



INITIAL PUBLIC OFFERING

PROSPECTUS

A SHARE OF PROGRESS



ISSUE OPENS ON DECEMBER 14, 2023

ISSUE OF **62.5** MILLION ORDINARY VOTING SHARES AT **LKR 8/-** PER SHARE

TO BE LISTED ON THE MAIN BOARD OF THE COLOMBO STOCK EXCHANGE

Joint Managers to the Issue



PROSPECTUS



PB 4847

**ISSUE OF SIXTY TWO MILLION FIVE HUNDRED THOUSAND
(62,500,000) NEW ORDINARY VOTING SHARES OF
CARGILLS BANK LIMITED
AT LKR 8/- PER SHARE**

TO BE LISTED ON THE MAIN BOARD OF THE COLOMBO STOCK EXCHANGE

ISSUE OPENS ON 14 DECEMBER 2023

**JOINT FINANCIAL ADVISORS AND
MANAGERS TO THE ISSUE**



Commitment. Trust. Continuity

CT CLSA Capital (Private) Limited

No. 4-15, Majestic City,
10, Station Road,
Colombo 04.

Tel : +94 11 258 4843

Fax : +94 11 258 0181

www.ctclsa.lk

Note: CT CLSA Capital (Private) Limited is indirectly affiliated to Cargills Bank Limited.



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Level 1, NDB Capital Building,
No. 135, Bauddhaloka Mawatha,
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www.ndbib.com

The Prospectus is dated 28 November 2023.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If any such material change occurs, the same will be notified by the Company via a market announcement to the Colombo Stock Exchange (CSE).

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard, you should consult a lawyer, or any other professional advisor.

The CSE has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed, or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Shares which is decided solely by the Company. In the unlikely instance of any inconsistencies between content herein and the relevant provisions in the CSE Listing Rules the CSE Listing Rules shall prevail.

This Prospectus has been prepared from the information provided by Cargills Bank Limited (“CBL”, “Cargills Bank”, “the Company” or “the Bank”) and its directors and/or from publicly available sources. The Company and its directors, having made all reasonable inquiries and having seen and approved this Prospectus, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate.

Where representations regarding the future performance of CBL have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that, in their best judgement, are considered to be reasonable at the present point in time.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of the Company including the risks involved prior to making any investment decision.

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

All Applicants (both resident and foreign) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number, as the case may be, in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have an NIC Number.

As per the Directive of the Securities and Exchange Commission (SEC) made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the Central Depository Systems (Private) Limited (CDS) dated 30 November 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of Shares under this Issue, the allotted Shares will be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED**. Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Closing Date, or which indicates an inaccurate/incorrect CDS account number shall be rejected and no allotment will be made.

You can open a CDS account through any Trading Participants of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE Mobile Application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

Registration of the Prospectus

A copy of this Prospectus has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents were also attached to the copy of the Prospectus delivered to the Registrar General of Companies.

- **The Written Consent of the Joint Financial Advisors and Managers to the Issue**

CT CLSA Capital (Pvt) Ltd and NDB Investment Bank Limited, the Joint Financial Advisors and Managers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their names as Joint Financial Advisors and Managers to the Issue.

NDB Investment Bank Limited as Joint Financial Advisors and Managers to the Issue has given and has not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the Research Report in the form in which it is included in the Prospectus.

- **The Written Consent of the Registrars to the Issue**

The Registrars to their Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of the name as Registrars to the Issue in the Prospectus.

- **The Written Consent of the Auditors and Reporting Accountants to the Company and to the Issue**

The Auditors and Reporting Accountants to the Company and to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Auditors and Reporting Accountants to the Company and to the Issue and for the inclusion of the Accountants' Report in connection to the Issue in the Prospectus.

- **The Written Consent of the Lawyers to the Issue**

The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Issue in the Prospectus.

- **The Written Consent of the Bankers to the Issue**

The Bankers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Bankers to the Issue in the Prospectus.

- **The Written Consent of the Company Secretary**

The Company Secretary has given and has not before the delivery of a copy of the Prospectus for registration withdrawn her written consent for the inclusion of her name as Company Secretary in the Prospectus.

- **The Declaration by the Directors**

A declaration has been made by each of the Directors of the Company confirming that each of them has read the provisions of the Companies Act No. 7 of 2007 (as amended) relating to the issue of the Prospectus and that those provisions have been complied with.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Foreign investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible for compliance with the laws relevant to their country of residence and the laws of Sri Lanka, when making their investment.

Representation

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute 'Forward Looking Statements'. These can be identified by the use of forward-looking terms such as 'expect', 'anticipate', 'intend', 'may', 'plan to', 'believe', 'could' and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such forward looking statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements

herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may result in the Company's actual future results, performance or achievements to materially differ from what are expected, expressed or implied by Forward-Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see 'Investment Considerations and Associated Risk Factors' in Section 11 of this Prospectus.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to 'LKR', 'Rupees', and 'Rs.' are references to the lawful currency of Sri Lanka. Reference to 'USD' is with reference to United States Dollars, the lawful currency of the United States of America. Reference to 'EUR' is with reference to the Euro, the lawful currency of 19 of the 27 member states of the European Union.

Certain numerical figures in the Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and industry data used throughout this Prospectus are derived from various industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Joint Financial Advisors and Managers to the Issue make any representation as to the accuracy of that information.

Investor Relations

The annual and interim financial reports of the Bank are available on www.cargillsbank.com/investor-relations. In Cargills Bank Limited's relentless commitment to transparency and keeping its stakeholders informed, they have made these documents accessible online.

Approval from other Regulators for this IPO

CBL does not require approval from any other regulator for the listing of its shares in the Colombo Stock Exchange and for the issuance of new ordinary voting shares via an offer for subscription apart from Colombo Stock Exchange and Securities and Exchange Commission of Sri Lanka

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ISSUE AT A GLANCE

Company	Cargills Bank Limited
Number of Shares to be Issued	62,500,000 New Ordinary Voting Shares
Share Issue Price	LKR 8/- per Share
Amount to be Raised via Share Issue	LKR 500,000,000/-
Minimum Investment per Application	<p>Minimum investment per Application is 500 Shares (LKR 4,000/-). Applications exceeding the minimum investment should be in multiples of 100 Shares.</p> <p>Minimum investment of 500 Shares will be allotted to each successful Applicant.</p>
Opening of the Subscription List (Issue Opening Date)	14 December 2023
Closure of the Subscription List (Issue Closing Date)	<p>05 January 2024</p> <p>or the day on which the Issue becomes oversubscribed, whichever is earlier</p>
Earliest Issue Closing Date	14 December 2023
Basis of Allotment	The basis of allotment is detailed in Section 6.6 of this Prospectus
CSE Listing	To be listed on the Main Board of the CSE subject to compliance with the CSE Listing Rules and SEC Directives (as applicable)

1. CORPORATE INFORMATION

The Company	Cargills Bank Limited	
Legal Form of the Company	A Limited Liability Company incorporated on 3 November 2011 under the Companies Act No. 7 of 2007 (as amended) and domiciled in Sri Lanka. A Licensed Commercial Bank under the Banking Act No. 30 of 1988 and amendments thereto.	
Company Registration Number	PB 4847	
Registered Office	<p>No. 696, Galle Road, Colombo 03</p> <p>Tel: +94 11 7 640 000 Fax: +94 11 2 055 575</p> <p>E-mail: info@cargillsbank.com Web: https://www.cargillsbank.com</p>	
Board of Directors	Mr. Richard Annesley Ebell	Chairman/ Independent, Non-Executive Director
	Mr. Koliya Bandaralage Senarath Bandara	Managing Director/Chief Executive Officer
	Ms. Marianne Mahilmalar Page	Non-Independent, Non-Executive Director
	Mr. Yudhishtan Kanagasabai	Independent, Non-Executive Director
	Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Independent, Non-Executive Director
	Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director
	Mr. Ravindra Ajantha Jayawardena	Independent, Non-Executive Director
	Ms. Shanti Gnanapragasam	Independent, Non-Executive Director
	Mr. Arjuna Herath	Independent, Non-Executive Director
Company Secretary	<p>Ms. Amendra Roshini de Silva Cargills Bank Limited No. 696, Galle Road, Colombo 03</p> <p>Tel: +94 11 7 640 170 Fax: +94 11 7 640 507</p>	
Auditors to the Company	<p>KPMG (Chartered Accountants) No. 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 03.</p> <p>Tel: +94 11 5 426 426 Fax: +94 11 2 445 872</p>	

2. RELEVANT PARTIES TO THE ISSUE

Joint Financial Advisors and Managers to the Issue	<p>CT CLSA Capital (Private) Limited No. 4-15, Majestic City, 10, Station Road, Colombo 4, Sri Lanka.</p> <p>Tel : +94 11 2 584 843 Fax : +94 11 2 580 181</p> <p>NDB Investment Bank Limited Level 1, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 4, Sri Lanka.</p> <p>Tel : +94 11 2 300 385-90 Fax : +94 11 2 300 393</p>
Lawyers to the Issue	<p>Nithya Partners No 97A, Galle Road, Colombo 03.</p> <p>Tel : +94 11 4 712 625 Fax : +94 11 2 328 817</p>
Auditors and Reporting Accountants to the Issue	<p>KPMG (Chartered Accountants) No. 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 03.</p> <p>Tel : +94 11 5 426 426 Fax : +94 11 2 445 872</p>
Registrars to the Issue	<p>S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03.</p> <p>Tel : +94 11 2 573 894, 2 576 871 Fax : +94 11 2 573 609</p>
Bankers to the Issue	<p>National Development Bank PLC No. 40, Navam Mawatha, Colombo 02.</p> <p>Tel : +94 11 2 448 448 Fax : +94 11 2 441 106</p>

3. ABBREVIATIONS

AC	Audit Committee
ALCO	Asset Liability Committee
ATM	Automated Teller Machines
AWPLR	Average Weighted Prime Lending Rate
Bn	Billion
BORM	Business Operational Risk Managers
CAGR	Cumulative Annual Growth Rate
CBL	Cargills Bank Limited
CBSL	Central Bank of Sri Lanka
CC	Credit Committee
CDS	Central Depository Systems
CEFT	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EMV	Europay, Mastercard and Visa
EPF	Employee Provident Fund
EPS	Earnings per share
EUR	Euro
FMCG	Fast Moving Consumer Goods
GoSL	Government of Sri Lanka
HRRC	Human Resource and Remuneration Committee
i.e.	That is
IMF	International Monetary Fund
IPO	Initial Public Offering
IRMC	Integrated Risk Management Committee
IRMD	Internal Risk Management Division
KRI	Key Risk Indicators
LCB	Licensed Commercial Banks
LKR	Sri Lankan Rupee
LSB	Licensed Specialised Banks
MD	Managing Director
Mn	Million

NAV	Net Asset Value
NDBIB	NDB Investment Bank
NGC	Nominations and Governance Committee
NFC	Near-Field Communications
NIC	National Identity Card
ORMC	Operational Risk Management Committee
ORMF	Operational Risk Management Framework
ORU	Operational Risk Unit
PE	Price to Earnings
POA	Power of Attorney
ROA	Return on Assets
ROCE	Return on Capital Equity
ROE	Return on Equity
RPT	Related Party Transactions
RPTRC	Related Party Transactions Review Committee
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Interbank Payment System
SME	Small and Medium Scale Enterprises
SPC	Strategic Planning Committee
TMO	Treasury Middle Office
USD	Unites States Dollar
VWAP	Volume Weighted Average Price

4. GLOSSARY

TERMS RELATED TO THE ISSUE

Applicant/s	An investor who submits an Application Form in terms of this Prospectus
Application Form/ Application	The application form that constitutes part of this Prospectus through which the investors may apply for the New Shares
Articles of Association	Articles of Association of Cargills Bank Limited
Board/ Board of Directors/ Directors	The Board of Directors of Cargills Bank Limited
Cargills Bank / CBL / the Company / the Bank	Cargills Bank Limited
Cargills	Cargills (Ceylon) PLC
Companies Act	Companies Act No. 07 of 2007 (as amended)
CSE Listing Rules/Listing Rules	Listing Rules of the Colombo Stock Exchange as amended from time to time
Foreign Investor	<p>Investors who are:</p> <ul style="list-style-type: none"> a) Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; b) Corporate bodies incorporated or established outside Sri Lanka; c) Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or d) Regional and country funds approved by the SEC; <p>Please refer Section 6.3.7 for further information</p>
GoSL/Government	Government of the Democratic Socialist Republic of Sri Lanka
IPO/ Issue Opening Date, Earliest IPO/ Issue Closing Date or IPO/Issue Closing Date	The dates of the opening and closing of the subscription list as set out in Section 5.9 of this Prospectus
Issue/Share Issue/IPO	Issue of 62,500,000 new Ordinary Voting Shares of the Company to be issued via the IPO at the Share Issue Price in terms of this Prospectus
Joint Application Forms	Application Forms submitted by natural persons not exceeding three
Lawyers to the Issue	Nithya Partners
Local Time	Sri Lanka Time
Joint Managers to the Issue/Joint Financial Advisors and Managers to the Issue/Managers to the Issue	CT CLSA Capital (Private) Limited and NDB Investment Bank Limited
Market Day	Any day on which CSE is open for trading

New Shares	Sixty Two Million and Five Hundred Thousand (62,500,000) New Ordinary Voting Shares to be issued by the Company to the public at the Share Issue Price
Non-Retail Investor Category	Investors who do not fall under the Retail Individual Investor Category and Unit Trust Investor Category
Ordinary Shares/ Issued and Paid-up Ordinary Shares/ Ordinary Voting Shares/ Shares	Ordinary voting shares of the Company, which confer on the holders thereof, with regard to each share: <ul style="list-style-type: none"> (a) the right to one vote on a poll at a meeting of the Company on any resolution; (b) the right to an equal share in dividends paid by the Company; and (c) the right to an equal share in the distribution of the surplus assets of the Company on liquidation.
Prospectus	This Prospectus dated 28 November 2023 issued by the Company in connection with the Share Issue
Public Holding	As set out in the CSE Listing Rules
Registrars to the Issue	S S P Corporate Services (Private) Limited
Retail Individual Investor Category	An individual investor who subscribes for a maximum of Twelve Thousand and Five hundred (12,500) Shares or a value of not more than Rupees Hundred Thousand (LKR 100,000)
SEC Act	Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
Share Issue Price/Issue Price	The price at which New Shares will be issued to the public as detailed in this Prospectus, i.e. LKR 8/- per Ordinary Voting Share
Stated Capital	The stated capital of CBL
Unit Holder	An individual who has made an investment in units not exceeding the value of LKR 10,000,000/- in a particular Unit Trust Fund that subscribes for New Shares, as per SEC Directive dated 6 June 2011 (Ref: SEC/LEG/11/06/01)
Unit Trust Investor Category	Growth and balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprise not less than 500 Unit Holders resident in Sri Lanka who together hold at least 50% of that Unit Trust, as per SEC Directive dated 6 June 2011 (Ref: SEC/Leg/11/06/01)

5. DETAILS OF THE ISSUE

All financial information and figures pertaining to FY23 in this section are based on the Unaudited Financial Statements of CBL for the period ended 31 August 2023

5.1. THE ISSUE

The Issue contemplated herein shall constitute an invitation made to the public to subscribe up to Sixty Two Million Five Hundred Thousand (62,500,000) new Ordinary Voting Shares of Cargills Bank Limited at the Share Issue Price of Sri Lanka Rupees Eight (LKR 8/-) to raise a sum of Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) via the Initial Public Offering (IPO).

If fully subscribed, the New Shares will amount to 6.61% of the Ordinary Voting Shares of the Company subsequent to the IPO.

5.2. NATURE OF THE NEW SHARES

From the date of allotment, the new shares shall rank equal and pari passu in all respects with the existing Ordinary Voting Shares and each New Share shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

5.3. SIZE OF THE ISSUE

The Company intends to raise Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) via the Issue.

5.4. SHARE ISSUE PRICE

The Share Issue Price will be Sri Lanka Rupees Eight (LKR 8/-) per Share. The Board of Directors of CBL is of the opinion that the Share Issue Price is fair and reasonable to the Company and to all existing shareholders of the Company in terms of the Companies Act.

Advice for the determination of the Share Issue Price for the IPO was sought from NDB Investment Bank Limited (NDBIB) in accordance with the Research Report (as disclosed in Annexure A) compiled by NDBIB in line with Rule 3.1.4 (c) of the CSE Listing Rules.

The Net Asset Value per share of the Company (NAV) per the unaudited Interim Financial Statements as at 31 August 2023 is LKR 12.88. The Share Issue Price is 0.62 times the NAV.

A summary of the valuation methods used to determine the Share Issue Price is as follows:

Table 5-1 Summary of valuation

Valuation Method	Value per Share (LKR)	Discount to the Fair Value (%)
Residual Income	9.83	18.59%
Justified P/BV	10.33	22.59%
Trailing P/BV (10-year average)	9.93	19.40%

Source: Research Report (Annexure A)

The Share Issue Price of LKR 8/- per New Share reflects a discount of 20.19% to the average value per share of LKR 10.03/- obtained via the given valuation methods. This IPO discount is provided to investors in order to provide a potential upside on the investment.

The investors should read the quantitative and qualitative factors given in Section 5.5, the risk factors included under Section 11 of this Prospectus and the details of the Company and its financial statements included in this Prospectus.

5.5. QUANTITATIVE AND QUALITATIVE FACTORS PERTAINING TO THE ISSUE

5.5.1. QUANTITATIVE FACTORS

Net Asset Value (NAV) per Share

The Net Asset Value (NAV) per Share of the Company is as follows:

Table 5-2 NAV per Share

As at	Net Assets Value (LKR Mn)	NAV per Share
31 December 2022	9,720.3	11.01
31 August 2023 (Unaudited)	11,378.9	12.88

$$\text{NAV per Share} = \frac{\text{Net Asset Value as at specified date}}{\text{Number of Shares outstanding as at specified date}}$$

- As per the latest audited financial statements 31 December 2022, NAV per share is LKR 11.01
- As per the latest interim financial statements 31 August 2023 (unaudited) is LKR 12.88
- The post-IPO NAV per share amounts to LKR 12.56 based on the NAV as at 31 August 2023 adjusted for IPO proceeds and post IPO number of ordinary shares in issue assuming full subscription of the Issue.
- The Share Issue Price is LKR 8.00.

Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Historical Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E) are given below.

Table 5-3 EPS, ROE & P/E

Year Ended	Basic/Diluted EPS (LKR)*	ROE (%)**	P/E (x)***
31 December 2020	(0.84)	-7.38%	N/A
31 December 2021	(0.31)	-2.91%	N/A
31 December 2022	0.55	5.12%	14.55
Average	(0.20)	-1.72%	N/A
Eight Months Ended 31 August 2023 (as per unaudited Interim Financials, Not Annualised)	0.41	3.46%	19.35
Eight Months Ended 31 August 2023 (as per unaudited Interim Financials, Annualised)****	0.62	5.15%	12.90

Source: CBL Audited and Interim Financial Statements

*Earnings per share (LKR) =
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$$

**ROE = Net Profit After Tax Attributable to equity shareholders / Average Net Asset during the year / period attributable to equity shareholders

***P/E ratio is calculated based on the Share Issue Price of LKR 8/-.

****Annualised EPS is calculated based on the number of shares outstanding as of the date of the prospectus (pre-IPO shares)

P/E Ratio

- Based on Basic and Diluted EPS of LKR 0.62 (annualised) for the eight months ended 31 August 2023 (unaudited), the P/E is 12.90 (annualised earnings).
- Based on the financial year ended 31 December 2022 Basic and Diluted EPS of LKR 0.55 , the P/E is 14.55 times.
- Based on the three-year adjusted average (FY20 – FY22) Basic and Diluted EPS of LKR (0.20), the P/E is Not Meaningful.
- The Industry Average P/E based on the selected peer group is 6.82 times.
- P/E range of selected industry peers is given below (please refer Research Report in Annexure A for list of selected peers):

Particulars	Name of the Peer Entity	P/E (x)*
Lowest	Nations Trust Bank PLC	3.18
Highest	Union Bank of Colombo PLC	20.48
	Industry Average	6.82

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st December 2022 and Interim Financial Statements for the period ended 30 June 2023 and 2022 published on the CSE Website

Sector Classification: Banks

*Market capitalization is as at 21 September 2023 and earnings are on a trailing twelve-month basis as at the last published quarter on 21 September 2023.

Comparison of Accounting Ratios of Banking Sector Entities

Table 5-4 Comparison of key ratios among Banking Sector Entities

Peer Entity	NAV per Share (LKR)	EPS (LKR)	P/E (x)*	ROE (%)
Commercial Bank PLC	156.68	17.39	5.06	7.49%
Hatton National Bank PLC	346.02	33.90	4.97	10.26%
Sampath Bank PLC	120.29	12.22	5.54	12.10%
DFCC Bank PLC	147.48	14.26	6.02	10.88%
National Development Bank PLC	178.60	9.20	7.32	7.02%
Nations Trust Bank PLC	167.33	33.31	3.18	25.10%
Union Bank of Colombo PLC	17.66	0.54	20.48	3.11%
Seylan Bank PLC	95.93	9.13	5.41	9.22%
Pan Asia Banking Corporation PLC	48.68	5.86	3.39	8.90%

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31 December 2022 and Interim Financial Statements for the period ended 30 June 2023 and 2022 published on the CSE Website

Sector Classification: Banks

**Market capitalization is as at 21 September 2023 and earnings are on a trailing twelve-month basis as at the last published quarter on 21 September 2023.*

Please refer Annexure A – Research report for further information regarding industry-related details and financial highlights of Cargills Bank Limited.

5.5.2. QUALITATIVE FACTORS

In order to arrive at the Share Issue Price, the following qualitative factors were considered:

- **The legacy and trust placed by customers in the “Cargills” brand**

Cargills (Ceylon) PLC, a promoter of Cargills Bank Limited, is a household name in Sri Lanka with a history of almost 180 years. With its operations spanning retail, food & beverage, manufacturing and distribution, restaurants and property development, the group works with a diverse stakeholder base; directly purchasing from over 20,000 farmers and 1,000 suppliers; supplying over 67,000 grocery stores with Cargills FMCG products through a network of over 400 distributors; and serving over 1.6 million loyalty customers with a group employee strength of over 11,000 staff members.

The Bank is uniquely positioned to leverage these relationships and offer financial solutions that combine the synergies of this broad ecosystem to provide win-win solutions for the Bank and its customers. Access to the ecosystem has enabled growth of the Bank’s customer base across agriculture, retail, SME and corporate business units.

- **CBL’s unique service delivery channels provide an angle of differentiation**

In addition to the 24 branches currently in operation, retail clientele can avail themselves of banking services such as opening bank accounts through 29 Cargills Bank MINI locations located within selected Cargills Food City outlets. Through this strategy, CBL has now established touchpoints in high traffic locations allowing CBL to build a portfolio in the locality at a lower cost than a standard brick-and-mortar model.

Including agency banking locations at Cargills Retail outlets (Cargills Cash), the Bank has over 500 touchpoints through which CBL's clients could undertake day-to-day banking activities such as withdrawals, deposits, local and foreign remittance collection and bill payments.

These channels are complemented by the Bank's Digital Onboarding platform – which allows a customer to start a relationship with Cargills Bank from anywhere in the country, and a Mobile Branch Vehicle – through which CBL can provide banking services at remote locations. CBL has approval to operate the Mobile Branch vehicle in the Central, North Central and Northern provinces of the country.

- **Envisaged technology augmentations to provide a smoother customer experience and increase operational efficiency**

CBL intends to revamp its digital offerings to provide customers with a state-of-the-art digital banking experience through its mobile banking and agency banking channels. The Bank plans to release a stand-alone mobile application for agency banking within the next few months, while a fresh version of its Mobile App with improved UI/UX and functionality is expected to be released in mid-FY24.

In line with these technology upgrades, CBL plans to upgrade its core banking system to the latest technology, improving efficiency and versatility.

- **CBL transitioning to a growth stage**

CBL turned around in FY22 following three consecutive years of operational losses, recording a profit before income tax of LKR 206 Mn. The management is led by the Managing Director who is a distinguished personality in the Sri Lankan Banking space. Under the oversight and strategic direction of the Board of Directors, the Bank plans to execute growth strategies to capture opportunities and grow its business over the next few years to continue its performance trajectory, while remaining agile to face future challenges.

5.6. OBJECTIVES OF THE IPO

The Bank intends to raise a sum of Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) through the issuance of up to Sixty-Two Million Five Hundred Thousand (62,500,000) new Ordinary Voting Shares.

The objective of this issue is to enhance the capital base of the Bank with the intention of complying with the minimum capital requirement as set forth in the Banking Act Directions No. 05 of 2017. As per this directive, issued by the CBSL regarding the enhancement of minimum capital requirements for banks, locally incorporated licensed commercial banks are mandated to maintain a minimum capital of LKR 20 Bn by 31 December 2023. The Monetary Board has granted an extension to Cargills Bank until 31 December 2025 to meet the minimum capital requirement stipulated by the CBSL. This extension is contingent on the Bank listing its shares on the CSE by 31 December 2023.

Currently, CBL's capital for the calculation of minimum capital requirement stands at LKR 11,353,056,302 as at 31 August 2023. After the capital raising, CBL's capital base will increase to LKR 11,853,056,302. This share issuance represents phase 1 of the Bank's capital augmentation plan. Additional equity capital raisings will be carried out in the future to meet the required minimum capital subject to compliance with the relevant Listing Rules.

Table 5-5 Minimum Capital Requirement

The Minimum Capital Requirement as per the Banking Act Directions No. 05 of 2017 issued by the Central Bank of Sri Lanka, as amended	Bank's Minimum Capital Requirement should be not less than LKR 20 Bn																		
The timeline to achieve the Minimum Capital Requirements	In terms of the Banking Act Directions No 05 of 2017 on Enhancement of Minimum Capital Requirement of Banks, CBL was required to meet the minimum capital requirement by 31 December 2023. The Monetary Board has however granted an extension till 31 December 2025, on the basis that the Bank lists its shares on the Colombo Stock Exchange by 31 December 2023.																		
The level of compliance by the Company at present	<p>As at 31 December 2022 (Audited), the Bank's capital base for the purpose of the minimum capital requirement was LKR 11,353,056,302 as detailed below,</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: right;">LKR</th> </tr> </thead> <tbody> <tr> <td style="width: 5%;">i.</td> <td style="width: 85%;">Stated Capital</td> <td style="text-align: right;">11,394,421,441</td> </tr> <tr> <td>ii.</td> <td>Reserve Fund</td> <td style="text-align: right;">56,774,000</td> </tr> <tr> <td>iii.</td> <td>Retained Profit *</td> <td style="text-align: right;">(1,598,139,139)</td> </tr> <tr> <td>iv.</td> <td>Qualifying Additional Tier I capital instruments</td> <td style="text-align: right;">1,500,000,000</td> </tr> <tr> <td colspan="2">Capital base for the purpose of minimum capital requirement</td> <td style="text-align: right;">11,353,056,302</td> </tr> </tbody> </table>			LKR	i.	Stated Capital	11,394,421,441	ii.	Reserve Fund	56,774,000	iii.	Retained Profit *	(1,598,139,139)	iv.	Qualifying Additional Tier I capital instruments	1,500,000,000	Capital base for the purpose of minimum capital requirement		11,353,056,302
		LKR																	
i.	Stated Capital	11,394,421,441																	
ii.	Reserve Fund	56,774,000																	
iii.	Retained Profit *	(1,598,139,139)																	
iv.	Qualifying Additional Tier I capital instruments	1,500,000,000																	
Capital base for the purpose of minimum capital requirement		11,353,056,302																	
The level of compliance by the Bank after the IPO	<p>Following the IPO (based on audited figures as at 31 December 2022), the Bank's capital base is expected to be at LKR 11,853,056,302 as detailed below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: right;">LKR</th> </tr> </thead> <tbody> <tr> <td style="width: 5%;">i.</td> <td style="width: 85%;">Stated Capital</td> <td style="text-align: right;">11,894,421,441</td> </tr> <tr> <td>ii.</td> <td>Reserve Fund</td> <td style="text-align: right;">56,774,000</td> </tr> <tr> <td>iii.</td> <td>Retained Profit *</td> <td style="text-align: right;">(1,598,139,139)</td> </tr> <tr> <td>iv.</td> <td>Qualifying Additional Tier I capital instruments</td> <td style="text-align: right;">1,500,000,000</td> </tr> <tr> <td colspan="2">Capital base for the purpose of minimum capital requirement</td> <td style="text-align: right;">11,853,056,302</td> </tr> </tbody> </table>			LKR	i.	Stated Capital	11,894,421,441	ii.	Reserve Fund	56,774,000	iii.	Retained Profit *	(1,598,139,139)	iv.	Qualifying Additional Tier I capital instruments	1,500,000,000	Capital base for the purpose of minimum capital requirement		11,853,056,302
		LKR																	
i.	Stated Capital	11,894,421,441																	
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iii.	Retained Profit *	(1,598,139,139)																	
iv.	Qualifying Additional Tier I capital instruments	1,500,000,000																	
Capital base for the purpose of minimum capital requirement		11,853,056,302																	

* As of 31 August 2023, the retained profit/(loss) improved to LKR (1,233,033,061). This improvement is attributable to the addition of profit after tax of LKR 365,105,589 earned during the eight month period ended 31 August 2023. These changes have not been reflected in the aforementioned computation of capital base, since inclusion of net profit earned during the period in the minimum capital computation is permitted only with a certification from the External Auditors.

The objective of the IPO does not amount to a Major Transaction in terms of Section 185 of the Companies Act No. 07 of 2007.

5.6.1. UTILIZATION OF THE PROCEED OF THE PROPOSED INITIAL PUBLIC OFFERING

Details of the utilization of proceeds	Amount (LKR)
i. To utilize for lending purposes	500,000,000
Total	500,000,000

The average monthly loan portfolio disbursements made by CBL for the last three months from July to September 2023 amounts to LKR 742 Mn.

The sum of LKR 500,000,000 referred to in item (i) above will be utilized for its lending business. It is expected that the proceeds raised will be utilized within three months. If the entirety of IPO proceeds is not utilized in this period for lending purposes, such funds will be invested in other instruments such as treasuries and similar investments generating return equivalent to the prevailing overnight REPO rate until such time they are used for lending.

The proposed objectives, once implemented, would extend an opportunity for the shareholders of the Bank to be part of the growth of CBL and benefit from equity returns in the future through improvement in the expected profitability of the Bank.

The Bank, as at the date of this Prospectus, has not recognized related parties for the lending of the proceeds from the fundraising and as such, the Bank will disburse the proceeds to non-related borrowers in the ordinary course of business. In the event the Bank decides to disburse part of the proceeds of this issue to any related party, such disbursements would be carried out in compliance with Section 9 of the CSE Listing Rules and the respective CBSL guidelines. Requisite clearance from the Related Party Transactions Review Committee will be obtained before executing such transactions.

5.7. SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE

5.7.1. RISK OF NOT BEING ABLE TO MEET THE MINIMUM CAPITAL REQUIREMENT

Meeting the minimum capital target of LKR 20 Bn by 31 December 2025, stands as a pivotal objective for the Bank. A shortfall in achieving this milestone could expose the Bank to regulatory measures by the Central Bank of Sri Lanka as per the powers vested with CBSL in the Banking Act.

Until the Bank meets the minimum capital requirement of LKR 20 Bn, CBL has been directed by CBSL to maintain its Total Tier 1 Capital Ratio 250 basis points above the minimum requirement of 8.5%. As at 30 June 2023, Total Tier 1 Capital ratio of the Bank stood at 21.33%, well above the regulatory requirement.

This IPO represents Phase 1 of the Bank's comprehensive capital augmentation plan aimed at achieving the aforementioned target. The Bank is committed to raise the remaining required capital and meet its obligations to CBSL. The confidence in achieving this obligation is bolstered by Sri Lanka's trajectory of recovery from a severe economic crisis¹, indicating a more conducive environment for raising capital in the future.

5.7.2. RISK OF NOT BEING ABLE TO LIST THE BANK ON THE CSE WITHIN THE STIPULATED TIMELINE

A critical obligation for the Bank involves listing of its shares on the Colombo Stock Exchange by 31 December 2023. Failure to achieve this milestone would result in the Bank being non-compliant with CBSL's minimum capital requirement with effect from that date. In such a situation, CBSL has directed the Bank to comply with the minimum capital requirement of LKR 20 Bn by 31 December 2024.

¹ Source <https://www.ft.lk/front-page/Sri-Lanka-can-be-on-path-to-recovery-by-2024-IMF-official/44-747979> (accessed on 30 October 2023)

Furthermore, CBSL has informed the Bank that approval for new branches and agency banking locations would be considered once the Bank has complied with the requirement to list on the CSE.

CBL has kept CBSL updated on the progress of the listing and does not foresee any deviations from the timeline to list its share in the Colombo Stock Exchange. In the event a deviation is foreseen, CBL will take appropriate measures to inform CBSL accordingly.

5.7.3. RISK OF NOT BEING ABLE TO INVEST THE FUNDS RAISED IN THE STIPULATED OBJECTIVE

CBL does not intend to deviate from the objective mentioned above when utilizing the proceeds raised through the Issue. However, if CBL cannot proceed with the said objective due to reasons not attributable to the Bank, the Bank will evaluate the next best alternative for investing such funds without undue delay. It will then make a market announcement and obtain the necessary approvals from relevant parties, including shareholders, before utilizing such funds in the intended course of action.

Should the proceeds raised via the Issue be used for any purpose other than the one stated above, or if there is any deviation from the stipulated timeframe or allocated amount for the objective, the Company will make an immediate market disclosure through the CSE. Such disclosures will also be included in the Interim Financial Statements and the Annual Report as appropriate. Moreover, the Company will take steps to obtain any necessary approvals from relevant parties, including shareholders, at that point and provide further necessary disclosures.

Potential impacts on the Bank's business operations and future plans, including the objectives of the IPO due to the current economic situation in Sri Lanka, are detailed further in Sections 11 of this Prospectus.

The Company will disclose information about the utilization of proceeds from the Issue in the Annual Report and Interim Financial Statements. This will continue from the date in which share has been allotted to the prospective IPO shareholders until the objective is met and the funds are fully utilized, following the template referred to below:

Table 5-6 Continuous Disclosure on Utilization of Proceeds of the Issue

Objective No.	Objective as per Prospectus	Amount Allocated as per Prospectus (LKR)	Proposed Date of Utilisation as per Prospectus	Amount Allocated upon the receipt of Proceeds (LKR) (A)	As a % of Total Proceeds	Amount Utilised in the Objective (LKR) (B)	% of Utilisation against Allocation (B/A)	Clarification if not Fully Utilised including where the funds are invested (e.g., whether lent to related party/s, etc)

In the event the proceeds raised through the Issue have been fully utilised by the Bank for any objective as disclosed in the Prospectus between two financial periods, the Bank would disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first, subsequent to the utilisation in its entirety as per the above template.

5.8. LISTING AND COMPLIANCE WITH THE SEC ACT AND LISTING RULES

The Issue contemplated herein constitutes an issue of Sixty-Two Million Five Hundred Thousand (62,500,000) new Ordinary Voting Shares at the Share Issue Price of LKR 8/- per Share to raise a total sum of up to Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-).

If the total issue is fully subscribed, the new shares will amount to 6.61% of the ordinary shares of the Company subsequent to the IPO.

An application has been made and approved in principle by the CSE for a listing of 945,642,858 ordinary voting shares being the entirety of the issued shares of the Company subsequent to the IPO.

However, the CSE has reserved the right to withdraw such approval, in the circumstances set out in Rule 2.3(b) of the Listing Rules of the CSE.

Furthermore, CBL has obtained the requisite approval from CSE for the public offer of the new shares. The Company will lodge a copy of the Prospectus with the SEC in terms of section 82 of the SEC Act.

CBL has already complied with Rule 2.1.2 (A) (i) (a), (b) and (d) of the CSE Listing Rules for a Main Board listing.

