

Income Statement

	For the year ended			For the quarter ended		
	31-Dec-2022	31-Dec-2021 (Audited)	Change %	31-Dec-2022	31-Dec-2021	Change %
	Rs. '000	Rs. '000		Rs. '000	Rs. '000	
Interest income	8,002,096	4,099,607	95	2,373,755	1,130,384	110
Interest expenses	(4,823,289)	(2,259,926)	(113)	(1,621,715)	(610,577)	(166)
Net interest income	3,178,807	1,839,681	73	752,040	519,807	45
Fees and commission income	1,272,446	767,818	66	343,017	232,066	48
Fees and commission expenses	(410,078)	(275,737)	(49)	(121,351)	(80,326)	(51)
Net fees and commission income	862,368	492,081	75	221,666	151,740	46
Net gains/(losses) from trading	994	(1,196)	183	617	(4,313)	114
Net gains/(losses) from derecognition of financial assets	20,814	(18,368)	213	7,549	(7,404)	202
Net other operating income	192,260	146,309	31	79,186	13,304	495
Total other income	214,068	126,745	69	87,352	1,587	5,404
Total operating income	4,255,243	2,458,507	73	1,061,058	673,134	58
Impairment for loans and other losses	(1,465,375)	(684,510)	(114)	(259,007)	(392,640)	34
Net operating income	2,789,869	1,773,997	57	802,051	280,494	186
Personnel expenses	(915,285)	(842,691)	(9)	(230,412)	(208,199)	(11)
Depreciation and amortization	(437,031)	(420,213)	(4)	(171,109)	(114,121)	(50)
Other operating expenses	(1,015,027)	(773,594)	(31)	(246,828)	(182,220)	(35)
Total operating expenses	(2,367,343)	(2,036,498)	(16)	(648,349)	(504,540)	(29)
Operating profit/(loss) before taxes on financial services	422,526	(262,501)	261	153,702	(224,046)	169
Value added tax on financial services	(239,718)	(106,154)	(126)	(72,638)	(4,149)	(1,651)
Profit/(loss) before Income Tax	182,808	(368,655)	150	81,064	(228,195)	136
Tax expenses	315,409	91,528	245	309,553	145,486	113
Profit/(loss) for the year	498,216	(277,127)	280	390,618	(82,708)	572
Basic earnings per share (Rs.)	0.56	(0.31)	280	0.44	(0.09)	572
Diluted earnings per share (Rs.)	0.56	(0.31)	280	0.44	(0.09)	572

Statement of Profit or Loss and Other Comprehensive Income

	For the year ended			For the quarter ended		
	31-Dec-2022	31-Dec-2021 (Audited)	Change %	31-Dec-2022	31-Dec-2021	Change %
	Rs. '000	Rs. '000		Rs. '000	Rs. '000	
Profit/(loss) for the period	498,216	(277,127)	280	390,618	(82,708)	572
Other comprehensive income, net of tax						
Items that will not be reclassified to profit & loss						
Net actuarial gain/(loss) on defined benefit obligation	(5,701)	(6,016)	5	-	(6,016)	100
Deferred tax related to the above	1,368	(3)	39,668	1,368	(3)	39,668
Change in fair value of investment in equity measured at fair value through other comprehensive income	1,575	1,288	-	1,575	1,288	22
Deferred tax related to the above	378	169	-	378	169	124
	(2,379)	(4,562)	48	3,321	(4,563)	173
Items that are or may be reclassified to profit & loss						
Treasury Bills	(66,778)	(2,109)	(3,066)	41,793	(463)	9,127
Treasury Bonds	(58,223)	(173,000)	66	23,215	(37,156)	162
Net gains/(losses) on re-measuring financial assets measured at fair value through other comprehensive income	(125,001)	(175,109)	29	65,008	(37,619)	273
Deferred tax related to the above	30,000	47,358	(37)	(15,602)	9,029	(273)
	(95,001)	(127,751)	26	49,406	(28,590)	273
	(97,380)	(132,313)	26	52,727	(33,153)	259
Other comprehensive income/(loss) for the period, net of tax						
Total comprehensive income/(loss) for the period, net of tax	400,836	(409,439)	198	443,345	(115,862)	483

