

Income Statement

	For the quarter ended		
	31-Mar-2023 Rs. '000	31-Mar-2022 Rs. '000	Change %
Interest income	2,705,381	1,271,307	113
Interest expense	(1,842,303)	(704,052)	(162)
Net interest income	863,078	567,255	52
Fees and commission income	338,717	227,551	49
Fees and commission expense	(111,410)	(82,272)	(35)
Net fees and commission income	227,307	145,279	56
Net gains/(losses) from trading	1,689	29,417	(94)
Net gains/(losses) from derecognition of financial assets	8,192	1,104	642
Net other operating income	114,217	183,314	(38)
Total other income	124,098	213,835	(42)
Total operating income	1,214,483	926,369	31
Impairment losses on financial instruments and other assets	(250,571)	(403,385)	38
Loans and advances to customers	(27,622)	(2,989)	(824)
Financial assets and others	(278,193)	(406,374)	32
Total impairment losses on financial instruments and other assets	(278,193)	(406,374)	32
Net operating income	936,290	519,995	80
Personnel expenses	(264,664)	(229,861)	(15)
Depreciation and amortization	(82,127)	(96,385)	15
Other operating expenses	(330,482)	(224,960)	(47)
Total operating expenses	(677,273)	(551,206)	(23)
Operating profit/(loss) before taxes on financial services	259,017	(31,211)	930
VAT on financial services	(85,119)	(35,131)	(142)
Profit/(loss) before income tax	173,898	(66,342)	362
Tax expense	(67,432)	8,034	(939)
Profit/(loss) for the period	106,466	(58,308)	283
Basic earnings per share (Rs.)	0.12	(0.07)	283
Diluted earnings per share (Rs.)	0.12	(0.07)	283

Statement of Profit or Loss and Other Comprehensive Income

	For the quarter ended		
	31-Mar-2023 Rs. '000	31-Mar-2022 Rs. '000	Change %
Profit / (loss) for the period	106,466	(58,308)	283
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Treasury Bills	66,388	(17,734)	474
Treasury Bonds	156,908	(69,410)	326
Net gains/(losses) on investment in financial assets measured at fair value through other comprehensive income	223,296	(87,144)	356
Deferred tax related to the above	(66,989)	20,915	(420)
	156,307	(66,229)	336
Other comprehensive income/(loss) for the period, net of tax	156,307	(66,229)	336
Total comprehensive income/(loss) for the period	262,773	(124,537)	311

Statement of Financial Position

As at	31-Mar-2023			31-Dec-2022		
	Rs. '000	(Audited) Rs. '000	Change %	Rs. '000	(Audited) Rs. '000	Change %
Assets						
Cash and cash equivalents	1,690,342	1,232,272	37			
Balances with Central Bank of Sri Lanka	1,423,799	1,311,926	9			
Placements with Banks	108,046	-	-			
Derivative financial instruments	1,659	-	-			
Financial assets at amortized cost - Loans and advances to other customers	38,980,386	35,960,082	8			
Financial assets at amortized cost - Debt and other financial instruments	1,951,983	1,996,950	(2)			
Financial assets measured at fair value through other comprehensive income	12,808,748	10,253,496	25			
Property, plant & equipment	435,223	475,178	(8)			
Intangible assets	313,537	335,150	(6)			
Deferred tax assets	821,301	955,721	(14)			
Other assets	1,108,546	1,232,034	(10)			
Total assets	59,643,570	53,752,809	11			
Liabilities and equity						
Due to banks	461,462	514,193	(10)			
Derivative financial instruments	-	30	(100)			
Financial liabilities at amortized cost - Due to depositors	45,354,453	37,802,680	20			
Financial liabilities at amortized cost - Other borrowings	2,116,031	3,688,924	(43)			
Retirement benefit obligations	98,901	96,806	2			
Lease liability	326,987	340,542	(4)			
Other liabilities	1,302,657	1,589,329	(18)			
Total liabilities	49,660,491	44,032,504	13			
Equity						
Stated capital	11,394,421	11,394,421	-			
Statutory reserves	56,774	56,774	-			
Other reserves	23,556	(132,751)	118			
Retained losses	(1,491,672)	(1,598,139)	7			
Total equity attributable to equity holders of the Bank	9,983,079	9,720,305	3			
Total liabilities and equity	59,643,570	53,752,809	11			
Contingent liabilities & commitments	18,867,718	22,292,738				
Net assets value per share (Rs.)	11.30	11.01				
Memorandum information						
Number of employees	585	598				
Number of branches	23	23				

Certification:
 These Financial Statements have been prepared in compliance with requirements of the Companies Act No. 07 of 2007.