It is expected that the Company will meet the minimum number of public shareholders requirement set out in Rule 2.1.2 (A) (i) (c) via the IPO pursuant to which the listing of the entire ordinary shares of the Company will take place on the Main Board of the CSE.

However, in the event that CBL is unable to meet the requirements of Rule 2.1.2 (A) (i) (c) of the CSE Listing Rules as mentioned above, upon closure of the Issue, the Company would alternatively opt for a listing on the Diri Savi Board of the CSE, since CBL is in compliance with the minimum public shareholders requirement set out in Rule 2.1.2 (A) (ii) (c) of the CSE Listing Rules.

It should be noted that the aforesaid public holding requirements would be calculated by considering all shares that are freely tradable on the date of listing. The details of shares subject to lock-in are mentioned in Section 9.5 of the Prospectus.

5.9. OPENING AND CLOSING OF THE SUBSCRIPTION LIST

The subscription list for the New Shares will open at 9.00 a.m. on 14 December 2023 and shall, subject to the occurrence of the events in the following paragraph, remain open for fourteen (14) Market Days (including the date of opening) until closure at 4.30 p.m. 05 January 2024.

However, in the event of an oversubscription, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE. Accordingly, the Earliest Issue Closing Date shall be the Issue Opening Date (i.e. 14 December 2023).

The Board of CBL reserves the right to close the subscription list on any Market Day within the period of fourteen (14) Market Days, irrespective of whether the Issue is oversubscribed or not, by providing one (01) Market Day's prior notice to the CSE.

Applications may be made forthwith in the manner set out in Section 6 of this Prospectus.

5.10. COST OF THE ISSUE

The total costs associated with the Issue are estimated to be approximately LKR 31,682,021 translating to c. 6.34% of the Issue value. These include all direct costs and expenses associated with the Issue, inclusive of but not limited to the initial listing fees to the CSE, management/advisory fees payable to the Joint Managers to the Issue, brokerage commission, fees for the registrar function, fees for bankers, legal, consultancy and accountancy fees, advertising and promotional costs and printing costs. The costs borne by CBL will be recovered from the internally generated funds of the Company.

5.11. BROKERAGE

Brokerage at the rate of zero decimal five per centum (0.5%) of the value of new shares will be paid in respect of the number of new shares allotted on Applications delivered physically bearing the original seal of Bankers to the Issue, a Trading Participants of the CSE or Managers to the Issue involved in the marketing of the Issue.

5.12. MINIMUM SUBSCRIPTION AND UNDERWRITING

The Issue is not conditional upon any minimum subscription amount being raised through this IPO. The Company has not entered into any underwriting arrangement with regard to the Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted the new shares they have applied for in full, and the funds raised shall be utilized to meet the objective of the issue set out in Section 5.6 herein.

5.13. INSPECTION OF DOCUMENTS

Articles of Association, Auditors' Report and Audited Financial Statements for the financial year ended 31 December 2022, Accountants Report and Summary Financial Statements for the five (5) financial years immediately preceding the date of this Prospectus, Interim Financial Statements for the Eight (8) month period ended 31 August 2023, material contracts and Management Agreements (if any), and the Research Report prepared by NDBIB would be made available for inspection by the public during normal working hours at the registered office of the Company, at No. 696, Galle Road, Colombo 03 from the date hereof, until the subscription list is closed or up to 14 market days, whichever is later as per Rule 3.1.19 (a) of the CSE Listing Rules.

The Prospectus, Application Form and Articles of Association of the Company will be available on the website of the CSE, www.cse.lk, on the website of the Company and, on the website of the Managers to the Issue www.ndbib.com and www.ctclsa.lk, from the date hereof for a period of not less than fourteen (14) Market Days as stipulated in Rule 3.1.19 (b) of the CSE Listing Rules.

The research report justifying the Share Issue Price will be available on the website of the CSE, www.cse.lk, on the Company website, www.cargillsbank.com/ipo, and on the website of the Joint Managers to the Issue www.ndbib.com and www.ctclsa.lk, from the date hereof, for a period of not less than two (2) months as stipulated in Rule 3.1.19 (c) of the CSE Listing Rules.

6. PROCEDURE FOR APPLICATION

6.1. ELIGIBLE APPLICANTS

Applications are invited from the following categories of investors, **having a valid CDS account in the CDS:**

- i. Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age; or
- ii. Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; or
- iii. Companies, corporations or institutions incorporated or established within Sri Lanka; or
- iv. Corporate bodies incorporated or established outside Sri Lanka; or
- v. Approved unit trusts licensed by the SEC; or
- vi. Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka (in this case, Applications should be in the name of the Trustee/Board of Management); or
- vii. Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- viii. Global, regional and country funds approved by the SEC.

Applications made by **individuals less than 18 years of age** or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.**

Applications submitted by investors mentioned in (ii), (iv), (vii) and (viii) should be in accordance with the provisions of Foreign Exchange Act No.12 of 2017 and any regulations and/or directions issued thereunder.

Applications submitted under the Unit Trust Investor Category should conform to the criteria defined by the SEC Directive dated 6 June 2011 (Ref: SEC/LEG/11/06/01).

Eligible Applicants may fall into one of the following categories.

- i. Retail Individual Investor Category
- ii. Unit Trust Investor Category
- iii. Non-Retail Investor Category

Please refer “Glossary of Terms Related to the Issue” for the definitions of the aforementioned categories.

6.2. THE PROCEDURE FOR APPLICATION

6.2.1. HOW TO APPLY

Availability of Prospectus and Application Form

Applicants applying for new shares should submit their Applications in the manner set out below as applicable to you.

i. Via Physical Delivery

The Prospectus and Application Form will be made available free of charge from the collection points listed in Annexure B. The Prospectus and the Application Form can also be downloaded from **www.cse.lk** , **<https://www.cargillsbank.com/ipo/>**, on the websites of the Managers to

the Issue www.ctcls.lk and www.ndbib.com. **Please refer Section 6.2.8 for submission of Application Forms.** Investors must download the Application Form, print and submit same together with relevant supporting documents via physical delivery.

Applicants must apply for the New Shares through the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrars to the Issue.

ii. Via CSE Mobile App

Applicants who register with the CSE Mobile App should follow the instructions set out in the said Mobile App and submit their Application as per the instructions. Submission of digital Application Forms through such CSE Mobile App is limited to both citizens of Sri Lanka who are resident in or outside Sri Lanka and are above 18 years of age and, foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas) only.

The Mobile App, currently, does not facilitate Applications made through Powers of Attorney (POA), Margin Trading, Joint Applicants and the categories referred to in Section 6.1 subsections iii, iv, v, vi and viii to apply. Therefore, such Applicants may send their Applications physically as disclosed above.

iii. CDS Web Portal

The Applicant can use the online Application Web Portal accessible via <https://ipo.cse.lk/> or www.cds.lk or <https://www.linkedin.com/company/cds-srilanka>. Only resident and non-resident individual Applicants who have a valid CDS account at the time of application can apply via the CDS Web Portal.

This option is not permitted for Applicants applying via POA, Margin Trading, Joint Applicants, foreign citizens, corporate bodies and Unit Trusts.

The Applicant must comply with the instructions stated on the Web Portal when submitting the online Application.

Any Application submitted without a valid CDS account will be rejected.

Users must first register for the Web Portal and read the instructions given on the Web Portal carefully and click on “Apply Now” option. Users will be directed to a page to self-register and create a login by validating their mobile number and email address. Once the user logs-in to the Web Portal the Application can be completed and submitted via the CDS Web Portal.

iv. CDS eConnect

Institutional users (CDS Account types of Local Customer & Foreign Customer) who are registered to the CDS eConnect facility are allowed to apply for the IPO through their registered CDS eConnect.

Registered eConnect Institutional users (Applicant categories iii, iv, v, vi, viii mentioned in Section 6.1 Eligible Applicants), have an option for “eIPOs” within their eConnect facility, through which they are enabled to select the relevant IPO and apply.

APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR UNDER DIFFERENT CATEGORIES WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.

Retail Individual and Non-Retail Investor Category

Applicants falling under the **Retail Individual and Non-Retail Investor Categories** should apply for the Shares through the **WHITE coloured** Application Form printed for this purpose, which constitutes part of this Prospectus (please refer Section 6.2.1 above for methods of obtaining the Prospectus and Application Form).

Exact size copies of the Application Form will also be permissible under the Retail Individual and Non-Retail Investor Categories. The completed Application Forms should be submitted to the Registrars to the Issue in accordance with Section 6.2.8 of the Prospectus.

Local and Foreign individual Investor/s who apply for a maximum of Twelve Thousand and Five Hundred (12,500) new shares value of not more than Rupees Hundred Thousand (LKR 100,000) will be categorized as Retail Individual Investors for share allotment purposes.

All foreign Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number (as applicable) is stated in the relevant cages of the Application Form.

Unit Trust Investor Category

Applicants applying under the **Unit Trust Investor Category** must apply for the Shares using the separate **YELLOW coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available through the Joint Managers and Financial Advisors to the Offer, CT CLSA Capital (Private) Limited, No. 4-15, Majestic City, 10, Station Road, Colombo 04 and NDB Investment Bank Limited, Level 1, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04.

The completed Application Forms should be submitted to the **Joint Managers and Financial Advisors to the Offer** who will forward the same to the Registrars to the Offer in accordance with Section 6.2.8

Only one Application should be made by an Applicant under the **Unit Trust Category**.

Applications submitted under the Unit Trust Investor Category should submit a confirmation by the trustee that such Unit Trust is in conformity with the criteria defined by the SEC Directive dated 06 June 2011 (Ref: SEC/LEG/11/06/01).

Joint Applications

An Applicant of a Joint Application, applying through another Application Form, is deemed to have made multiple Applications and will be rejected.

An Applicant who has made an Application under a margin trading account should not apply individually or jointly on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Subject to the above, the Company/Managers/Registrars to the Issue reserve the right to reject multiple Applications and suspected multiple Applications which are not allowed or to accept only one Application Form at their discretion.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation or reason.

Please note that Applicant information such as full name, address, NIC number/Passport Number and residency will be downloaded from the database of CDS, based on the CDS account number indicated

in the Application Form. Such information shall take precedence over the information provided in the Application Form.

The CDS account number stated on the application you submit should be registered under your name. Kindly contact your stockbroker if you are in doubt about the CDS account number. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

All Applicants (both resident and foreign) should indicate their respective NIC number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their Passport Number in the Application Form only if they do not have an NIC Number.

As per the Directive of the SEC made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the CDS dated 30 November 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares will be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application which does not carry a valid CDS account number or indicates a CDS account number which is not opened at the time of Issue Closing Date or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any Trading participants of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the CSE Mobile App. The CSE mobile application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

PLEASE NOTE THAT AN ALLOTMENT OF NEW SHARES WILL ONLY BE MADE IF YOU HAVE A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Applicants have the option of having their shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the shares need to be deposited to his/her 'locked' balance in the CDS account, the said shares would be deposited to Applicant's 'trading' balance in the CDS account.

Operation of a 'locked' balance in the CDS

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS provides a mechanism where securities can be 'locked' in the CDS account.

The CDS maintains two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done normally.

As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from any unauthorized sale by a broker.

At the request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

6.2.2. NUMBER OF SHARES APPLIED

Application should be made for a minimum of Five Hundred (500) Shares for a value of Sri Lanka Rupees Four Thousand (LKR 4,000/-) and in multiples of One Hundred (100) Shares thereafter. The maximum number of Shares that can be applied through one Application under the IPO would be limited to Sixty Two Million Five Hundred Thousand (62,500,000) Shares, i.e. the total number of Shares issued under the IPO. Any Applications for over and above Sixty Two Million Five Hundred Thousand (62,500,000) Shares would be either capped at the maximum of Sixty Two Million Five Hundred Thousand (62,500,000) Shares or rejected at the outset at the discretion of the Board of Directors.

Applications made for less than Five Hundred (500) Shares or for a number which is not in multiples of One Hundred (100) Shares thereafter, will be rejected and the accompanying cheques, bank drafts or bank guarantees will not be sent for clearing but will be returned via ordinary post at the risk of the Applicant, or in the case of Joint Applicants, the first named Applicant. **The cheque or bank draft or bank guarantee or RTGS/CEFT/SLIPS transfer or payment via the payment gateway provided through the CDS Web Portal/CSE Mobile App should be issued/carried out to the exact the number of New Shares applied for multiplied by the Share Issue Price.** Any Application not conforming to the above requirement will be rejected and the Application monies will be returned as aforementioned.

Please refer Section 6.3 for details with respect to the Mode of Remittance.

6.2.3. IDENTIFICATION INFORMATION

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.

The NIC, Passport, or Company Registration Number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the Passport for purposes of identification only if they do not have a NIC Number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

Table 6-1 Investor Identification Required

Citizenship/Legal Form	Identification Information			
	NIC Number	Passport Number	Company Registration Number	Common Seal or Rubber Stamp
Sri Lanka Citizens	X			
Sri Lanka Citizens with no NIC Number*		X		
Foreign Citizens**		X		
Corporate Entities***			X	X

* In the case of Sri Lankan citizens, the Passport Number will be accepted only when the NIC Number is not available. The CDS account must be for the same Passport Number.

** Foreign citizens must state the Passport Number in the space provided in the Application Form.

*** In case of a corporate entity, the Company Registration Number must be provided. The common seal or rubber stamp should be affixed, and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.

A valid CDS account number must be stated in the Application Form. All foreign Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number is stated in the relevant cages of the Application Form. All information about the Applicant (i.e., name, address, nationality and NIC or Passport Number) will be downloaded from the database of the CDS, based on the number given in the Application Form. In the event of any discrepancy between the information in the CDS and in the Application Form, the information in the CDS shall take precedence.

If the CDS account number is not indicated in the Application Form, or the number indicated in the Application Form is found to be inaccurate/incorrect, or the account number indicated is not opened at the Issue Closing Date, such Application will be rejected, and no allotments of Shares will be made.

6.2.4. KEY RESPONSIBILITY OF A FOREIGN INVESTOR

Foreign Investors may be affected by the laws of the jurisdiction of their residence. If Foreign Investors wish to apply for the New Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

6.2.5. MARGIN TRADING

Applicants who wish to apply through their margin trading account should submit the Applications in the name of the 'margin provider/Applicant's name' signed by the margin provider.

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The New Shares shall be uploaded to the CDS account indicated in the Application Form.

The NIC, Passport, or Company Registration Number of the Applicant as the case may be, must be stated in the Application Form.

Resident Applicants may use the Passport for purposes of identification, only if they do not have a NIC Number.

A photocopy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Details regarding multiple Applications are available under Section 6.2.1.

Please note that the CSE Mobile App and CDS Web Portal do not facilitate an Application by Applicants through a margin trading facility.

6.2.6. APPLICATIONS MADE UNDER POWER OF ATTORNEY

In the case of Applications made under POA, a copy of the said POA, **certified by a notary public** to be a true copy of the original, should be submitted to the Registrars to the Issue along with the Application Form. **The original POA should not be attached.**

Please note that the CSE Mobile App and CDS Web Portal do not facilitate an Application by a POA.

6.2.7. JOINT APPLICATIONS

If the ownership is desired in the name of one applicant, such applicant should make the application for an **individual CDS account**. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.

Joint Application Forms are permitted only for natural persons not exceeding three (3) Applicants. Joint Applicants should note that there should not be a combination of residents of Sri Lanka and non-residents. An Applicant of a Joint Application shall not apply through a separate Application Form either individually or jointly.

Please note that the CSE Mobile App, CDS Web Portal and CDS eConnect do not facilitate an Application by Joint Applicants.

6.2.8. SUBMISSION OF APPLICATIONS

a) Applicants Applying via CSE Mobile App or CDS Web Portal

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance/proof of remittance as applicable (Payment Gateway or CEFT or SLIPS or RTGS) for the full amount payable on Application Form shall be forwarded online as referred to Section 6.2.1.

b) Applicants Applying via Physical Delivery

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance/proof of remittance as applicable (cheque or bank draft or bank guarantee or RTGS transfers (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred million (LKR 100,000,000/-), for the full amount payable on Application Form may be forwarded by way of delivery (by hand or post) enclosed in a sealed envelope marked '**Cargills Bank Limited – IPO**' on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the Registrars to the Issue at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

S S P Corporate Services (Private) Limited

101, Inner Flower Road,
Colombo 03

Applications may also be handed over to the Bank and designated branches of the Bank, Managers to the Issue, Bankers to the Issue and its designated branches and, Trading Participants of the CSE, as set out in Annexure B **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

In the case of Applications dispatched by post, such Applications should reach the Registrars to the Issue **not later than 4.30 p.m. Local Time on the Market Day immediately following the Issue Closing Date.**

Any Applications received after the above deadlines shall be rejected even if the courier or post mark is dated prior to the Issue Closing Date.

6.3. PAYMENT OF APPLICATION MONIES

6.3.1. CHEQUES OR BANK DRAFTS – RESIDENT SRI LANKAN INVESTORS

Cheque or Bank Drafts payments as a mode of payment are only applicable for Applicants Applying **via Physical Delivery**

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed '**Account Payee Only**' and made payable to "**CARGILLS BANK LIMITED IPO PHYSICAL**".

Cheques or bank drafts accompanying Application Forms made for less than Five Hundred (500) Shares, i.e. for a value less than Sri Lanka Rupees Four Thousand (LKR 4,000/-) and in multiples of One Hundred (100) Shares thereafter (as mentioned in Section 6.2.2) will not be sent for clearing and shall be returned via ordinary post at the risk of the Applicant or, in the case of joint Applicants, to the first named Applicant.

In the event that cheques are not realized within Two (2) Market Days from the date of presenting the same to the bank for clearing, the Directors reserve the right to reject the Applications and return the Application cheques. No allocation of New Shares will be made to such Applicants.

Cheques must be honoured on the first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honoured on first presentation will be rejected.

6.3.2. BANK GUARANTEES – RESIDENT SRI LANKAN INVESTORS

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 6.3.6 will be accepted.

Bank guarantees will be presented to the respective banks only after the New Shares have been allotted by the Bank or the registrar to the issue.

Bank Guarantees as a mode of payment are only applicable for Applicants Applying **via Physical Delivery**

Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of "**CARGILLS BANK LIMITED IPO PHYSICAL**" in a manner acceptable to the Company and payable on demand.

Please note that the original bank guarantee should be lodged with the Registrars to the Issue together along with the Application Form prior to 4.30 p.m. local time on the Issue Closing Date, in order to claim funds in respect of such Applications made via bank guarantees.

Bank guarantees should be valid for a minimum of One (1) month from the Issue Opening Date (i.e. 14 December 2023).

Applicants are advised to ensure that sufficient funds/facilities are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue.

It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

6.3.3. CEFT/SLIPS TRANSFERS - RESIDENT SRI LANKAN INVESTORS

In case of CEFT/SLIPS transfers (only for Application made via the CSE Mobile App and CDS Web portal) such transfers should be made to the credit of **“CARGILLS BANK LIMITED IPO ONLINE”** bearing the account number 111000111151 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900), on the Issue Opening Date (i.e., the funds to be made available to the above account).

Applicants are required to indicate their CDS account number or NIC Number as payment reference for CEFT/SLIPS transfers. Any Applications accompanying fund transfers confirmations without the payment reference as aforementioned will be rejected.

The Applicants should obtain a confirmation from the Applicant’s bank to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of **“CARGILLS BANK LIMITED IPO ONLINE”** and the fund transfer confirmation should be submitted with the Application Form.

IMPORTANT - When CEFT, SLIPS transfers are made, ensure to enter the CDS account number of the Applicant in the ‘Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment’ field to identify the payments. If the payment cannot be identified Application may get rejected.

6.3.4. RTGS TRANSFERS -RESIDENT SRI LANKAN INVESTORS

In case of RTGS transfers, such transfers should be made to the credit of the following accounts for applications submitted via;

1. **Physical applications** (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred million (LKR 100,000,000/-)) should be made to the credit of **“CARGILLS BANK LIMITED IPO PHYSICAL”** bearing the account number 111000111143 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900)
2. **CSE Mobile App or CDS Web Portal** (only for Application valued above and inclusive of Sri Lanka Rupees Five million (LKR 5,000,000/-)) should be made to the credit of **“CARGILLS BANK LIMITED IPO ONLINE”** bearing the account number 111000111151 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900)

on the Issue Opening Date (i.e., the funds to be made available to the above account).

Applicants are required to indicate their CDS account number or NIC Number as payment reference for RTGS transfers. Any Applications accompanying fund transfers confirmations without the payment reference as aforementioned will be rejected.

The Applicants should obtain a confirmation from the Applicant’s bank to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of **“CARGILLS BANK LIMITED IPO PHYSICAL”** for physical application and **“CARGILLS BANK LIMITED IPO ONLINE”** for application submitted CSE Mobile App or CDS Web Portal. The fund transfer confirmation should be submitted with the Application Form.

IMPORTANT - When RTGS transfers are made, ensure to enter the CDS account number of the Applicant in the 'Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment' field to identify the payments. If the payment cannot be identified Application may get rejected.

6.3.5. PAYMENT OPTIONS FOR CSE MOBILE APP OR CDS WEB PORTAL APPLICANTS

CSE Mobile App and CDS Web Portal is now integrated with the Helapay Payment App.

Only the LOCAL INDIVIDUAL applicants, with applied share values less or equal to LKR 49,900 will be able to use the Helapay app after completing the applications on the said eIPO platform. If the applicant has already made a payment to the IPO account prior to starting the application process, such applicants should not select the 'Helapay' option.

Customer charges of LKR 100.00 charged by 'Helapay' will apply for such payment and to be borne by the applicants.

Please note that the applicants who wish to use the integrated Helapay Payment App platform through the CSE Mobile App or CDS Web portal should have the 'Helakuru' Mobile App installed in their mobile devices.

Alternatively, Individual applicants who wish to use the payment modes of SLIPS, CEFTS, RTGS transfers must ensure to initiate such transfers prior to making the application using the CSE Mobile App, in order to attach the proof of payment which is a mandatory requirement in submitting their applications via CSE Mobile App.

6.3.6. AMOUNT PAYABLE AND OTHER PAYMENT CONDITIONS

The amount payable should be calculated by multiplying the number of New Shares applied for under a particular category by the Share Issue Price of Sri Lanka Rupees Eight (LKR 8/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or amount deposited to IPO account via RTGS/CEFT/SLIPS transfer such Applications will be rejected.

CEFT/SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (5,000,000/-) imposed by the CBSL.

Payments for Applications via the payment gateway available on CSE Mobile App and CDS Web Portal is subject to a maximum value limit of Sri Lanka Rupees Fifty Thousand (LKR 50,000/-). i.e. Maximum Application value of LKR 49,000/- and convenience fee of LKR 100/-.

In the case of cheques, bank drafts, RTGS/CEFT/SLIPS transfer and bank guarantees, Application Forms should be accompanied by only one cheque or bank draft or RTGS/CEFT/SLIPS transfer (single transfer) or bank guarantee and should be issued for the full amount indicated in the Application Form. Any Application for New Shares of accompanied by two or more cheques or bank drafts or RTGS/CEFT/SLIPS transfers or bank guarantees will be rejected at the outset.

Payments for Applications for values above and inclusive of Sri Lankan Rupees One Hundred million (LKR 100,000,000/-) will be permitted to submit multiple Bank guarantees issued by Licensed Commercial Banks in Sri Lanka, multiple bank drafts/cheques drawn upon any Licensed Commercial Bank operating in Sri Lanka, or a single RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, each of which should be for values on the date of opening of the Offer.

Cash will not be accepted. Anyone wishing to pay cash should obtain a bank draft from a Licensed Commercial Bank in Sri Lanka.

6.3.7. FOREIGN CURRENCY REMITTANCES

This section is applicable to:

- Citizens of Sri Lanka who are above 18 years of age and resident overseas.
- Corporate bodies incorporated or established outside Sri Lanka.
- Regional or country funds approved by the SEC.
- Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

A foreign investor may invest through an IIA (previously known as a Securities Investment Account/SIA) maintained with any Licensed Commercial Bank in Sri Lanka. The procedure for arranging payments through an IIA are presented below:

- A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market.
- The intermediary may open an IIA, on the investor's behalf.
- In conjunction with the IIA, an account with the CDS must be opened in case the investor does not already possess a valid CDS account.
- In respect of regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.

- **Applicants Applying via CSE Mobile App, CDS Web Portal or CDS eConnect**

- o Payment for New Shares should be made through a RTGS/CEFT/SLIPS transfer against the funds arranged through the IIA and made payable to **"CARGILLS BANK LIMITED IPO ONLINE"** bearing the account number 111000111151 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900) prior to 4.30 p.m. local time on the Issue Closing Date. Kindly note that the foreign individual Applicants are **NOT** eligible to use the payment gateway option. Therefore, they must ensure to initiate the transfers prior to making the Application using an accepted mode of payment.

IMPORTANT - When CEFT, RTGS or SLIPS transfers are made, please ensure to enter the CDS account number of the Applicant in the 'Beneficiary Narration/Beneficiary Remark/Reference / Remark / Comment' field to identify the payments. If the payment cannot be identified Application may get rejected.

- **Applicants Applying via Physical Delivery**

- o Payment for New Shares should be made through a cheque or bank draft, or bank guarantee issued by a Licensed Commercial Bank in Sri Lanka or through a RTGS (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred million (LKR 100,000,000/-) against the funds arranged through the IIA and made payable to **"CARGILLS BANK LIMITED IPO PHYSICAL"** bearing the account number 111000111143 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900) prior to 4.30 p.m. local time on the Issue Closing Date.

Cheques or bank drafts or bank guarantees or RTGS (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred million (LKR 100,000,000/-)) transfers should be endorsed by the issuing custodian bank to the effect that arrangements have been made to facilitate such payment to be made against funds available in the individual's IIA. The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application.

Any refund payments to Foreign Investors are made in terms of Section 6.7 of this Prospectus.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Head of the Department of Foreign Exchange of the CBSL.

6.3.8. RESTRICTIONS APPLICABLE TO FOREIGN CITIZENS RESIDENT IN SRI LANKA

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee Accounts, only if they possess dual citizenship where one such citizenship is Sri Lankan. **Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form. In case of an online Application, the certified copy of the citizenship certificate should be uploaded under the relevant field.**

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts, or bank guarantees or RTGS/CEFT/SLIPS transfers drawn upon Sri Lanka Rupee accounts maintained with any Licensed Commercial Bank in Sri Lanka or payment gateway in the CDS Web Portal but may do so via an IIA account as detailed in Section 6.3.7 above. **Applications made by foreign citizens not in accordance with the foregoing shall be rejected.**

6.4. REJECTION OF APPLICATIONS

- i. Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company.
- ii. Any Application Form which does not provide the NIC, Passport (where NIC is not available) or Company Registration Number as the case may be, will be rejected.
- iii. Any Application Forms accompanying fund transfers confirmations without the requisite payment references will be rejected.
- iv. Applications delivered by hand or by courier after 4.30 p.m. Local Time on the Issue Closing Date will be rejected. Applications received by post after 4.30 p.m. Local Time on the succeeding Market Day immediately following the Issue Closing Date will also be rejected even if they carry a postmark date earlier than the Issue Closing Date.
- v. Applications made for less than Five Hundred (500) New Shares or for a number which is not in multiples of One Hundred (100) New Shares thereafter, will be rejected.
- vi. An Application which does not carry a CDS account number or indicates a number of a CDS account which is not opened at the time of Issue Closing Date or which indicates an inaccurate/incorrect CDS account number shall be rejected and no allotment of New Shares will be made.
- vii. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.
- viii. Applicants should apply only through one investor category and would be permitted to submit only one Application Form. Two or more Applications submitted by the same Applicant either under the same category or under different categories will be construed as multiple Applications and will be rejected.
- ix. The Company reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, as mentioned in Section 6.2.1.
- x. Payment for Applications of New Shares accompanying two or more cheques and bank drafts or bank guarantees or RTGS/CEFT/SLIPS transfers as mentioned in Section 6.3.6 will be rejected at the outset in the event the value of such Application is below Sri Lankan Rupees One Hundred million (100,000,000/-)

- xi. Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.
- xii. Physical applications accompanying payments made via RTGS in the event the value of such Application is below Sri Lankan Rupees One Hundred million (100,000,000/-) or by way of CEFT or SLIPS will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation and reason.

6.5. BANKING OF PAYMENTS

All cheques and bank drafts received in respect of Applications will not be banked until the Market Day following the Issue Closing Date in terms of the CSE Listing Rules.

6.6. BASIS OF ALLOTMENT

The basis of allotment of shares be as per the manner prescribed in the CSE Listing Rule 2.1.1 (g) (I) (ii), since the size of the offering is less than LKR 3 billion. The basis of allotment will be as follows:

Table 6-2 Basis of Allotment of New Shares to Various Categories of Applicants

Investor Category	Percentage of Issue (%)
Unit Trusts Investors*	10%
Retail Individual Investors	40%
Non-Retail Investors	50%
Total	100%

* Unit Trust Investors should be growth or balanced unit trusts operated by managing companies licensed by the SEC, where such unit trusts comprise of not less than 500 unit holders resident in Sri Lanka who together hold at least 50% of that fund as per the SEC Directive dated March 10, 2011 (Ref: SEC/LEG/11/06/01).

Applications submitted under the Unit Trust Investor Category should be accompanied by a confirmation by the trustee that such unit trust is in conformity with the criteria defined by the SEC Directive dated 06 June 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rules, 2.1.1(g)(ii)(b).

Local and Foreign Investor/s who apply for shares of value not more than LKR 100,000/- will be deemed as Retail Individual Investors for share allotment purposes.

Investors who do not fall under the Retail Individual Investor Category and Unit Trusts Investor Category stated above will be deemed as Non-Retail investors for share allotment purposes.

In determining the basis of allotment within the Retail Individual Investor Category, investors who subscribe for a smaller number of shares shall be given priority.

The investor categories have been selected to ensure the broadest possible spread of shareholders while treating all Applicants in a fair manner as may be decided by the Board at its discretion.

In the event of an undersubscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Non-Retail Investor Category, Retail Individual Investor Category will be given first priority followed by Unit Trust Investor Category in the allotment of the undersubscribed New Shares.

In the event of an oversubscription in any one or more of the categories mentioned above, the basis of allotment will be decided by the Board of Directors in a fair and equitable manner.

The Board of Directors will endeavour to decide and announce to the CSE the basis of allotment as soon as practicable so as to ensure compliance with the Listing Rules. Upon the allotment being decided, an announcement will be made to the CSE.

The successful Applicants will be informed of their allotment within 10 Market Days from the Issue Closing Date.

6.7. REFUNDING/RETURNING OF FUNDS ON PARTIALLY ACCEPTED/ REJECTED APPLICATIONS

Where an Application is accepted only in part or rejected in its entirety, the balance/entirety of the monies received on an Application as the case may be, will be refunded. Such refunds will be made on or before the expiry of Eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. As required by Rule 2.4(I) of the CSE Listing Rules, Applicants would be entitled to receive interest at the rate of last quoted AWPLR published during the immediately preceding week by the CBSL or any other authority (in the event the CBSL ceases to publish the AWPLR) plus five percent (5%) for the delayed period on any refunds not made by the expiry of the aforementioned period.

It is the responsibility of Foreign Investors to ensure that their IIA details are accurately provided under 'Refund Payment Instructions' on the Application Form to forward the refund to the IIA through which the Application was made.

With regard to applications which have been fully rejected due to any of the reasons specified in this Section 6, neither the Company nor the Registrars to the Issue nor CDS shall be liable for any delay on the refund of monies to the Applicant if the Applicant has paid the Application monies through RTGS/CEFT/SLIPS and has not indicated his NIC Number or the CDS account number as the payment reference.

Refund via Sri Lanka Inter-bank Payment Systems (SLIPS)

The refund payment will be made to the bank account specified by the Applicant through the SLIPS on or before the expiry of Eight (8) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of Applicant's bank account in the Application Form. However, SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL with effect from 29 October 2010, as per Operating Instruction Circular No. 11/2010 dated 25 October 2010.

In the event of refunds over Rupees Five million (LKR 5,000,000/-), if the Applicant has provided accurate and complete details of his bank account in the Application, refunds will be made via RTGS.

In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the bank

together with the Registrars to the Issue or CDS will send the refund cheques to such Applicants at the earliest possible time and the Applicant should not hold the bank or the Registrars to the Issue or CDS accountable for such delays.

Refunds Via Crossed Cheque

If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account with respect to refunds via SLIPS, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.

6.8. SUCCESSFUL APPLICANTS AND CDS LODGMENT

The New Shares allotted will be directly uploaded to the respective CDS accounts given in the Application Forms before the expiry of Twelve (12) Market Days from the Issue Closing Date as per the CSE Listing Rules.

Upon completion of crediting the respective CDS accounts, a written confirmation will be sent to the shareholder within Two (2) Market Days of crediting the CDS accounts by ordinary post to the address provided by each Applicant in their respective Applications.

Applicants have the option of having their shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

Refer Section 9.5 for the definition of 'locked'.

New Shares shall not be transferable by the shareholders during the period between the date of allotment of the New Shares and up to the date of listing (excluding the date of listing) of the Ordinary Shares on the CSE. Further, the Company shall not allot any Shares (other than the allotment of New Shares) or transfer existing Shares during the interim period between the date of the Initial Listing Application and the date of listing of the Shares of the Company.

Upon the Ordinary Shares being listed on the CSE, such Shares shall be freely transferable except for those Shares mentioned in Section 9.5 of this Prospectus, which will be locked-in to be in compliant with CSE Listing Rules 2.1.1(d).

6.9. DECLARATION TO THE CSE AND SECONDARY MARKET TRADING

The Company will submit to the CSE a declaration on the Market Day ("Declaration") immediately following the day on which the Applicants' CDS accounts are credited with the new shares. Trading of the ordinary shares on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7. BUSINESS OPERATIONS OF CARGILLS BANK LIMITED

7.1. OVERVIEW OF THE COMPANY

Cargills Bank Limited is a licensed commercial bank (LCB) incorporated in Sri Lanka on 3 November 2011 as “Cargills Agriculture and Commercial Bank Limited” and changed its name to “Cargills Bank Limited” in January 2014. The Bank gained approval as a Licensed Commercial Bank under the Banking Act No. 30 of 1988 on 21 January 2014, and commenced business operations on 30 June 2014, as the 25th Commercial Bank in Sri Lanka², at the time.

The origins of the Bank trace back to late 2009 when, understanding the need of the country, the Promoters of the Bank, the Cargills Group— “Cargills” a preeminent conglomerate renowned in the retail and FMCG sectors—began to invest in building infrastructure to support the agriculture and dairy farming communities. Noticing the difficulties faced by these communities in accessing finance, the Promoters sought a banking license under the banner of Cargills Agriculture & Commercial Bank with the intention of serving these communities and promoting financial inclusivity across the country.

Cargills Bank’s operations comprise Retail Banking, Card & Acquiring operations, Agriculture & Micro Finance, SME Banking, Corporate Banking, International Trade and Treasury Operations. The Bank currently operates a network of 24 branches located in 14 districts of Sri Lanka and provides an extensive array of products and services, including savings and current accounts, investment planners, credit and debit card offerings, consumer loans, support for agriculture and micro-financing, SME and business banking solutions, trade facilities, treasury operations, inward remittances, and an array of user-friendly and adaptable digital banking services. The Bank’s branch network is complemented by 29 Cargills Bank MINI locations, which are located within selected Cargills Food City outlets, in which a bank officer is placed to serve customers, taking the total customer-facing touchpoints to 53 locations.

Drawing from the rich legacy of the Cargills group, the Bank has leveraged the promoters’ presence and understanding of the Sri Lankan consumer to set up channels and a portfolio of financial products and services that promote convenience, savings and the development of entrepreneurs around the country. A cornerstone of the Bank is the agency banking operation with Cargills Retail, through which customers of the Bank can deposit, withdraw, transfer funds, and make payments to collection accounts at 478³ Cargills Retail outlets around the country. The agency banking model tied to a supermarket chain is unique within the domestic banking space and provides Cargills Bank with a distinct point of differentiation.