Statement of Financial Position

As at	31-Dec-2022	31-Dec-2021 (Audited)	Growth
	Rs. ' 000	Rs. ' 000	%
Assets			
Cash and cash equivalents	1,232,273	1,214,754	1
Balances with Central Bank of Sri Lanka	1,311,926	567,802	131
Placements with banks	-	601,151	(100)
Derivative financial instruments	-	3,200	(100)
Financial assets at amortized cost - Loans and advances to other customers	35,960,080	40,490,736	(11)
Financial assets at amortized cost - Debt and other financial instruments	1,995,060	15,528	12,748
Financial assets measured at fair value through other comprehensive income	10,253,496	10,783,609	(5)
Property, plant & equipment	475,163	518,272	(8)
Intangible assets	335,150	258,942	29
Deferred tax assets	984,743	637,588	54
Other assets	1,206,590	675,479	79
Total assets	53,754,481	55,767,062	(4)
Liabilities and equity			
Due to banks	514,193	926,405	(44)
Derivative financial instruments	30	3,009	(99)
Financial liabilities at amortized cost - Due to depositors	37,802,680	40,182,402	(6)
Financial liabilities at amortized cost - Other borrowings	3,688,924	3,969,617	(7)
Retirement benefit obligations	96,806	81,336	19
Lease liability	340,542	332,675	2
Other liabilities	1,585,608	946,756	67
Total liabilities	44,028,783	46,442,200	(5)
Equity			
Stated capital	11,394,421	11,394,421	-
Statutory reserves	32,386	32,386	-
Other reserves	(145,198)	(52,151)	(178)
Accumulated loss	(1,555,911)	(2,049,794)	24
Total equity attributable to equity holders of the Bank	9,725,698	9,324,862	4
Total liabilities and equity	53,754,481	55,767,062	(4)
Contingent liabilities & commitments	22,367,750	18,687,750	
Net assets value per share (Rs.)	11.01	10.56	
Memorandum information			
Number of employees	598	622	
Number of branches	23	21	

Certification:
These Financial Statements have been prepared in compliance with requirements of the Companies Act No. 07 of 2007.
(Sgd.)
D Gajanayaka
Head of Finance

We, the undersigned, being the Managing Director and the Chairman of Cargills Bank Limited, certify jointly that-
(A) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka,
(B) the information contained in these statements have been extracted from the unaudited financial statements of the Bank, unless indicated as audited.

(Sgd.)
K B S Bandara
Managing Director / Chief Executive Officer

(Sgd.)
R A Ebell
Chairman

23 February 2023
Colombo

Statement of Cash Flows

	For the year ended	
	31-Dec-2022	31-Dec-2021 (Audited)
	Rs. ' 000	Rs. ' 000
Cash flows from operating activities		
Profit/(loss) before income tax	182,808	(368,655)
Adjustments for:		
Non-cash items included in profit/(loss) before income tax	2,620,406	1,170,489
Interest paid on lease liability	(34,271)	(40,857)
Gains/(losses) on sale of property, plant & equipment and other assets	315	368
Dividend income	(720)	(1,360)
Benefits paid on defined benefit plans	(12,674)	(10,542)
Change in operating assets	(459,491)	(9,697,043)
Change in operating liabilities	(2,119,010)	7,679,497
Net cash from/(used in) operating activities	177,363	(1,268,103)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(177,616)	(31,823)
Proceeds from sale of property, plant and equipment	755	337
Net purchase of intangible assets	(193,575)	(53,386)
Dividend received	720	1,360
Net cash from/(used in) investing activities	(369,716)	(83,512)
Cash flows from financing activities		
Proceeds from issue of debentures	-	1,500,000
Payment of lease liability	(90,222)	(102,296)
Change in securities sold under repurchase agreements	(280,693)	348,425
Net cash from/(used in) financing activities	(370,916)	1,746,129
Net increas/(decrease) in cash and cash equivalents	(563,269)	394,514
Cash and cash equivalents at the beginning of the period	1,823,610	1,429,096
Cash and cash equivalents at the end of the period	1,260,340	1,823,610
Less: Provision for impairment	(28,067)	(7,705)
Cash and cash equivalents as per Statement of Financial Position (Net)	1,232,273	1,815,905