(Sgd.)
D Gajjanayaka
 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

12 May 2023
 Colombo

Statement of Cash Flows

	For the quarter ended	
	31-Mar-2023 Rs. '000	31-Mar-2022 Rs. '000
Cash flows from operating activities		
Profit / (Loss) before income tax	173,898	(66,342)
Adjustments for:		
Non-cash items included in profit / (loss) before tax	377,858	553,160
Interest paid on lease liability	(10,113)	(8,814)
Gains / (losses) on sale of property, plant & equipment and other assets	-	314
Dividend income	(373)	-
Benefits paid on defined benefit plans	(5,330)	(1,146)
Change in operating assets	(5,578,162)	(2,381,867)
Change in operating liabilities	7,230,371	1,385,888
Net cash generated from/(used in) operating activities	2,188,149	(518,807)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(10,794)	(7,466)
Proceeds from sale of property, plant and equipment	-	391
Investment in Debenture	-	(150,000)
Net purchase of intangible assets	(9,776)	(12,605)
Dividend received	373	-
Net cash generated from/(used in) investing activities	(20,197)	(169,680)
Cash flows from financing activities		
Payment of lease liability	(13,556)	(44,072)
Change in securities sold under repurchase agreements and other borrowings	(1,687,000)	1,038,430
Net cash generated from/(used in) financing activities	(1,700,556)	994,358
Net increase/(decrease) in cash and cash equivalents	467,396	305,871
Cash and cash equivalents at the beginning of the period	1,260,340	1,222,459
Cash and cash equivalents at the end of the quarter	1,727,736	1,528,330
Less: Impairment on cash and cash equivalents	(37,394)	(10,500)
Total cash and cash equivalents	1,690,342	1,517,830

Statement of Changes in Equity

	Stated capital	Statutory reserves	Fair Value through Other Comprehensive Income Reserve	Retained losses	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01.01.2022 - Audited	11,394,421	32,386	(46,132)	(2,055,814)	9,324,861
Total comprehensive income for the period ended 31.03.2022					
Loss for the period	-	-	-	(58,310)	(58,310)
Other comprehensive income, net of tax	-	-	(66,229)	-	(66,229)
Total comprehensive income for the period	-	-	(66,229)	(58,310)	(124,539)
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31.03.2022	11,394,421	32,386	(112,361)	(2,114,124)	9,200,323
Total comprehensive income for the period 01.04.2022 to 31.12.2022					
Profit for the period	-	-	-	546,074	546,074
Other comprehensive income/(loss), net of tax	-	-	(20,390)	(5,701)	(26,091)
Total comprehensive income/(loss) for the period	-	-	(20,390)	540,373	519,983
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserve	-	24,388	-	(24,388)	-
Total transactions with owners	-	24,388	-	(24,388)	-
Balance as at 01.01.2023 - Audited	11,394,421	56,774	(132,751)	(1,598,139)	9,720,306
Total comprehensive income for the period ended 31.03.2023					
Loss for the period	-	-	-	106,466	106,466
Other comprehensive income/(loss), net of tax	-	-	156,307	-	156,307
Total comprehensive income/(loss) for the period	-	-	156,307	106,466	262,773
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 31.03.2023	11,394,421	56,774	23,556	(1,491,673)	9,983,079

