 11, Castle Lane, Colombo 04 be appointed as the Liquidator of ETI Finance Ltd.

Licensed Microfinance Companies

- Berendina Micro Investments Company Ltd
- Sejaya Micro Credit Ltd
- Dumbara Micro Credit Ltd
- Lak Jaya Micro Finance Ltd

Primary Dealer Companies

- Capital Alliance PLC
- HNB Securities Ltd.
- Wealth Trust Securities Ltd[g]
- Entrust Securities PLC[e]
- NSB Fund Management Co. Ltd
- First Capital Treasuries PLC
- Perpetual Treasuries Ltd[f]

List of Authorised Money Broking Companies

- BMR Money Brokers (Pvt) Ltd
- George Steaurt Investments (Pvt) Ltd
- Taprobane Investments (Pvt) Ltd
- Central Forex and Money Brokers Ltd
- MVS Money Brokers Ltd
- Vishwin Money & Exchange Brokers Ltd
- First Alliance Money Brokers (Pvt) Ltd
- Pigott Chapman & Company (Pvt) Ltd

[a] LB Finance PLC acquired 73.11% of Associated Motor Finance PLC on 24 November 2025.

[b] CBC Finance Limited changed its name as CBC Finance PLC w.e.f. 30 December 2025.

[c] Orient Finance PLC changed its name as Janashakthi Finance PLC w.e.f. 09 May 2025.

[d] Nation Lanka Finance PLC has continuously been violating/contravening provisions of the Finance Business Act, No.42 of 2011. Therefore, mobilising public funds including new deposits in whatsoever manner is prohibited. Further, resolution actions have been initiated under the provisions of the Banking (Special Provisions) Act, No. 17 of 2023 with effect from 04 July 2025 and an administrator has been appointed to the Company.

[e] Entrust Securities PLC was directed to refrain from participating in government securities primary auctions w.e.f. 24 July 2017. A creditor winding up was filed by one of the unsecured investors and on 17 June 2022 the winding up order was given by the courts. The winding up case (CHC 83/2021/CO) is still pending before the courts.

[f] Perpetual Treasuries Ltd. was suspended from carrying on the business and activities of a Primary Dealer since 06 July 2017 and current suspension is effective until 05 July 2026.

[g] Wealth Trust Securities Ltd. changed its name as Wealth Trust Securities PLC w.e.f. 19 February 2026.

Institutions Authorised to Deal in Foreign Exchange as at 31 December 2025

List of Authorised Dealers (ADs)

(I) Licensed Commercial Banks

- Amana Bank PLC
- Bank of Ceylon
- Bank of China Ltd
- Cargills Bank Ltd
- Citibank, N.A.
- Commercial Bank of Ceylon PLC
- Deutsche Bank AG
- DFCC Bank PLC
- Habib Bank Ltd
- Hatton National Bank PLC
- Indian Bank
- Indian Overseas Bank
- MCB Bank Ltd
- National Development Bank PLC
- Nations Trust Bank PLC
- Pan Asia Banking Corporation PLC
- People's Bank
- Public Bank Berhad
- Sampath Bank PLC
- Seylan Bank PLC
- Standard Chartered Bank
- State Bank of India
- The Hongkong & Shanghai Banking Corporation Ltd
- Union Bank of Colombo PLC

(II) Licensed Specialised Banks

- National Savings Bank
- SANASA Development Bank PLC

List of Authorized Money Changers (AMCs)