Cargills Bank’s vision aligns with that of its promoters. Committed to upliftment of the entire Sri Lankan community, it endeavours to provide financial solutions for all, in line with its vision to be the most inclusive bank harnessing the spirit of progress in every Sri Lankan. Its growing network of customer touchpoints, digital platforms, commitment to customer service, and focus on ethical business practices further support its aspirations to be a preferred banking partner of choice.

Despite its successes in growing the asset base of the Bank and strategic positioning, Cargills Bank has faced significant challenges, reflective of the broader socio-economic environment of Sri Lanka. The 2019 Easter attacks deeply affected businesses and consumer confidence alike. The subsequent COVID-19 pandemic further exacerbated the economic downturn, with businesses facing operational constraints, reduced consumer spending, and changing consumer trends. Moreover, the economic crisis of 2022 placed additional financial pressures on institutions, demanding adept strategies to

² Source: Annual Report 2014 - Central Bank of Sri Lanka, section 8.2

³ Cargills (Ceylon) PLC operates 523 Cargills Retail outlets across Sri Lanka. Cargills Bank Limited has obtained a license from CBSL for agency banking at Cargills Retail outlets and has approval to operate agency banking in 478 of these outlets.

maintain liquidity and portfolio quality. Through these testing times, Cargills Bank has shown resilience and adaptability, re-aligning its focus and operations to meet the evolving needs of its customers. The Bank's proactive approach to these challenges exemplifies its commitment to the community and its vision for a prosperous Sri Lanka.



*Note - Cargills Bank Limited commenced business operations on 30 June 2014

Vision: “To be the most inclusive bank harnessing the spirit of progress in every Sri Lankan.”

At the heart of Cargills Bank is a vision deeply rooted in inclusivity and progress. CBL aspires to support the development of the nation, recognizing the diverse aspirations, needs, and potentials that drive the nation forward. CBL's vision impels a commitment to action, and strongly supports this aspiration.

Mission:

Direct Engagement for Every Customer

To directly engage every customer at their convenience by a unique and far-reaching network, through efficient and innovative technology.

Empowering Entrepreneurs

To facilitate and empower small and medium scale entrepreneurs, enhance industry standards through a highly motivated team of innovative bankers.

Value Creation for Investors

To create sustainable value for investors through sound financial performance embedded in transparency and accountability.

7.2. DRIVEN BY THE SPIRIT OF INNOVATION – THE EVOLUTION OF CARGILLS

The Promoters of Cargills Bank – CT Holdings PLC (CTH) and Cargills (Ceylon) PLC (Cargills) – are diversified conglomerates listed in the Colombo Stock Exchange, with interests in retailing, food & beverage manufacturing and distribution, restaurants, cinema entertainment, property development and financial services.

The Cargills business model was built step by step, transforming a traditional retailer into one of the country's largest food companies through innovation, persistence, and a philosophy of community development enshrined in the principles of its Mission Statement,

- Reducing the cost of living
- Enhancing youth skills
- Bridging regional disparities

Tracing its roots back to 1844, the transformation of Cargills into the entity of today began in 1983 with the establishment of the first Cargills Food City supermarket outlet. Cargills pioneered the development and expansion of supermarket retailing beyond urban localities in Sri Lanka, leading it to become the market leader in the retail supermarket space by turnover⁴ and footprint with over 500 outlets across all 25 districts of the country. Always responsive to consumer needs, Cargills pivoted its supermarket channel to facilitate deliveries across the country during the lockdowns on account of the COVID-19 pandemic, leading to the establishment of its e-commerce delivery channel, Cargills Online.

Cargills ventured into food manufacturing in 1993 with the acquisition of a meat processing facility and thereafter made several acquisitions and investment in the sector to expand its operations into dairy products, fruit-based beverages, condiments & sauces, confectionaries, convenience food, etc. Focusing on innovation and value addition, Cargills has built strong brands in many of these categories and counts among its businesses national brands such as “Magic”, “Kotmale”, “Kist”, “Goldi”, “Sam’s” and “Finest”.

The Group entered the Restaurants business in 1996 through the introduction of the KFC franchise to Sri Lanka, and had a vision to develop the standards of the local poultry industry. Meanwhile, seeing potential with the growth of the tourism sector in Sri Lanka, the TGI Friday’s franchise was also introduced to Sri Lanka through Cargills. In total Cargills operates 64 restaurants as at 30 September 2023, across all provinces of the country (and 17 of 25 districts). Key success drivers for the KFC business included initiatives such as localizing the KFC menu and promoting the local sourcing of raw materials; during FY23, over 90% of the raw material were sourced locally.

The growth of the group’s operations enabled it set up its own collection infrastructure, directly purchasing fruits, vegetables and milk from farmers. During the year 2022/23 the purchase of these items generated a direct income of LKR 15.8 Bn⁵ to the local farming community. In addition to sourcing produce from farmers, Cargills also directly engages with the farming community to support the adoption of new agriculture and dairy practices designed to improve yields, reduce material inputs and other costs and mitigate the impact of climate change.

Noticing the difficulties faced by farmer communities in accessing finance, the Promoters embarked on seeking a banking license in 2009 with the intention of serving these communities and promoting financial inclusivity across the country. Similarly, potential synergies with the Promoter’s retail chain provided opportunities for a unique business model to be established for a diverse stakeholder group. Thus, Cargills applied for a banking license in 2011 under the banner of Cargills Agriculture &

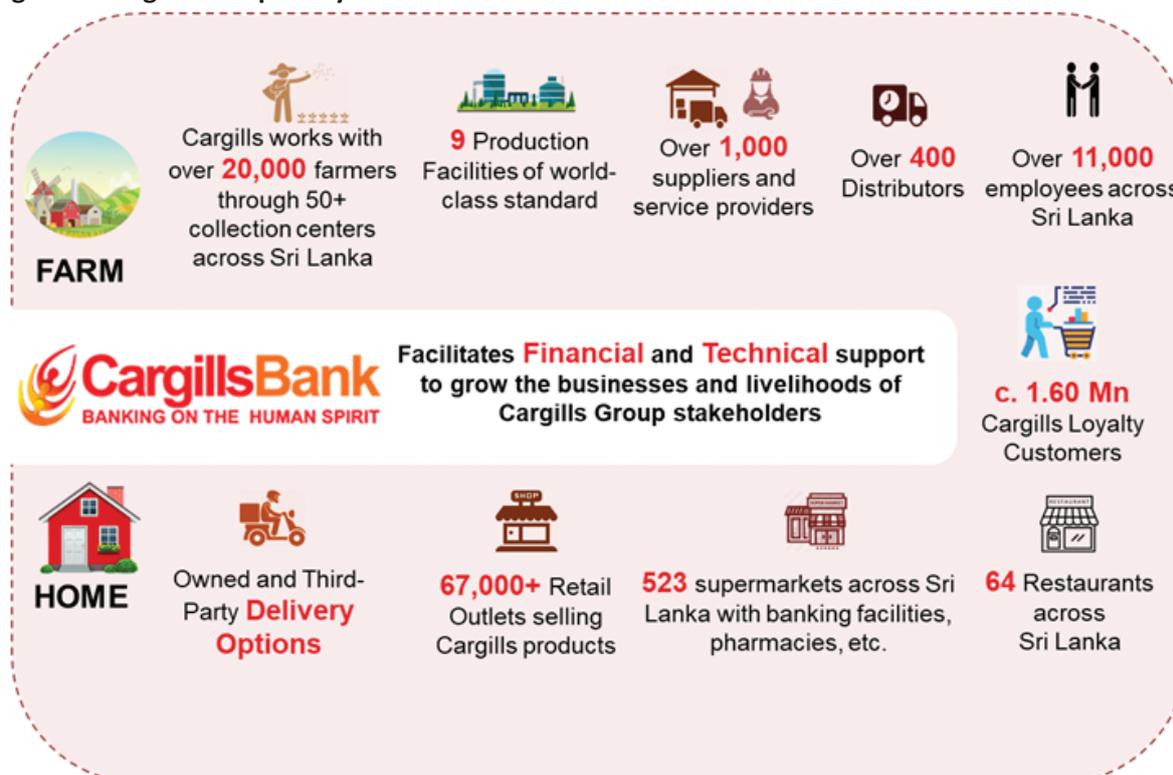
4 Source: Annual reports 2022/23 of Cargills Ceylon PLC, Ceylon Cold Stores PLC, Richard Pieris and Company PLC and Annual report 2022 of Ministry of Finance

5 Source : Annual Report 2022-23, Cargills (Ceylon) PLC

Commercial Bank, and having received approval in January 2014, Cargills Bank commenced operations in June 2014.

In establishing itself as a leading food company serving the needs of Sri Lankans across the country, Cargills has brought together a diverse ecosystem of stakeholders consisting of 20,000 plus farmers, over 1,000 suppliers, close to 67,000 grocery stores selling Cargills FMCG products, over 400 distributors, 1.6 Million loyalty customers, and over 11,000 group employees. Cargills engages these stakeholders through a network of 523 retail stores, 2 dark stores, 9 food processing facilities, two franchises with 64 restaurants, 5 mini-malls and a supply chain network of over 50 locations across the country.

Figure 1: Cargills Group Ecosystem



EMPOWERING RURAL COMMUNITIES THROUGH FINANCIAL INCLUSION, SUSTAINABLE AGRICULTURE, AND SME DEVELOPMENT INITIATIVES

The Bank is committed to the promoters' mission of entrepreneur development and transforming rural communities, complementing the ideals of Cargills through the provision of financial services and development financing at a micro level. CBL believes the development of rural regions as essential to the future of our nation, and works towards broadening financial inclusion to eliminate disparities in banking accessibility. The Bank's commitment also extends to promoting exemplary business practices and nurturing the spirit of rural entrepreneurship.



Rural and Entrepreneurial Development

The Bank has set up a dedicated Agriculture and Microfinance vertical with the intention of enabling financial inclusion and rural upliftment (mainly to help smallholder farmers in rural areas to develop their livelihood). The Bank acts as a Participating Financial Institution, offering low interest loan schemes for agriculture and MSME development.



Agriculture and Dairy Modernization

The Bank has provided funds for Agriculture and Dairy modernization and development initiatives to over 5,000 farmers across the country. The Bank also provides guidance and training programmes in banking and financial management to promote financial literacy and understanding to make their businesses sustainable.



Cargills Village to Home

Cargills Group provides holistic assistance and guidance to the Micro & SME entrepreneurs in the country through the 'Cargills Village to Home' programme. Participants benefit from the exposure to a wider marketplace as well as training and advice on business operations such as product development, production, packaging and quality standards and financial management.

7.3. JOURNEY OF THE BANK

2011

- Applied to the CBSL for a Commercial Banking license

2014

- Commenced operations
- Joined Lanka Pay Common ATM Switch
- Opened 3 new Branches in Colombo

2015

- Expanded the branch network to 11 Branches

2016

- Joined CEFT-Real-time Fund Transferring
- Launched Internet & Mobile Banking for both Retail & Corporate

2017

- Launched Agency Banking with Cargills Retail to facilitate deposits and withdrawals at supermarket counters
- Expanded Branch Network to 17 Branches

2018

- Joined RippleNet to facilitate cross-border inward remittances to Sri Lanka
- Launched Cargills Bank Credit Cards

2019

- Obtained PCIDSS Certification for the Cards operation
- Launched Internet Payment Gateway operations

2020

- Connected LankaQR payments at all Cargills retail outlets
- Launched Cargills Village to Home programme

2021

- Launched Cargills Bank MINI Service Points
- Launched Non-Face - to - Face Onboarding of Customers

2022

- Launched the Mobile Branch vehicle to serve rural underbanked areas
- Joined Lanka Remit Mobile Application (which processes remittances from overseas using Debit/ Credit card)

7.4. PRODUCT AND PORTFOLIO OF CBL

With a vision to be the most inclusive bank in Sri Lanka, Cargills Bank offers its customers a full range of products and services including savings accounts, investment planner accounts, credit & debit cards, consumer loans, agriculture and micro financing, SME & Business Banking solutions and trade facilities.

Segment	Product Focus	Products and Services
Retail Banking	Serving individual customers with tailored financial solutions.	<p>Savings & Deposits: A wide variety of savings accounts, current accounts, fixed deposits and investment planner accounts.</p> <p>Loans: Customized credit solutions.</p> <p>Digital Services: Online and mobile banking platforms, enabling utility payments and remittances seamlessly.</p> <p>Examples of tailor-made solutions</p> <p><u>Cargills Cash</u></p>  <p>Customers can deposit and withdraw cash from their Cargills Bank account at Cargills Retail outlets across the country. Other features include purchasing goods using the mobile banking app, and conducting domestic fund remittances where the recipient can withdraw cash from Cargills Retail outlets.</p> <p><u>Abhimani Women’s Savings Account</u></p>  <p>The “Abhimani” Women’s Savings Account is a Savings Account with special features designed to encourage women to invest and grow their funds with Cargills Bank. With the highest interest rate in the market and unique benefits offered by being an account holder, the product has been designed specifically to cater to the requirements of women and develop a strong customer- bank relationship.</p>

Segment	Product Focus	Products and Services
		<p><u>Podihitiyo Children’s Savings Account</u></p>  <p>Podihitiyo is a Children’s Savings Account for parents to save for their children’s future, offering the best tiered interest rates on minor savings accounts in the market. Children up to the age of 16 years old can open a Podihitiyo Children’s Savings account.</p> <p><u>Diriya Investment Planner</u></p>  <p>Diriya, is an investment plan account designed to set aside a fixed amount of savings every month to achieve a target amount at the end of an agreed period, which will help the customer to secure future needs and provide confidence to face life on a firm financial foundation.</p>
Agri and Micro Banking	Strengthening agricultural businesses and micro-enterprises with specialized financial products	The Bank provides focused value chain financing, Agriculture and Dairy Financing, and Micro Finance lending products to uplift the sector, and is a participating financial institution with schemes such as the National Agri Development Program (NaDep), Domestic Agriculture Development (DAD), Smallholder Agribusiness Partnership Program (SAPP) and the Saubagya loan scheme to offering concessionary financing facilities.
SME Banking	Empowering and supporting Small and Medium Scale Enterprises with financial solutions to develop their businesses, positioning Cargills Bank to be preferred financial partner	The Bank provides tailored financing solutions focused on SMEs, ranging from working capital financing, short-term loans, and term loan financing to project financing, cash collection services, advisory services, and corporate internet banking solutions.
Corporate Banking	Catering to larger corporate entities with a diverse array of financial services	The Bank provides financing Solutions from working capital financing and term loan financing to project financing as well as comprehensive trade, cash collection services, treasury and investment facilities, and digital banking services.

Segment	Product Focus	Products and Services
Card Centre	Credit and Debit Card Issuing & Merchant Acquiring business	Issuance of Mastercard and Visa Debit and Credit Cards. Merchant acquiring business, efficiently facilitating secure payment transactions through point-of-sales terminals and an internet payment gateway.

7.5. SERVICE DISTRIBUTION CHANNELS

Cargills Bank seamlessly combines traditional and modern banking methods. Customers can access 24/7 digital banking services for utmost convenience. The Bank's partnership with Cargills Retail allows for customers to undertake banking transactions at 478 Cargills Retail outlets spread throughout the island. The Cargills Cash service provides free cash deposits and withdrawals at these locations, facilitates domestic fund transfers and more. The Bank operates 24 stand-alone branches for those preferring conventional banking, while also operating 29 Cargills Bank MINI locations in Cargills Food City outlets which facilitate customer onboarding and support from these locations. The Bank also provides a digital onboarding service to allow customers to open Savings Accounts from anywhere in the country. This integrated approach ensures widespread accessibility across urban and rural areas.

Channel	Service Capabilities
Cargills Bank Branches	<ul style="list-style-type: none"> Offers fully fledged banking solutions to Retail, SME and Corporate clients. 24 branches located in 8 Provinces/14 Districts
Cargills Bank Mini	<ul style="list-style-type: none"> Services available at 29 Cargills Food City outlets, each with a dedicated bank officer on-site, to facilitate onboarding new customers, support existing customers, and facilitate customers to link up to branches for other banking services.
Digital Onboarding	<ul style="list-style-type: none"> Customer onboarding through the Cargills Bank website without having to visit a branch or MINI location.
Agency Banking with Cargills Retail	<ul style="list-style-type: none"> Allowing real-time deposits and withdrawals at 478 Cargills Retail outlets spread throughout the island.
ATMs	<ul style="list-style-type: none"> In addition to CBL's own network, customers can withdraw cash from over 4,000 ATMs connected to the Common ATM Switch located island-wide for transactions as the Bank is connected to the LankaPay Network.
Digital Banking	<ul style="list-style-type: none"> The Bank offers Internet Banking services for Retail and Corporate customers and a Mobile Banking App for Retail customers. The platforms allow customers to conveniently manage their finances, make payments, and more.
Mobile Branch	<ul style="list-style-type: none"> In line with the Bank's mission to promote financial inclusivity and facilitate deposit and withdrawal transactions, the mobile branch serves the agriculture and dairy sectors in the Central, North Central, and Northern Provinces.
Customer Care Centre	<ul style="list-style-type: none"> A 24/7 Call Centre is available in all three languages to support our customers, Cargills Retail cashiers, and stakeholders in the agricultural sector

7.6. THE BANK IS BACKED BY A DIVERSE SHAREHOLDER BASE



The promoters of the Bank are Cargills (Ceylon) PLC and CT Holdings PLC, listed corporates in the Colombo Stock Exchange, with interests in Retailing, FMCG, Restaurants, Entertainment, Property Development and Financial Services.

Cargills (Ceylon) PLC, a Sri Lankan corporate established in 1844 is built on a strong foundation of values and ethics. Cargills operates a far-reaching ecosystem that covers a diverse range of business verticals including Retail, FMCG, Distribution and Quick Service Restaurants (QSR). This provides a substantial opportunity for the Bank to establish a loyal customer base by leveraging the brand strength of its promoters.

Other major shareholders of the Bank include Employees Provident Fund (EPF), MJF Foundation Investments (Pvt) Ltd, Softlogic Holdings PLC, Multitex Investment Limited, MAS Capital (Pvt) Ltd, Rosewood (Pvt) Ltd, Phoenix Ventures Ltd and AIA Holdings Lanka (Pvt) Ltd.

7.7. FUTURE STRATEGIES

Driving growth from a position of stability

Having stabilized its operation within a challenging economic environment, Cargills Bank is embarking upon a growth-oriented business plan aimed at expanding its asset base.

The Bank aspires to develop a sustainable and profitable customer base. To achieve this, the Bank seeks to continue broadening its customer base through a combination of ecosystem opportunities, value-added products and services, and targeted customer acquisition. By leveraging its network of consumer touchpoints and stakeholder engagement within the Cargills ecosystem, Cargills Bank aims to develop its presence in the market and build lasting customer relationships. The Bank's hub-and-spoke expansion strategy leverages the established infrastructure and footfall at Cargills Retail locations by setting up MINI locations to complement branch expansion and grow the retail customer base. Meanwhile, opportunities with farmers, distributors, suppliers and other service providers offers Cargills Bank the ability to develop its customer base in the Agriculture, SME and Corporate spaces.

Another aspect of this growth-oriented plan is the development of innovative financial products and services. The Bank plans to upgrade key customer platforms such as agency banking and digital banking to provide an interactive, customer-centric experience. CBL also periodically evaluates its product offerings to ensure they are inclusive and meet a wide range of financial needs, remaining responsive to market demands.

Having established a strong product suite, the Bank's promotional strategies and campaigns will aim to capture market attention, leading to higher customer engagement. These efforts will be focused on raising the Bank's visibility and increasing its brand presence in the financial landscape.

Pursuing ecosystem growth opportunities

Cargills has an extensive network of consumer touchpoints throughout the country, including 523 retail outlets, 64 restaurants and almost 67,000 general trade stores, and interacts with an extensive network of stakeholders on a regular basis including 1.6 million Cargills loyalty customers, 1,000 suppliers, and 20,000 farmers.

This ecosystem presents Cargills Bank with growth opportunities across various business sectors, enabling it to deliver financial services through multiple touchpoints affiliated with the Cargills brand. The ecosystem provides direct access to the farming community, supporting Cargills Bank's vision of contributing to rural community development and financial inclusivity.

The Bank has tailored its offerings to leverage the Cargills ecosystem. These include retail customer offerings, agency banking, value chain financing, distributor financing, supplier financing and agriculture and dairy financing on a cash-flow basis.

The hub-and-spoke model, also known as Cargills Bank MINI, enables the Bank to extend its reach to new territories through a low-cost operating model. The channel provides selected banking services at Cargills Retail locations, and has enabled the Bank to offer financial services to customers in areas where branches are not readily available. The Bank is committed to further expansion of this format. This expansion will be subject to obtaining requisite approval from the Central Bank of Sri Lanka (CBSL).

Digital solutions upgrade to facilitate a customer centric approach

Cargills Bank places emphasis on its digital offering to enhance accessibility and convenience in banking services. This is pivotal in the Bank's efforts to broaden its market share.

CBL has made noteworthy progress in its digital journey with the introduction of Mobile Banking, Internet Banking, Cargills Cash, and digital onboarding and will develop its digital capabilities to improve the user interface (UI), experience (UX), and functionality. This will enable a more customer-centric mobile banking experience.

7.8. ASSUMPTIONS ON FUTURE DIRECTION OF CARGILLS BANK LIMITED

CBL assumes local and global macro-economic conditions will continue to improve and be favourable in the medium to long term. A growing economy provides opportunities for expanding the Bank's customer base and increasing the demand for financial services.

CBL also assumes that the regulatory environment in Sri Lanka will remain conducive and supportive of its expansion plans, with an enabling regulatory framework for banking.

The success of the Bank's digital expansion assumes continued stability and technological advancements in the mobile telecom and digital banking landscapes. This includes improvements in security, connectivity, and digital infrastructure, which are essential for a fulfilling digital banking experience.

The Bank's growth strategies are built on the expectation that the Bank will thrive within the dynamic banking industry through its competitive edge, the unique access to the Cargills ecosystem and its varied product and service offerings. The Bank is expected to anticipate and respond to changing consumer behaviour and preferences, so that its products and services align with changing needs and preferences and ensure relevance in an evolving landscape.

CBL also anticipates access to a skilled and adaptable workforce, with the ability to attract, develop, and retain talent across various domains, including banking, technology, and customer service.

8. CORPORATE STRUCTURE

8.1. THE BOARD OF DIRECTORS OF CBL

The Board of Directors of CBL endeavours to provide leadership through effective formulation of strategies, policies and procedures to realise the objectives of the Company. The Board assumes ultimate responsibility for corporate governance within the Company. As at the date of this Prospectus, the Board comprises nine (9) Directors of whom one (1) is an Executive Director and the remaining eight (8) are Non-Executive Directors, six (6) of whom are Independent. Board members are established professionals in their respective fields, collectively providing the diversity and balance of skills for effective stewardship.

Table 8-1: The Board of Directors of CBL

Name	Designation
Mr. Richard Annesley Ebell	Chairman, Independent, Non-Executive Director
Mr. Koliya Bandaralage Senarath Bandara	Managing Director / Chief Executive Officer, Non-Independent
Ms. Marianne Mahilmalar Page	Non-Independent, Non-Executive Director
Mr. Yudhishtan Kanagasabai	Independent, Non-Executive Director
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Independent, Non-Executive Director
Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director
Mr. Ravindra Ajantha Jayawardena	Independent, Non-Executive Director
Ms. Shanti Gnanapragasam	Independent, Non-Executive Director
Mr. Arjuna Herath	Independent, Non-Executive Director

8.2. PROFILES OF THE BOARD OF DIRECTORS



Mr. Richard Annesley Ebell – Chairman, Independent, Non-Executive Director

Mr. Richard Ebell was employed at Hayleys PLC for 32 years, leaving as finance director in 2009, and at Loadstar Pvt Ltd (now part of the Michelin Group) as chief financial officer for 2 years thereafter, gaining varied experience throughout those engagements.

He has served as an Independent Non – Executive Director on the boards of several listed and regulated entities, and as Chairman of their board audit committees and a member of other board committees, over the last 14 years. He is currently on the board of HNB Assurance PLC.

He joined the Board of Cargills Bank in mid- 2015 and has served on multiple committees of the Bank since then. He was a senior independent director prior to his appointment as chairman on 21 January 2023.

Mr. Ebell is a fellow of the Institute of Chartered Accountants, Sri Lanka, and a fellow of the Chartered Institute of Management Accountants, UK, and holds a diploma in marketing from the Chartered Institute of Marketing, UK.



Mr. Koliya Bandaralage Senarath Bandara - Managing Director / CEO, Non-Independent

Mr. Senarath Bandara is a banking professional with a distinguished career spanning over 30 years at the Bank of Ceylon (BOC) and retired as its General Manager/Chief Executive Officer. He joined Cargills Bank Ltd as MD/CEO in October 2020.

He has served on several Boards of subsidiaries and associate companies of BOC, and on the Boards of the Credit Information Bureau, Lanka Clear Pvt Ltd, Lanka Financial Services Bureau Ltd and the Regional Development Bank.

He has also served as a member of the governing body of the Institute of Bankers of Sri Lanka, as Chairman of the Asia-Pacific Rural Agriculture Credit Association (APRACA) - a regional association operating out of Bangkok, Thailand, and as Vice Chairman of the Sri Lanka Bankers Association. He was a past President of the Association of Professional Bankers of Sri Lanka.

Mr. Bandara has a BSc from the University of Kelaniya and a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He has a Postgraduate Executive Diploma in Bank Management from the Institute of Bankers, Sri Lanka, and completed an Advanced Management Program at the Harvard Business School, USA. He is a Fellow of the Institute of Bankers, Sri Lanka.



Ms. Marianne Mahilmalar Page - Non-Independent, Non-Executive Director

Ms. Marianne Page is a pioneer in promoting Sri Lanka as an investment destination to foreign institutional investors since the early 1990's.

While based in Hongkong, she held senior positions at Global Financial Institutions such as Credit Lyonnais, Smith New Court and Lehman Brothers. Ms. Page has had a longstanding involvement in Asian Financial Markets and has developed a strong network of relationships with leading foreign institutional fund managers.

She is currently based in Singapore and continues to be at the forefront of showcasing Sri Lankan corporates to foreign institutional fund managers. Ms. Page is a consultant to the CT CLSA Group of Companies, which she was instrumental in establishing in 1992.

She is a Fellow of the Chartered Institute of Management Accountants, UK.



Mr. Yudhishtan Kanagasabai - Independent, Non-Executive Director

Mr. Yudy Kanagasabai counts over 35 years of experience at PwC, in Sri Lanka and the Maldives, and in Singapore, before he retired as the Senior Partner of PwC, Sri Lanka and the Maldives, on 31 March 2017.

He has served on several committees of the Institute of Chartered Accountants of Sri Lanka. He currently serves as a Director and Chairman of the Board Audit Committee and Related Party Transaction Committee of Ceylon Tobacco Company PLC, and as a Director and Chairman of the Board Audit Committees of Millennium IT ESP (Pvt) Limited, Eswaran Brothers Export (Private) Limited and Ambeon Capital PLC. He also serves as a Director of MainGate (Private) Limited.

He continues to serve as a director and member of the Board Audit Committee of Colombo City Holdings PLC and a Director of Taprobane Capital Plus (Pvt) Limited and Peoples Leasing and Finance Company PLC.

Mr. Kanagasabai was a Director and Chairman of the Audit Committee of Union Bank of Colombo PLC from August 2016 to 31 December 2018, served as the Chairman of Dankotuwa Porcelain PLC and has served on the Boards of Cargills Ceylon PLC and Cargills Retail (Pvt) Ltd. He also served as a Commissioner of the Insurance Regulatory Commission of Sri Lanka from February 2018 to November 2019.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).



Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera - Independent, Non-Executive Director

Mr. Buwaneka Perera is a veteran Professional Banker with 41 years of experience in the Financial Sector in Sri Lanka and is an established leader in Corporate Banking, with vast exposure in the field of Investment and Merchant Banking. He served as a Director of NDB Investment Bank Ltd and as Acting Chief Executive Officer of National Development Bank (NDB) PLC and possesses experience of 14 years as the Head of Corporate Banking at NDB in the capacity of Senior Vice President.

He also held varied positions at Deutsche Bank, Sampath Bank PLC and Banque Indosuez.

He serves on the Board of Sierra Cables PLC and holds the position of CEO/ Secretary General of the Ceylon Chamber of Commerce.

Mr. Perera has a BSc (Hon) in Financial Services from the University of Manchester, UK and is a Passed Finalist of the Chartered Institute of Management Accountants, UK. He has a Post Graduate Diploma in Bank Financial Management, University of Sri Jayawardenapura, and is an Associate of the Chartered Institute of Bankers, UK, and an Associate Member of the Institute of Certified Management Accountants, Sri Lanka.



Mr. Hiran Asoka Pieris - Non-Independent, Non-Executive Director

Mr. Asoka Pieris has wide and varied experience in the fields of finance, marketing and manufacturing both in Sri Lanka and overseas.

He is currently on the board of directors of Cargills (Ceylon) PLC and is the managing director of Cargills Retail (Private) Limited. He was previously CEO of the Singer Group of Companies and CFO of Singer Asia based in Hong Kong; he was also a director of the group's Public Companies in Sri Lanka and Bangladesh. Mr. Pieris has held board positions in several other companies and has been a director of Hatton National Bank PLC and chairman of its Audit Committee.

He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, a fellow of the Chartered Institute of Management Accountants, UK, and a Certified Global Management Accountant.



Mr. Ravindra Ajantha Jayawardena - Independent, Non-Executive Director

Mr. Ravi Jayawardena has expertise in the areas of Human Resources, Marketing Management, Development of New Markets and General Management, in his present capacity as Group CEO of Maliban Biscuits (Private) Limited. He was previously the Coca Cola Sri Lanka Country Head of Sales, and prior to that served at Unilever Sri Lanka Ltd in various capacities in Customer Marketing, Brand Management and Modern Trade.

Mr. Jayawardena holds a Master of Business Administration degree from the Post Graduate Institute of Management, University of Sri Jayawardenapura, and a Diploma in Marketing from the Chartered Institute of Marketing, UK.



Ms. Shanti Gnanapragasam – Independent, Non-Executive Director

Ms. Shanti Gnanapragasam has over 40 years of extensive experience in the Banking industry, specializing in the fields of Credit, Risk Management, Banking Operations, Treasury, and Asset & Liability Management. She served as Vice President Group Risk Management/ Chief Risk Officer of National Development Bank PLC (NDB) at the time of her retirement in 2022. She had also served as Vice President Shared Services/ Operations & Trade Finance and as Vice President Credit/ Chief Credit Officer at NDB. Prior to that she had held the positions of Chief Risk Officer, and as Head of Treasury & Markets of Hatton National Bank PLC.

Ms. Gnanapragasam had also functioned as Group Treasurer of Hayleys PLC, Deputy Head of Treasury at People’s Bank Colombo and Director – Treasury, Country Treasurer & Local Head of Financial Markets Services at American Express Bank Ltd Colombo.

She has a First-Class Bachelor of Science Degree in Zoology from the University of Madras, South India, and is a Fellow of the Chartered Institute of Management Accountants, UK, and a Chartered Global Management Accountant. Ms. Gnanapragasam also holds ACI Foreign Exchange Dealer Certification (from The Financial Markets Association Paris).



Mr. Arjuna Herath – Independent, Non-Executive Director

Mr. Arjuna Herath retired as the Senior Partner and Head of Consulting for Sri Lanka and Maldives at Ernst & Young (EY) and brings with him a wealth of experience across a wide range of sectors. He has served as a Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board and as a Commissioner of the Securities and Exchange Commission of Sri Lanka. Mr. Herath also served as a member of the Company Law Advisory Commission. Currently he is a member of the Board of Directors of the Colombo Stock Exchange and serves as a member of the Board of Directors of several private sector companies.

Mr. Herath is a distinguished senior Chartered Accountant and is a past president of The Institute of Chartered Accountants of Sri Lanka. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and is a Chartered Global Management Accountant. He holds a Bachelor of Science degree from the University of Colombo, MBA from the University of Strathclyde in the United Kingdom and a Master of Arts in Financial Economics from the University of Colombo.

8.3. OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Table 8-2 Other Directorships held by the Directors of CBL

Name	Other Directorships Held
Mr. Richard Annesley Ebell	<ul style="list-style-type: none">• HNB Assurance PLC - Director
Mr. Koliya Bandaralage Senarath Bandara	
Ms. Marianne Mahilmalar Page	<ul style="list-style-type: none">• Asiabox Consultancy Services Pte Ltd (Singapore) - Managing Director
Mr. Yudhishtan Kanagasabai	<ul style="list-style-type: none">• Millennium IT ESP (Pvt) Limited - Director• Eswaran Brothers Exports (Pvt) Ltd - Director• Taprobane Capital Plus (Pvt) Ltd - Director• MainGate (Pvt) Ltd - Director• Ceylon Tobacco Company PLC - Director• Ambeon Capital PLC - Director• Colombo City Holdings PLC - Director• Peoples Leasing and Finance Company PLC - Director
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	<ul style="list-style-type: none">• Sierra Cables PLC - Director
Mr. Hiran Asoka Pieris	<ul style="list-style-type: none">• Cargills (Ceylon) PLC - Director• Cargills Retail (Pvt) Ltd - Managing Director
Mr. Ravindra Ajantha Jayawardena	<ul style="list-style-type: none">• Postgraduate Institute of Management - Director
Ms. Shanti Gnanapragasam	<ul style="list-style-type: none">• Vision Fund Lanka (Pvt) Ltd - Director
Mr. Arjuna Herath	<ul style="list-style-type: none">• Durdans Medical and Surgical Hospital (Pvt) Ltd – Director• Central Depository Systems (Pvt) Limited – Director• Colombo Stock Exchange – Director• Synapsys Ltd – Director• Senkadagala Finance PLC – Director

8.4. DIRECTORS' INTEREST IN SHARES

None of the Directors of CBL has any interest in the shares of the Company at the date of this Prospectus.

8.5. SALE AND PURCHASE OF CBL SHARES BY DIRECTORS

There have been no share transactions made by Directors of CBL during the year immediately preceding the date of the Prospectus.

8.6. DIRECTORS' INTERESTS IN ASSETS

None of the Directors of CBL has any interest in any assets acquired, disposed or leased by the Company during the two years preceding the date of this Prospectus and will have no interest in any assets proposed to be acquired, disposed or leased at least in the two years succeeding the IPO.

8.7. DIRECTORS' INTERESTS IN CONTRACTS

No Directors of CBL have a material interest in any contracts or arrangements relating to the business of the Company that are in force at the date of the submission of the Initial Listing Application.

8.8. STATEMENT – BOARD OF DIRECTORS

No Director or any person nominated to become a Director of the Company has been subject to:

- A petition under any bankruptcy laws filed against him / her or any partnership in which he/she was a partner or any corporation of which he/ she was an executive officer; or
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification from serving as a director.

8.9. CORPORATE GOVERNANCE PRACTICES

The Board of Directors of CBL believes that Corporate Governance is a sine qua non for long-term sustainability, enhancing the value of the Company for stakeholders through ethical business practices and high standards of conduct. The Board has primary responsibility for managing the affairs of CBL in a fair and transparent manner. It ensures that best practices in Corporate Governance are strictly complied with. The Board is aware of its responsibility to appropriately disclose timely and accurate information regarding the Company's financial performance.

The Board being responsible for the Company's Corporate Governance, maintains oversight of management's commitment to the long-term interests of its stakeholders. CBL believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance and achieves this through the careful selection and continuation of a well-balanced and diversified Board.

Considering best practices in Corporate Governance, the Board has delegated certain responsibilities to the following sub-committees of the Board. The Committees deal with relevant issues according to their Terms of References and make appropriate reports and recommendations to the Board.