Additional Disclosures

As at	31-Mar-2023	31-Dec-2022		
	Rs. '000	(Audited) Rs. '000		
Loans and advances to other customers				
Gross loans and advances	43,443,759	40,249,717		
Less : Stage-wise impairment				
Stage 1	139,878	132,422		
Stage 2	1,094,155	1,026,985		
Stage 3	3,229,340	3,130,230		
Total impairment for loans and advances	4,463,373	4,289,637		
Total Net loans and advances	38,980,386	35,960,080		
Product wise Gross loans and advances to other customers				
By product - Domestic Currency				
Overdrafts	6,440,767	5,848,747		
Trade finance	2,618,533	2,040,049		
Staff loans	265,272	263,202		
Housing loans	1,146,220	1,183,963		
Personal loans	3,333,354	3,507,052		
Term loans	15,962,241	14,941,418		
Agriculture loans	481,644	456,584		
Vehicle loans	61,932	71,476		
Loans against Property	1,684,175	1,725,097		
Revolving loans	5,428,209	4,013,385		
Money market loans	665,515	392,058		
Credit card	1,590,504	1,554,323		
Micro finance	46,266	49,094		
Others	340,387	297,988		
Sub total	40,065,019	36,344,436		
By product - Foreign Currency				
Trade finance	703,344	904,923		
Housing loans	86,168	98,333		
Term loans	2,539,448	2,847,598		
Overdrafts	8,970	8,970		
Others	40,810	45,456		
Sub total	3,378,740	3,905,281		
Total Gross loans & advances	43,443,759	40,249,717		
Movement in impairment during the period for loans and advances to other customers - 2023				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2023	132,422	1,026,985	3,130,230	4,289,637
Charge / (write back) to income statement	6,754	93,485	180,573	280,812
Exchange rate variance on foreign currency provisions	702	(26,315)	(81,463)	(107,076)
Closing balance as at 31 March 2023	139,878	1,094,155	3,229,340	4,463,373
Movement in impairment during the period for loans and advances to other customers - 2022				
	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	(77,730)	357,527	155,150	434,947
Exchange rate variance on foreign currency provisions	57,843	52,175	553,177	663,195
Closing balance as at 31 December 2022	132,422	1,026,985	3,130,230	4,289,637

As at	31-Mar-2023	31-Dec-2022
	Rs. '000	(Audited) Rs. '000
Product wise Commitments and Contingencies		
By product - Domestic Currency		
Guarantees	7,016,651	7,372,782
Letters of credit	763,582	520,821
Bills for collection	1,307,213	1,236,904
Undrawn commitments	9,316,903	11,643,163
Capital commitments and other	69,493	273,659
Sub total	18,473,842	21,047,329
By product - Foreign Currency		
Guarantees	191,710	343,707
Letters of credit	16,597	20,860
Bills for collection	9,353	33,563
Forwards purchase	260,148	961,452
Spots purchase	-	20
Sub total	477,808	

Classification of Financial Assets and Financial Liabilities

	Fair value through P/L	Fair Value through OCI	Amortized Cost	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31.03.2023				
Financial assets				
Cash and cash equivalents	-	-	1,690,342	1,690,342
Balances with Central Bank of Sri Lanka	-	-	1,423,799	1,423,799
Placements with Banks	-	-	108,046	108,046
Derivative financial instruments	1,659	-	-	1,659
Financial assets at amortized cost - Loans and advances to other customers	-	-	38,980,386	38,980,386
Financial assets at amortized cost - Debt and other financial instruments	-	-	1,951,983	1,951,983
Financial assets at fair value through other comprehensive income - Government securities	-	12,790,732	-	12,790,732
Financial assets at fair value through other comprehensive income - Equity instruments	-	18,016	-	18,016
Other assets*	-	-	564,285	564,285
Total financial assets	1,659	12,808,748	44,718,841	57,529,248
Financial liabilities				
Due to banks	-	-	461,462	461,462
Derivative financial instruments	-	-	-	-
Financial liabilities at amortized cost - Due to depositors	-	-	45,354,453	45,354,453
Financial liabilities at amortized cost - Other borrowings	-	-	2,116,031	2,116,031
Lease liability	-	-	326,987	326,987
Other liabilities**	-	-	888,863	888,863
Total financial liabilities	-	-	49,147,796	49,147,796
As at 31.12.2022-Audited				
Financial assets				
Cash and cash equivalents	-	-	1,232,272	1,232,272
Balances with Central Bank of Sri Lanka	-	-	1,311,926	1,311,926
Placements with Banks	-	-	-	-
Derivative financial instruments	-	-	-	-
Financial assets at amortized costs- Loans & Advances to other customers	-	-	35,960,080	35,960,080
Financial assets at amortized costs - Debt and other Instruments	-	-	1,996,950	1,996,950
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*	-	-	775,904	775,904
Total financial assets	-	10,253,496	41,277,132	51,530,628
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**	-	-	1,110,277	1,110,277
Total financial liabilities	30	-	43,456,616	43,456,646