Category A : Companies Exclusively Engage in Money Changing Business

(I) AMCs Permitted to Buy and Exchange Foreign Currency

- Abdeen Money Changers (Pvt) Ltd
- Abilash Money Exchange (Pvt) Ltd
- Armex Money Exchange (Pvt) Ltd
- Ariyawansa Enterprises (Pvt) Ltd
- Asian Money Exchange (Pvt) Ltd
- Bullion Money Exchange (Pvt) Ltd
- Capital Exchange (Pvt) Ltd
- Central Money Exchange (Pvt) Ltd
- City Exchange (Pvt) Ltd
- Colombo Money Exchange (Pvt) Ltd – Colombo 01
- Colombo Money Exchange (Pvt) Ltd – Colombo 06
- Crown Money Exchange (Pvt) Ltd
- Data Exchange International (Pvt) Ltd
- Dedigama Group (Pvt) Ltd
- Devi Forex (Pvt) Ltd
- Galle Money Exchange (Pvt) Ltd – Galle
- Galle Money Exchange (Pvt) Ltd – Galle Fort
- Galle Money Exchange (Pvt) Ltd – Weligama
- George Michael Holdings (Pvt) Ltd
- Global Money Exchange (Pvt) Ltd
- Global Village Exchange (Pvt) Ltd
- Golden Money Changers (Pvt) Ltd
- Maruthi Money Exchange (Pvt Ltd – Colombo 06
- Maruthi Money Exchange (Pvt Ltd – Jaffna
- Mayurie Money Changers (Pvt) Ltd
- Metro Forex (Pvt) Ltd – Negombo
- Milano Money Exchange (Pvt) Ltd
- Narmatha Gold Centre (Pvt) Ltd – Jaffna
- Narmatha Gold Centre (Pvt) Ltd – Kilinochchi
- New Natasha (Pvt) Ltd
- New Regal's Money Changer (Pvt) Ltd
- Prasanna Money Exchange (Pvt) Ltd – Colombo 01
- Prasanna Money Exchange (Pvt) Ltd – Colombo 06
- Pushpa Money Changers (Pvt) Ltd
- Rivindu Enterprises (Pvt) Ltd
- Royal Forex Money Exchange (Pvt) Ltd – Majestic City
- Royal Forex Money Exchange (Pvt) Ltd – Havelock City Mall
- Royal Money Exchange (Pvt) Ltd – Colombo 01
- Royal Money Exchange (Pvt) Ltd – Colombo 06
- Haifa Travels and Tours (Pvt) Ltd
- International Exchange (Pvt) Ltd
- Jewel Lanka Money Exchange (Pvt) Ltd – Negombo
- JLS Mithiraa (Pvt) Ltd
- Keyser Exchange (Pvt) Ltd
- Lanka Forex Money Exchange (Pvt) Ltd – Crescat Boulevard
- Royal Money Mart (Pvt) Ltd – Aluthgama
- Royal Money Mart (Pvt) Ltd – Colombo 01
- Shifaz Money Exchange (Pvt) Ltd
- Swiss Money Exchange (Pvt) Ltd – Colombo 01
- Swiss Money Exchange (Pvt) Ltd – Colombo 06
- Thomas Cook Lanka (Pvt) Ltd – Colombo 02 — Colombo City Center
- Thomas Cook Lanka (Pvt) Ltd – Colombo 02 – One Galle Face Mall
- Thomas Cook Lanka (Pvt) Ltd – Kandy
- Unic Forex (Pvt) Ltd
- Western Money Exchange (Pvt) Ltd
- Windsor Money Exchange (Pvt) Ltd

Institutions Regulated and Supervised by the Central Bank of Sri Lanka

(II) AMCs Permitted to Buy, Sell and Exchange Foreign Currency

- Arrujina Jewellery (Pvt) Ltd
- Ravi Forexae (Pvt) Ltd
- Thomas Cook Lanka (Pvt) Ltd – Bandaranaike International Airport

Category B : Licensed Finance Companies Permitted to Buy, Sell and Exchange Foreign Currency

- Asia Asset Finance PLC
- Citizens Development Business Finance PLC
- L B Finance PLC
- Lanka Credit and Business Finance PLC
- Senkadagala Finance PLC
- Singer Finance (Lanka) PLC

Category C : Hotels registered with Sri Lanka Tourism Development Authority permitted to Deal in Foreign Exchange

- Cinnamon Bentota Beach
- Cinnamon Bey Beruwala
- Cinnamon Citadel Kandy
- Cinnamon Lodge Habarana
- Cinnamon Wild Yala
- Habarana Village by Cinnamon
- Hikka Tranz by Cinnamon
- ITC Ratnadipa – Colombo 1
- Pearl City Hotel
- Shangri-La Hambantota Resort & Spa
- Shangri-La Hotel Colombo
- Trinco Blu by Cinnamon