Statement of Changes in Equity

	Stated capital	Statutory reserves	Fair Value through Other Comprehensive Income Reserve	Accumulated loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01.01.2021-Audited	11,394,421	32,386	80,162	(1,772,667)	9,734,302
Total comprehensive income for the year ended 31.12.2021					
Loss for the year	-	-	-	(277,127)	(277,127)
Other comprehensive income, net of tax	-	-	(132,313)	-	(132,313)
Total comprehensive income/(loss) for the year	-	-	(132,313)	(277,127)	(409,439)
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31.12.2021 - Audited	11,394,421	32,386	(52,151)	(2,049,794)	9,324,862
Total comprehensive income for the year ended 31.12.2022					
Profit for the year	-	-	-	498,216	498,216
Other comprehensive income/(loss), net of tax	-	-	(93,048)	(4,333)	(97,380)
Total comprehensive income/(loss) for the year	-	-	(93,048)	493,883	400,836
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31.12.2022	11,394,421	32,386	(145,198)	(1,555,911)	9,725,698

Additional Disclosures

As at	31-Dec-2022	31-Dec-2021 (Audited)		
	Rs. '000	Rs. '000		
Loans and advances to other customers				
Gross loans and advances	40,249,717	43,682,231		
Less: Stage-wise Impairment				
Stage 1	132,422	152,309		
Stage 2	1,026,985	617,283		
Stage 3	3,130,230	2,421,903		
Total impairment for loans and advances	4,289,637	3,191,495		
Net loans and advances	35,960,080	40,490,736		
Product wise Gross Loans and advances to other customers				
By product - Domestic Currency				
Overdrafts	5,848,747	6,959,004		
Trade finance	2,040,049	2,520,997		
Staff loans	263,202	271,981		
Housing loans	1,183,963	1,090,769		
Personal loans	3,507,052	4,055,767		
Term loans	14,941,418	13,308,681		
Agriculture loans	456,584	417,518		
Vehicle loans	71,476	95,021		
Loans against property	1,725,097	1,695,419		
Revolving loans	4,013,385	4,930,361		
Money market loans	392,058	3,990,370		
Credit Card	1,554,323	1,579,712		
Micro Finance	49,094	66,831		
Others	297,988	93,220		
Sub total	36,344,436	41,075,650		
By product - Foreign Currency				
Trade finance	904,923	680,225		
Housing loans	98,333	62,514		
Term loans	2,847,598	1,827,400		
Overdrafts	8,970	11,133		
Others	45,456	25,309		
Sub total	3,905,281	2,606,581		
Total gross loans & advances	40,249,717	43,682,231		
Movement in impairment during the year for loans and advances to other customers- 2022 (Rs. '000)				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2022	152,309	617,283	2,421,903	3,191,495
Charge/(write back) to income statement	(77,731)	357,527	155,149	434,947
Exchange rate variance on foreign currency provisions	57,843	52,174	553,177	663,195
Closing balance as at 31 December 2022	132,422	1,026,985	3,130,230	4,289,637
Movement in impairment during the year for loans and advances to other customers - 2021 (Rs. '000)				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2021	68,805	342,306	2,243,089	2,654,200
Charge/(write back) to income statement	83,249	271,193	137,393	491,835
Exchange rate variance on foreign currency provisions	255	3,784	41,421	45,460
Closing balance as at 31 December 2021 (Audited)	152,309	617,283	2,421,903	3,191,495