- Audit Committee
- Related Party Transactions Review Committee
- Human Resources and Remuneration Committee
- Nominations and Governance Committee
- Integrated Risk Management Committee
- Credit Committee
- Strategic Planning Committee

8.9.1. AUDIT COMMITTEE (AC)

The AC is responsible for overseeing the preparation, presentation and adequacy of disclosure in the financial statements of the Company in accordance with Sri Lanka Accounting Standards, the Companies Act, and relevant regulatory requirements. The AC also ensures that a strong internal control environment is maintained through an effective internal audit process. The AC has oversight of the Internal Audit function. It is also responsible for making recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors, for recommending their remuneration and for assessing their independence and performance in the role they perform.

The AC comprises four (4) Independent, Non-Executive Directors. The Chairman of the Committee is a qualified senior finance professional who possesses a recognised accounting qualification and is a member of a recognised professional accounting body.

Name of Director	Designation
Mr. Arjuna Herath	Chairperson Independent, Non-Executive Director
Mr. Richard Annesley Ebell	Independent, Non-Executive Director
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Independent, Non-Executive Director
Mr. Yudhishtan Kanagasabai	Independent, Non-Executive Director

8.9.2. RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

The RPTRC is responsible for overseeing the process for identifying all related parties promptly, capturing and monitoring RPTs and ensuring RPTs are not undertaken on more favourable terms than are available to non-related parties under similar circumstances. The RPTRC reviews non- recurrent RPTs before they are undertaken and refers RPTs for Board consideration where it considers that they require Board approval.

The RPTRC comprises three (3) Independent, Non-Executive Directors.

Name of Director	Designation
Mr. Yudhishtan Kanagasabai	Chairperson Independent, Non-Executive Director
Mr. Richard Annesley Ebell	Independent, Non-Executive Director
Ms. Shanti Gnanapragasam	Independent, Non-Executive Director

8.9.3. HUMAN RESOURCE AND REMUNERATION COMMITTEE (HRRC)

The HRRC operates within the terms of reference approved by the Board of Directors, recommending to the Board the remuneration payable to the Chief Executive Officer of the Company and assisting the Board to ensure that the remuneration policies and actions of the Company align with its objectives. The HRRC also supports the Board on other significant HR-related functions.

The HRRC comprises five (5) Non-Executive Directors, of whom four (4) are Independent Directors.

Name of Director	Designation
Ms. Shanti Gnanapragasam	Chairperson Independent, Non-Executive Director
Mr. Richard Annesley Ebell	Independent, Non-Executive Director
Mr. Ravindra Ajantha Jayawardena	Independent, Non-Executive Director
Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director
Mr. Arjuna Herath	Independent, Non-Executive Director

The Committee is responsible for the maintenance of the Remuneration Policy of the Bank. It also ensures that appropriate Remuneration structures are in place and ensures that the best talent is acquired and retained.

Emoluments paid in the form of salaries, bonuses, fees, post-employment benefits, allowances and/or profit-sharing payments to the Directors of CBL during the FY2022 amounted to LKR 81.5 million.

8.9.4. NOMINATIONS AND GOVERNANCE COMMITTEE (NGC)

The NGC has an enlarged scope with Governance being included in its remit and replaces the Board Nomination Committee. The NGC is responsible for establishing and implementing procedures to identify and recommend to the Board the appointment of new Directors and new Key Management Personnel, and to consider and make recommendations to the Board for continuation in office of existing directors, setting criteria such as qualifications, experience and key attributes required. It will also evaluate and recommend to the Board, Corporate Governance practices that should apply and exercise general oversight with respect to the governance of the Bank.

The NGC comprises four (4) Non-Executive Directors, of whom three (3) are Independent Directors.

Name of Director	Designation
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Chairperson Independent, Non-Executive Director
Mr. Richard Annesley Ebell	Independent, Non-Executive Director
Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director
Mr. Arjuna Herath	Independent, Non-Executive Director

8.9.5. INTEGRATED RISK MANAGEMENT COMMITTEE (IRMC)

In accordance with the Terms of Reference set by the Board, the primary role of the IRMC is oversight of the Bank's governance of enterprise-wide risks, the risk management framework, and relevant policies, procedures and work practices.

The composition of the committee is as follows:

Name of Director	Designation
Mr. Yudhishtan Kanagasabai	Chairperson Independent, Non-Executive Director
Mr. Richard Annesley Ebell	Independent, Non-Executive Director
Ms. Shanti Gnanapragasam	Independent, Non-Executive Director
Mr. Arjuna Herath	Independent, Non-Executive Director
Mr. Koliya Bandaralage Senarath Bandara	Managing Director / Chief Executive Officer, Non-Independent
Mr. Prabhu Mathavan	Chief Operating Officer (Non - Board member)
Mr. Chandradasa Amarasinghe	Deputy General Manager - Retail and Business Banking (Non - Board member)
Mr. Wimal Karunaarachchi	Head of Risk (Non - Board member)
Mr. Gayantha Wijekoon	Head of Compliance (Non - Board member)

8.9.6. CREDIT COMMITTEE (CC)

The CC oversees the Company's credit and lending strategies to meet its overall objectives. The CC oversees credit direction, credit policy, credit risk and lending procedures of CBL, whilst monitoring the quality and performance of the Company's credit portfolio and making appropriate recommendations.

The CC comprises four (4) Non- Executive Directors, of whom two (2) are Independent Directors:

Name of Director	Designation
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Chairperson Independent, Non-Executive Director
Ms. Shanti Gnanapragasam	Independent, Non-Executive Director
Ms. Marianne Mahilmalar Page	Non-Independent, Non-Executive Director
Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director

8.9.7. STRATEGIC PLANNING COMMITTEE (SPC)

The SPC assists the Board to fulfil its responsibility in developing and monitoring execution of an effective strategy that is appropriate for profitability, growth and long-term sustainability.

The composition of the SPC is as follows:

Name	Designation
Mr. Richard Annesley Ebell	Chairperson Independent, Non-Executive Director
Mr. Koliya Bandaralage Senarath Bandara	Managing Director / Chief Executive Officer, Non-Independent
Ms. Marianne Mahilmalar Page	Non-Independent, Non-Executive Director
Mr. Yudhishtan Kanagasabai	Independent, Non-Executive Director
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Independent, Non-Executive Director
Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director
Mr. Ravindra Ajantha Jayawardena	Independent, Non-Executive Director
Ms. Shanti Gnanapragasam	Independent Non-Executive Director
Mr. Arjuna Herath	Independent, Non-Executive Director

8.10. KEY MANAGEMENT AND CORPORATE MANAGEMENT TEAM OF CBL

The Corporate Management team is vital in ensuring the Company's continued growth and success. The team consists of well qualified individuals, whose experience and dedication supports achievement of what is required of them and delivers quality service to the Bank's customers.

Table 8-3 Senior Management and Corporate Management team of CBL Group

Name	Qualification	Experience
<p>Koliya Bandaralage Senarath Bandara Managing Director/CEO</p>	<p>BSc from the University of Kelaniya, MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Postgraduate Diploma in Bank Management - Institute of Bankers of Sri Lanka and completion of an Advanced Management Program at the Harvard Business School, USA.</p> <p>Fellow of the Institute of Bankers of Sri Lanka.</p>	<p>Banking professional with a career spanning over 30 years at Bank of Ceylon, retiring as its General Manager/Chief Executive Officer. Joined Cargills Bank as MD/CEO in October 2020.</p> <p>Served as a Director of several subsidiary and associate companies of the Bank of Ceylon, and of Lanka Clear (Pvt) Ltd, Credit Information Bureau, and Lanka Financial Services Bureau Ltd. Also served as a member of the Governing Board of the Institute of Bankers of Sri Lanka and a Member of the Council of Wayamba University of Sri Lanka.</p>
<p>Prabaharan Subramaniam Mathavan Chief Operating Officer</p>	<p>Associate Member of the Chartered Institute of Management Accountants (UK) and the Institute of Chartered Accountants of Sri Lanka. He also holds a bachelor's degree in commerce.</p>	<p>Counts 30 years of experience in the field of finance, auditing and taxation across several industries, including being a director at the Bank for the maximum stipulated period of nine years. Previously served on the Boards of Cargills (Ceylon) PLC, Kotmale Holdings PLC and Lanka Clear (Pvt) LTD.</p>
<p>Amendra Roshini de Silva Company Secretary</p>	<p>Attorney at Law and holds a Diploma in Compliance from the International Compliance Association.</p>	<p>Counts over 25 years of experience in the Banking Industry. She has previously functioned as a Legal Officer at National Development Bank of Sri Lanka and as Manager-Legal (Corporate) at Hatton National Bank PLC. Thereafter, she headed the Compliance Function at National Development Bank PLC.</p>

Name	Qualification	Experience
Talaal Ahmed Maruzook Chief Strategy Officer	Associate Member of the Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant.	<p>He counts over 15 years of experience in the fields of Equity Research, Corporate Finance, Investor Relations, Planning and Strategy.</p> <p>Prior to joining the Cargills Group in 2012, Talaal led the Research Team at CT CLSA Securities (Pvt) Ltd. He has experience across a wide array of sectors, including Retail and Consumer Goods, Manufacturing, Banking and Finance, Agriculture and Telecoms.</p>
Chandrasa Amarasinghe DGM - Retail and Business Banking	BSc and MSc from the University of Sri Jayawardenapura. Associate Member of the Institute of Bankers of Sri Lanka (AIB)	Career banker with over 30 years of experience in Development Banking, Branch Banking, Retail Banking, Corporate and Offshore Banking. He served the Bank of Ceylon in the capacity of Deputy General Manager overlooking Retail Credit and Sales and Channel Management immediately before joining Cargills Bank.
Solangaarachchige Dona Priyangi Sajeewanie Solangaarachchi AGM - Legal	Attorney-at-Law and holds a Bachelor's Degree in Arts from the University of Colombo	Possesses over 23 years of experience in the field of Law with expertise in laws relating to banking, commerce, food retailing, food services, manufacturing, and conveyancing.
Ranjith Lasantha Mahendrarajah AGM - Retail and SME Business	MBA from Cardiff Metropolitan University (UK) Specialized in Finance	Possesses more than 20 years of experience with a proven track record in Wholesale Banking, Trade Services, Corporate Banking, Retail & SME Credit, Leasing and Branch Banking.
Ajit Christopher Allirajah AGM - Trade Operations	Intermediate Banking Diploma from the Institute of Bankers of Sri Lanka.	Commenced his career with ANZ Grindlays Bank in 1989 and then moved to Standard Chartered Bank in 2001. He counts over 34 years of banking experience having worked for international and local banks, acquiring an in-depth knowledge in banking. During his banking career he has held a variety of management positions in Trade, Risk, Audit, Operations and Credit Cards.

Name	Qualification	Experience
<p>Mandadige Indika Fernando AGM – IT</p>	<p>MSc in Information Management from Curtin University- Australia.</p>	<p>Possesses over 31 years of experience in Information Technology. Joined Cargills Bank Limited in 2015 having worked previously with National Development Bank for 13 years. Commenced his Banking career in 2000 with ABN Amro Bank. His prior experience in Saudi Aramco (American Oil Company) and National Lotteries Board accounted for 8 years of his total IT exposure. Member of the Banks CIO Forum (BCIOF) and committee member of the National Payment Council.</p>
<p>Rajini Prabhakaran AGM - Credit Administration and Treasury Back Office Operations</p>	<p>Associate Member of the Institute of Bankers (AIB Sri Lanka). ACI operations certificate from the ACI – The Financial Market Association.</p>	<p>Counts over 30 years of experience in Retail Banking, Treasury, International Operations, Project Management and Implementation of Systems and Controls with Hatton National Bank PLC and UFJ Bank Toronto Canada.</p> <p>She was Chief Manager Treasury Operations at Hatton National Bank prior to joining Cargills Bank.</p>
<p>Kankanige Alias Kulatungage Charmani Krishanthi Kulatunga Head of Human Resources</p>	<p>BSc in Management - University of Sri Jayawardenapura, National Diploma in Training & Development - Sri Lanka Institute of Training & Development</p>	<p>Counts over 18 years of experience in Human Resources Management. She has gained extensive experience across a broad scope of HR Operations, Talent Development, Employee engagement and Industrial / Employee relations.</p> <p>She has served in the Apparel Manufacturing, Information Technology, Telecommunication and Banking industries.</p>

Name	Qualification	Experience
Weerakoon Mudiyansele Gayantha Chandika Wijekoon Head of Compliance	Certified Anti-Money Laundering Specialist (CAMS)	He commenced his banking career with Standard Chartered Bank, Sri Lanka and later served overseas for 16 years. Having been employed in global banks including Emirates NBD (largest bank in the Middle East in terms of assets) and HSBC, he has performed in various capacities pertaining to Compliance. In his last position prior to joining Cargills Bank, he managed Financial Crime Compliance /Financial Crime Threat Mitigation functions for the MENAT (Middle East, North Africa and Turkey) region of HSBC.
Gajanayaka Pathirage Nirosha Dilhani Head of Finance	Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Sc. Accounting (Special) Degree from the University of Sri Jayewardenepura and an MBA in Finance from the University of Colombo.	Counts over 19 years of extensive experience in Financial Reporting, Auditing and Taxation including 10 years at two banks: Commercial Bank of Ceylon PLC and National Development Bank PLC. Prior to joining Cargills Bank, she worked as the Director Finance at the Securities and Exchange Commission of Sri Lanka.
Kusala Manjula Karunaratne Head of Internal Audit	Associate Member of the Chartered Institute of Management Accountants (CIMA-UK), Associate Member of the Institute of Bankers of Sri Lanka (IBSL), Chartered Global Management Accountant (CGMA), MBA in Finance (First Class) from the University of Cardiff Metropolitan (UK), Diploma in Information System Auditing from the Institute of Chartered Accountants of Sri Lanka, Certificate in Treasury operation from the CBSL.	Counts over 22 years of experience and overall exposure in Banking and Finance, both locally and internationally. He served as the Finance Manager of Mauritius Commercial Bank-Maldives prior to joining the bank. His expertise further expands into the areas of IS Auditing and Forensic Investigations.

Name	Qualification	Experience
<p>Wimal Lasantha Karunaarachchi Head of Risk Management</p>	<p>MSc. in Applied Finance from the University of Sri Jayewardenepura and MBA from Chartered Financial Analysts of India. He also holds a Diploma in Banking & Finance, and a Post Graduate Diploma in Treasury & Risk Management from the IBSL.</p>	<p>Career Banker with over 18 years of progressive experience. Having served several banks in different capacities he has gained specific exposure in Integrated Risk Management & Governance, Retail Banking and Corporate/SME Credit. Prior to joining Cargills Bank, he served the Merchant Bank of Sri Lanka as the Chief Risk Officer, managing the total Risk Management function of the Bank and its subsidiaries.</p>
<p>Chinthaka Jayanath Head of Treasury</p>	<p>MBA (University of Wales) from International College of Business and Technology, ACI Dealing Certificate (ACI-FMA (France)), Diploma in Treasury and Risk Management from Institute of Bankers of Sri Lanka, Diploma in Credit Management from Institute of Bankers of Sri Lanka, Diploma in Applied Banking & Finance from Institute of Bankers of Sri Lanka, Certificate in Trade Finance & Foreign Exchange from Central Bank of Sri Lanka</p>	<p>Counts over 27 years of total Banking experience, including several years of general banking experience and 17 years Treasury Front Office experience. He possesses extensive experience and knowledge in all Treasury related functions and systems.</p> <p>Prior to joining Cargills Bank, he served as senior manager - treasury front office at Seylan Bank PLC.</p>
<p>Chamila Abeysooriya Head of Recoveries</p>	<p>MBA from the Edith Cowan University, Western Australia. Certified Management Accountant (CMA) Australia Finalist. LLB undergraduate from the University of London.</p>	<p>A professional banker having been in the industry for 20+ years. She has extensive experience in Collections and Recoveries and has been instrumental in creating the Strategic Collections & Recoveries Department for Cargills Bank Limited. Previously instrumental in building Collections & Recovery teams at other Private Commercial Banks. Prior to joining Cargills Bank, she has worked at HSBC Sri Lanka, Nations Trust Bank PLC and Pan Asia Bank PLC.</p>

Name	Qualification	Experience
Dushyanthan Somasundaram Head of Business Development	Member of Sri Lanka Institute of Marketing (PCM), MSc. in Marketing at Asia e University – Malaysia and an MBA at Asia e University – Malaysia.	Experienced Sales Professional with demonstrated performance in the banking industry for 16 years, with 13 years of managerial experience. Starting his career at Nations Trust Bank PLC, he then moved to Cargills Bank Limited. He possesses exposure in Business Relationship Management, Team Management, Sales and Marketing, Business Strategy, Product Development and Retail Banking.
Samantha Pagoda Head of Business Banking	MBA (Merit) from the University of Wolverhampton-UK, Postgraduate Diploma in Banking communication, SME Credit Skill Assessment Certification from Omega Inc. USA, Certificate in Executive Management Development from PIM - University of Sri Jayawardenapura, Diploma in Organizational Behaviour & Human Resource Management from American College, Associate Member of the Institute of Bankers of Sri Lanka (AIB).	Counting over 23 years of Banking experience having started his banking career at Hatton National Bank. He possesses experience, specifically in the fields of Personal Financial Services, Micro, SME & Corporate Credit, Recoveries, Branch & Regional Banking, Business Development, Human Resources & Administration.
Kaushi Fernando Head of Cards Services	MBA from the University of Bedfordshire, Diploma from the Association of Business Executives [ABE] and Diploma in Finance Management from the London Business School.	Over 18 years of extensive experience in Card Payments, Credit Card Finance/Operations and Customer Service in the Banking & Financial sector. She commenced her career at Nations Trust Bank in 2005 and was employed at the American Express Cards Centre prior to joining Cargills Bank.

Name	Qualification	Experience
Dharshana Jayasuriya Head of Digital	MSc from the University of Science & Technology, Trondheim, Norway and MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, Executive Diplomas from the Indian Institute of Technology and the Indian School of Business.	Experienced IT professional with a distinguished career spanning over 30 years at both local and internationally reputed companies. He has served as Chief Information Officer/Head of IT of leading telecommunication companies, Airtel Lanka and Celltel Lanka for 17 years. He has extensive experience in the IT domain, Information Security & Governance pertaining to Telecoms, software development and the banking industry. He has also played key roles in global software companies overseas.

8.11. CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of CBL has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer; or
- A conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

9. CAPITAL STRUCTURE

As at the date of this Prospectus, the stated capital of the Company is Sri Lanka Rupees Eleven Billion Three Hundred Ninety Four Million Four Hundred Twenty One Thousand Four Hundred Forty One (11,394,421,441) constituting monies received by the Company by the issue of Eight Hundred Eighty Three Million One Hundred Forty Two Thousand Eight Hundred Fifty Eight (883,142,858) fully paid Ordinary Voting Shares.

9.1. AN OVERVIEW OF THE STATED CAPITAL

An overview of the stated capital of the Company at (i) 31 December 2020, 31 December 2021, 31 December 2022 and 31 August 2023 and (ii) subsequent to the IPO assuming full subscription of the Issue, is set forth below in Table 9.1.

Table 9-1 Overview of Stated Capital

	As of 31 December 2020	As of 31 December 2021	As of 31 December 2022	As of 31 August 2023	Subsequent to the IPO
Stated Capital (LKR)	11,394,421,441	11,394,421,441	11,394,421,441	11,394,421,441	11,894,421,441
Number of Ordinary Shares in Issue	883,142,858	883,142,858	883,142,858	883,142,858	945,642,858

9.2. DETAILS OF TRANSFER OF SHARES

There were no shares which had been acquired by way of transfer during the period of twelve (12) months immediately preceding the date on which the Initial Listing Application was submitted to the CSE.

9.3. DETAILS OF REPURCHASE AND REDEMPTION OF SHARES BY THE COMPANY

The Company has not carried out any share re-purchase under sections 63, 64, 93 or 100 of the Companies Act, any redemption of shares under sections 66 to 69 of the Companies Act or any stated capital reduction exercises under section 59 of the Companies Act, in the two (2) years preceding the date of this Prospectus.

9.4. SHAREHOLDING STRUCTURE OF THE COMPANY

Tabulated below is the shareholding structure of the Company as of the date of submission of the Initial Listing Application to the CSE and the status of their shareholding subsequent to the IPO assuming (i) full subscription of the IPO and (ii) these shareholders not subscribing to any New Shares issued under the IPO.

Table 9-2 Shareholders of the Company

Name of the Shareholder	Prior to IPO		Subsequent to IPO	
	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
Cargills (Ceylon) PLC*	350,696,905	39.71%	350,696,905	37.09%
CT Holdings PLC*	223,345,953	25.29%	223,345,953	23.62%
Central Bank of Sri Lanka – on behalf of EPF	44,000,000	4.98%	44,000,000	4.65%
Mulitex Investment Limited	30,800,000	3.49%	30,800,000	3.26%
MJF Foundation Investments (Pvt) Ltd	28,000,000	3.17%	28,000,000	2.96%
Softlogic Life Insurance PLC	26,600,000	3.01%	26,600,000	2.81%
MAS Amaliya (Private) Limited	22,000,000	2.49%	22,000,000	2.33%
Rosewood (Pvt) Ltd	16,000,000	1.81%	16,000,000	1.69%
Phoenix Ventures Limited	13,200,000	1.49%	13,200,000	1.40%
Aindri Holdings Pte Ltd	11,000,000	1.25%	11,000,000	1.16%
A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.25%	11,000,000	1.16%
Softlogic Holdings PLC	10,000,000	1.13%	10,000,000	1.06%
Gardiya Lokuge Harris Premaratne	9,089,000	1.03%	9,089,000	0.96%
Merrill Joseph Fernando	7,800,000	0.88%	7,800,000	0.82%
Softlogic Capital PLC	7,400,000	0.84%	7,400,000	0.78%
GF Capital Global Limited	6,100,000	0.69%	6,100,000	0.65%
Periyasamipillai Barathakumar	4,400,000	0.50%	4,400,000	0.47%
Periyasamipillai Muruganandhan	4,400,000	0.50%	4,400,000	0.47%
Periyasamipillai Anandarajah	4,400,000	0.50%	4,400,000	0.47%
Periyasamipillai Devaraj	4,400,000	0.50%	4,400,000	0.47%
Periyasamipillai Barathanickam	4,400,000	0.50%	4,400,000	0.47%
Ishara Chinthaka Nanayakkara	4,400,000	0.50%	4,400,000	0.47%
Lalan Rubber Holdings (Pvt) Ltd	4,400,000	0.50%	4,400,000	0.47%
Other shareholders	35,311,000	4.00%	35,311,000	3.73%
IPO shareholders			62,500,000	6.61%
Total	883,142,858		945,642,858	

*As per CBSL Directive dated 12th April 2016, 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.

The Central Bank of Sri Lanka (CBSL) has issued a directive to Cargills (Ceylon) PLC and CT Holdings PLC, stipulating that their combined ownership stake in Cargills Bank Limited should be reduced to 40% by 31 December 2022. Cargills (Ceylon) PLC has written to CBSL on 25 May 2023 requesting an extension to comply with the aforesaid direction on the shareholding and CBSL have replied on 5 July 2023, that the decision on this matter would be communicated in due course.

9.5. DETAILS PERTAINING TO THE LOCKED-IN SHARES – PRE AND POST IPO

Details pertaining to the locked-in Shares constituting the public and non-public holding are given in Tables 9.4 and 9.5 below.

Table 9-3 Lock-in of Pre IPO-Shares

Category of Shareholder	of Locked-in Shares	Lock-in Period	Total Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Pre IPO)
Non-Public (shares not acquired by way of a transfer / allotment in the last twelve months)	Locked-in	6 months from date of listing	575,242,858	65.14%
Public	Not Locked-In	Not Applicable	307,900,000	34.86%
Total			883,142,858	100.00%

Note: The terms ‘Non-Public Shareholders’ and ‘Public Shareholders’ shall have the same meaning as set out in Rule 2.1.1 of the CSE Listing Rules.

Table 9-4 Shares Locked-in – Post IPO

Category of Shareholders (Post-Listing)	of Locked-in Shares/ Not-Locked in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Post-IPO)
Non-Public (shares not acquired by way of a transfer / allotment in the last twelve months)	Locked-in	6 months from date of listing	575,242,858	60.83%
Pre-IPO Public Shares	Not Locked-In	Not Applicable	307,900,000	32.56%
Public and Non-public (IPO Shares)	Not Locked-in	Not Applicable	62,500,000	6.61%
Total			945,642,858	100.00%

Note: The terms ‘Non-Public Shareholders’ and ‘Public Shareholders’ shall have the same meaning as set out in Rule 2.1.1 of the CSE Listing Rules.

Post IPO public holding (number of Post IPO shares held by the ‘public’ as a percentage of the total Post IPO number of shares), on the assumption that the parties who subscribe to the IPO shall be public shareholders (as per the ‘public’ definition provided in the CSE listing rules) is 39.17% representing a float adjusted market capitalization of LKR 2,963,200,000 at the Share Issue Price.

The Pre-IPO public shareholders are represented by 261 shareholders.

The Company confirms that the information furnished herewith shall remain unchanged until the date of listing.

Shares listed on the CSE shall be freely transferable and registration of the transfer of such listed shares shall not be subject to any restriction, save and except to the disclosure above and to the extent required for compliance with statutory requirements.

9.6. DETAILS OF CONVERTIBLE DEBT SECURITIES

CBL issued Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures with a conversion at the option of the debenture holder and Non-Viability Conversion upon the occurrence of a trigger event at the par value of Sri Lankan Rupees One Hundred (LKR 100/-). This instrument was issued in compliance with Companies Act No. 07 of 2007 (as amended) and Banking Act Direction No 1 of 2016 (as amended). CBSL approval was obtained to include the instrument as additional Tier 1 Capital.

Issuer	Cargills Bank Limited
Debenture Holder	Cargills (Ceylon) PLC
Amount recognised in regulatory capital. (In LKR as at 31 December 2022)	1,500,000,000
Original date of issuance	15 th December 2021
Coupon rate and any related index (%)	<p>The weighted average twelve-month net treasury bill rate + 2.00% p.a. subject to a floor rate of 9.50% p.a.</p> <p>The Weighted Average Twelve-month Net Treasury Bill Rate will be based on the simple average of the weighted average twelve month net treasury bill rate as published by the CBSL on its website for the four (4) treasury bill auctions immediately preceding 31 December of each year.</p> <p>Interest on the Debentures will be paid annually as applicable from the Date of Allotment. The interest payments will be made only out of the distributable items. i.e., any interest payments will be made only if the Bank has distributable profits for the relevant Interest Period.</p>
Tenure	Perpetual
Issue Rating	Not Available
Optional Conversion	The Debentures may be convertible to ordinary voting shares ranking equal and pari passu with the existing ordinary voting shares to the holders of the debenture at their option (subject to any maximum shareholding limitations which may be applicable in terms of regulations or directives of the Central Bank of Sri Lanka) at any time during the conversion period

Non-Viability Conversion	In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka, debentures will be converted to ordinary voting shares ranking equal and pari passu with the existing ordinary voting share of the Bank without any requirement of approval by the Debenture Holders, in compliance with Banking Act Direction No. 1 of 2016 dated 29th December 2016 (as may be amended from time to time).
Conversion Rate At Conversion For Optional Conversion	<p>If the ordinary voting shares of the Bank are listed on the CSE on the Conversion Date Volume weighted average price (VWAP) of an ordinary voting share of CBL as published by the Colombo Stock Exchange during the three (3) months period, immediately preceding the date of conversion subject to a floor price of 0.8 times the book value per share of CBL (BVPS) as per the latest audited financial statements available as at the conversion date.</p> <p>If the ordinary voting shares of the Bank are not listed on the CSE on the Conversion Date The BVPS as per the latest audited financial statements available as at the conversion date</p> <p>Each Conversion should be for a minimum of LKR 25,000,000/- and the maximum number of times the Optional Conversion can be exercised would be three (3).</p>
Conversion Rate at Conversion Due to Trigger Event	<p>If the ordinary voting shares of the Bank are listed on the CSE on the date of the occurrence of the Trigger Event Volume weighted average price (VWAP) of an ordinary voting share of CBL as published by the Colombo Stock Exchange during the three (3) months period, immediately preceding the date of the trigger event date.</p> <p>If the ordinary voting shares of the Bank are not listed on the CSE on the date of the occurrence of the Trigger Event The BVPS as per the latest audited financial statements available as at the date of the Trigger Event.</p>
Shareholder Approval for Debenture Issue and Conversion to Ordinary Shares	The Bank has obtained the approval of shareholders by way of a special resolution passed at the extraordinary general meeting held on 26th November 2021 for the proposed issue of ordinary voting shares which arises pursuant to the conversion of the Debentures at the time a Trigger Event occurs and in the event where Debenture Holders exercise the Optional Conversion, As such, no further shareholder approval will need to be sought to issue the relevant number of shares at the time a Trigger Event occurs or in the event Debenture Holders exercise the Optional Conversion.

Upon the potential conversion of debentures to ordinary shares, there is a possibility of dilution for existing shareholders as the total number of shares would increase. However, conversion of debentures to ordinary voting shares will eliminate interest costs associated with the debentures, potentially enhancing the Bank's future profitability. Conversion of the debentures into ordinary voting shares is subject to the regulations, guidelines, directives of CBSL.

CBL will obtain a board resolution to submit an additional listing application to the CSE, to list the shares arising from a conversion of the debentures into ordinary voting shares. CSE's approval in principle for the listing of the ordinary voting shares arising from the conversion will be obtained prior to the listing of the ordinary voting shares of CBL contemplated by this Prospectus. The ordinary voting shares to be listed due to a trigger event will not be locked-in as the conversion price would be the volume weighted average price (VWAP) of an ordinary voting share of CBL as published by the Colombo Stock Exchange during the three (3) months period immediately preceding the date of the trigger event date.

9.7. DETAILS OF SHARES SOLD PRIVATELY IN CONJUNCTION WITH THE ISSUE

No shares are being offered privately in conjunction with this Issue.

9.8. DETAILS OF TAKE-OVER OFFERS

There have been no take-over offers by third parties in respect of the Company's shares and no take-over offers were made by the Company in respect of shares of a third party during the past two (02) years, preceding the date of this Prospectus.

10. OTHER INFORMATION

10.1. RELATIONSHIP WITH KEY CUSTOMERS AND SUPPLIERS OF CBL GROUP

There is no material dependency on key depositors, customers, borrowers or suppliers in the overall business operations of the Company.

10.2. DIVIDEND POLICY

Subject to the provisions of the Companies Act and the Articles of Association of CBL, the actual amount and timing of dividend payments on the Ordinary Voting Shares of the Company will be recommended and approved by the Board of Directors of the Company and the Shareholders of the Company in terms of the Articles of Association. The dividend policy of the Company will be based on a number of factors, including but not limited to the minimum capital requirements stipulated by the CBSL from time to time, and the Company's earnings, cash flow position, future investments and funding needs, the maintenance of a sound and efficient capital structure, and any other factors which the Board of Directors of the Company may deem relevant.

In accordance with CBSL Directive No. 05 of 2017 dated 26 October 2017 (as amended), CBL cannot declare dividends until it has met the minimum capital requirement of LKR 20 Bn.

The Company has not paid any dividends during the three financial years immediately preceding the issuance of the Prospectus.

10.3. WORKING CAPITAL

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day-to-day operations of the CBL.

10.4. LITIGATION, DISPUTES AND CONTINGENT LIABILITIES

There are no legal, arbitration or mediation proceedings against the Company which have or may have in the recent past affected the financial position or profitability of the Company in any material respects.

There are no contingent liabilities including guarantees that would affect the current and future profits of the Company in any material respects.

There are no penalties imposed by any regulatory or state authority against the Company.

There are three cases numbered 1600/23/SPL and 3339/23/L in the District Court of Mount Lavinia and a further case CHC 194/23 in the Commercial High Court wherein action has been filed by a borrower making claims and obtaining enjoining orders with regard to two properties in Mount Lavinia and Kandy which have been mortgaged to CBL. The value of these three cases is LKR 553,000,000. CBL is confident that the Bank's title to the properties would be finally upheld by Court.

10.5. MANAGEMENT AGREEMENTS AND OTHER CONTRACTS

There are no management agreements presently in force or currently being considered by CBL.

10.6. MATERIAL CONTRACTS

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business.

10.7. DETAILS OF COMMISSIONS PAID

No commission has been paid in the two years preceding the IPO or is payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares of the Company including for the Basel III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures disclosed in the Section 9.6 of this Prospectus.

10.8. DETAILS OF BENEFITS PAID TO PROMOTERS

No benefit has been paid in the two years preceding the IPO and there is no benefit intended to be paid or given to any promoter of the Company.

10.9. DETAILS OF TRANSACTIONS RELATING TO PROPERTY

There were no transactions relating to the property within the two years preceding the IPO in which any vendor of the property to the Company or any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Company had any interest, direct or indirect.

10.10. CORPORATE TAXATION

The Corporate Income Tax rates under Inland Revenue Act No. 24 of 2017 (as amended), Value Added Tax (VAT) rates in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 (as amended) and Social Security Contribution Levy as per the Social Security Contribution Levy Act No. 25 of 2022 applicable to CBL as at 31 December 2022 are disclosed below:

Tax Rates Applicable for the Company as at 31 December 2022

Corporate Income Tax Rate	30.0%
Value Added Tax Rate	15.0%
Value Added Tax Rate on Financial Services	18.0%
Social Security Contribution Tax Rate	2.5%

10.11. DETAILS OF LICENCES

The Monetary Board of CBSL has issued the Company a license on 21 January 2014 under the Banking Act No. 30 of 1988 (as amended) to operate as a licensed commercial bank. CBL has paid the annual license fee for the year 2023 on 03 January 2023.

10.12. OTHER DISCLOSURES

CT CLSA Capital (Pvt) Ltd, one of the joint managers to the issue, has an indirect affiliation with CT Holdings PLC. This affiliation is established through the ownership structure where CT Holdings PLC holds a 25.81% stake in CT CLSA Holdings (Pvt) Ltd, which, in turn, owns 100% of CT CLSA Capital (Pvt) Ltd. CT Holdings PLC as of the date of this prospectus holds a 25.29% stake in Cargills Bank Limited.

Further, Mr. Zakir Mohamedally who is the Director and Chief Executive Officer of CT CLSA Capital (Pvt) Ltd and Director and Group Chief Operating Officer of CT CLSA Holdings (Pvt) Ltd holds 50,000 shares of Cargills Bank Limited (0.01% pre-IPO stake).

11. INVESTMENT CONSIDERATION AND ASSOCIATED RISKS

Prior to investing in New Shares, prospective investors should pay particular attention to the fact that the Company and to a large extent its business activities are subject to several risks which may be within or beyond the control of the Company.

It is recommended that potential investors review the entire Prospectus in detail and pay particular attention to the following risks in connection with investment. If any of the considerations and uncertainties given below develop into actual events, the Company's business operations and future financial performance could be materially and adversely affected, which can impact the value of Ordinary Shares of the Company.

11.1. RISKS RELATING TO MACRO ENVIRONMENTAL FACTORS

11.1.1. GOVERNMENT POLICY AND REGULATIONS

The regulatory and supervisory framework for Licensed Commercial Banks (LCBs) is primarily outlined in the Banking Act No. 30 of 1988 (as amended) and the Central Bank of Sri Lanka Act No. 16 of 2023. The responsibility for regulating and supervising banks licensed by the Central Bank of Sri Lanka lies with the Bank Supervision Department of the CBSL. This department operates in accordance with the internationally recognized standards for bank supervision established by the Basel Committee for Banking Supervision.

Any significant regulatory changes implemented by the CBSL have a direct impact on the functioning and performance of banking institutions. However, the stringent oversight conducted by regulators helps to mitigate the risk of insolvency and misconduct within the banking sector. This rigorous monitoring process instils confidence in investors and deposit holders by providing a sense of security.

Under the system of continuous supervision or surveillance, the financial health of LCBs and Licensed Specialized Banks (LSBs) are closely monitored through periodic information submitted by the banks regarding their operations.

11.1.2. MACRO-ECONOMIC RISK PERTAINING TO THE BANKING SECTOR

The performance of the banking sector is closely linked to the overall macroeconomic climate and the trajectory of the country's economy. The fiscal and monetary policies, business confidence, and disposable income levels play crucial roles in influencing the sector.