Service Providers Licensed under the Payment Cards and Mobile Payment Systems Regulation No.1 of 2013 (as at 31 December 2025)

Licensed Commercial Banks

- Amana Bank PLC
- Bank of Ceylon
- Cargills Bank PLC
- Commercial Bank of Ceylon PLC
- DFCC Bank PLC
- Habib Bank Ltd
- Hatton National Bank PLC
- MCB Bank Ltd
- National Development Bank PLC
- Nations Trust Bank PLC
- Pan Asia Banking Corporation PLC
- People's Bank
- Sampath Bank PLC
- Seylan Bank PLC
- Standard Chartered Bank
- State Bank of India
- The Hongkong & Shanghai Banking Corporation Ltd (HSBC)
- Union Bank of Colombo PLC

Licensed Specialised Banks

- National Savings Bank
- Pradeshiya Sanwardhana Bank
- Housing Development Finance Corporation Bank of Sri Lanka (HDFC)
- Sanasa Development Bank PLC

Licensed Finance Companies

- Central Finance Co. PLC
- Citizens Development Business Finance PLC
- Dialog Finance PLC
- Fintrex Finance PLC
- LB Finance PLC
- LOLC Finance PLC
- Merchant Bank of Sri Lanka & Finance PLC
- People's Leasing & Finance PLC
- Senkadagala Finance PLC
- Singer Finance (Lanka) PLC

Non- Financial Institutions

- Dialog Axiata PLC
- Mobitel (Pvt) Ltd
- Global Payments Asia – Pacific Lanka (Pvt) Ltd

Acronyms

AC	Audit Committee
ACU	Asian Clearing Union
ADB	Asian Development Bank
ADs	Authorised Dealers
AFI	Alliance for Financial Inclusion
AI	Artificial Intelligence
AMBs	Authorised Money Broking Companies
AMCs	Authorised Money Changers
AML	Anti-Money Laundering
APG	Asia/pacific Group on Money Laundering
API	Application Programming Interface
ATM	Automated Teller Machine
AUD	Australian Dollar
AWCMR	Average Weighted Call Money Rate
AWPR	Average Weighted Prime Lending Rate
AWRR	Average Weighted Repo Rate
BCSA	Bilateral Currency Swap Agreement
BFCAs	Business Foreign Currency Accounts
BHRRC	Board Human Resource and Remunerations Committee
BIS	Bank for International Settlements
BOC	Bank of Ceylon
BROC	Board Risk Oversight Committee
BRUs	Business Revival Units
BSPA	Banking (Special Provisions) Act
BS-RAF	Balance Sheet Risk Assessment Framework
CAD	Canadian Dollar
CAS	Common ATM Switch
CBA	Central Bank of Sri Lanka Act
CBS	Centre for Banking Studies
CBSL	The Central Bank of Sri Lanka
CCAPS	Common Card and Payment Switch
CCC	Credit Counselling Centre
CCPI	Colombo Consumer Price Index
CDPAS	Central Bank Data Processing and Analytics System
CDS	Central Depository System
CEFTS	Common Electronic Fund Transfer Switch
CEOs	Chief Executive Officers
CFCA	Control of Finance Companies Act
CFETS	China Foreign Exchange Trading System
CFT	Countering the Financing of Terrorism
CH	Clearing House
CIA	Chief Internal Auditor
CIC	Currency in Circulation
CID	Criminal Investigation Department
CIMM	Central Integrated Market Monitor Management
CITS	Cheque Imaging and Truncation System
CMC	Corporate Management Committee
CNY	Chines Yuan Renminbi
CoPF	Committee on Public Finance
CPS	Common Point-of-Sale Switch
CRD	Currency Department
CSE	Colombo Stock Exchange
DAD-PP	Domestic Agriculture Development Pilot Phase
DDO	Domestic Debt Optimisation
DFE	Department of Foreign Exchange
DFI	Department of Financial Inclusion
DPD	Days Past Due
DR	Disaster Recovery
DSGE	Dynamic Stochastic General Equilibrium
D-SIBs	Domestic Systemically Important Banks
DSNBFI	Department of Supervision of Non-Bank Financial Institutions
DST	Deputy Secretary to the Treasury
EAD	Exposure at Default
EC	Ethics Committee
ECA	Exchange Control Act
ECL	Expected Credit Losses
EFA	Economic Factor Adjustment
EFF	Extended Fund Facility
EPC	Executive Profiling Centre
EPF	Employees Provident Fund
ERM	Enterprise-wide Risk Management
ESG	Environmental, Social and Governance
EUR	Euro
EWF	Early Warning Framework
FBA	Finance Business Act
FCA	Finance Companies Act
FCs	Finance Companies
FEA	Foreign Exchange Act
FinTech	Financial Technology
FIS	Fixed Income Securities
FIT	Flexible Inflation Targeting
FIU	Financial Intelligence Unit
FLA	Finance Leasing Act
FLR	Financial Literacy Roadmap
FPS	Fast Payment Systems
FRMC	Financial Risk Management Committee
FSF	Financial Stability Fund
FSSC	Financial System Stability Committee
FSSNP	Financial Sector Safety Net Strengthening Project
FTRA	Financial Transactions Reporting Act
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
FX	Foreign Exchange
GB	Governing Board
GBP	Great British Pound
GDP	Gross Domestic Product
GIAS	Global Internal Audit Standards
GL	General Ledger