As at	31-Dec-2022	31-Dec-2021 (Audited)		
	Rs. '000	Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	7,372,782	7,333,205		
Letters of credit	585,588	161,545		
Bills for collection	1,247,149	4,845		
Forward purchase	-	13,950		
Undrawn commitments	11,643,163	8,160,225		
Capital commitments and other	273,659	89,853		
Sub total	21,122,341	15,763,623		
By product - Foreign Currency				
Guarantees	343,707	520,413		
Letters of credit	20,860	828,407		
Bills for collection	33,563	646,067		
Forwards purchase	961,452	1,080,454		
Spot purchase	-	20		
Sub total	1,359,581	3,075,361		
Total Commitments and Contingencies	22,481,922	18,838,984		
Movement in impairment during the year for Commitments and Contingencies (Rs. '000)				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2022	33,655	17,970	99,609	151,234
Charge/(write back) to income statement	12,597	25,314	(74,972)	(37,061)
Closing balance as at 31 December 2022	46,252	43,284	24,637	114,173
As at	31-Dec-2022	31-Dec-2021 (Audited)		
	Rs. '000	Rs. '000		
Financial liabilities at amortized cost - Due to depositors				
By Product - Domestic currency				
Current account deposits	1,688,145	1,683,896		
Savings deposits	5,117,096	8,527,467		
Call deposits	83,373	84,033		
Time deposits	27,524,254	24,825,668		
Certificate of deposits	172,541	1,566,433		
Margin deposits	40,682	102,606		
Sub total	34,626,091	36,790,102		
By Product - Foreign currency				
Current account deposits	303,357	57,582		
Savings deposits	823,523	1,081,223		
Time deposits	2,010,850	2,236,806		
Margin deposits	38,858	16,689		
Sub total	3,176,589	3,392,300		
Total due to depositors	37,802,680	40,182,402		

Classification of Financial Assets and Financial Liabilities

As at 31.12.2022	Fair value through P/L	Fair Value through OCI	Amortized Cost	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Cash and cash equivalents	-	-	1,232,273	1,232,273
Balances with Central Bank of Sri Lanka	-	-	1,311,926	1,311,926
Placements with banks	-	-	-	-
Derivative financial instruments	-	-	-	-
Financial assets at amortized cost - Loans and Advances to other customers	-	-	35,960,080	35,960,080
Financial assets at amortized cost - Debt and other financial instruments	-	-	1,995,060	1,995,060
Financial assets at fair value through other comprehensive income - Government securities	-	10,235,480	-	10,235,480
Financial assets at fair value through other comprehensive income - Equity instruments	-	18,016	-	18,016
Other assets*	-	-	707,819	707,819
Total financial assets	-	10,253,496	41,207,158	51,460,654
Financial liabilities				
Due to banks	-	-	514,193	514,193
Derivative financial instruments	30	-	-	30
Financial liabilities at amortized cost - Due to depositors	-	-	37,802,680	37,802,680
Financial liabilities at amortized cost - Other borrowings	-	-	3,688,924	3,688,924
Lease liability	-	-	340,542	340,542
Other liabilities**	-	-	1,108,658	1,108,658
Total financial liabilities	30	-	43,454,997	43,455,027
As at 31.12.2021-Audited				
Financial assets				
Cash and cash equivalents	-	-	1,214,754	1,214,754
Balances with Central Bank of Sri Lanka	-	-	567,802	567,802
Placements with banks	-	-	601,151	601,151
Derivative financial instruments	3,200	-	-	3,200
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	40,490,736	40,490,736
Financial assets at Amortized costs - Debt and other Instruments	-	-	15,528	15,528
Financial assets - at fair value through other comprehensive income - Government securities	-	10,767,168	-	10,767,168
Financial assets - at fair value through other comprehensive income - Equity instruments	-	16,441	-	16,441
Other assets*	-	-	377,457	377,457
Total financial assets	3,200	10,783,609	43,267,428	54,054,237
Financial liabilities				
Due to banks	-	-	926,405	926,405
Derivative financial instruments	3,009	-	-	3,009
Financial liabilities at amortized cost - Due to depositors	-	-	40,182,402	40,182,402
Financial liabilities at amortized cost - Other borrowings	-	-	3,969,617	3,969,617
Lease liability	-	-	332,675	332,675
Other liabilities**	-	-	424,258	424,258
Total financial liabilities	3,009	-	45,835,357	45,838,366

* Other assets only include other receivables

** Other liabilities exclude accrued expenditure and impairment on commitments and contingencies

Fair Value Hierarchy

The Bank measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

• Level 1 : Fair value measurement using unadjusted quoted market prices

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

• Level 2 : Fair value measurement using significant observable inputs

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using;

- quoted prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

• Level 3 : Fair value measurement using significant unobservable inputs

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction.