Amidst deteriorating macroeconomic conditions and depleted reserves, the Government of Sri Lanka (GoSL) and CBSL announced a pre-emptive default on its foreign debt in April 2022, and set forth the implementation of various macroeconomic measures and tightening of monetary and fiscal policies to address inflationary pressures, dwindling foreign currency reserves, and low tax revenues.

The combination of high inflation and changes in tax policies significantly reduced consumers' disposable income levels. Moreover, the country faced severe shortages of essential commodities such as fuel, gas, and medical supplies due to the lack of foreign currency reserves. As a result, the economy of Sri Lanka contracted by an estimated 7.8% in 2022, and a further contraction of 3.8% is expected in 2023, according to data from the World Bank⁶.

During this period of economic contraction and reduced spending power, the banking sector encountered various limitations in the financial markets. These included increased operational costs, default risks, and the ongoing moratorium given to customers affected by the economic downturn. The

6 Source: World Bank, Sri Lanka Development Update, April and October 2023

sector faced difficulties in maintaining capital adequacy and liquidity ratios above regulatory minimum levels amidst a significant decline in capital buffers caused by adverse macroeconomic conditions.

However, there have been recent signs of improvement in the economy. The GoSL reached a Staff Level Agreement with the International Monetary Fund (IMF) in September 2022⁷ and obtained financial assurances from bilateral creditors, including China, which is the largest bilateral creditor to Sri Lanka. Inflation has started to slow down significantly since September 2022, and the Sri Lankan Rupee has appreciated against the US Dollar.

Despite these significant challenges, the banking sector is resilient. Recent macroeconomic developments, such as the exclusion of banks' treasury investments from the domestic debt optimization and the expected further reduction in market interest rates are expected to assist the recovery of the sector and also facilitate economic growth, which bodes well for the sector.

11.2. RISKS RELATING TO BUSINESS OPERATIONS

11.2.1. STRATEGIC RISK

Strategic risk arises from challenges in implementing appropriate business plans, strategies, and resource allocation, as well as the inability to adapt to changes and achieve set targets in the business environment.

To effectively manage strategic risk, Cargills Bank has established a strong framework overseen by the Board of Directors and supported by senior management. The Bank has implemented robust measures for strategic risk mitigation and monitoring, including the use of Key Risk Indicators (KRIs). These KRIs allow for continuous assessment and monitoring of performance in relation to strategic goals.

Cargills Bank also conducts industry and competitor benchmarking to ensure alignment with industry performance and target the achievement of strategic objectives. Through these strategic risk management practices, Cargills Bank aims to proactively identify and address any challenges that may arise in implementing its business plans and strategies, ensuring the Bank's ability to adapt to changes and achieve its set targets in the dynamic banking environment.

11.2.2. CREDIT RISK

Credit risk refers to the potential loss arising from a borrower or a counterparty failing to meet obligations in accordance with agreed terms. To manage this risk, CBL established policies and a comprehensive framework that outlines the principles governing client selection, due diligence, risk tolerance, portfolio monitoring and management, facility review, and recovery procedures.

The Bank's credit risk management strategy revolves around setting acceptable credit standards for borrowers and counterparties, as well as proactively identifying emerging risks that could potentially impact the business activities of clients well in advance. To achieve this, the credit risk management team develops risk assessment and monitoring tools used in credit origination and portfolio management, including stressed credit analysis. Additionally, the team closely monitors the utilization of working capital facilities and remains vigilant regarding changes in economic or other conditions that could lead to a deterioration of credit risk.

CBL has established clear guidelines for the credit approval structure, with delegated authority at various levels in the approval process. For credit facilities that exceed a certain threshold, independent evaluation is conducted by risk officers attached to the Risk Management Division. Their comments and evaluations are taken into consideration when making decisions on such facilities.

⁷ Source: <https://www.imf.org/en/News/Articles/2022/09/01/pr22295-imf-reaches-staff-level-agreement-on-extended-fund-facility-arrangement-with-sri-lanka> (accessed on 05th September 2023)

To assess the creditworthiness of its obligors across different segments (SME, Retail, Credit Cards, Micro, and Agri facilities and Business Banking), the Bank's Internal Risk Management Division (IRMD) employs internally developed risk scoring models. These models consider both quantitative and qualitative factors and undergo an annual independent validation in compliance with regulatory requirements. The Bank has also implemented a centralized risk rating system, facilitated by a workflow-based system, to store the risk ratings of all customers across the organization.

The Bank's Credit Administration Division is responsible for ensuring efficient post-sanction processes and credit disbursements in line with the Bank's guidelines and regulatory frameworks. The Credit Administration Division Manual is regularly reviewed to foster a risk management culture and drive improvements in these processes.

The responsibility for recovering delinquent loans and non-performing advances lies with the Business Unit and the Recovery Unit. Initially, credit officers and respective managers follow up on advance recovery, and if loans become non-performing, they are transferred to the Recovery Unit. This unit handles the recovery process until matters are resolved, while closely monitoring the value of the collateral held. Effective coordination with the Credit Risk Management Unit ensures follow-up and facilitates the transfer of valuable insights and lessons learned. Unrecovered advances are eventually transferred to the Legal Department for initiation of legal action as a last resort. At Cargills Bank, individual business units are held accountable for credit risk performance, and any concerning trends are addressed at all levels of the organization.

11.2.3. OPERATIONAL RISK

Operational risk arises from the possibility of incurring losses due to inadequate or failed internal processes, people, and systems, or from external events such as natural disasters, social or political events. The Bank proactively addresses operational challenges arising from socio-economic events. It assesses vulnerabilities, establishes controls, and safeguards to mitigate risks, even in worst-case scenarios.

The Operational Risk Management Unit manages operational risk and is accountable for the design, implementation, and maintenance of an effective Operational Risk Management Framework (ORMF). This framework enables the Bank to assess its operational risk profile, identify risk themes and concentrations, and define risk mitigation measures and priorities.

Operational risk exposure varies based on factors such as the Bank's size, sophistication, level of automation, and the nature and complexity of its activities. The Operational Risk Unit (ORU) provides operational risk-related reporting formats, including Key Risk Indicators, Risk Registers, and Loss reporting. It conducts site risk reviews of departments and branches and reports significant findings to relevant committees.

To efficiently manage operational risk, the Bank employs various operational risk management techniques. The Risk Control Self-Assessment process involves assessing operational risks across products and processes, enabling the identification of management issues. Findings from this process are reported in the Risk Register. The Risk Register serves as the main repository for key risks, controls, and actions to mitigate identified risk events. It plays a vital role in the Bank's risk management plan, facilitating issue tracking and problem resolution and helps identify control gaps that may hinder achieving business or process objectives, and it monitors management actions to address these gaps.

Key Risk Indicators enhance risk monitoring and mitigation, enabling timely risk reporting. These indicators measure the riskiness of activities, allowing for monitoring of the Bank's control culture and business environment.

CBL's operational Loss and Event Reporting follows Basel Committee guidelines which involve continuous data collection on operational losses and events, facilitating timely actions based on key observations, systematic risk analyses, and root cause analysis by responsible departments.

Business Operational Risk Managers (BORM) serve as links between the Operational Risk Unit and respective departments, embedding the operational risk management framework within their areas. They ensure the effective implementation of operating policies and procedures.

The Operational Risk Management Committee (ORMC) oversees critical aspects of the Bank's operations, providing a link between departments and management. It conducts risk assessments, requests information, and proposes best practices to mitigate risks. Internal Audit validates the effectiveness of the Bank's operational risk management framework periodically.

The Bank also has an Operational Risk Unit which is an independent unit that monitors and executes the Business Continuity Plan and Disaster Recovery Plan to ensure minimal disruption to critical operations.

11.2.4. MARKET RISK

Market risk refers to the potential loss arising from changes in the fair value of financial instruments due to fluctuations in market variables. Risk factors include interest rates, foreign exchange rates and other market benchmarks.

The Bank has established a framework for market risk management, encompassing limits, Key Risk Indicators and risk management tools. Additionally, the Bank conducts stress testing and sensitivity analysis to assess its performance in different stress conditions. To ensure effective management of market risks, the Treasury Middle Office (TMO) and Market Risk Management functions are responsible for ongoing monitoring and mitigation efforts. The TMO oversees the asset and liability positions, operating under the supervision of the Asset and Liability Committee (ALCO).

11.2.5. LIQUIDITY RISK

Liquidity risk refers to the Bank's inability to meet on-or-off balance sheet contractual and contingent financial obligations as they fall due, without incurring unacceptable losses when they fall due.

Liquidity risk is monitored through both a stock approach, which measures liquidity stored on the balance sheet using key ratios, and a flow approach, which assesses contractual and behavioural liquidity mismatches through maturity analyses.

The ALCO plays a crucial role in monitoring the Bank's liquidity position and maturity gaps of assets and liabilities by reviewing liquidity reports and ratios generated by the Finance, Treasury, and Risk Management Divisions. The Board Integrated Risk Management Committee (BIRMC), and ALCO consistently evaluate the soundness of liquidity indicators to ensure that they remain within prescribed parameters. The Bank has implemented the minimum liquidity standards set by Basel III.

11.2.6. INFORMATION TECHNOLOGY RISK

Information technology risk arises from the use, ownership, and operation of IT within an organization. To address these risks, Cargills Bank has implemented a three-tier governance architecture, including a dedicated information security unit. This unit actively manages and responds to threats by engaging with IT operations. The Bank has invested in industry-standard preventive and detective technologies, including a Security Operations Centre (SOC).

In alignment with the technology risk resilience framework of the CBSL, an information security risk unit has been established under the Risk Management Department. Both the information security and information security risk units report to the BIRMC through the Information Security Council (ISC).

Furthermore, the introduction of a new privacy law in Sri Lanka in 2022 has added another dimension to the banking industry, increasing the regulatory and legal landscape. In response to this evolving environment, Cargills Bank has embraced digital transformation to meet these challenges and ensure compliance. The Bank has implemented measures to monitor threats faced by customers within their relationship with Cargills Bank, going beyond perimeter monitoring. Additionally, the Bank actively promotes security literacy among customers and agents to foster awareness and best practices.

11.2.7. COMPLIANCE RISK

Compliance risk refers to the potential for the Bank to face legal or regulatory sanctions, significant financial loss, or damage to its reputation due to non-compliance with laws, regulations, rules, standards set by regulatory bodies, codes of conduct, and internal policies and procedures that apply to its business activities.

The Bank has established a dedicated compliance function responsible for evaluating the Bank's compliance with relevant laws, regulations, regulatory guidelines, internal controls, and approved policies across all areas of its operations. The compliance function is carried out by a Compliance Officer who is chosen from Key Management Personnel. The Compliance Officer reports to the Board Integrated Risk Management Committee on a regular basis, providing updates on the Bank's compliance efforts.

11.3. RISKS RELATING TO INVESTMENT IN SHARES

11.3.1. INABILITY TO PROVIDE CONTINUOUS DIVIDENDS

The ability of the Company to make dividend payments to its shareholders will be based on a number of factors including the sufficiency of capital as per the CBSL requirements and distributable reserves, availability of cash reserves, business growth prospects, compliance with financing covenants, etc. Dividend payments are not assured and the Board of Directors may decide, in its absolute discretion, not to pay dividends. Further, any substantial dividend payment can significantly impact the capital requirements of the Company, restrict the Company's cash reserves and may adversely affect liquidity to support its lending operations and the ability to fund capital expenditures as well as make interest and principal repayments on its customer deposits and funding obligations.

11.3.2. PRICE VOLATILITY OF SHARES ON THE SECONDARY MARKET

Once the Shares of the Company are listed, secondary market prices of the Company's Shares may be volatile due to a range of factors including temporary spikes in demand for or supply of such Shares, the Company's financial performance, investor sentiment, general economic and political conditions or fluctuations in the aggregate market. Due to these price volatilities, potential investors depending on their risk appetite may be required to hold the Shares on a long-term basis in order to optimize returns and not be for short-term investment. Further, the market price of the Shares may not reflect the underlying value of the Company due to price volatilities.

12. STATUTORY DECLARATIONS

12.1. DECLARATION BY THE DIRECTORS

We, the undersigned, being Directors of Cargills Bank Limited, a company incorporated in the Democratic Socialist Republic of Sri Lanka bearing Company Registration No. PB 4847, having its registered office at No. 696 Galle Road, Colombo 03, hereby declare and confirm that we have read the provisions of the Companies Act No.7 of 2007 relating to the issue of the Prospectus and provisions listed therein have been complied with.

This Prospectus has been seen and approved by us and we individually and collectively accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any subsequent amendments made have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered reasonable at the present point in time and according to our best judgments. This declaration is made subject to the amendments required by CSE Circular No 4/2023 issued on 11 September 2023 which is being expeditiously adopted.

We further declare that the profit forecasts have been included in this Prospectus after due and careful enquiry of the information available to the Company and assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

Name of Director	Designation	Signature
Mr. Richard Annesley Ebell	Chairman, Independent, Non-Executive Director	Sgd
Mr. Koliya Bandaralage Senarath Bandara	Managing Director/CEO, Non-Independent	Sgd
Ms. Marianne Mahilmalar Page	Non-Independent, Non-Executive Director	Sgd
Mr. Yudhishtan Kanagasabai	Independent, Non-Executive Director	Sgd
Mr. Pitipana Erawwalage Anuruddha Buwanekabahu Perera	Independent, Non-Executive Director	Sgd
Mr. Hiran Asoka Pieris	Non-Independent, Non-Executive Director	Sgd
Mr. Ravindra Ajantha Jayawardena	Independent, Non-Executive Director	Sgd
Ms. Shanti Gnanapragasam	Independent, Non-Executive Director	Sgd
Mr. Arjuna Herath	Independent, Non-Executive Director	Sgd

12.2. DECLARATION BY THE COMPANY

We, Cargills Bank Limited, having our Registered Office at No. 696, Galle Road, Colombo 03 hereby declare that to the best of our knowledge and belief that this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all the Ordinary Voting Shares issued by the Company and those Ordinary Voting Shares, which are the subject of this Issue. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the shares issued.

The Seal of Cargills Bank Limited affixed at Colombo on 28 November 2023 in the presence of two Directors

Sgd
Director

Sgd
Director

12.3. DECLARATION BY THE JOINT FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE

12.3.1. CT CLSA CAPITAL (PRIVATE) LIMITED

We, CT CLSA Capital (Private) Limited of No 4-15, Majestic City, 10 Station Road, Colombo 04 hereby declare and confirm to the best of our knowledge and belief that this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

The Seal of CT CLSA Capital (Private) Limited affixed at Colombo on 28 November 2023 in the presence of two Directors.

Sgd
Director

Sgd
Director

12.3.2. NDB INVESTMENT BANK LIMITED

We, NDB Investment Bank Limited of Level 1, NDB Capital Building, 135, Bauddhaloka Mawatha, Colombo 04 hereby declare and confirm to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

The Common Seal of NDB Investment Bank Limited affixed at Colombo on 28 November 2023 in the presence of two directors.

Sgd
Director

Sgd
Director

ANNEXURE A - RESEARCH REPORT PUBLISHED TO
ASCERTAIN THE VALUE OF ORDINARY VOTING SHARES OF
CARGILLS BANK LIMITED



CARGILLS BANK LIMITED

Research Report

Joint Financial Advisors and Managers to the Initial Public Offering



November 28, 2023

The preparers of the Research Report possess the requisite expertise to prepare reports of this nature involving a company in the Banks Sector that is to be listed on the Colombo Stock Exchange

November 28, 2023

Board of Directors,
Cargills Bank Limited,
No. 696, Galle Road,
Colombo 3.

Dear Sirs,

Research Report on Valuation of Cargills Bank Limited (“CBL”)

We, NDB Investment Bank Limited (hereinafter referred to as “NDBIB”), in the capacity of Joint Financial Advisors and Managers to the Initial Public Offering (IPO) of CBL (along with CT CLSA Capital Limited), wish to submit the enclosed Research Report in accordance with Section 3.1.4. c (ii) of the Listing Rules of the Colombo Stock Exchange (“CSE”) and the respective Guidance Note issued by the CSE pertaining to the preparation of the Research Report. NDBIB has prepared the Research Report as a part of its scope agreed between CBL and CT CLSA Capital (Pvt) Ltd, in terms of the engagement letter executed between the parties.

NDBIB has carried out a detailed analysis of the business operations of CBL to arrive at the fair value of CBL’s shares based on three valuation methodologies and the results have been summarised below.

Valuation Method	Equity Value (LKR Mn)	Per Share Value (LKR)	Premium/ (Discount) to the Issue Price of LKR 8/- per Share
Residual Income	8,678.16	9.83	18.59%
Justified P/BV	9,127.13	10.33	22.59%
Trailing P/BV (10-year Average)	8,765.28	9.93	19.40%
Weighted Average Valuation	8,856.86	10.03	20.19%

We are of the view that CBL shares would have a fair value of LKR 10.03 per share as at August 31, 2023, given the Company’s business fundamentals and the industry dynamics in the Banking Sector, based on the Residual Income, Justified P/BV and the Trailing P/BV (10-year Average) methodologies employed, as depicted in the table above. Whilst the Residual Income methodology factors in CBL’s future business plans and growth potential, the P/BV methodologies considers the relative premium/discount that would be offered by the investors on the net asset value of the Bank. For the purpose of arriving at a valuation for the IPO, a pure asset-based valuation methodology (i.e. assets less liabilities) has not been considered as it does not reflect a value relative to its peers in light of the current market environment, nor captures the business fundamentals and the growth potential of the Bank.

Considering the need to offer an upside to potential investors and the healthy marketability of shares, we recommend an offer price of **LKR 8 per share**. The detailed Research Report is enclosed herewith for your reference.

Thank you.
Yours faithfully,

NDB INVESTMENT BANK LIMITED

Sgd.
Darshan Perera
Chief Executive Officer

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LIST OF ABBREVIATIONS

ALCO	Asset and Liability Committee
AT1	Additional Tier 1
AWDR	Average Weighted Deposit Rate
AWFDR	Average Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
AWPR	Average Weighted Prime Rate
Bn	Billion
bps	Basis Points
BVPS	Book Value Per Share
c.	Circa
CASA	Current and Savings Account
CBL	Cargills Bank Limited
CBSL	Central Bank of Sri Lanka
CEO	Chief Executive Officer
cf	Compare
CIT	Corporate Income Tax
CSE / COSE	Colombo Stock Exchange
DBU	Domestic Banking Unit
DDO	Domestic Debt Optimization
EFF	Extended Fund Facility
FY	Financial Year (in the context of Cargills Bank Limited, this refers to the period from January 1st to December 31st)
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
IMF	International Monetary Fund
IPO	Initial Public Offering
ISB	International Sovereign Bond
KRI	Key Risk Indicators
LCB	Licensed Commercial Bank
LKR	Sri Lanka Rupees
LSB	Licensed Specialised Bank
M&A	Mergers and Acquisitions
MBA	Master of Business Administration
Mn	Million
N/A	Not Available
NAV	Net Asset Value
NDBIB	NDB Investment Bank Limited
NII	Net Interest Income
NIM	Net Interest Margin
NPL	Non-Performing Loan
OCI	Other Comprehensive Income

ORMF	Operational Risk Management Framework
P/BV	Price to Book Value
PPE	Property, Plant and Equipment
RI	Residual Income
ROE	Return on Equity
SDFR	Standing Deposit Facility Rate
SLAR	Statutory Liquid Asset Ratio
SLFR	Standing Lending Facility Rate
SME	Small and Medium-sized Enterprises
SME	Small and Medium Enterprises
TMO	Treasury Middle Office
VAT	Value Added Tax
YOY	Year-on-Year
YTD	Year-to-Date

1 AN OVERVIEW OF THE BANK

Cargills Bank Limited (“Cargills Bank”, “CBL”, the “Bank”) was incorporated in Sri Lanka on November 3, 2011 as “Cargills Agriculture and Commercial Bank Limited”, and changed its name to “Cargills Bank Limited” in January 2014. The Bank gained approval as a Licensed Commercial Bank under the Banking Act No. 30 of 1988 on January 21, 2014, and commenced commercial banking operations on June 30, 2014, as the 25th Commercial Bank in Sri Lanka, at the time.

The Bank currently operates a network of 24 branches throughout Sri Lanka across 14 Districts, with its headquarters situated in Colombo 03. CBL provides an extensive array of services, including savings and current accounts, investment planners, credit and debit card offerings, consumer loans, support for agriculture and micro-financing, SME and business banking solutions, trade facilities, treasury operations, inward remittances and an array of user-friendly and adaptable digital banking services. These digital services ensure continuous access and convenience for customers (including the ability to transact and digitally onboard), ensuring that their financial needs are met efficiently.

The Bank utilizes a “Hub and Spoke” model as a cost-effective strategy to expand its presence and attract retail customers. Under this model, a single branch (Hub) extends its operations through several Cargills Bank MINI locations stationed in Cargills Food City outlets, that are capable of carrying out banking functions such as account opening and customer support, among others, thus enabling the branch to seize business opportunities beyond its own geographical territory. The Bank operates 29 such MINI locations, taking the total consumer facing touchpoints of the Bank to over 50 locations.

CBL engages in Agency banking via over 475 Cargills Retail outlets (Cargills Food City, Cargills Express and Cargills FoodHall). Through this agency banking arrangement, the Bank’s retail customers are able to deposit and withdraw funds from their account and make domestic fund remittances and payments through the Cargills Retail network. Furthermore, the service is used to provide collection management services for Corporate and SME Banking customers. The agency banking model tied to a supermarket chain is unique within the domestic banking space and provides Cargills Bank with a distinct point of differentiation.

Furthermore, CBL is uniquely positioned to leverage on the integrated value chain of the Cargills Group, connecting stakeholders from Farm to Home to drive local community development and enhance financial inclusivity. The Bank collaborates with and services diverse stakeholders within the Cargills ecosystem, which makes up a captive and sticky client pool for the Bank.

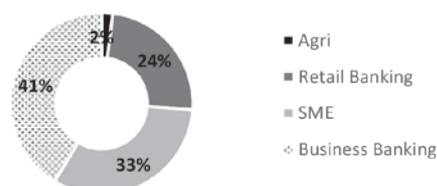
Cargills Bank is driven by a compelling vision to become Sri Lanka’s most inclusive bank, powered by digital innovation to deliver state-of-the-art banking solutions. The Bank has a supported financial rating of A (lka) with a negative outlook from Fitch Ratings Lanka ¹.

The Asset Value and the Equity Value of the Bank as of August 31, 2023, stood at LKR 64.0 Bn and LKR 11.4 Bn, respectively. This IPO is the initial step towards augmenting the Bank’s capital base to LKR 20.0 Bn as per the CBSL guidelines.

Figure 1-1 - A snapshot of the Bank



Figure 1-2 - Segmental gross loan composition - August 2023



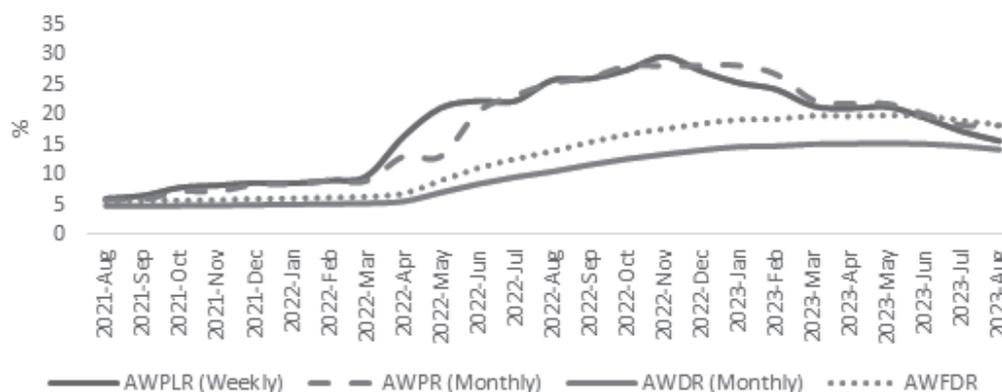
2 AN OVERVIEW OF THE BANKING SECTOR

The Banking Sector of Sri Lanka comprises of 24 Licensed Commercial Banks (LCBs) and 6 Licensed Specialized Banks (LSBs)². Despite the manifold challenges faced by the sector during 2022 including the decline of credit quality, acute pressure on liquidity, low level of profitability, and deteriorating capital levels, the banking sector remained stable, holding 61.9% of the financial assets in the financial system and adequately meeting capital requirements (*as per the CBSL Annual Report 2022*).

In order to tackle the rampant inflationary climate, the CBSL in April 2022, increased the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 700 bps to 13.5% and 14.5% respectively and thereafter by a further 100 bps each in July 2022, tightening the money supply, which resulted in high market rates in the Banking Sector and led to the improvement in sectoral Interest Income in 2022. However, a drop in asset quality (*increase in Stage 3 Loans %*) and a rise in impairment was witnessed in 2022, owing to the undesirable economic state of market participants. However, the monetary policy measures taken by the CBSL in 2022 and H1 2023 led to the stabilization of the currency and reduction in headline inflation as per the Colombo Consumer Price Index (CCPI) to 1.3% in September 2023 compared to 69.8% in September 2022.

Despite subsequent de-escalations in policy rates - *to cautiously ease monetary conditions*, and moral suasion by the CBSL, the premia between market lending and deposit rates remained notably high - *as evidenced by the wide gap between the AWPLR and AWDR depicted in Figure 2-1*, leading to financial institutions and banks recording high Net Interest Income (NII) in 2022 and H1 2023. In August 2023, the CBSL issued an order stipulating maximum interest rates on LKR denominated lending products to curb this phenomenon.

Figure 2-1 - Commercial Bank Lending and Deposit Rates (per cent per annum)



Source: CBSL, 2023 (Accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on September 10, 2023)

The domestic banking system was exempted from the restructuring of its Treasury Bills and Bonds portfolio in the Domestic Debt Optimization programme (DDO) which concluded in September 2023 owing to the systemic importance of the sector, prioritizing financial system stability, the extraordinary support provided by the sector for customers facing difficulties in the economic environment, and higher provisioning already absorbed by banks due to stressed assets and the overhang of the International Sovereign Bonds (ISBs) restructuring, among other reasons. Banks with high ISB exposures have already taken measures to account for a possible notional haircut on the ISBs, and therefore, a further adverse impact on the stability of the banking sector owing to the upcoming restructuring of ISBs will likely be minimal. Cargills Bank does not have exposure to ISBs.

On the broader macro front, the securing of the USD 3.0 Bn IMF Extended Fund Facility (EFF) is expected to ease macroeconomic pressures as it would be used for budgetary support and to further progressive

economic policies and reforms. On fiscal reforms, the Government of Sri Lanka (GoSL) eliminated the differential Corporate Income Tax (CIT) structure by imposing a 30% CIT for most businesses - *including banks*, effective October 01, 2022. The VAT on Financial Services applicable for banks was also raised to 18% in March 2022.

Sections 2.1 to 2.5 provide a commentary on how the banking sector fared in relation to various dimensions, as reported by the CBSL in the 2022 Annual Report.

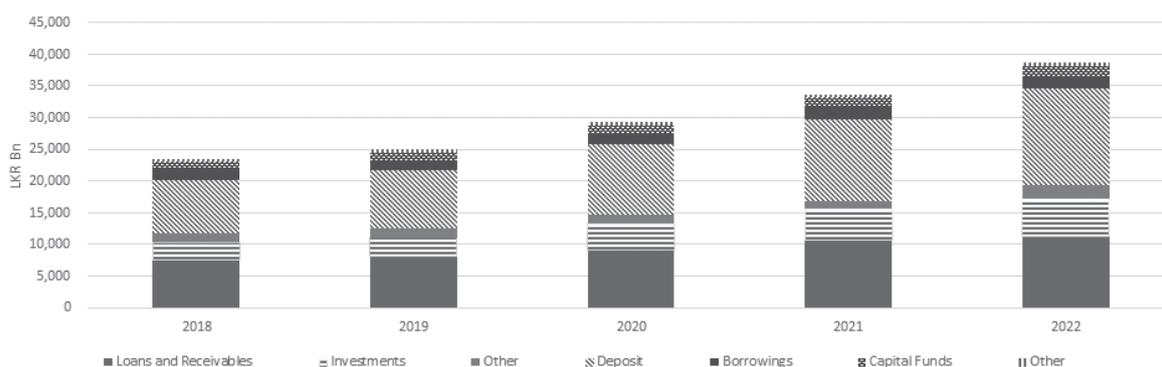
2.1 ASSETS AND LIABILITIES OF THE BANKING SECTOR

Despite a challenging year, a 15.4% growth in the asset base of the banking sector was witnessed during 2022, as the asset base reached LKR 19.0 trillion in value.

In 2022, the banking industry’s total borrowings shrank by LKR 300.4 billion, or by 13.8% as a result of the contraction in borrowing in foreign currencies of 55.2%, indicating the effect of downgrades to sovereign ratings, while borrowing in Sri Lanka Rupees fell by LKR 171.5 billion, or 11.52%, in 2022 ³.

The main source of funding for the banking sector were deposits (78.8% of total liabilities). The increase in deposits occurred mainly due to the increase in term deposits, which increased from 61% to 67.9% within the year. Due to the same, the average sector Current and Savings Account (CASA) ratio has decreased from 38% to 31.2% during the year.

Figure 2-2 - Composition of Assets and Liabilities of the Banking Sector



Source: CBSL, 2023 (Accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on September 10, 2023)

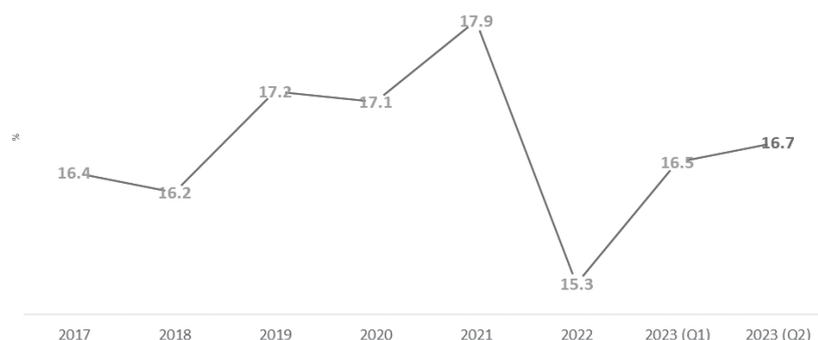
2.2 CAPITAL LEVELS

Due to the banks being encouraged to raise high quality capital to absorb the potential losses arising from the problematic macroeconomic situation in the country, banks increased Tier 1 Capital through the retention of profits, increase in reserves, and issuance of new shares during 2021 as well as in 2022 ⁴.

The Total Capital Adequacy Ratio and the Tier 1 Capital Ratio increased in 2023 and remained above the regulatory thresholds, despite the provision to drawdown a further 250 bps from the Capital Conservation Buffer ⁵.

⁵ CBSL Press Release (25.05.2022) (Accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20220525_cbsl_implements_extraordinary_measures_to_support_banking_sector_e.pdf on November 10, 2023)

Figure 2-3 – Total Capital Adequacy Ratios of the Banking Industry



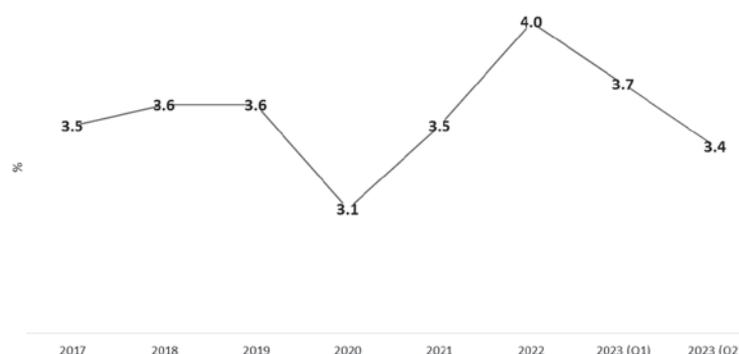
Sources: CBSL, 2023 (Accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> and https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2022/en/12_Chapter_08.pdf on September 10, 2023)

2.3 PROFITABILITY

The NII of the sector increased by 37.8% during 2022, on the back of a 74.7% increase in Interest Income, due to the relatively high interest rate phenomenon prevalent during the year. As a result, the sector Net Interest Margin (NIM) also increased to 4.0% as at the end of 2022 compared to 3.4% during 2021. Furthermore, non-interest income increased by Rs.124.1 billion mainly due to higher fee and commission income. However, impairment for loans and other losses increased by c. LKR 299 Bn in the year. As a result, the profit after tax of the sector decreased by 12.7% in 2022 compared to 2021.⁶

The interest income of the banking sector was subjected to an increase owing to the re-pricing of the lending portfolio in line with market rate movements and the increase in investment portfolio at relatively high rates. Interest rates remained on an increasing trend till early June 2023 in line with CBSL’s tightening monetary policy and increased policy rates, while the policy rates dropped in June and July 2023 by 450 bps⁷. NIM in 2023 is expected to be lower than 2022 due to the trend in reducing market rates. Given the decreased business volumes in a setting of negative GDP growth, fee and commission income also continued to be under pressure.