Acronyms

GOSL	Government of Sri Lanka
HCC	Human Capital Committee
HDFC	Housing Development Finance Corporation
HR	Human Resources
HRSRP	Human Resources Strategies Revamping Project
IA	Internal Audit
IAD	Internal Audit Department
IASB	International Accounting Standards Board
ICI	In-Country Implementation
ICS	International Card Schemes
ICSU	Information and Cyber Security Unit
ICT	Information and Communication Technologies
IDA	International Development Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGs	Investment Guidelines
IIOC	Internal Investment Oversight Committee
ILF	Intra-day Liquidity Facility
IMF	International Monetary Fund
IOCs	Investment Oversight Committees
IPS	Investment Policy Statement
IRIOC	International Reserve Investment Oversight Committee
IRR	International Revaluation Reserve
ISB	International Sovereign Bond
IT	Information Technology
ITOC	Information Technology Oversight Committee
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
KMPs	Key Management Personnels
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KRPs	Key Responsible Persons
KYC	Know-Your-Customer
LAPF	Leadership Assessment and Profiling Framework
LBs	Licensed Banks
LCBs	Licensed Commercial Banks
LCM	Leadership Competency Model
LGD	Loss Given Default
LKR	Sri Lanka Rupee
LMFCs	Licensed Microfinance Companies
LPC	Leadership Profiling Centre
LPOPP	Lankapay Online Payment Platform
LPPL	Lanka Pay (Pvt) Ltd
LSBs	Licensed Specialised Banks
LSF	Liquidity Support Facility
LSPs	Licensed Service Providers
LTV	Loan-to-value
MBUs	Mobile Banking Units
MD	Modified Duration
MIs	Member Institutions
ML	Money Laundering
MLA	Monetary Law Act
MMPC	Middle Management Profiling Centre
MOC	Market Operations Committee
MoF	Ministry of Finance, Planning and Economic Development
MOR	Market Operations Report
MoU	Memorandum of Understanding
MPAPs	Directed Mobile Payment Application Providers
MPB	Monetary Policy Board
MPC	Monetary Policy Committee
MPFA	Monetary Policy Framework Agreement
MPR	Monetary Policy Report
MRR	Market Revaluation Reserve
MSMEs	Micro, Small and Medium-sized Enterprises
MTM	Marked-to Market
MVTS	Money or Value Transfer Service
NBFIs	Non-Bank Financial Institutions
NFIS	National Financial Inclusion Strategy
NFRMC	Non-Financial Risk Management Committee
NOP	Net Open Positions
NPC	National Payments Council
NSB	National Savings Bank
NZD	New Zealand Dollar
OCI	Other Comprehensive Income
OMOs	Open Market Operations
OPR	Overnight Policy Rate
PAM	Privileged Access Management
PBoC	People's Bank of China
PDCs	Primary Dealer Companies
PDMA	Public Debt Management Act
PDMO	Public Debt Management Office
PES	Performance Evaluation System
PF	Proliferation Financing
PFCAs	Personal Foreign Currency Accounts
PFIs	Participatory Finance Institutions
PIs	Participating Institutions
PMI	Purchasing Managers' Index
Pre-MPC	Pre-Monetary Policy Committee
PSD	Payment and Settlements Department
PSSA	Payment and Settlement Systems Act
QAIP	Quality Assurance and Improvement Program
QPM	Quarterly Projection Model
QR	Quick Response
QRA	Quarterly Risk Assessment
RAF	Risk Appetite Framework
RAMP	Reserve Advisory and Management Partnership
RAS	Risk Appetite Statement
RBI	Reserve Bank of India
RCO	Revamping Currency Operations