Financial instruments measured at fair value - fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position:

	Level 1	Level 2	Level 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 December 2022				
Financial Assets				
Derivative financial instruments	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Government Securities	10,235,480	-	-	10,235,480
Equity Securities	-	-	18,016	18,016
Total assets at fair value	10,235,480	-	18,016	10,253,496
Liabilities				
Derivative financial instruments	-	30	-	30
Total liabilities at fair value	-	30	-	30
As at 31 December 2021 - Audited				
Financial Assets				
Derivative financial instruments	-	3,200	-	3,200
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Government securities	10,767,168	-	-	10,767,168
Equity Securities	-	-	16,441	16,441
Total assets at fair value	10,767,168	3,200	16,441	10,786,809
Liabilities				
Derivative financial instruments	-	3,009	-	3,009
Total liabilities at fair value	-	3,009	-	3,009

Selected Performance Indicators

As at	31-Dec-2022	31-Dec-2021
Regulatory Capital (Rs. '000)		
Common Equity Tier 1	8,421,650	8,421,650
Tier 1 Capital	9,921,650	9,921,650
Total Capital	10,236,768	10,236,768
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	18.87	19.31
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	22.23	22.75
Total Capital Ratio (Minimum Requirement - 12.5%)	22.93	23.47
Leverage Ratio (Minimum Requirement - 3%)	14.39	13.86
Regulatory Liquidity		
Statutory Liquid Assets, (Rs. '000)	11,061,874	10,197,054
Statutory Liquid Assets Ratio, % (Minimum Requirement - 20%)		
Domestic Banking Unit, %	26.70	26.30
Off-Shore Banking Unit, %	90.79	90.79
Total Stock of High-Quality Liquid Assets (Rs. '000)	9,108,873	9,188,499
Liquidity Coverage Ratio, % - Minimum Requirement - 90%		
Rupee, %	176.00	164.00
All currency, %	140.51	147.00
Net Stable Funding Ratio (%) - Minimum Requirement - 90%	125	117
Assets Quality (Quality of Loan Portfolio)		
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans	4.85	6.43
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)	51.15	46.30
Profitability		
Interest Margin,%	5.95	3.97
Return on Assets (before tax),%	0.32	(0.74)
Return on Equity,%	5.39	(2.99)

Operating Segments

	Banking		Treasury/ Investments		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
For the year ended 31 December								
Net interest income	2,827,200	1,781,257	351,607	58,424	-	-	3,178,807	1,839,681
Foreign exchange profit	26,652	564	162,629	143,003	-	-	189,281	143,567
Net fees and commission income	853,662	475,856	8,706	16,225	-	-	862,368	492,081
Other income	2,938	1,750	20,814	(19,564)	1,035	992	24,787	(16,822)
Operating income by segment	3,710,452	2,259,427	543,756	198,088	1,035	992	4,255,244	2,458,507
Personnel and other operating expenses	(1,907,418)	(1,598,093)	(22,894)	(18,192)	-	-	(1,930,312)	(1,616,285)
Impairment for loans and other losses	(1,464,731)	(684,510)	(644)	-	-	-	(1,465,375)	(684,510)
Total operating expenses	(3,372,149)	(2,282,603)	(23,538)	(18,192)	-	-	(3,395,687)	(2,300,795)
Net operating income	338,305	(23,176)	520,218	179,896	1,035	992	859,557	157,712
Depreciation and amortisation	(433,554)	(419,827)	(3,477)	(386)	-	-	(437,031)	(420,213)
Operating profit/(loss) by segment	(95,249)	(443,003)	516,741	179,510	1,035	992	422,526	(262,501)
VAT on financial services	(239,718)	(106,154)	-	-	-	-	(239,718)	(106,154)
Segment result	(333,933)	(549,157)	516,741	179,510	1,035	992	182,807	(368,655)
Income tax expense							315,409	(91,528)
Profit/(loss) for the period							498,216	(277,127)
As at 31 December	31-Dec-2022	31-Dec-2021	31-Dec-2022	31-Dec-2021	31-Dec-2022	31-Dec-2021	31-Dec-2022	31-Dec-2021
Other information								
Segment assets	41,556,861	38,187,078	12,197,620	12,646,214	-	-	53,754,481	55,767,062
Segment liabilities	40,061,125	38,265,561	3,967,658	3,011,225	-	-	44,028,783	46,442,200