Figure 2-4 - Net Interest Margins of the Banking Industry



Source: CBSL, 2023 (Accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on September 10, 2023)

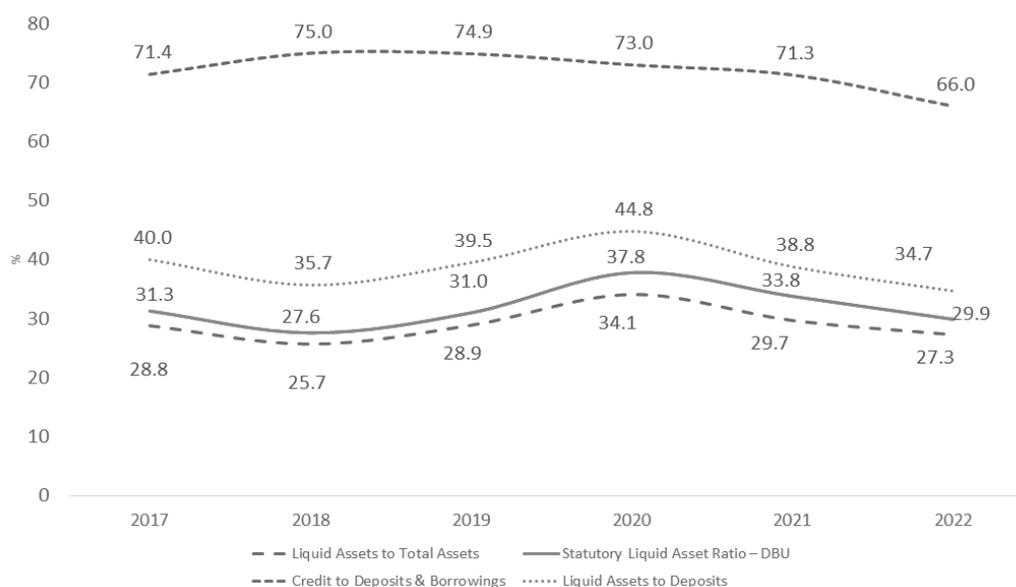
⁶ CBSL Annual Reports - 2021,2022 (Accessed via <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports> on September 11, 2023)

⁷ CBSL (Accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20231005_Monetary_Policy_Review_No_7_2023_e_U53s8.pdf on September 11, 2023)

2.4 LIQUIDITY

The Statutory Liquid Assets Ratio (SLAR) for Domestic Banking Units (DBU) of the banking sector for 2022 reduced to 29.9% due to domestic banks heavily relying on standing facilities provided by CBSL. Furthermore, a slight decrease in the Credit to Deposits and Borrowings Ratio was witnessed due to lower credit growth in 2022 along with the decline of Liquid Assets to Total Assets and Liquid Assets to Deposits ratios. In the first quarter of 2023, the Liquid Assets to Total Assets ratio has increased to 30.6% which is a slight increase compared to 2022.⁸

Figure 2-5 - Liquidity Ratios of the Banking Sector



Source: CBSL Annual Report, 2022 (Accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2022/en/12_Chapter_08.pdf on September 12, 2023)

2.5 ASSET QUALITY

Despite the freezing of the classification of credit facilities as non-performing under moratoria, Non-Performing Loans (NPLs), as indicated by Stage 3 Loans (including undrawn amounts), increased up to LKR 1.3 trillion in 2022, reflecting a year-on-year growth of 53.6%. The surge in NPLs in 2022 was primarily attributed to the economic downturn, wherein borrowers faced financial hardships, leading to a higher incidence of loan defaults.⁹

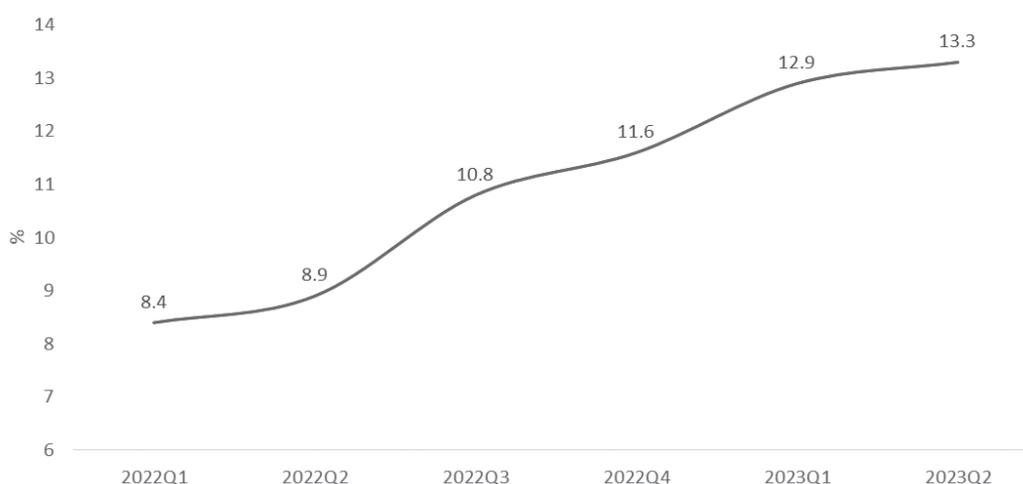
Consequently, the NPL ratio, represented by Stage 3 Loans as a proportion of total loans (including undrawn amounts), rose from 8.4% in the first quarter of 2022 to 13.3% by the second quarter of 2023. This increase was a result of the higher growth in Stage 3 Loans and a slower expansion in overall credit.¹⁰

⁸ CBSL Annual Reports - 2022 (Accessed via <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports> on September 11, 2023)

⁹ CBSL Annual Reports - 2021, 2022 (Accessed via <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-reports> on September 11, 2023)

¹⁰ CBSL, 2023 (Accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on September 10, 2023)

Figure 2-6 - Non-Performing Loan Ratio of the Banking Sector



Source: CBSL, 2023 (Accessed via <https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> on September 10, 2023)

2.6 FUTURE OUTLOOK OF THE BANKING SECTOR

In August 2023, the CBSL issued an Order calling for the reduction of policy interest rates including pawning interest rates to be brought down to 18%, pre-arranged temporary overdrafts to be brought down to 23% and interest on credit card advances to be brought down to 28%¹¹. Further, the CBSL stated that Banks should reduce their weighted average lending rate by 250 bps by end-October 2023 and a further 100 bps by end-December 2023. In line with the same, the Net Interest Margin (NIM) of banks can be expected to gradually shrink over time as the sector will be subject to the sticky repricing of its lending portfolio. However, an increase in credit growth will be likely, due to the affordability of lending products. As a result, an overall increase in the loan books of banks may materialize, along with an uptick in business volumes which will propel net fee and commission income in the sector. The asset quality of banks can also be expected to improve with the economy recovering from the crisis over the medium run with the inflow of healthy credit flowing into the banks, although such an impact may be reflected in sector NPLs with a lag. The liquidity risk of banks is also expected to reduce due to the drop in the number of early withdrawals and loan defaults due to the improvement in economic conditions.

2.7 CBL WITH RELATION TO THE PEERS

CBL was the latest entrant in the LCB field, commencing operations in 2014, and as such, is smaller compared to its listed peers in terms of size. Given its smaller size, its future strategies, its level of capitalization and the improving industry dynamics, the Bank is poised to grow faster compared to the peers in general.

Presented below is a table which depicts the relative position and performance of the Bank, with respect to the peers.

¹¹ CBSL, 2023 (Accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_act_order_1_of_2023_e.pdf on September 10, 2023)

Table 2-1: Position and performance of the peers

	Net Customer Loans - LKR Mns	Total Assets - LKR Mns	Total Deposits - LKR Mns	Total Equity - LKR Mns	ROE (%)	Net Interest Income/ Avg Assets (%)**	Cost-to-Income (%)	Total Capital Ratio (%)	Stage 3 Loans as a % of Gross Loans
Latest									
Industry* Average	500,626	970,920	751,748	93,834	11.07%	5.52%	47.27%	16.49%	N/A
CBL (as of August 2023)	36,234	63,981	45,998	11,379	5.19%**	6.30%**	55.03%	21.80%	16.43%
Latest Fiscal Year (FY22)									
Industry* Average	536,744	945,153	742,620	89,441	9.06%	5.31%	39.13%	15.15%	10.66%
CBL (as of December 2022)	35,960	53,753	37,803	9,720	5.12%	5.85%	55.35%	22.85%	15.11%

Source: <https://www.capitaliq.com/> (access only available to registered users) [Accessed on November 10, 2023]

*For this exercise, the Industry includes the peers used for the valuation of CBL (Refer the list of peers in the Annexures of the Research Report. Latest peer information is as of the latest published quarterly financials of the peers available as of November 10, 2023.

3 SOURCES OF INFORMATION

In deriving at the valuation, the following sources were referred to:

- i. Unaudited 8 Month Interim Statements of CBL as at August 31, 2023
- ii. Audited Financial Statements of CBL for the Financial Years ended December 31, 2020, 2021 and 2022
- iii. Budgets and internal forecasts provided by the Management of CBL
- iv. Information on S&P Capital IQ Platform
- v. Trading related information available on the Colombo Stock Exchange
- vi. Other publicly available information

NDBIB is of the view that the information sources listed above were adequate to carry out the equity valuation of Cargills Bank Limited in a fair and reasonable basis to the best of their knowledge. Furthermore, it should be noted that NDBIB has not carried out an independent verification of the information provided by the Company. In addition, no information has come to the attention of NDBIB to believe that the facts and data set forth in the Report are incorrect.

4 FINANCIAL FORECASTS AND ASSUMPTIONS

The financial statements of CBL were forecasted based on the audited financial statements of the Company for the year ended December 31, 2022, and the Interim Accounts for the eight months ended August 31, 2023. Management expectations, current trends in the Banking and Financial Sector and the overall macro-economic outlook were considered when forecasting the Bank's performance.

Given the capital augmentation plan which is in place to reach an equity capital of LKR 20.0 Bn by December 31, 2025, as stipulated by the CBSL, a 9-year forecast period ending in FY31 was considered to capture normalised residual income for valuation purposes.

NDBIB has established that the assumptions used for forecasts given in this report are reasonable and fair to the best of our knowledge.

4.1 GROSS LOAN PORTFOLIO AND LOAN ASSET QUALITY

CBL adopted a conservative strategy where the Bank targeted a higher quality in assets at the expense of rapid loan book growth, to address the prevailing market conditions and associated credit risk. As such, the Bank's Gross loan book contracted at a rate of 7.9% to reach a value of LKR 40.2 Bn in FY2022 (cf. LKR 43.7 Bn in FY2021) mainly on the back of the Bank's decision to strengthen its evaluation framework to accommodate credit requests of new and existing customers amidst the challenging macroeconomic conditions that prevailed during the year.

While this temporary strategy has led to a marginal drop in total asset base in the short run (LKR 55.8 Bn in FY2021 vs LKR 53.8 Bn in FY2022), it is expected to bolster asset quality with minimal new non-performing loans in the Bank's portfolio going forward.

Table 4-1 - Product-wise gross loans

in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Overdrafts	6,970	5,858	6,766	8,627	10,780	13,383	16,729	20,911	25,512	30,614	36,125
Term Loans	14,833	17,994	20,707	26,481	33,286	41,430	51,788	64,735	78,976	94,771	111,830
Money Market Loans	8,919	4,405	4,952	6,262	7,698	9,478	11,848	14,810	18,068	21,682	25,584
Trade Finance	3,201	2,945	3,428	4,342	5,355	6,602	8,252	10,316	12,585	15,102	17,820
Credit Cards	1,580	1,554	2,000	2,512	3,177	4,080	5,100	6,375	7,777	9,332	11,012
Personal Loans	4,228	3,489	3,847	5,018	6,556	8,342	10,428	13,035	15,903	19,083	22,518
Other Product Lines	3,952	4,004	4,696	6,144	7,975	10,218	12,772	15,965	19,477	23,373	27,580
Total Gross Loans	43,682	40,250	46,396	59,386	74,827	93,534	116,917	146,146	178,298	213,958	252,470
YOY Growth Rate	37.65%	-7.86%	15.27%	28.00%	26.00%	25.00%	25.00%	25.00%	22.00%	20.00%	18.00%

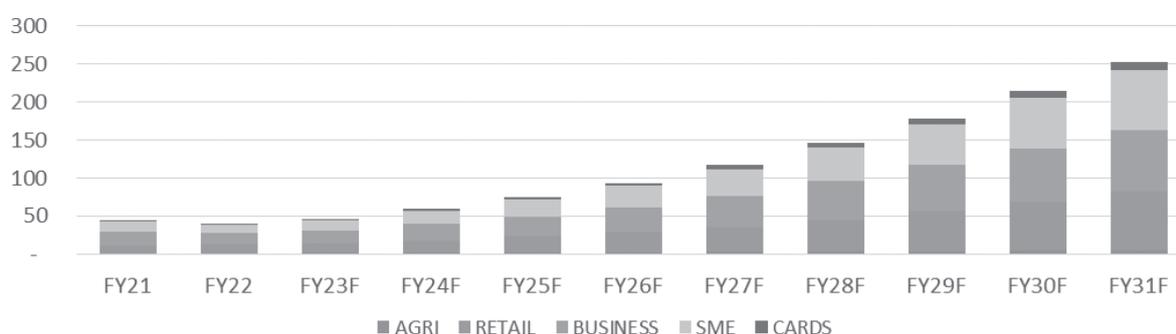
The Bank was able to marginally grow its gross loan portfolio during the 8 Month period ended August 31, 2023 to LKR 41.0 Bn from LKR 40.3 Bn despite the continued macroeconomic challenges amidst low economic growth, uncertainty surrounding the Domestic Debt Optimization process and measures to meet the targets relating to the Extended Fund Facility program of the IMF.

A revival of Sri Lanka's economic activity, driven by the corrective economic measures taken by the GoSL and the CBSL, including the downward adjustment of CBSL's policy interest rates, is expected to lead to a significant increase in net disbursements of CBL in FY2023 and in subsequent years. Furthermore, the reduced interest rate environment is expected to continue into the foreseeable future, thereby enabling the Bank to sustain its growth in loan book. Given the smaller loan base that CBL has at present compared to the wider peer-set (morefully outlined in Section 2-1) and given that the Bank has historically achieved such growth numbers in the past (*i.e. at a five-year CAGR of 26.36% from FY2016 to FY2021*) compared to the peers (*i.e. at a five-year CAGR of 12.14% from FY2016 to FY2021*), the Bank is projected to achieve the rates mentioned in Table 4-1. In addition, the capital infusion from the

IPO and the expected equity raisings in line with the capital augmentation plan, will further strengthen the balance sheet of CBL, and will reduce the Bank's reliance on borrowings and client deposits in the short term, thereby allowing the Bank to be more aggressive with its gross disbursements as seen by the projected growth of the gross loan book from FY2024 onwards.

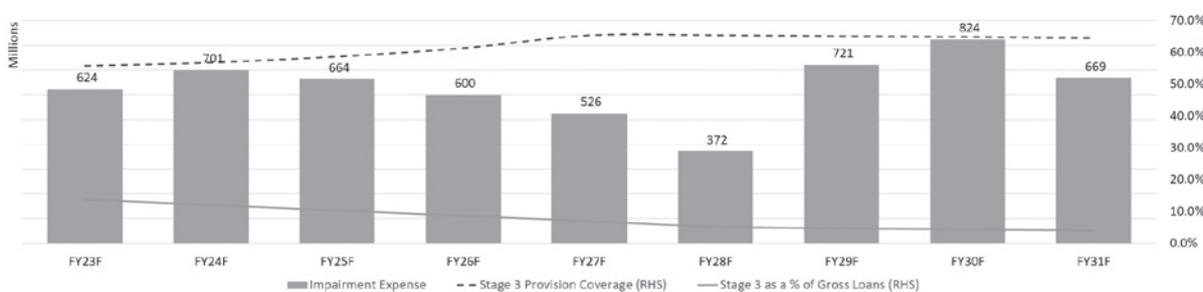
In terms of the segmental breakup of the loan book, the Bank expects to rely on tested corporate clients in the coming months until the generic economic conditions ease, and thereafter pursue opportunities to improve on its Retail and SME base. CBL's proposed strategy of increasing its branches to 50 (from 24 currently) and MINI locations at high traffic Cargills Food City outlets to 120 (from 29 currently) by 2028, coupled with facilitation of deposits and withdrawals at Cargills Retail locations islandwide is expected to create customer stickiness and drive the Bank's portfolio growth. As such, the proportional contribution to the Retail (including cards) and SME segments are expected to reach c. 66% of the loan book by FY31 from the 61% which prevailed in FY22.

Figure 4-1 - Segmental gross loan composition in LKR Bn



Stage 3 Loans as a percentage of total loans which prevailed at 16.4% in August 2023 is expected to reduce to 13.9% by FY23 as a result of the expectation of several reversals and the inflow of quality assets in the coming months. The asset quality ratios are higher than the industry norm due to legacy NPAs pertaining to several business clients, which CBL is expected to recover over time. Further, the ratio is set to reach industry norms within the forecast period to settle at mid-single digits by FY31. Parallely, the stage 3 provision coverage ratio is expected to increase as the Bank will focus on improving its buffers during profit-making years going forward. These asset quality improvement targets and requisite initiatives are expected to result in the impairment values stated in Figure 4-2.

Figure 4-2 – Asset Quality Ratios and Impairment Projections



4.2 INTEREST INCOME

Despite a reduction in the value of the net loan book in FY 2022 (i.e. LKR 36.0 Bn) by 11.19%, compared to FY 2021 (i.e. LKR 40.5 Bn), interest income on the loan book grew rapidly to reach a value of LKR 8.0 Bn at an interest yield of 15.3% (cf. LKR 4.1 Bn of Interest Income at an Interest yield of 8.4% in FY2021) as a result of the substantial change in the interest rate regime, with lending rates increasing in line with the policy rate hikes stipulated by the CBSL. During the 8-month period ended August 31, 2023,

CBL recorded a robust interest income of LKR 7.8 Bn amidst high lending rates and the high yielding investments in its portfolio. Easing of lending rates has taken place, specially towards the end of the period under review.

Table 4-2 – Interest Income breakdown

in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Overdrafts	547	907	879	885	1,094	1,359	1,683	1,993	2,433	2,893	3,383
Term Loans	1,164	2,787	3,156	3,357	4,263	5,393	6,776	8,221	10,161	12,221	14,416
Money Market Loans	680	682	443	533	640	777	949	1,097	1,329	1,570	1,823
Trade Finance	251	456	507	542	678	846	1,060	1,286	1,584	1,897	2,234
Credit Cards	124	241	258	273	337	430	541	642	784	932	1,090
Personal Loans	331	540	513	517	668	861	1,082	1,286	1,571	1,868	2,183
Other Product Lines	330	620	889	988	1,282	1,663	2,109	2,569	3,159	3,782	4,453
Interest Income from Customers	3,428	6,234	6,644	7,095	8,963	11,330	14,200	17,095	21,021	25,164	29,583
Other Interest Income	672	1,768	3,621	3,408	3,447	3,825	4,401	5,157	6,266	7,609	9,157
Total Interest Income	4,100	8,002	10,265	10,504	12,411	15,155	18,601	22,251	27,287	32,773	38,740

A dip in effective interest rate was factored in the forecast in FY23 when calculating interest income from customers (by way of reducing the YTD effective interest rates) to account for the Order issued by the CBSL in August 2023. Interest for subsequent years was calculated on the forecasted average gross loan less Stage 3 Loans (which reflects the performing loan portfolio of the Bank on an average basis – *for more insight on the Stage 3 Loans as a percentage of gross loan ratios going forward, kindly refer Table 5-1*), and the interest rates were adjusted downwards from FY24 onwards to reflect the prevailing and expected interest rate environment, which is expected to accommodate the projected loan book growth. Other interest income is set to dip in FY24, as a result of the drop in yields associated with interest bearing treasury bonds and investments recognised under Financial Assets recognised at amortized cost (Treasury Bonds held till maturity and debentures), Financial Assets recognised at fair value through OCI (interest component of Treasury Bonds available for sale); however this income stream is set to organically grow in-line with the growth in the investment portfolio thereon.

The effective interest rates for the loan products (applicable at an average gross loans less stage 3 loans basis) and yields on the investment portfolio are provided below.

Table 4-3 - Effective Interest Rates of the loan and investment portfolio

in LKR Mn	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Overdrafts	15.70%	12.80%	12.40%	12.20%	11.95%	11.15%	10.95%	10.75%	10.55%
Term Loans	19.75%	16.85%	16.45%	16.25%	16.00%	15.20%	15.00%	14.80%	14.60%
Money Market Loans	10.20%	10.20%	9.80%	9.60%	9.35%	8.55%	8.35%	8.15%	7.95%
Trade Finance	19.55%	16.65%	16.25%	16.05%	15.80%	15.00%	14.80%	14.60%	14.40%
Credit Cards	16.30%	13.40%	13.00%	12.80%	12.55%	11.75%	11.55%	11.35%	11.15%
Personal Loans	16.15%	13.25%	12.85%	12.65%	12.40%	11.60%	11.40%	11.20%	11.00%
Other Product Lines	23.40%	20.50%	20.10%	19.90%	19.65%	18.85%	18.65%	18.45%	18.25%
Average yield on loan products	17.92%	15.40%	15.03%	14.86%	14.63%	13.84%	13.64%	13.45%	13.25%
Other Investments (including FA at fair value through OCI)	22.06%	15.87%	13.71%	12.44%	12.02%	11.86%	11.98%	12.00%	12.00%
Financial assets at amortized costs - Debt and other Instruments	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%
Average yield on investments	22.14%	16.07%	13.80%	12.44%	12.02%	11.86%	11.98%	12.00%	12.00%

4.3 FUNDING

A degrowth of 5.9% in the Bank's deposit book was seen in FY22 mainly on the back of customers opting to cash out on their deposits prematurely in exchange for high yielding Government Securities in the market. During the year, additional bank borrowings or capital infusions were not required to sustain the disbursements in light of the contracted loan book as per the strategy adopted by CBL.

Table 4-4 - Funding book breakdown

in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Current Deposits and Margin Deposits	1,861	2,071	2,657	3,417	4,337	5,509	6,961	8,793	10,824	12,984	15,205
Savings Deposits	9,609	5,946	8,119	11,062	14,796	19,732	26,097	34,409	44,080	55,067	67,308
Time Deposits and CODs	28,713	29,786	38,196	49,202	62,406	79,077	99,556	125,175	153,315	184,688	218,751
Total Deposits	40,182	37,803	48,971	63,681	81,539	104,319	132,613	168,377	208,220	252,739	301,264
Effective Growth Rate	25.58%	-5.92%	29.54%	30.04%	28.04%	27.94%	27.12%	26.97%	23.66%	21.38%	19.20%
Effective Loan to Deposit ratio	100.77%	95.13%	84.76%	84.48%	84.10%	83.09%	82.60%	82.20%	81.57%	80.99%	80.51%
CASA ratio	28.54%	21.21%	22.00%	22.74%	23.47%	24.20%	24.93%	25.66%	26.37%	26.93%	27.39%
Other Interest Bearing Liabilities	4,896	4,203	5,125	2,663	5,708	5,767	5,839	5,930	6,032	6,146	6,270

Total customer deposits which amounted to LKR 46.0 Bn on August 31, 2023 and reach LKR 49.0 Bn in FY2023 (cf. LKR 37.8 Bn in FY2022) on the back of the deposit mobilization programme of CBL coupled with rapidly decreasing interest rates of government securities. During FY23, the Bank is expected to fund its substantial net disbursements mainly with the growth in customer deposits followed by limited increase in bank and other borrowings.

The significant increase in customer deposits and bank borrowings required to fund the Bank's growth in loan book through the remainder of the forecast window is expected to be achieved via CBL's deposit mobilisation through the branch network, Cargills Bank MINI network in Cargills Food City Outlets, sales team and digital channels. CBL currently provides cash deposit and withdrawal services free of charge from over 475 Cargills Retail outlets island wide through the Cargills Cash service. Total customer deposits are expected to reach LKR 168.4 Bn by 2028 whilst maintaining a CASA ratio of over 25%, allowing CBL to fund its loan growth aspirations in the medium run.

In line with the capital augmentation plan which is in place to meet the CBSL stipulated capital requirement, the Bank expects to raise capital via issuance of Additional Tier 1 Bonds amounting to a minimum of LKR 1.5 Bn in FY2025. The funds raised herein will also be deployed for portfolio expansion and growth initiatives of the Bank.

4.4 INTEREST EXPENSE

Interest expense increased significantly during the year (LKR 4.8 Bn in FY2022 vs LKR 2.3 Bn in FY2021) primarily due to the drastic change in the interest rate climate. This substantial increase in interest expense was recorded despite a reduction in value of the deposit book and other borrowings during the year concerned.

However, Net Interest Income grew by c. 74% in FY22 due to the margin expansion of the portfolio resulting from delayed repricing during the year.

Table 4-5 - Interest expenses breakdown

in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Savings Deposits	337	566	544	480	621	829	1,100	1,452	1,884	2,380	2,937
Time Deposits and CODs	1,742	3,704	4,906	4,807	5,580	7,074	8,932	11,237	13,924	16,900	20,172
Interest Expense on Deposits	2,078	4,269	5,450	5,286	6,201	7,903	10,032	12,689	15,808	19,280	23,109
Interest Expenses on Other Liabilities	181	529	833	504	534	732	735	739	744	749	755
Total Interest Expenses	2,260	4,798	6,284	5,790	6,735	8,635	10,767	13,428	16,552	20,029	23,864

Interest Rates

Savings Deposits	3.95%	7.27%	7.74%	5.00%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
Time Deposits and CODs	6.74%	12.66%	14.43%	11.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Average Yield on Deposits	5.34%	9.97%	13.29%	9.92%	9.02%	8.98%	8.94%	8.90%	8.86%	8.82%	8.79%
Average Yield on Other Liabilities	4.23%	11.62%	17.87%	12.93%	12.76%	12.76%	12.67%	12.56%	12.44%	12.31%	12.17%

Interest expense for FY23 was primarily based on the Year-to-Date figures for the period ended August 31, 2023 as well as the existing borrowing rates. Interest Rates from FY24 onwards are assumed to vary with the estimated weighted average prime lending rates (AWPLR), hence both deposit items are expected to reflect the normal levels by FY24. While the Bank is expected to leverage all channels to drive deposit mobilisation, CBL anticipates continuing to provide competitive interest rates to draw in sufficient deposits to meet its substantial long term funding requirements, and plans to focus on maintaining acceptable net interest margins to realize net income growth expectations.

4.5 OTHER INCOME

Other income consists of net fee and commission income, net gains from trading, net gains from derecognition of financial assets and net other operating income. All other income items except for net fee and commission income are expected to grow on an YOY basis from FY24 onwards.

Net fee and commission income is forecasted to decrease marginally by 4.3% in FY23 owing to the YOY reduction in trade income amidst improved forex availability in the market and the normalization of fee structures in FY23 compared to the previous year.

Table 4 6 - Net fee and commission income and other income breakdown

in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Loans and advances	58	42	51	65	82	103	129	161	196	235	278
Debit and Credit cards (Net)	222	277	284	451	569	726	918	1,147	1,557	1,882	2,238
Trade and remittances	170	504	375	450	540	648	778	933	1,120	1,344	1,612
Deposits	12	13	20	19	24	31	40	51	62	76	90
Other financial services (Net)	30	27	95	114	137	164	197	236	284	340	408
Total Net Fee and Commission Income	492	862	825	1,100	1,352	1,672	2,061	2,528	3,219	3,877	4,627
Effective Growth Rate	97.85%	75.25%	-4.29%	33.22%	22.99%	23.63%	23.26%	22.67%	27.31%	20.46%	19.33%
Other Income	127	214	389	68	74	83	94	107	124	145	171
Non-Interest Income to NII	33.64%	33.59%	30.49%	24.76%	25.14%	26.92%	27.50%	29.87%	31.14%	31.56%	32.25%

Credit and Debit Card related income was forecasted based on the Gross Loan Portfolio Value of Cards. Trade and remittances related income and Other financial services related income, which includes income from Guarantees and Cargills Cash related net income, among others, were forecasted on a YOY basis from FY24 onwards based on Management expectations.

4.6 OPERATING EXPENSES

Operating expenses mainly comprise of personnel expenses which made up c. 40% of total operating expenses in FY21 and FY22. Growth in personnel expenses corresponds to the expansion plans CBL has envisaged in terms of new Branch and MINI location openings, with necessary staff additions and changes in staff composition over the forecast period taken into account based on discussions with the Management.

Table 4-7 - Expansion plan of CBL and Operating Expenses breakdown

	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Number of new Branches			4	4	4	5	5	5	3	3	3
Number of new MINI locations			22	15	15	15	15	15	12	12	12
Total number of employees		598	635	680	725	775	825	875	910	945	980
Total personnel costs	843	915	1,104	1,256	1,389	1,530	1,702	1,977	2,262	2,583	2,947
Depreciation and amortization (LKR Mn)	420	437	443	404	435	488	439	489	544	544	530
Other operating expenses (LKR Mn)	774	1,017	1,565	1,754	1,951	2,171	2,419	2,708	3,020	3,366	3,749
Total Other Operating Expenses (LKR Mn)	2,036	2,369	3,111	3,413	3,775	4,189	4,560	5,174	5,826	6,494	7,227

A growth in other operating expenses of c. 54% YOY in FY23 was projected owing to the escalated base of operating expenses (e.g. - utilities, travelling, maintenance costs) in light of heightened inflation and volatile exchange rates.

4.7 TAXATION

CBL is subject to Income Tax of 30% on taxable profits. Furthermore, Value Added Tax (VAT) on financial services has been expensed at 18% of Total Value Addition (i.e. the sum of Profit Before Tax, Personnel Expenses and other adjustments).

4.8 LIQUIDITY POSITION OF THE BANK

CBL maintained its liquid assets (Cash, Treasury Bill and Bond holdings, and balances with other banks, among other items) at adequate levels, recording consolidated Liquid Asset ratios of 26.52% and 27.00% for FY21 and FY22, respectively (which was comfortably above the statutory minimum requirement of 20%). A negative change in cash and cash equivalents of c. LKR 563 Mn was witnessed in FY22 owing to the negative movement in cash flows from investing activities (of c. LKR 530 Mn) as a result of investments in intangible assets, PPE and debentures during the year, and the negative change in cash flows from financing activities (of c. LKR 372 Mn) due to the net negative change in securities sold under repurchase agreements during FY22. It should be noted that, CBL is expected to maintain liquid assets at adequate levels going forward. (Refer Table 5-1 for more insight)

4.9 CAPITAL AUGMENTATION PLAN AND DIVIDEND POLICY

CBL expects to reach a capital base of LKR 20.0 Bn by December 31, 2025, by way of raising funds in the following manner.

Table 4-8 - Capital augmentation plan

in LKR Mn	FY24F	FY25F
Through equity raisings	1,500	1,500
Through the issue of AT1 bonds	0	1,500

No dividends were declared during FY21 and FY22 given CBL's capital requirement of reaching a capital base of LKR 20.0 Bn by FY25. A dividend payout of 30.0% is assumed from FY26 onwards, upon the building of a capital base of LKR 20.0 Bn by FY25 and upon the recording of profits thereon.

5 KEY FINANCIAL RATIOS AND METRICS

Table 5-1 - Key Financial Ratios

%	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Profitability											
Interest Yield <i>(Interest Income / average Interest-bearing Assets*)</i>	8.35	15.33	17.82	14.67	13.87	13.48	13.33	12.84	12.78	12.65	12.50
Interest Cost <i>(Interest Expenses / average Interest-bearing Liabilities*)</i>	5.60	11.02	13.08	9.61	8.86	8.89	8.77	8.67	8.59	8.52	8.47
Net Interest Margin <i>(NII / average Assets*)</i>	3.60	5.85	6.54	6.25	6.03	5.55	5.40	4.92	4.88	4.79	4.69
Cost to Income Ratio <i>(excluding Provision*)</i>	82.83	55.35	59.88	58.05	53.15	50.62	45.65	45.16	41.38	38.73	36.73
Return on Assets <i>(PAT / average Assets*)</i>	-0.54	0.89	0.93	1.03	1.33	1.44	1.68	1.56	1.62	1.71	1.83
Return on Equity <i>(PAT / average Equity*)</i>	-2.99	5.12	5.22	5.86	7.96	9.58	12.77	13.35	15.40	17.46	19.62
Asset Quality											
Stage 3 as a Percentage of Gross Loans	11.98	15.11	13.85	12.12	10.39	8.70	7.01	5.32	4.77	4.43	4.12
Stage 3 Impairment as a % of Stage 3 Loans	46.30	51.47	55.82	56.83	58.70	61.37	65.38	65.40	65.12	64.88	64.53
Capital Adequacy & Solvency											
Core Capital Ratio <i>(regulatory min. 8.5%)</i>	22.75	22.32	18.91	18.70	18.81	17.03	14.98	13.28	13.14	12.51	12.22
Total Capital Ratio <i>(regulatory min. 12.5%)</i>	23.47	22.85	19.91	19.70	19.81	18.03	15.86	14.24	14.09	13.37	12.99
Liquidity Ratio**	26.52	27.00	35.20	33.61	33.31	31.50	29.75	28.07	27.70	27.67	27.88

*The denominator employed for the resultant ratios for FY21, FY22 and FY23F onwards are based on average annual balances. As such, the FY21 and FY22 ratios presented above may differ from those presented elsewhere due to differences in the base.

**FY21 and FY22 ratio reflects the Statutory Liquid Asset Ratio (on a Consolidated basis)

6 VALUATION METHODOLOGY

The Residual Income, Justified Price to Book Value and a 10-year Justified Price to Book Value based Methods were used for the valuation of CBL's shares.

The Residual Income method was employed since it captures the business plans and the immediate growth prospects of the Bank due to the use of an explicit forecast horizon. The Justified P/BV approach was followed due to the consideration of underlying business fundamentals (*i.e.* – *Return on Equity / growth / Cost of equity*) on a sustainable basis, in the valuation of the Company. The availability of listed peers in the sector enabled NDBIB to use the peer-based methodologies. As such, the Relative P/BV was considered as it factors in market dynamics into the valuation of the Company (*The Relative P/BV approach reflects the premium/discount that would be paid on the net asset value of a company*). For the purpose of arriving at a valuation for the IPO, a pure asset-based valuation methodology (*i.e.* assets less liabilities) has not been considered as it does not reflect a value relative to its peers in light of the current market environment, nor captures the business fundamentals and the growth potential of the Bank.

6.1 RESIDUAL INCOME (RI) METHODOLOGY

The Residual Income Valuation holds that the value attributable to equity holders is the summation of the Opening Book Value of Equity and the Present Value of its Residual Income in future years.

- Residual Income for a given year is reflective of the excess profit generated by a business, above and beyond the return demanded by its equity providers
- Thus, the Residual Income for a given year is arrived at after deducting an Equity Charge (a product of opening book value and Cost of Equity) from Net Profit, and all such future Residual Income are discounted at the Cost of Equity in arriving at its cumulative Present Value

$$\text{Equity Value of the Company} = \left[\sum_{t=1}^{\infty} \frac{NI_t - (BV_t * r_t)}{(1 + r_t)} \right] + BV_0$$

BV_0 – Current Net Asset Value ($t=0$)
 BV_t – Opening Net Asset Value in period t
 NI_t – Net Income in period t
 r_t – Cost of Equity in period t
 t – Time Period

A nine-year time horizon was chosen for valuation purposes in order to capture a decent time horizon appreciate the effects of the capital augmentation plan which is set to increase the Bank's core capital to LKR 20.0 Bn by the end of FY25.

6.2 JUSTIFIED PRICE TO BOOK VALUE (JUSTIFIED P/BV) METHOD

This approach relies on determining a Justified Price-to-Book Value (Justified P/BV) ratio, which considers both the Company fundamentals and its potential for sustainable growth. The Bank's Net Asset Value (NAV) is multiplied by the Justified P/BV ratio to arrive at the value of the Bank.

$$\text{Justified P/BV} = (\text{ROE} - g) / (r - g)$$

ROE = Expected Return on Equity (Long Term Return on Equity)

g = Sustainable Growth Rate

r = Required rate of return on equity (Cost of Equity)

$$\text{Equity value of the company} = \text{BVPS} * \text{Justified P/BV multiple}$$

BVPS = Net asset Value per Share as at August 31, 2023

6.3 TRAILING PRICE TO BOOK VALUE (TRAILING P/BV) METHOD

Price to Book Value ratio is calculated as;

$$P/BV = \frac{\text{Market value of an ordinary share}}{\text{Net Asset Value per share}}$$

The above ratio is used to determine the premium or discount that investors pay on the book value of a share of an entity. In arriving at the market value of the company, the book value of shares as of the valuation date is multiplied by an appropriate PBV ratio, as outlined below:

$$\text{Share price} = \text{BVPS} * \text{PBV multiple}$$

Where:

BVPS = Net asset Value per Share as at August 31, 2023

BVPS = Average PBV of Peer Sample

7 VALUATION RESULTS

The Residual Income, Justified Price to Book Value and a 10-year Justified Price to Book Value based Methods were used for the valuation of CBL's shares.

The assumptions used to arrive at the equity value of CBL as per the methodologies given in Section 6.0 are detailed in this section.

7.1 RESIDUAL INCOME (RI) VALUATION METHOD

The relevant resultants from the forecast were used as the inputs in RI method, whilst employing the following RI valuation specific assumptions.

Table 7-1 - RI valuation assumptions

RI Valuation Assumption	September 2023 to December 2023	FY24F	FY25 to FY31	Terminal Period
Risk-free Rate	13.0%†	12.0%	11.0%‡	11.0%
Risk Premium*	6.0%	6.0%	6.0%	6.0%
Cost of Equity	19.0%	18.0%	17.0%	17.0%
Persistence Factor				0.80

†Based on the secondary market yield of a 10-year Treasury Bond as of August 31, 2023 | Source: CBSL Economic Data Library as at September 01, 2023

‡Based on the 10-year average yield of 10-year Treasury Bonds in the Secondary Market (from 2012 to 2021) | Source: CBSL Economic Data Library as at September 01, 2023

*A risk premium of 6% was deemed reasonable for the RI valuation of CBL in considering factors such as the length of the explicit forecast period and uncertainty associated thereof, and the general risk premium garnered by LCBs in comparison to the Market Premium

A three-stage Cost of Equity was used to reflect the expected decline of yields on government securities and its subsequent normalization.