* 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 March 2023				
Financial Assets				
Derivative financial instruments	-	1,659	-	1,659
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Government Securities	12,790,732	-	-	12,790,732
Equity Securities	-	-	18,016	18,016
Total assets at fair value	12,790,732	1,659	18,016	12,810,407
Liabilities				
Derivative financial instruments	-	-	-	-
Total liabilities at fair value	-	-	-	-
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

Selected Performance Indicators

As at	31-Mar-2023	31-Dec-2022
Regulatory Capital (Rs. '000)		
Common Equity Tier 1	8,421,461	8,421,461
Tier 1 Capital	9,921,461	9,921,461
Total Capital	10,157,843	10,157,843
Regulatory Capital Ratios (%) (Refer Note 2)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7%)	18.62	18.95
Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	21.94	22.32
Total Capital Ratio (Minimum Requirement - 12.5%)	22.46	22.85
Leverage Ratio (Minimum Requirement - 3%)	13.17	14.45
Regulatory Liquidity		
Statutory Liquid Assets, (Rs. '000) - Bank	13,963,664	11,269,473
Statutory Liquid Assets Ratio - Total Bank, % - (Minimum Requirement - 20%)	32.00	27.00
Total Stock of High-Quality Liquid Assets (Rs. '000)	13,197,753	9,087,222
Liquidity Coverage Ratio, % - (Minimum Requirement - 90%)		
Rupee, %	156.00	176.00
All currency, %	122.81	140.51
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	122	127
Assets Quality (Quality of Loan Portfolio)		
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans	6.72	4.85
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)	43.70	51.15
Profitability		
Interest Margin, %	6.42	5.99
Return on Assets (before tax), %	1.19	0.36
Return on Equity, %	4.33	5.28

Operating Segments

	Banking		Treasury/ Investments		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
For the quarter ended 31 March								
Net interest income	691,484	564,306	171,593	2,949	-	-	863,077	567,255
Foreign exchange profit	114,259	(21,123)	(869)	203,707	-	-	113,390	182,584
Net fees and commission income	224,885	143,896	2,422	1,383	-	-	227,307	145,279
Other income	2,143	29,836	8,192	1,101	373	314	10,708	31,251
Operating income by segment	1,032,771	716,915	181,338	209,140	373	314	1,214,483	926,369
Personnel and other operating expenses	(587,741)	(449,908)	(7,404)	(4,913)	-	-	(595,146)	(454,821)
Credit loss expense	(281,375)	(403,579)	3,182	(2,795)	-	-	(278,193)	(406,374)
Total operating expenses	(869,116)	(853,487)	(4,222)	(7,708)	-	-	(873,339)	(861,195)
Net operating income	163,655	(136,571)	177,117	201,431	373	314	341,144	65,174
Depreciation and amortisation	(82,080)	(96,319)	(47)	(66)	-	-	(82,127)	(96,385)
Operating profit/(loss) by segment	81,575	(232,576)	177,070	201,365	373	314	259,017	(31,211)
VAT on financial services	(85,119)	(35,131)	-	-	-	-	(85,119)	(35,131)
Segment result	(3,170)	(267,708)	177,070	201,365	373	314	173,898	(66,342)
Income tax expense	-	-	-	-	-	-	(67,432)	8,034
Profit/(Loss) for the year							106,466	(58,308)
As at 31 March	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Other information								
Segment assets	44,525,438	38,948,114	15,227,837	14,804,695	-	-	59,643,570	53,752,809
Segment liabilities	47,460,866	40,062,922	2,199,625	3,969,582	-	-	49,660,491	44,032,504

Shareholders' Information

Twenty three largest shareholders as at 31 March 2023		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	Multitex 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 Barathamackam	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

- 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 2022.
- The Bank expects to list on the Colombo Stock Exchange by end 2023. It is thereafter required to meet the regulatory minimum capital requirement of LKR 20 Billion by end 2025. The Bank should maintain Total Tier 1 Capital Ratio 250 basis points above the minimum applicable until it complies with the regulatory minimum capital requirement.
- The Bank estimated its Expected Credit Loss (ECL) for collective impairment as at the reporting date based on the updated Probability of Default flow rates as at 31 December 2022 and Economic Factor Adjustment (EFA) and Loss Given Default (LGD) values as at 31 March 2023. 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.

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 losses are recognised.
- 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.
- There was no pending litigation of a material nature against the Bank.
- All known expenses have been provided in these Interim Financial Statements.
- No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the Financial Statements.