Acronyms

RCSA	Risk Control Self- Assessment
RDD	Regional Development Department
RFI	Rapid Financing Instrument
RGs	Review Groups
RMCD	Risk Management and Compliance Department
RMPS	Risk Management Policy Statement
RTGS	Real-Time Gross Settlement
RTI	Right to Information
S&P	Standard & Poor's
SAA	Strategic Asset Allocation
SARTTAC	South Asia Regional Training & Technical Assistance Centre
SDAs	Special Deposit Accounts
SDF	Standing Deposit Facility
SDFR	Standing Deposit Facility Rate
SDR	Special Drawing Rights
SEACEN	South East Asian Center Bank
SICR	Significant Increase in Credit Risk
SIPS	Systemically Important Payment System
SLAASMB	Sri Lanka Accounting and Auditing Standards Monitoring Board
SLACH	Sri Lanka Automated Clearing House
SLBA	Sri Lanka Banks' Association
SLC	Specialised Leasing Companie
SLDBs	Sri Lanka Development Bonds
SLDIF	Sri Lanka Deposit Insurance Fund
SLDIS	Sri Lanka Deposit Insurance Scheme
SLF	Standing Lending Facility
SLFR	Standing Lending Facility Rate
SLFRS	Sri Lanka Financial Reporting Standards
SLIPS	Sri Lanka Inter-bank Payment System
SME	Small and Medium Sized Enterprises
SMIB	State Mortgage and Investment Bank
SOBs	State-Owned Banks
SPDs	Standalone Primary Dealers
SPPI	Solely-Payment-of-Principaland-Interest
SRR	Statutory Reserve Requirement
SSMs	Self Service Machines
SSSS	Scripless Securities Settlement System
SSUs	Student Saving Units
SWIFT	Society for Worldwide Inter-Bank Financial Telecommunication
TCM	Technical Competency Model
TF	Terrorist Financing
TIA	Telecommunications Industry Association
UNDP	United Nations Development Programme
USD	United States Dollar
VaR	Value at Risk
VAT	Value Added Tax
VPN	Virtual Private Network
W&OP	Widows' and Orphans' Pension
WB	World Bank
WR&OP	Widowers' and Orphans' Pension

Central Bank of Sri Lanka

Legal form

Established under the Central Bank of Sri Lanka Act No. 16 of 2023 (enacted on 14 September 2023)

Taxpayer identification number

409035027

Contact information

Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha,
Colombo 00100
Sri Lanka

Telephone: +94 11 247 7000
Fax: +94 11 234 6304
E-mail: cbslgen@cbsl.lk
Web site: www.cbsl.gov.lk

SWIFT code

CBCELKLX

Right to Information Act, No. 12 of 2016

Designated officer

Dr. Nandalal Weerasinghe
Governor

Information officer

Mrs. Nelumani Daulagala
Senior Deputy Governor
rti@cbsl.lk

Auditor

The Auditor General
Auditor General's Department
No. 306/72, Polduwa Road
Battaramulla

SMART MEDIA
The ANNUAL REPORT Company

Produced by Smart Media,
a GHG-neutral company
since 2011

STABILITY FOR PROSPERITY
1950-2025

Central Bank of Sri Lanka

No. 30
Janadhipathi Mawatha
Colombo 00100
Sri Lanka

https://www.cbsl.gov.lk

ISBN 978-624-6764-29-6

9 786246 764296