Table 7 2 - RI calculation†

in LKR Mn	September 2023 to December 2023	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Opening Book Value for the period	11,378.9	12,061.9	14,335.7	17,086.9	18,272.1	19,981.4	21,939.6	24,439.9	27,621.9
Net Profit (Values from FY24 found in Table 8-1)	203.0	773.8	1,251.2	1,693.2	2,441.8	2,797.4	3,571.9	4,545.7	5,819.5
Equity Charge	(720.7)	(2,171.2)	(2,437.1)	(2,904.8)	(3,106.3)	(3,396.8)	(3,729.7)	(4,154.8)	(4,695.7)
Residual Income	(517.6)	(1,397.4)	(1,185.9)	(1,211.5)	(664.5)	(599.4)	(157.8)	390.9	1,123.8
Discount factor	0.94	0.85	0.72	0.62	0.53	0.45	0.39	0.33	0.89
Terminal factor									2.70

†Apportioned for the first period | Rolling factors were used to capture the staggered nature of Cost of Equity | FY31 discount factor was adjusted to incorporate the terminal factor

Table 7-3 - RI valuation resultants

in LKR Mn	
PV of Residual Income Streams	(2,700.8)
Book Value - August 31, 2023	11,378.9
Equity Value of Cargills Bank (in LKR Mn)	8,678.2
Implied P/BV (x)	0.76
Value per share (LKR)	9.83

7.2 JUSTIFIED PRICE TO BOOK VALUE METHOD (JUSTIFIED P/BV)

A common peer-set was considered for the purpose of the Justified P/BV and the Trailing P/BV approaches. The peer-set includes all Licensed Banks listed in the CSE with the exception of SANASA Development Bank - *since it is a Licensed Specialized Bank*, and Amana Bank PLC - *since it operates based on a different business model than that of CBL*.

The following assumptions were used in arriving at the Justified P/BV approach.

Table 7-4 - Justified P/BV assumptions and rationale

Assumption	Metric	Rationale
Long-run ROE (ROE)	14.23%	The 8-year average ROE from 2011 to 2018 of the peer-set was considered as a reflective long-run ROE for the Bank, in the absence of a suitable historical ROE for the Bank for reference. The period ranging from 2019 to 2022 was excluded from consideration owing to various macro-economic disruptions which prevailed and impacted the banking sector. As per the forecast, CBL experiences a similar average ROE from FY26 to FY31, after it emerges from its capital augmentation time horizon. (<i>Refer Annexures for the ROEs of the peer-set in the corresponding period.</i>)
Growth Rate (g)	3.00%	Based on GDP growth - CBSL's 2025 GDP growth projection of 3.3%
Long-run Cost of Equity (Ke)	17.00%	Based on an average of 10 year secondary market rate (from 2012 to 2021) of 11% and a risk premium of 6% (based on the expectations of NDBIB)
Justified P/BV	0.80	Derivation from the following formula - $(ROE - g) / (Ke - g)$

The resultant valuation results are as follows.

Table 7-5 - Justified P/BV valuation resultants

Justified P/BV	0.80
Book Value - August 31, 2023 (LKR Mn)	11,378.9
Equity Value of Cargills Bank (in LKR Mn)	9,127.1
Value per share (LKR)	10.33

7.3 TRAILING PRICE TO BOOK VALUE (TRAILING P/BV) BASED VALUATION

For this methodology, as the trailing multiple, the ten-year average Price-to-Book Value multiples from 2014 to 2023 of the peer-set as at March 31st of each year (on a non-weighted basis) was considered, rather than utilizing a trailing multiple on an 'as at date' due to the present volatility in bank multiples.

The 10-year horizon is a fairly reasonable and unbiased timeframe since it potentially captures many credit and bank cycles due to its lengthy duration, and depicts a balanced picture of how bank stocks were priced during periods of noteworthy credit growth and during the past few years, where the banking sector faced unprecedented challenges. Furthermore, since multiples are factors beyond the control of the companies and banks in general, and since pricing maybe agnostic to true performance of the subject concerned (as opposed to other profitability indices), the use of such a metric over a long was deemed necessary and relevant for this exercise. *(Refer Annexures for the P/BVs of the peer-set in the corresponding period.)*

The Market Based Valuation set out herein of the company, is dependent upon the relative size of the peer entities identified in the Annexures of the Research Report.

Accordingly, the resultant valuation results are as follows.

Table 7-6 - Trailing P/BV valuation resultants

Average 10-year Trailing P/BV	0.77
Book Value - August 31, 2023 (LKR Mn)	11,378.9
Equity Value of Cargills Bank (in LKR Mn)	8,765.3
Value per share (LKR)	9.93

7.4 VALUATION SUMMARY

Table 7-7: Valuation overview

Valuation Method	Equity Value (LKR Mn)	Per Share Value (LKR)	Premium/ (Discount) to the Issue Price of LKR 8/- per Share
Residual Income	8,678.16	9.83	18.59%
Justified P/BV	9,127.13	10.33	22.59%
Trailing P/BV (10-year Average)	8,765.28	9.93	19.40%
Blended Average Valuation	8,856.86	10.03	20.19%

Accordingly, NDBIB is of the view that the fair value of CBL's share is LKR 10.03, based on the valuation methodologies adopted. Given the necessity to provide an upside to the investors, NDBIB recommends an Offer Price of LKR 8.00, which translates to a discount of 20.19% to the valuation.

7.5 SENSITIVITY ANALYSIS

The following table outlines the impact on the average value per share, upon a change in the long-term Cost of Equity (which affects the resultants of the RI and Justified P/BV valuation approaches) and the Return on Equity % (which affects the Justified P/BV valuation approach, since it is a key input in the valuation equation, as outlined in Section 6.2).

Table 7-8 - Sensitivity Analysis - Long-run Cost of Equity and ROE

	ROE - %					
	12.23%	13.23%	14.23%	15.23%	16.23%	
Long-run cost of equity	15.0%	10.55	10.91	11.27	11.63	11.99
	16.0%	9.95	10.28	10.61	10.94	11.27
	17.0%	9.42	9.72	10.03	10.34	10.64
	18.0%	8.94	9.22	9.51	9.79	10.08
	19.0%	8.50	8.77	9.04	9.31	9.58

8 FORECAST STATEMENTS OF FINANCIAL PERFORMANCE

8.1 FORECAST STATEMENTS OF PROFIT AND LOSS FOR CBL

Table 8-1 - Forecast Statements of Profit and Loss

All in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Gross Income*	4,994	9,489	11,945	12,257	14,571	17,765	21,829	26,221	32,056	38,518	45,590
Interest Income	4,100	8,002	10,265	10,504	12,411	15,155	18,601	22,251	27,287	32,773	38,740
Interest Expenses	(2,260)	(4,798)	(6,284)	(5,790)	(6,735)	(8,635)	(10,767)	(13,428)	(16,552)	(20,029)	(23,864)
Net Interest Income	1,840	3,204	3,982	4,714	5,675	6,520	7,834	8,823	10,735	12,744	14,875
Net Fee and Commission	492	862	825	1,100	1,352	1,672	2,061	2,528	3,219	3,877	4,627
Net Gain/Loss from Trading and Financial Instruments	(20)	22	379	58	64	73	84	97	114	135	161
Other Operating Income (Net)	146	192	10	10	10	10	10	10	10	10	10
Total Operating Income	2,459	4,281	5,196	5,881	7,102	8,275	9,988	11,459	14,077	16,766	19,673
Impairment for Loans and Other Losses	(685)	(1,463)	(624)	(701)	(664)	(600)	(526)	(372)	(721)	(824)	(669)
Net Operating Income	1,774	2,817	4,572	5,180	6,438	7,675	9,463	11,086	13,356	15,942	19,004
Personnel Expenses	(843)	(915)	(1,104)	(1,256)	(1,389)	(1,530)	(1,702)	(1,977)	(2,262)	(2,583)	(2,947)
Depreciation and Amortization Expenses	(420)	(437)	(443)	(404)	(435)	(488)	(439)	(489)	(544)	(544)	(530)
Other Expenses	(774)	(1,017)	(1,565)	(1,754)	(1,951)	(2,171)	(2,419)	(2,708)	(3,020)	(3,366)	(3,749)
Operating Profits Before Tax on Financial Services**	(263)	448	1,461	1,767	2,663	3,486	4,903	5,912	7,530	9,449	11,778
Value Added Tax on Financial Services, DRL & NBT	(106)	(241)	(399)	(461)	(591)	(750)	(994)	(1,192)	(1,480)	(1,818)	(2,225)
Profit Before Tax	(369)	206	1,062	1,305	2,072	2,735	3,908	4,720	6,051	7,631	9,553
Income Tax	92	281	(493)	(531)	(821)	(1,042)	(1,466)	(1,923)	(2,479)	(3,085)	(3,733)
Profit After Tax**	(277)	488	568	774	1,251	1,693	2,442	2,797	3,572	4,546	5,820

*Increase in Gross Income in FY22 by c. 90% was attributable to the hike in the interest rates and increases in other income.

**Operating Profit/(loss) before taxes on financial services grew by c. 271% as a result of heightened NII's and Net Fee and Commission Income, even in the midst of increased impairment charges | A tax reversal of c. LKR 281 enabled the bank to record a Profit After Tax figure of c. LKR 488 Mn.

8.2 FORECAST STATEMENTS OF FINANCIAL POSITION FOR CBL

Table 8-2 - Forecast Statements of Financial Position

All in LKR Mn	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F
Assets											
Cash and Cash Equivalents	1,215	1,232	1,525	1,754	2,017	2,320	2,668	3,068	3,528	4,057	4,666
Placements with Bank / Balances at CBSL / Other Investments	1,169	1,312	8,460	6,831	9,271	9,466	10,574	11,860	13,674	16,348	19,929
Financial Assets: FVPL	0	0	0	0	0	0	0	0	0	0	0
Financial Assets: FVOCI	10,784	10,253	12,243	15,920	20,385	26,080	31,827	38,727	47,891	58,130	69,291
Financial Assets at Amortised Cost											
Loans and Advances to Customers	40,491	35,960	41,507	53,796	68,570	86,680	109,543	138,405	169,843	204,686	242,537
Debt and Other instruments	16	1,997	745	461	0	0	0	0	0	0	0
Property Plant and Equipment	518	475	585	745	737	681	653	1,105	1,301	1,496	1,692
Intangible Assets	259	335	494	382	931	651	693	806	566	326	100
Other Assets	1,316	2,188	2,534	2,968	3,355	3,806	4,263	4,584	5,011	5,503	6,068
Total Assets	55,767	53,753	68,092	82,859	105,266	129,684	160,220	198,555	241,814	290,546	344,283
Liabilities											
Due to other Customers	40,182	37,803	48,971	63,681	81,539	104,319	132,613	168,377	208,220	252,739	301,264
Due to Banks	926	514	125	163	208	267	339	430	532	646	770
Due to Other Borrowers	3,970	3,689	5,000	2,500	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Other Liabilities	1,364	2,027	1,934	2,179	2,432	2,827	3,287	3,808	4,622	5,540	6,553
Total Liabilities	46,442	44,033	56,030	68,523	88,180	111,412	140,238	176,615	217,374	262,924	312,587
Total Equity	9,325	9,720	12,062	14,336	17,087	18,272	19,981	21,940	24,440	27,622	31,696
Total Equity and Liabilities	55,767	53,753	68,092	82,859	105,266	129,684	160,220	198,555	241,814	290,546	344,283

9 RISKS

This section highlights some of the risks that could be faced by the Bank which in turn could affect its performance and share price and the mitigants in place by the Company. Kindly refer Section 11 of the Prospectus for more detailed information on several risk factors highlighted below.

Government Policy and Regulatory Risk

Given the systemic importance of the Banking Sector in Sri Lanka, the Licensed Commercial Banks in Sri Lanka are subject to strict regulatory oversight and are a major tool for the driving of Government Policy on the Monetary Policy front. The Bank operates in accordance with the Banking Act and the Monetary Law Act, and is supervised by the Bank Supervision Department of the CBSL.

It should be noted that any significant regulatory changes/orders/determinations/directions stipulated by the CBSL have a direct impact on the functioning, performance and the future outlook of CBL and banking institutions in general. *The Monetary Law Act Order No. 01 of 2023 issued on August 25, 2023 - Maximum Interest Rates on Rupee Denominated products, issued in order to further lower market interest rates, for example, is expected to lead to the reduction of interest rates of Rupee Denominated products of Licensed Banks.*

Any directions and guidelines issued by the CBSL which is first received by the Compliance Officer of the Bank is taken up by the respective sub-committees impacted by the development (*e.g. - The ALCO for any interest rate-specific directions*). The decisions taken at the committee level is then routed to the respective business units for execution. Depending on the level of severity, the concerns are directed to the Board for oversight.

Debt Restructuring Related Risk

The licensed banks were exempted in the Domestic Debt Optimization programme approved by the Parliament on July 1, 2023, due to their systemic importance to the economy. Given that many LCBs claim to have sufficiently provided for their ISB exposures as per their internal estimates as stated in their Annual Reports, impact on LCBs upon the eventual restructuring of ISBs will be significant in the event the said restructuring is more detrimental than envisaged. CBL is not expected to experience a direct impact of such a scenario, given the absence of ISB exposure in its portfolio.

However, CBL and other LCBs will be exposed to possible changes in the banking sector upon a possible prolongation of the debt restructuring programme and a delay or stall in the IMF programme as a result.

Success of the Capital Augmentation Plan of CBL

CBL is required, under the direction of the CBSL, to augment its Capital Base to LKR 20.0 Bn (as of August 31, 2023 – LKR 12.9 Bn – Equity of LKR 11.4Bn and an AT1 Bond of LKR 1.5 Bn). The Bank intends to reach this target through accumulated profits of future years along with equity raising and the issue of an AT1 Bond.

The sentiment on the banking sector is set to improve upon the clearance of the debt restructuring programme and the continuation of the IMF programme, which will aid CBL in achieving its budgeted targets and in sourcing the funds necessary to reach the target capital. However, bottlenecks pertaining to future fundraisers may adversely affect the success of the Capital Augmentation Plan and impact the operations of the Bank. However, the Bank maintains healthy capital adequacy levels regardless of the raisings.

Market Risk

Market risk arises from changes in interest rates and other market variables that have an adverse effect on the earnings and capital of CBL. The Bank is exposed to market risk, given the linkages of

market rates (particularly interest rates and exchange rates) to CBL's product offerings on both the assets and liabilities end. The failure to keep track and adapt to the movement in these variables may create unfavourable differentials in returns and affect the value and earnings potential of CBL.

The Bank adopts a comprehensive framework to mitigate and manage market risks, by employing limits, KRIs (Key Risk Indicators) and other risk management tools. It also performs stress testing, sensitivity analysis and other scenario analysis based on interest rate and foreign exchange rate on a routine basis in order to foresee and prepare for possible market conditions. The Treasury Middle Office (TMO) oversees the asset and liability positions under the supervision of the ALCO (Asset and Liability Committee).

Strategic Risk

Strategic risk stems from the inability to execute suitable business plans and strategies, inefficient allocation of resources, inability to adapt to changing circumstances, and falling short of established business targets within the corporate landscape.

The Board of Directors' overseeing function and senior management's supervisory role are fundamental components of the Bank's strategic risk management initiative. CBL has established strong measures for mitigating and overseeing strategic risk, by way of incorporating the use of Key Risk Indicators (KRIs) for continuous evaluation and alignment of performance with strategic objectives. It also conducts industry and competitor comparisons to ensure that it meets its strategic goals in line with industry performance.

By implementing these strategic risk management practices, CBL strives to proactively detect and tackle potential obstacles that might hinder the execution of its business plans and strategies.

Credit Risk

Credit risk arises due to the possibility of borrowers having subpar credit quality in terms of repayment or outright payment defaults. The failure to adeptly manage credit risk would cause a drop in asset quality of the Bank's loan portfolio, cause asset-liability mismatches and negatively impact the returns and value of CBL.

CBL has established policies and a comprehensive framework to manage this risk and address the aspects ranging from client selection, client due diligence, risk tolerance, portfolio management, facility assessment, and recovery procedures. The credit risk management policy integrates the Internal Risk Management Division - in assessing creditworthiness and client scoring, Credit Administration Division - in ensuring efficient post-sanction processes and credit disbursements, respective Business Units and Recovery Unit - in recovering the loans, and the Legal Department.

Operational Risk

Operational risk is defined as the potential for financial loss, resulting from inadequate or malfunctioning internal processes, personnel, systems and events which can impact the entity's operational efficiency and business continuity. It encompasses vulnerabilities, implements controls, and establishes safeguards to mitigate risks, even under worst-case scenarios. Operational bottlenecks and inefficiencies may lead to heightened costs, leading to the erosion of the value of the firm.

CBL's Operational Risk Management Unit is responsible for overseeing operational risk and developing, implementing, and sustaining a robust Operational Risk Management Framework (ORMF). This framework empowers the Bank to evaluate its operational risk profile, recognize patterns of risk, pinpoint areas of concentrated risk, and establish strategies and priorities for risk mitigation.

10 NDBIB TEAM

Darshan Perera – Director/CEO, NDB Investment Bank Limited

Darshan is credited as being a dynamic team player, highly skilled in all aspects of financial and investment markets with over 30 years of experience in the Banking and Finance Sector. He has to his credit, led teams that have successfully managed a large number of IPOs, M&As, and debt raisings and in doing so, introduced to the country new products and achieved record breaking results. Darshan is renowned in the industry as a corporate advisory specialist, specialising in areas of business due diligence, fund raising and restructuring. Darshan has also been instrumental in leading NDBIB to win numerous international and local awards for consecutive years.

Prior to joining NDBIB, Darshan held senior management positions in a number of large organisations and banking institutions, including serving as an Assistant Vice President at Vanik Incorporation. Darshan's career is enriched with a myriad of different academic disciplines. He holds a B.Sc. in Physical Science and an MBA from the University of Colombo. He is an Associate Member of the Institute of Bankers, Sri Lanka and of the Chartered Institute of Marketing, UK. He also holds the Chartered Institute of Management Accountants qualification.

Saminda Weerasinghe, CFA – Chief Corporate Advisory Officer, NDB Investment Bank Limited

Saminda has 20 years of experience in Corporate Finance, Transaction Advisory, Private Equity Structuring etc. He commenced his career at Ernst & Young Sri Lanka, where he was instrumental in multiple advisory and capital raisings for start-ups, M&A and restructuring of distressed companies for multiple clients in Sri Lanka and Maldives, he also had a brief stint at Ernst & Young Singapore, during his period with the company, and subsequently moved to Acuity Partners (Pvt) Ltd. Thereafter, he moved to Asia Capital PLC where he served as Chief Strategy Officer and spearheaded capital raising for several projects.

He held directorships at New Anthoney's Farms (Pvt) Ltd (a market leader in poultry production in Sri Lanka), Davora Capital (Pvt) Ltd (a privately held investment company, that has investment into Hydro Power, Tea Production and Ceramic bath-ware production) Acquest (Pvt) Ltd (the premiere real-estate brokerage company in Sri Lanka) and Kasper Global (Pvt) Ltd (A tech start-up in Sri Lanka), where he contributed to the operations and strategic growth of these entities whilst gaining a vast experience in multiple business sectors.

Sujani Perera – Vice President - Corporate Advisory

Sujani has over fifteen years of investment banking experience at NDBIB. Since joining NDBIB, Sujani has engaged in a diverse range of capital market transactions including IPOs, M&As, rights issues, private placements, corporate restructurings, loan syndications, structured debt facilities and de-listings for leading corporates spread across an array of industries, some of which have been milestone transactions for the Company and the country. Sujani is responsible for sourcing and advising clients with regard to capital market transactions, both in listed and unlisted space.

Sujani holds a B.Sc. (Hons) in Finance from the University of Sri Jayewardenepura, a Master of Financial Economics (Merit) from the University of Colombo and an LLB (Honours) from the University of London. Sujani is also an Associate Member of Chartered Institute of Management Accountants, UK (ACMA).

Rukshan Aponso, CFA – Vice President – Corporate Advisory

Rukshan joined the NDB Group in 2013 and has since been actively involved in transactions carried out by NDBIB in a range of sectors including financial services; hotels and properties; manufacturing; power and energy; and healthcare.

Rukshan specialises in financial modelling, valuation, structuring, M&As and equity raising and counts over 13 years of experience. Rukshan holds a B.Sc. in Mathematics and Economics from the University of London. He is also a CFA Charterholder. Prior to joining NDBIB, he worked as an Associate Consultant in the Corporate Finance and Strategy Division of PricewaterhouseCoopers.

Sulakshana Hettiarachchi, CFA – Associate Vice President

Sulakshana joined NDBIB in 2021 and has engaged in a range of corporate advisory transactions including business valuations and M&As. Prior to joining NDBIB he was employed as a Credit Analyst at Moody’s Analytics Knowledge Services (now Acuity Knowledge Partners) for 2 years.

Sulakshana holds a B.Sc. (Hons) in Finance from the University of Sri Jayewardenepura and is a CFA Charterholder. Sulakshana is also a final level candidate of Institute of Chartered Accountants of Sri Lanka (ICASL).

Vindula Perera – Senior Management Associate

Vindula joined NDBIB as an Intern in 2021, and has since been involved in a wide array of Corporate Advisory transactions, including IPOs, Valuations and M&As.

Vindula is a graduate in Finance with a First-class (Special) degree from the University of Sri Jayewardenepura. He also holds a BSc (Hons) in Applied Accounting from Oxford Brookes University and is an Affiliate of the Association of Chartered Certified Accountants, UK (ACCA).

11 DISCLAIMER

The information, forecasts, analyses, assumptions and opinions contained herein have been compiled or arrived at solely based on information provided to NDBIB by CBL. Such information has not been independently verified and no guarantee, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness. Nothing contained in this Research Report is, or shall be relied upon as, a promise or representation by NDBIB. All such information is subject to change without notice and such changes could be due to unforeseen circumstances. This Research Report is for information purposes only and does not purport to be a complete description of the subject matter presented herein.

Any estimate, projection, opinion, forecast and valuation contained in this Research Report involve significant elements of subjective judgment and analysis, which may or may not be correct. No representation is made that any estimate, projection or forecast will be achieved. The actual future events may vary significantly from the estimates, projections, forecasts or valuation and each estimate, projection, forecast or valuation is based on a number of assumptions and is subject to matters which are outside the control of NDBIB. Verification of assets of CBL and evaluation of agreements between clients of CBL have not been carried out during this exercise.

Accordingly, NDBIB shall not be liable for any loss or damage howsoever arising as a result of any person acting or refrain from acting in reliance on any information, forecast analysis and opinion contained herein.

The recipients of this Research Report and/or Investors are expected to carry out their own independent evaluations taking into consideration macro-economic variables and other relevant conditions.

The valuation presented herein is valid for a period of three months (03) from the date of issuance of the final Prospectus, however, subject to there being no material changes to the parameters impacting operations of CBL.

12 ANNEXURES

Table 12-1 - Average ROEs of the peer-set

Bank	Average ROEs for the period [from FY11 to FY18]
Commercial Bank of Ceylon PLC (COSE:COMB.N0000)	18.20%
National Development Bank PLC (COSE:NDB.N0000)	16.29%
DFCC Bank PLC (COSE:DFCC.N0000)	8.91%
Sampath Bank PLC (COSE:SAMP.N0000)	18.11%
Hatton National Bank PLC (COSE:HNB.N0000)	16.09%
Seylan Bank PLC (COSE:SEYB.N0000)	11.24%
Nations Trust Bank PLC (COSE:NTB.N0000)	18.66%
Pan Asia Banking Corporation PLC (COSE:PABC.N0000)	16.08%
Union Bank of Colombo PLC (COSE:UBC.N0000)	3.79%
Average ROE of the peer-set	14.23%

Source: <https://www.capitaliq.com/> (access only available to registered users) [Accessed on September 10, 2023]

Table 12-2 - Average 10-year P/BV multiples of the peer-set

Bank	10 Year Average PBV [from FY14 to FY23]
Union Bank of Colombo PLC (COSE:UBC.N0000) - P/BV	0.87
Commercial Bank of Ceylon PLC (COSE:COMB.N0000) - P/BV	1.09
DFCC Bank PLC (COSE:DFCC.N0000) - P/BV	0.60
Hatton National Bank PLC (COSE:HNB.N0000) - P/BV	0.76
Sampath Bank PLC (COSE:SAMP.N0000) - P/BV	0.75
Nations Trust Bank PLC (COSE:NTB.N0000) - P/BV	0.87
Seylan Bank PLC (COSE:SEYB.N0000) - P/BV	0.63
National Development Bank PLC (COSE:NDB.N0000) - P/BV	0.70
Pan Asia Banking Corporation PLC (COSE:PABC.N0000) - P/BV	0.67
10-year Average	0.77x

Source: <https://www.capitaliq.com/> (access only available to registered users) [Accessed on September 10, 2023]

Table 12-3 - Average P/BV multiples of the peer-set over the years

As of	10 Year Average PBV
31-Mar-14	1.16
31-Mar-15	1.43
31-Mar-16	1.08
31-Mar-17	0.93
29-Mar-18	0.85
29-Mar-19	0.64
20-Mar-20	0.40
31-Mar-21	0.48
31-Mar-22	0.36
31-Mar-23	0.38
Average	0.77

Source: <https://www.capitaliq.com/> (access only available to registered users) [Accessed on September 10, 2023]

ANNEXURE B - COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

JOINT FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE

CT CLSA Capital (Pvt) Ltd

4-15, Majestic City,
10, Station Road,
Colombo 04

Tel : +94 11 258 4843
Fax : +94 11 258 0181
www.ctclsa.lk

NDB Investment Bank Limited

Level 1, NDB Capital Building
No. 135, Bauddhaloka Mawatha,
Colombo 04

Tel: +94 11 2 00 385-90
Fax: +94 11 2 300 393
www.ndbib.com

COMPANY

Cargills Bank Limited

No. 696, Galle Road,
Colombo 03
Tel - +94 11 7 640 000
Fax - +94 11 2 055 575

REGISTRARS TO THE ISSUE

S S P Corporate Services (Private) Limited

101, Inner Flower Road,
Colombo 3, Sri Lanka

Tel: +94 11 2 573 894, 2 576 871
Fax: +94 11 2 573 609

Trading Participants of the Colombo Stock Exchange

NDB Securities (Private) Ltd.

Level 2, NDB Capital Building, No. 135,
Buddhaloka Mawatha, Colombo 4.
Tel: +94 11 2 131 000
Fax: +94 11 2 314 181
E-mail: mail@ndbs.lk

Somerville Stockbrokers (Pvt) Ltd.

No. 1A, Park Way, Park Road, Colombo 5.
Tel: +94 11 2 502 852 / +94 11 2 502 854 /
+94 11 2 502 858 / +94 11 2 502 862
Fax: +94 11 2 502 852
E-mail: contact@somerville.lk

Assetline Securities (Pvt) Ltd.

(Inactivated Operations)
No.120, 120A, Pannipitiya Road, Battaramulla.
Tel: +94 11 4 700 100
Fax: +94 11 4 700 101, +94 11 4 700 112
E-mail: info@assetline.lk

John Keells Stock Brokers (Pvt) Ltd.

No. 186, Vauxhall Street, Colombo 2.
Tel: +94 11 2 306 250
Fax: +94 11 2 342 068
E-mail: jkstock@keells.com

Asha Securities Limited

No.60, 5th Lane, Colombo 3.
Tel: +94 11 2 429 100
Fax: +94 11 2 429 199
E-mail: asl@ashasecurities.net

Acuity Stockbrokers (Pvt) Ltd.

No. 53, Dharmapala Mawatha, Colombo 3.
Tel: +94 11 2 206 206
Fax: +94 11 2 206 298 / 9
E-mail: sales@acuitystockbrokers.com

J B Securities (Pvt) Ltd.

No. 150, St. Joseph Street, Colombo 14.
Tel: +94 11 2 490 900
Fax: +94 11 2 430 070
E-mail: jbs@jb.lk

Lanka Securities (Pvt) Ltd

No. 228/1, Galle Road, Colombo 4.
Tel: +94 11 4 706 757 / +94 11 2 554 942
Fax: +94 11 4 706 767
E-mail: info@lankasec.com

Asia Securities (Pvt) Ltd.

4th Floor, Lee Hedges Tower,
No. 349, Galle Road, Colombo 3
Tel: +94 11 7 722 000
Fax: +94 11 258 4864
E-mail: inquiries@asiasecurities.lk

Capital Trust Securities (Pvt) Ltd.

No, 42, Mohamed Macan Markar Mawatha,
Colombo 3.
Tel: +94 11 2 174 174 / +94 11 2 174 175
Fax: +94 11 2 174 173
E-mail: inquiries@capitaltrust.lk

S C Securities (Pvt) Ltd.

5th Floor, No. 26B, Alwis Place, Colombo 3.
Tel: +94 11 4 711 000 / +94 11 4 711 001
Fax: +94 11 2 394 405
E-mail: itdivision@sampathsecurities.lk

CT CLSA Securities (Pvt) Ltd.

4-14, Majestic City, 10, Station Road, Colombo-4.
Tel: +94 11 2 552 290 - 4
Fax: +94 11 2 552 289
E-mail: info@ctclsa.lk

First Capital Equities (Pvt) Ltd.

No. 2, Deal Place, Colombo 3.
Tel: +94 11 2 639 898
Fax: +94 11 5 736 264
E-Mail: equity@firstcapital.lk

Bartleet Religare Securities (Pvt) Ltd.

Level "G", "Bartleet House", No. 65, Braybrooke
Place, Colombo 2.
Tel: +94 11 5 220 200
Fax: +94 11 2 434 985
E-mail: info@bartleetstock.com

Nation Lanka Equities (Pvt) Ltd.

No.44, Guildford Crescent, Colombo 07.
Tel: +94 11 7898302
Fax: +94 11 2673355
E-mail: info@nlequities.com

LOLC Securities Limited

No. 481, T.B. Jayah Mawatha, Colombo 10.
Tel: +94 11 588 9889
Fax: +94 11 266 2883
E-Mail: info@lolcsecurities.com

Capital Alliance Securities (Pvt) Ltd.

Level 5, "Millennium House", 46/58 Navam
Mawatha,
Colombo 2.
Tel: +94 11 2 317 777
Fax: +94 11 2 3177 88
E-mail: info@cal.lk

SMB Securities (Pvt) Ltd.

No. 02, Gower Street, Colombo 5.
Tel: +94 11 4 388 138
Fax: +94 11 2670294
E-mail: info@smbsecurities.lk

First Guardian Equities (Pvt) Ltd.

32nd Floor, East Tower, World Trade Centre,
Colombo 1.
Tel: +94 11 5 884 400 (Hunting)
Fax: +94 11 5 884 401
E-mail: info@fge.lk

Taprobane Securities (Pvt) Ltd.

2nd Floor, No. 10, Gothami Road, Colombo 08.
Tel: +94 11 5 328 200, +94 11 5 328 100
Fax: +94 11 5 328 177
E-mail: info@taprobane.lk

Candor Equities Ltd.

Level 8, South Wing, Millennium House, 46/58
Navam Mawatha, Colombo 02.
Tel: +94 11 2 359 100
Fax: +94 11 2 305 522
E-mail: info.cel@candorh.com

Softlogic Stockbrokers (Pvt) Ltd

Level 16, One Galle Face Tower, Colombo 02.
Tel: +94 11 7 277 000
Fax: +94 11 7 277 099
Email: ssb.inquiry@softlogic.lk

Enterprise Ceylon Capital (Private) Limited.

No.73/1, Dharmapala Mawatha, Colombo 7
Tel: +94 11 244 5644, 11 230 1861/2
E-mail: info@ecc.lk

TKS Securities (Pvt) Ltd. (Inactivated Operations)

4th Floor, No. 245, Dharmapala Mawatha,
Colombo 7.
Tel: +94 11 7 857 799
Fax: +94 11 7 857 857
E-mail: info@tks.lk

Richard Pieris Securities (Pvt) Ltd.