Shareholders' Information

Twenty three largest shareholders as at 31 December 2022		No. of shares	%
1	Cargills (Ceylon) PLC	350,696,905	39.71 *
2	CT Holdings PLC	223,345,953	25.29 *
3	Monetary Board of Sri Lanka - On Behalf of EPF	44,000,000	4.98
4	Mulitex Investment Limited	30,800,000	3.49
5	MJF Foundation Investments (Pvt) Ltd	28,000,000	3.17
6	Softlogic Life Insurance PLC	26,600,000	3.01
7	MAS Amaliya (Pvt.) Ltd	22,000,000	2.49
8	Rosewood (Pvt) Ltd	16,000,000	1.81
9	Phoenix Ventures Limited	13,200,000	1.49
10	Aindri Holdings Pte Ltd	11,000,000	1.25
11	A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.25
12	Softlogic Holdings PLC	10,000,000	1.13
13	Gardiya Lokuge Harris Premaratne	9,089,000	1.03
14	Merrill Joseph Fernando	7,800,000	0.88
15	Softlogic Capital PLC	7,400,000	0.84
16	GF Capital Global Limited	6,100,000	0.69
17	Periyasampillai Barathakumar	4,400,000	0.50
18	Periyasampillai Muruganandhan	4,400,000	0.50
19	Periyasampillai Anandarajah	4,400,000	0.50
20	Periyasampillai Devaraj	4,400,000	0.50
21	Periyasampillai Barathanickam	4,400,000	0.50
22	Ishara Chinthaka Nanayakkara	4,400,000	0.50
23	Lalan Rubber Holdings (Pvt) Ltd	4,400,000	0.50
Sub total		847,831,858	96.00
Other Shareholders		35,311,000	4.00
Total		883,142,858	100.00

* No voting rights will be exercised by Cargills (Ceylon) PLC and CT Holdings PLC on any shares held in excess of 30% of the issued capital of the Bank carrying voting rights.

Explanatory Notes

1) These Financial Statements are prepared in accordance with LKAS 34 - Interim Financial Reporting issued by the Institute of Chartered Accountants of Sri Lanka. There were no changes to Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31 December 2021.

2) Due to the potential impact of the Covid 19 pandemic on Sri Lankan individuals and businesses, the Central Bank of Sri Lanka (CBSL) issued several circulars and guidelines introducing different relief measures to safeguard those businesses impacted due to the global COVID -19 pandemic in order to manage the adverse impact on the Sri Lankan economy. The Bank continuously monitors and takes necessary actions based on any subsequent Directions issued by CBSL.

3) The Bank estimated its Expected Credit Loss (ECL) for collective impairment as at the reporting date based on the updated Probability of Default (PD) including Economic Factor Adjustment (EFA) and Loss Given Default (LGD) values as at 31 December 2022. The Management also made approximate overlay adjustments to reflect the increased credit risk profiles of borrowers due to the recent volatility in the macro-economic environment including rupee depreciation, increase in inflation and interest rates, etc.

The Bank continuously reassesses its individually significant portfolio and incorporates impairment provisions on identified segments and customers to reflect increased credit risk since initial recognition. Accordingly, the impairment provision also includes a management overlay where higher impairment charges were considered as a prudential measure in assessing the current macroeconomic environment.

The exchange impact on impairment charges on loans and advances denominated in foreign currency was recognised in net other operating Income where the corresponding exchange gains are recognised.

4) Income Tax - Year of Assessment 2013/2014

The Commissioner General of Inland Revenue (CGIR) issued a Notice of Assessment for the Year of Assessment 2013/2014. The Bank has appealed before the Tax Appeals Commission and the Bank awaits the hearing of the Appeal from the Tax Appeals Commission.

Income Tax - Year of Assessment 2017/2018

The CGIR issued a Notice of Assessment for the Year of Assessment 2017/2018. The Bank has lodged an appeal against the said assessment. The appeal is currently at the IRD hearing stage.

Management is of the opinion that the outcome of the above will not have a material impact to the Financial Statements.

5) There was no pending litigation of a material nature against the Bank.

6) All known expenses have been provided in these Interim Financial Statements.

7) No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the Financial Statements.