No.310, High Level Road, Nawinna, Maharagama
Tel: +94 11 431 0500
Fax: +94 11 280 2385
Email: communication@rpsecurities.com

Navara Securities (Pvt) Ltd

No. 12B Gregory's Road, Colombo 7.
Tel: +94 11 2 358 700 / 20
Fax: +94 11 5 005 551
Email: info@navarasecurities.lk

Cargills Bank Limited - Branch Network

Branch Name	Telephone No.	Address
Corporate Branch	0117640601 - 608	No. 696, Galle Road, Colombo 03
Maitland Crescent Branch	0117514555 -557	No. 34, Maitland Crescent, Colombo 07
Old Moor Street Branch	0117514550 - 551	No. 326, Old Moor Street, Colombo 12
Matara Branch	0417500133 - 137	No. 60/2, Anagarika Dharmapala Mawatha, Matara
Maharagama Branch	0117865300-302	No. 75, Dehiwala Road, Maharagama
Vavuniya Branch	0247506330 - 335	No. 65, First Cross Street, Vavuniya
Thanamalvila Branch	0477235150 - 152	Gunawardene Building, Main Street, Thanamalwila
Kurunegala Branch	0377880800 - 805	No. 72, Colombo Road, Kurunegala
Jaffna City Center	0217521562 - 563	No.420, Hospital Road, Jaffna.
Chunnakam Branch	0217521500 - 503	No.91, KKS Road, Chunnakkam
Galle Branch	0917877240 - 242	No.10/8, Wakwella Road, Galle
Nuwaraeliya Branch	0527572000 - 002	No. 90, Kandy Road, Nuwara Eliya
Kandy Branch	0817572000 - 001	No 3, Dalada Veediya, Kandy
Peradeniya Branch	0817572050 - 051	No 645, William Gopallawa Mawatha, Kandy
Ratnapura Branch	0457623100 - 102	Municipal Commercial Complex, Old Bus Stand Site, Nagarasaba Pedesa, Ratnapura
Chilaw Branch	0327750100 -104	No. 98, Colombo Road, Chilaw
Wattala Branch	0117506100 - 102	No. 315, Negombo Road, Wattala
Kaduruwela Branch	0277550100 - 102	No. 896, Nidahas Swarna Jayanthi Mawatha, Kaduruwela
Rajagiriya Branch	0117634465 - 468	No. 395, Sri Jayawardhanapura Mawatha, Welikada, Rajagiriya
Fort Branch	0117690700 - 706	No. 40, York Street, Colombo
Nawalapitiya Branch	0547267400 - 404	No. 88, Gampola Road, Nawalapitiya
Negombo Branch	0317489500 - 501	No.293A, Main Street, Negombo
Anuradhapura Branch	0257989001 - 004	No.249B, Rex Building, Anuradhapura
Bandarawela Branch	0577534246 - 249	No 07, Welimada Road, Bandarawela

NDB Bank PLC - Branch Network

Branch Name	Telephone No.	Address
Akkaraipattu	067 7448000/1	No. 487, Main Street, Akkaraipattu
Akuressa	041 7448000/1	No. 21, Main Street, Akuressa
Aluthgama	0347448010/1	No. 267, Galle Road, Aluthgama
Ambalangoda	0917448000/1	No. 333, Galle Road, Ambalangoda
Ambalantota	047 7448000/1	No. 127, Main Street, Ambalantota
Ampara	063 7448000/1	No 75, D S Sennanayake Street, Ampara
Anuradhapura	025 7448000/1	522/C, Maithreepala Senanayake Mawatha, New Town, Anuradhapura
Athurugiriya	011 7448060/1	70/15A, Borella Road, Athurugiriya

Branch Name	Telephone No.	Address
Avissawella	036 7448000/1	No. 93, Ratnapura Road, Avissawella
Badulla	055 7448000/1	242, Lower Street, Badulla
Balangoda	0457448000/1	No 24 A, Barns Ratwatte Mawatha, Balangoda
Bandarawela	057 7448000/1	No. 317, Main Street, Bandarawela
Battaramulla	011 7448090/1	No 245, Main Street, Battaramulla.
Batticaloa	065 7448000/1	No 16, Liyods Avenue, Batticaloa.
Boralessgamuwa	0117448063/4	No 39, Kesbawa Road, Boralessgamuwa
Borella	0117 448078/9	No: 31/5, Dr. N M Perera Mawatha, Borella
Chavakachcheri	0217448013/4	No. 1,3,5, Kandy Road, Chavakachcheri
Chenkalady	065 7448003/4	Trincomalee Road, Chenkalady.
Chilaw	032 7448000/1	50-52, Skyline Building, Colombo Road, Chilaw
Chunnakam	021 7448018/9	No: 30, K.K.S. road, Chunnakam
Colombo 7	011 7448004/5	103A, Dharmapala Mawatha, Colombo 7
Dambulla	066 7448000/1	No: 42, Kurunegala road, Dambulla
Digana	081 7448003/4	No 59/6, Gonawala Road, Digana.
Eheliyagoda	036 7448003/4	No: 302, Main Street, Ehaliyagoda.
Elpitiya	091 7448003/4	No. 23, Ambalangoda Road, Elpitiya
Embilipitiya	047 7448003/4	No. 67, Pallegama, Embilipitiya
Fort	011 7448111/2	No. 39, Canal Row, Colombo 01.
Galle	091 7448006/7	1/A, Abeysekara Building, Wakwella Road, Galle
Gampaha	033 7448000/1	03, Yakkala Road, Gampaha
Gampola	081 7448000/1	No 11 B & 11 C, Nawalapitiya Road, Gampola
Giriulla	037 7558010/1	No 86, Negombo Road, Giriulla.
Hambanthota	047 7448006/7	No 34, Wilmot Street, Hambantota
Hanwella	036 7448006/7	No 130/C, Pahala Hanwella, Hanwella.
Havelock Town	0117 448006/7	117, Havelock Road, Colombo 05
Hendala	011 7448094/3	No 46A Hendala Road, Hendala
Hikkaduwa	091 7448009/10	No 245, Galle Road, Hikkaduwa.
Hingurakgoda	027 7558010/1	No 10, Airport Road, Hingurakgoda
Homagama	011 7448045/6	64A, High Level Road, Homagama
Horana	034 7448013/5	135, Panadura Road, Horana
Ja - Ela	011 7448075/6	No.121, Colombo Road, Ja-Ela
Jaffna	021 7448011/24	No 62/6, Stanley Road, Jaffna
Kadawatha	011 7448036/7	147, Kandy Road, Kadawatha
Kaduruwela	027 7558003/4	No 25, Batticaloa Road, Polonnaruwa
Kaduwela	011 7448081/2	No: 501/2, Awissawella Road, Kaduwela
Kahawatte	045 7448003/4	No 149, Main Street, Kahawatte
Kalmunai	067 7448003/4	No: 165, Batticaloa Road, Kalmunai
Kalutara	034 7448016/7	290, Galle Road, Kalutara South
Kandana	011 7448039/40	No.677, Negombo Road, Kandana
Kandy	081 7448015/6	No 133, Kotugodella Veediya, Kandy

Branch Name	Telephone No.	Address
Kandy City Centre	081 7448006/7	L 1 - 3, Level 1, Kandy City Center, No. 05, Dalada weediya, Kandy
Katana	031 7448000/1	No.05, Koongashandiya, Katana
Katugastota	081 7448009/10	No 111, Kurunegala Road, Katugastota
Katunayake	011 7448096/7	No 745, Baseline Road, Aweriwatta, Katunayaka
Kegalle	035 7448003/4	261/1, Kandy Road, Kegalle
Kekirawa	0257448003/4	No 61, Opposite Government Hospital, Main Street, Kekirawa
Kiribathgoda	011 7448033/4	No. 540, New Hunupitiya Road, Dalugama, Kelaniya
Kochchikade	031 7448003/4	No 96, Chilaw Road, Kochchikade.
Kohuwela	0117 448051/2	No. 143, S De S Jayasinghe Mawatha, Nugegoda.
Kollupitiya	011 7448018/9	No.321, Galle Road, Colombo 3
Kotahena	0117 448030/1	295, George R De Silva Mawatha, Co -13
Kottawa	011 7448099/100	365/1 A, High Level Road, Kottawa
Kuliyapitiya	037 7558003/4	No 133, Main Street, Kuliyapitiya
Kurunegala	037 7558006/7	6, Rajapihilla Mawatha, Kurunegala
Maharagama	011 7448015/6	108 A, Highlevel Road, Maharagama
Mahawewa	032 7448003/4	Chilaw Road, Mahawewa.
Mahiyanganaya	055 7448003/4	No: 02, New Town, Mahiyanganaya
Malabe	0117448049/8	760, New Kandy Road, Malabe
Manipay	021 7448021/2	No.260, Manipay Road, Manipay
Marine Drive	011 7448102/3	42, Sagara Road, Marine Drive, Colombo 4
Matale	066 7448003/4	No. 144, Main Street , Matale
Matara	041 7448003/4	60, Uyanwatte Rd, Matara
Mathugama	034 7448022/3	No. 98, Agalawatta Road, Mathugama
Minuwangoda	011 7448084/5	No. 49, Negombo Road, Minuwangoda
Monaragala	055 7448006/7	No. 29, Pothuwil Road, Monaragala
Moratuwa	011 7448021/2	255, Galle Road, Idama, Moratuwa
Mount Lavinia	011 7448024/5	No 431/433, Galle Road, Mount Lavinia
Narahenpita	011 7448105/6	92, Kirula Road, Narahenpita, Colombo 5.
Narammala	037 7558013/4	No 144, Kurunegala Road, Narammala
Nattandiya	032 7448006/7	No 82, Marawila Road, Nattandiya.
Nawalapitiya	054 7448000/1	No 70B, Gampola Road, Nawalapitiya
Nawam Mawatha	011 7448000/1	No 40, Nawam Mw, Colombo 02
Negombo	031 7448006/7	No. 121, St.Joseph Street, Negombo
Nelliady	021 7448012/27	109, Jaffna Road, Nelliady
Nikaweratiya	037 7558016/7	No:65, Puttalam Road, Nikaweratiya
Nittambuwa	033 7448003/4	No 496, Kandy Road, Nittambuwa
Nugegoda	011 7448009/10	152, Nawala Rd, Nugegoda
Nuwara Eliya	052 7448000/1	No 50/1, New Bazaar Street, Nuwara Eliya
Old Moor Street	011 7448108/9	No. 311, Old Moor Street, Colombo 12

Branch Name	Telephone No.	Address
Panadura	038 7448000/1	No. 319, Galle Road, Panadura
Pelawatte	011 7448027/8	301, Pannipitiya Road, Battaramulla
Pettah	011 7448072/3	No, 137,133/1, Main Street, Colombo 11
Pilimathalawa	081 7448012/3	No: 240, Colombo Road. Pilimathalawa
Piliyandala	011 7448057/8	No 120, Horana Road, Piliyandala.
Pitakotte	011 7448114/5	No 322B, Kotte Road, Pitakotte
Private Wealth Centre	011 7448087/8	No 135, Rainbow Business Centre, Bauddhaloka Mawatha, Colombo 04
Puttalam	032 7448009/10	104, Kurunegala Road, Puttalam
Rajagiriya	011 7448012/3	505, Sri Jayawardenapura Ethul Kotte, Kotte
Ratmalana	011 7448066/7	No 151, Galle Road, Ratmalana
Ratnapura	045 7448006/7	No 211, Main Street, Rathnapura
Shangri-la	011 7448117/8	One Galle Face Mall, Premises no L 1 - 77, No 1 A, Colombo 02.
Tangalle	047 7448009/10	No 90A, Matara Road, Tangalle.
Thambuttegama	025 7448006/7	No 255A, Main Street, Thambuttegama
Thirunelveli	021 7448016/17	No, M102, Palaly Road, Jaffna
Tissamaharama	047 7448012/3	No. 133 E, New Town, Tissamaharama
Trincomalee	026 7448000/1	No 91& 93, North Coast Road, Trincomalee
Uragasmanhandiya	091 7448012/3	No 131, Main Street, Uragasmanhandiya
Vavuniya	024 7448000/1	188, 190, 192 & 190/1, Kandy Road, Vavuniya.
Warakapola	035 7448000/1	No. 96 & 98, Main Street, Warakapola
Wariyapola	037 7558019/20	Navinna Building, Puttlam Road, Wariyapola
Wattala	011 7448042/3	378A, Negombo Road, Wattala
Wellawatte	011 7448120/1	302, Galle Road, Colombo 6
Wennappuwa	031 7448009/10	No 204, Chilaw Road, Wennappuwa
Yakkala	033 7448006/7	65/5 B, Kandy Road, Yakkala

ANNEXURE C - CUSTODIAN BANKS

Bank of Ceylon
Head Office
11th Floor, 04, Bank of Ceylon Mawatha,
Colombo 01.
Tel: +94 112 204 064

The Hongkong and Shanghai Banking
Corporation Limited
24, Sir Baron Jayathilake Mawatha, Colombo 01.
Tel: +94 11 2 325 435, +94 11 2 446 591,
+94 11 2 446 303

Citi Bank, N A
65 C, Dharmapala Mawatha,
P. O. Box 888, Colombo 07.
Tel: +94 114 794 728

People's Bank
Head Office - Treasury, 5th Floor, 75, Sir
Chittampalam
A. Gardiner Mawatha, Colombo 02.
Tel: +94 11 2 206 782

Commercial Bank of Ceylon PLC
Commercial House
21, Bristol Street, P.O. Box 853, Colombo 01.
Tel: +94 11 2 445 010-15

Public Bank Berhad
340, R A De Mel Mawatha, Colombo 03.
Tel: +94 11 2 576 289, +94 11 7 290 200-7

Deutsche Bank AG
86, Galle Road, P.O. Box 314, Colombo 03.
Tel: +94 11 2 447 062 / 011 2 438 057

Standard Chartered Bank
37, York Street, P. O. Box 112, Colombo 01.
Tel: +94 112 480 450

Hatton National Bank PLC
HNB Towers, 479, T. B. Jayah Mawatha,
Colombo 10.
Tel: +94 112 661 762

Sampath Bank PLC
110, Sir James Peiris Mawatha, Colombo 02.
Tel: +94 115 331 458, +94 114 730 662

Union Bank of Colombo PLC
64, Galle Road, Colombo 03.
Tel: +94 112 374 205

State Bank of India
16, Sir Baron Jayathilake Mawatha, Colombo 01.
Tel: +94 114 622 350

Nations Trust Bank PLC
256, Sri Ramanathan Mawatha, Colombo 15
Tel: +94 114 313 131

Seylan Bank PLC
Level 8, Ceylinco Seylan Towers,
90, Galle Road, Colombo 03.
Tel: +94 11 4 701 812, 011 4 701 819

Pan Asia Banking Corporation PLC
Head Office
450, Galle Road, Colombo 03.
Tel: +94 11 2 565 565

ANNEXURE D - ACCOUNTANTS' REPORT AND FIVE-YEAR SUMMARY



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

6th October 2023

Board of Directors
Cargills Bank Limited
No. 696, Galle Road,
Colombo 03.

Dear Sirs,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF CARGILLS BANK LIMITED

This report has been prepared for the inclusion in the Prospectus issued in connection with the Initial Public Offering to issue Sixty Two Million and Five Hundred thousand (62,500,000) ordinary voting shares of the Company at a price of Sri Lankan Rupees Eight (Rs 8/-) per ordinary voting share by way of an offer for subscription amounting to a total fund raise of Sri Lankan Rupees Five Hundred Million (LKR 500,000,000/-) of Cargills Bank Limited.

We have examined the audited financial statements of Cargills Bank Limited ("the Bank") for the financial years ended 31st December 2018 to 31st December 2022, included in the prospectus and report as follows.

1. INCORPORATION

Cargills Bank Limited (the "Bank") is a Public Limited Company incorporated on 3 November 2011 and domiciled in Sri Lanka under the Companies Act No. 7 of 2007 for the purpose of carry out banking activities in Sri Lanka. It is a licensed commercial bank registered under the Banking Act No. 30 of 1988 and amendments thereto.

On 21 January 2014, in terms of Section 5 of the Banking Act No. 30 of 1988 (as amended from time to time), the Bank has been issued with a commercial banking license by the Central Bank of Sri Lanka (CBSL) to carry on domestic banking business and off-shore banking business.

The registered office of the Bank is located at No. 696, Galle Road, Colombo 3.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardena ACA, Ms. F.R. Ziyad FCMA (UK), FTII

2. FINANCIAL STATEMENTS

2.1 Five Years Summary of Financial Statements

A summary of Income Statement, Statement of Profit or loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows of Cargills Bank Limited for the years ended 31st December 2018 to 31st December 2022, are set out in the Annexure to the accountants' report, are based on the audited financial statements prepared in accordance with SLFRSs and LKASs.

2.2 Audit Reports

We have audited the financial statements of the Bank for the years ended 31st December 2018 to 31 December 2022. Unmodified audit opinions have been issued for the said financial years, by our reports dated 29 March 2019, 25 March 2020, 25 March 2021, 28 February 2022 and 22 March 2023 respectively.

2.3 Application of Accounting Standards and Accounting Policies

The financial statements of the Bank for the financial years ended 31st December 2018 to 31st December 2022 complied with the applicable Sri Lanka Accounting Standards.

Accounting policies of the Bank are stated in detail in the audited financial statements of Cargills Bank Limited for the year ended 31st December 2022. The adoption of revised/new accounting standards and a summary of related amendments to the accounting policies of the Bank from financial years ended 31st December 2018 to 31st December 2022 are given below.

Financial Year	Adoption of revised Accounting Standards and related changes in Accounting Policies
31 st December 2018	<p>The Institute of Chartered Accountants of Sri Lanka issued a new Sri Lanka Financial Reporting Standard which became applicable for the annual financial periods beginning on or after 1st January 2018. The changes are explained below:</p> <p>SLFRS 9 – Financial Instruments</p> <p>Classification and measurement of financial assets and financial liabilities</p> <p>SLFRS 9 – “Financial Instruments” contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 – “Financial Instruments” is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 - Financial Instruments” eliminates the previous LKAS 39 – “Financial Instruments: Recognition and Measurement” categories of held for trading, held to maturity, loans and receivables and available for sale.</p>

	<p>Impairment of financial assets</p> <p>SLFRS 9 – “Financial Instruments” replaces the “Incurred Loss” model in LKAS 39 – “Financial Instruments: Recognition and Measurement” with a forward-looking “Expected Credit Loss” (ECL) model. The new model applies to financial assets that are not measured at FVTPL, including loans and receivables, and all other debt securities. ECL does not apply to equity investments and those should be measured at fair value.</p> <p>SLFRS 15 – Revenue from contracts with customers</p> <p>The impact on the adoption of SLFRS 15 was limited to new disclosure requirements.</p>
31 st December 2019	<p>The Institute of Chartered Accountants of Sri Lanka issued a new Sri Lanka Financial Reporting Standard which became applicable for the annual financial periods beginning on or after 1st January 2019. The changes are explained below:</p> <p>SLFRS 16 – “Leases”</p> <p>Definition of a lease</p> <p>Previously, the Bank determined whether an arrangement is or contains a lease under IFRIC 4 – “Determining whether an arrangement contains a lease”.</p> <p>After 1st January 2019, the determination is made as follows, At the 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 for a consideration.</p> <p>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 SLFRS 16.</p> <p>Bank acting as a lessee</p> <p>The Bank recognizes 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.</p> <p>The right-of-use asset is subsequently depreciated using the 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.</p>

31 st December 2020	There were no material changes.
31 st December 2021	There were no material changes.
31 st December 2022	There were no material changes.

2.4 Dividends

The Bank has not paid any dividends for the years ending 31 December 2018 to 31 December 2022.

2.5 Purpose and restriction on use and distribution

This report is made solely for the purpose of the Board of Directors of Cargills Bank Limited for the inclusion in the prospectus in connection with the Initial Public Offering under consideration constitutes of an invitation to the public, by way of a Prospectus, to issue Sixty Two Million and Five Hundred Thousand (62,500,000) ordinary voting shares of the Company at a price of Sri Lanka Rupees Eight (Rs. 8/-) per ordinary voting share by way of an Offer for Subscription, amounting to a total fund raise of Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-), subject to obtaining all regulatory and shareholders' approvals for the Initial Public Offering. This report should not be used, circulated, quoted or otherwise referred to for any other purpose.

Yours faithfully,



Chartered Accountants
Colombo

For the year ended 31 December
All amounts in Sri Lankan Rupees, Thousands.

Operating Results	2018 Bank	2019 Bank	2020 Bank	2021 Bank	2022 Bank
Gross income	4,300,243	4,959,253	4,774,212	4,994,170	9,488,610
Interest income	3,903,955	4,390,508	4,117,856	4,099,607	8,002,096
Less: Interest expenses	1,874,648	2,346,857	2,553,081	2,259,926	4,797,845
Net interest income	2,029,307	2,043,651	1,564,775	1,839,681	3,204,251
Fees and commission income	225,672	384,008	456,906	767,818	1,272,446
Less: Fees and commission expenses	67,614	160,082	208,193	275,737	410,078
Net fees and commission income	158,058	223,926	248,713	492,081	862,368
Net gains / (losses) from trading	(14,148)	13,662	5,478	(1,196)	994
Net gains from derecognition of financial assets	17,934	81,003	120,792	(18,368)	20,814
Net other operating income	166,830	90,072	73,180	146,309	192,260
Total operating income	2,357,981	2,452,314	2,012,938	2,458,507	4,280,687
Less: Impairment losses on financial instruments and other assets	313,937	1,148,299	801,718	684,510	1,463,485
Net operating income	2,044,044	1,304,015	1,211,220	1,773,997	2,817,202
Less: Expenses					
Personnel expenses	744,081	873,427	798,619	842,691	915,285
Depreciation and amortization expenses	246,583	416,271	490,745	420,213	437,014
Other operating expenses	716,794	902,236	808,392	773,594	1,017,128
Operating Profit/(loss) before taxes on financial services	336,586	(887,919)	(886,536)	(262,501)	447,775
Less: Taxes on financial services	175,142	(505)	-	106,154	241,338
Profit/ (Loss) before income tax	161,444	(887,414)	(886,536)	(368,655)	206,437
Less: Income tax expenses	38,639	(220,814)	(142,589)	(91,528)	(281,327)
Profit/ (Loss) for the year	122,805	(666,600)	(743,947)	(277,127)	487,764
Attributable to:					
Equity holders of the Bank	122,805	(666,600)	(743,947)	(277,127)	487,764
Non-Controlling Interest	-	-	-	-	-
Profit/(Loss) for the year	122,805	(666,600)	(743,947)	(277,127)	487,764
Basic earnings per share (Rs.)	0.14	(0.75)	(0.84)	(0.31)	0.55

Figures within brackets relate to deductions or losses.

Above summarized financial information and its extraction from the audited financial statements, is the responsibility of the Board of Directors.


Accountant


Director



CARGILLS BANK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Annexure

For the year ended 31 December
All amounts in Sri Lankan Rupees, Thousands.

Operating Results	2018 Bank	2019 Bank	2020 Bank	2021 Bank	2022 Bank
Profit/(Loss) for the year	122,805	(666,600)	(743,947)	(277,127)	487,764
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Net actuarial gains/ (loss) on defined benefit plans	(7,340)	18,265	(5,169)	(6,016)	(5,701)
Change in fair value of investment in equity measured at Fair value through other comprehensive income	1,052	1,550	1,707	1,288	1,575
Deferred tax related to the above	2,593	(5,919)	6,518	166	(283)
	(3,695)	13,896	3,056	(4,562)	(4,409)
Items that will be reclassified to profit or loss					
Net gains/ (losses) on investment in financial assets measured at fair value through other comprehensive income	(59,881)	87,349	59,947	(175,109)	(125,001)
Sri Lanka government securities					
Deferred tax related to the above	16,767	(26,142)	(17,219)	47,358	37,090
	(43,114)	61,207	42,728	(127,751)	(87,911)
Total other comprehensive income/ (loss) for the year, net of tax	(46,809)	75,103	45,784	(132,313)	(92,320)
Total comprehensive income/ (loss) for the year	75,996	(591,497)	(698,163)	(409,440)	395,444
Attributable to:					
Equity holders of the Bank	75,996	(591,497)	(698,163)	(409,440)	395,444
Non-Controlling Interest	-	-	-	-	-
Total comprehensive income/ (loss) for the year	75,996	(591,497)	(698,163)	(409,440)	395,444

Figures within brackets relate to deductions or losses.

Above summarized financial information and its extraction from the audited financial statements, is the responsibility of the Board of Directors.


Accountant


Director



As at 31 December

All amounts in Sri Lankan Rupees, Thousands.

	2018 Bank	2019 Bank	2020 Bank	2021 Bank	2022 Bank
ASSETS					
Cash and cash equivalents	1,231,655	993,133	1,420,123	1,214,754	1,232,272
Balances with Central Bank of Sri Lanka	994,405	1,040,397	443,993	567,802	1,311,926
Placements with Banks	-	689,336	-	601,151	-
Derivative financial instruments	24	386	3,658	3,200	-
Loans and receivables to banks	-	-	-	-	-
Financial assets measured at fair value through profit or loss	-	-	1,596,166	-	-
Financial assets at Amortized costs- Loans & Advances to other customers	23,917,397	27,013,673	29,079,121	40,490,736	35,960,080
Financial assets at Amortized costs - Debt and other Instrument	524,002	477,663	436,049	15,528	1,996,950
Financial assets measured at fair value through other comprehensive income	5,548,169	6,667,681	11,533,615	10,783,609	10,253,496
Property, plant and equipment	488,148	858,304	657,912	518,272	475,180
Intangible assets	474,374	457,570	357,739	258,942	335,150
Deferred tax assets	168,776	366,648	498,536	637,588	955,721
Other assets	456,170	573,743	505,622	675,479	1,232,034
Total assets	33,803,120	39,138,534	46,532,534	55,767,061	53,752,809
LIABILITIES					
Due to banks	1,364,712	1,517,942	1,556,948	926,405	514,193
Derivative financial instruments	15,004	2,281	149	3,009	30
Financial liabilities at amortized cost - Due to depositors	19,902,741	25,042,562	31,997,601	40,182,402	37,802,680
Financial liabilities at amortized cost - Due to other borrowers	662,523	948,298	2,121,192	3,969,617	3,688,924
Retirement benefit obligations	51,233	43,577	64,763	81,336	96,806
Lease Liability	-	444,214	339,985	332,675	340,542
Other liabilities	782,945	707,195	717,594	946,756	1,589,329
Total liabilities	22,779,158	28,706,069	36,798,232	46,442,200	44,032,504
EQUITY					
Stated capital	11,394,421	11,394,421	11,394,421	11,394,421	11,394,421
Statutory reserves	32,386	32,386	32,386	32,386	56,774
Accumulated Losses	(374,608)	(1,030,112)	(1,772,667)	(2,055,814)	(1,598,139)
Other Reserves	(28,237)	35,770	80,162	(46,132)	(132,751)
Total equity attributable to equity holders of the bank	11,023,962	10,432,465	9,734,302	9,324,861	9,720,305
NCI	-	-	-	-	-
Total equity and liabilities	33,803,120	39,138,534	46,532,534	55,767,061	53,752,809
Contingent liabilities & commitments	17,891,677	11,638,569	16,089,767	18,687,750	22,292,738
Net asset value per share (Rs.)	12.48	11.81	11.02	10.56	11.01

Figures within brackets relate to deductions or losses.

Above summarized financial information and its extraction from the audited financial statements, is the responsibility of the Board of Directors.

Accountant

Director

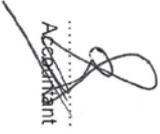


CARGILLS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY

Annexure

	Stated Capital			Statutory Reserves			Retained Profit/(losses)			Other Reserves (Fair Value Through Other Comprehensive Income Reserve)		Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
Balance as at 01 January 2018	11,394,421	26,246	(486,819)	14,118	10,947,966							
Profit/(loss) for the year	-	-	122,805	-	-	-	-	-	-	122,805		
Other comprehensive income, net of tax	-	-	(4,454)	(42,355)	-	-	-	-	-	(46,809)		
Transfers during the year	-	6,140	(6,140)	-	-	-	-	-	-	-		
Balance as at 31 December 2018	11,394,421	32,386	(374,608)	(28,237)	11,023,962							
Profit/(loss) for the year	-	-	(666,600)	-	-	-	-	-	-	(666,600)		
Other comprehensive income, net of tax	-	-	11,095	64,007	-	-	-	-	-	75,102		
Transfers during the year	-	-	-	-	-	-	-	-	-	-		
Balance as at 31 December 2019	11,394,421	32,386	(1,030,112)	35,770	10,432,465							
Profit/(loss) for the year	-	-	(743,947)	-	-	-	-	-	-	(743,947)		
Other comprehensive income, net of tax	-	-	1,392	44,392	-	-	-	-	-	45,784		
Transfers during the year	-	-	-	-	-	-	-	-	-	-		
Balance as at 31 December 2020	11,394,421	32,386	(1,772,667)	80,162	9,734,302							
Profit/(loss) for the year	-	-	(277,127)	-	-	-	-	-	-	(277,127)		
Other comprehensive income, net of tax	-	-	(6,020)	(126,294)	-	-	-	-	-	(132,314)		
Transfers during the year	-	-	-	-	-	-	-	-	-	-		
Balance as at 31 December 2021	11,394,421	32,386	(2,055,814)	(46,132)	9,324,861							
Profit/(loss) for the year	-	-	487,764	-	-	-	-	-	-	487,764		
Other comprehensive income, net of tax	-	-	(5,701)	(86,619)	-	-	-	-	-	(92,320)		
Transfers during the year	-	24,388	(24,388)	-	-	-	-	-	-	-		
Balance as at 31 December 2022	11,394,421	56,774	(1,598,139)	(132,751)	9,720,305							

Figures within brackets relate to deductions or losses.
Above summarized financial information and its extraction from the audited financial statements, is the responsibility of the Board of Directors.


Accountant


Director



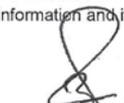
For the year ended 31 December

All amounts in Sri Lankan Rupees, Thousands.

For the year ended 31 December	2018 Bank	2019 Bank	2020 Bank	2021 Bank	2022 Bank
Cash flows from operating activities					
Profit/(loss) before income tax	161,444	(887,414)	(886,536)	(368,655)	206,437
Adjustments for:					
Non-cash items included in profit/(loss) before tax	564,881	1,634,923	1,365,901	1,170,489	2,623,208
Gains/(losses) on sale of property, plant & equipment and other assets	(249)	(7,953)	(1,037)	368	(315)
Net gains from investing activities	-	-	-	-	-
Dividend income	(770)	(935)	(960)	(1,360)	(720)
Interest paid on lease liability	-	(57,300)	(46,679)	(40,857)	(34,271)
Benefits paid on defined benefit plans	(4,415)	(1,202)	(3,287)	(10,542)	(12,674)
Operating profits before changes in operating assets and liabilities	720,891	680,119	427,402	749,443	2,781,665
Increase in operating assets	(4,294,785)	(5,333,921)	(8,585,416)	(9,697,043)	(324,582)
Increase in operating liabilities	1,478,882	5,131,306	7,033,471	7,679,497	(2,118,078)
Cash generated from/(used in) operating activities before income tax	(2,094,972)	477,504	(1,124,543)	(1,268,103)	339,005
Income taxes paid	-	-	-	-	-
Net cash generated from/(used in) operating activities	(2,094,972)	477,504	(1,124,543)	(1,268,103)	339,005
Cash flows from investing activities					
Net purchase of property, plant and equipment	(306,285)	(124,301)	(105,186)	(31,823)	(177,616)
Investment in debentures	-	-	-	-	(160,353)
Proceeds from sale of property, plant and equipment	1,598	8,533	1,044	337	755
Net purchase of intangible assets	(243,241)	(110,416)	(108,156)	(53,386)	(193,576)
Dividends received	770	935	960	1,360	720
Net cash generated from/(used in) investing activities	(547,158)	(225,249)	(211,338)	(83,512)	(530,070)
Cash flows from financing activities					
Net proceeds from the issue of perpetual debenture	-	-	-	1,500,000	-
Payment of lease liability	-	(85,107)	(95,561)	(102,296)	(91,513)
Change in securities sold under repurchase agreements	(80,471)	285,775	1,172,894	348,425	(280,693)
Interest paid	-	-	-	-	-
Net cash generated from/(used in) financing activities	(80,471)	200,668	1,077,333	1,746,129	(372,206)
Net increase/(decrease) in cash and cash equivalents	(2,722,601)	452,923	(258,548)	394,514	(563,270)
Cash and cash equivalents at the beginning of the year	3,957,322	1,234,721	1,687,644	1,429,096	1,823,610
Cash and cash equivalents at the end of the year	1,234,721	1,687,644	1,429,096	1,823,610	1,260,340
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	1,234,721	994,853	1,429,096	1,222,459	1,260,340
Placements with Banks	-	692,791	-	601,151	-
	1,234,721	1,687,644	1,429,096	1,823,610	1,260,340

Figures within brackets relate to deductions or losses.

Above summarized financial information and its extraction from the audited financial statements, is the responsibility of the Board of Directors.


Accountant


Director



ANNEXURE E - AUDIT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(EXTRACT FROM CARGILLS BANK LIMITED ANNUAL REPORT 2022)

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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TO THE SHAREHOLDERS OF CARGILLS BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cargills Bank Limited ("the Bank"), which comprise the statement of financial position as at December 31, 2022, and the income statement, statement of profit or loss and 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 a summary of significant accounting policies set out on pages 92 to 171 of the annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA
W.J.C. Perera FCA
W.K.D.C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekera FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,
Ms. F.R. Ziyad FCMA (UK), FTII

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Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

In preparing the financial statements, management 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 management 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Bank.



Chartered Accountants

Colombo, Sri Lanka
22 March 2023

Income Statement

For the year ended 31 December		2022	2021	Change
	Note	Rs. '000	Rs. '000	%
Gross income		9,488,610	4,994,170	90
Interest income		8,002,096	4,099,607	95
Less: Interest expense		4,797,845	2,259,926	112
Net interest income	7	3,204,251	1,839,681	74
Fees and commission income		1,272,446	767,818	66
Less: Fees and commission expense		410,078	275,737	49
Net fees and commission income	8	862,368	492,081	75
Net gains/(losses) from trading	9	994	(1,196)	183
Net gains from derecognition of financial assets	10	20,814	(18,368)	213
Net other operating income	11	192,260	146,309	31
Total operating income		4,280,687	2,458,507	74
Less: Impairment losses on financial instruments and other assets	12	1,463,485	684,510	114
Net operating income		2,817,202	1,773,997	59
Less: Expenses				
Personnel expenses	13	915,285	842,691	9
Depreciation and amortisation	14	437,014	420,213	4
Other operating expenses	15	1,017,128	773,594	31
Operating profit/(loss) before taxes on financial services		447,775	(262,501)	271
Less: Taxes on financial services	16	241,338	106,154	127
Profit/(loss) before income tax		206,437	(368,655)	156
Less: Income tax expense/(reversal)	17	(281,327)	(91,528)	(207)
Profit/(loss) for the year		487,764	(277,127)	276
Profit attributable to:				
Equity holders of the Bank		487,764	(277,127)	276
Profit/(loss) for the year		487,764	(277,127)	276
Basic earnings per share (Rs.)	18	0.55	(0.31)	276
Diluted earnings per share (Rs.)	18	0.55	(0.31)	276

The Notes to the Financial Statements appearing on pages 97 to 171 form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Note	2022	2021	Change
		Rs. '000	Rs. '000	%
Profit/(loss) for the year		487,764	(277,127)	276
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss				
Net actuarial gains/(losses) on defined benefit obligations	38	(5,701)	(6,016)	5
Change in fair value of investment in equity measured at fair value through other comprehensive income	20.2.1	1,575	1,288	22
Deferred tax asset related to the above	32.1	(283)	166	(271)
		(4,409)	(4,562)	3
Items that will be reclassified to profit or loss				
Net gains/(losses) on investment in financial assets measured at fair value through other comprehensive income				
Sri Lanka government securities		(125,001)	(175,109)	29
Deferred tax asset related to the above	32.1	37,090	47,358	(22)
		(87,911)	(127,751)	31
Total other comprehensive income/(loss) for the year, net of tax		(92,320)	(132,313)	30
Total comprehensive income/(loss) for the year		395,444	(409,440)	197
Attributable to:				
Equity holders of the Bank		395,444	(409,440)	197
Total comprehensive income/(loss) for the year		395,444	(409,440)	197

The Notes to the Financial Statements appearing on pages 97 to 171 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	2022	2021	Change
		Rs. '000	Rs. '000	%
ASSETS				
Cash and cash equivalents	21	1,232,272	1,214,754	1
Balances with Central Bank of Sri Lanka	22	1,311,926	567,802	131
Placements with Banks	23	-	601,151	(100)
Derivative financial instruments	24	-	3,200	(100)
Financial assets at amortised cost - Loans and advances to other customers	26	35,960,080	40,490,736	(11)
Financial assets at amortised cost - Debt and other financial instruments	27	1,996,950	15,528	12,761
Financial assets measured at fair value through other comprehensive income	28	10,253,496	10,783,609	(5)
Property, plant and equipment and right-of-use assets	29	475,180	518,272	(8)
Intangible assets	30	335,150	258,942	29
Deferred tax assets	32	955,721	637,588	50
Other assets	33	1,232,034	675,479	82
Total assets		53,752,809	55,767,061	(4)
LIABILITIES				
Due to banks	34	514,193	926,405	(44)
Derivative financial instruments	35	30	3,009	(99)
Financial liabilities at amortised cost - Due to depositors	36	37,802,680	40,182,402	(6)
Financial liabilities at amortised cost - Other borrowings	37	3,688,924	3,969,617	(7)
Retirement benefit obligations	38	96,806	81,336	19
Lease liability	31	340,542	332,675	2
Other liabilities	39	1,589,329	946,756	68
Total liabilities		44,032,504	46,442,200	(5)
EQUITY				
Stated capital	40	11,394,421	11,394,421	-
Statutory reserves	41	56,774	32,386	75
Retained losses	42	(1,598,139)	(2,055,814)	22
Other reserves	41	(132,751)	(46,132)	(188)
Total equity attributable to equity holders of the Bank		9,720,305	9,324,861	4
Total liabilities and equity		53,752,809	55,767,061	(4)
Contingent liabilities & commitments	43	22,292,738	18,687,750	19
Net asset value per share (Rs.)	45	11.01	10.56	4
Memorandum Information				
Number of employees		598	622	
Number of branches		23	21	

The Notes to the Financial Statements appearing on pages 97 to 171 form an integral part of these Financial Statements.

Certification

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



Ms. D. Gajanayaka
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.



S. Bandara
Managing Director/Chief Executive Officer



R.A. Ebell
Chairman

22 March 2023
Colombo

Cargills Bank Limited
Statement of Changes in Equity

	Stated capital	Other Equity	Statutory reserve	Fair Value through Other Comprehensive Income Reserve	Accumulated loss	Total
	Rs. '000	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 31.08.2022						
Profit/(Loss) for the period	-	-	-	-	23,517	23,517
Other comprehensive income/(loss), net of tax	-	-	-	(107,797)	-	(107,797)
Total comprehensive income/(loss) for the period	-	-	-	(107,797)	23,517	(84,280)
Transactions with owners in their capacity as owners						
Issue of shares	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 31.08.2022	11,394,421	-	32,386	(153,929)	(2,032,297)	9,240,581
Total comprehensive income for the period 01.09.2022 to 31.12.2022						
Profit/(Loss) for the period	-	-	-	-	464,247	464,247
Other comprehensive income/(loss), net of tax	-	-	-	21,178	(5,701)	15,477
Total comprehensive income/(loss) for the period	-	-	-	21,178	458,546	479,724
Transactions with owners in their capacity as owners						
Issue of shares	-	-	-	-	-	-
Transfer to statutory reserves	-	-	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)	9,720,305
Total comprehensive income for the period ended 31.08.2023						
Profit/(Loss) for the period	-	-	-	-	365,106	365,106
Other comprehensive income/(loss), net of tax	-	-	-	1,293,517	-	1,293,517
Total comprehensive income/(loss) for the period	-	-	-	1,293,517	365,106	1,658,623
Transactions with owners in their capacity as owners						
Issue of shares	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 31.08.2023	11,394,421	-	56,774	1,160,766	(1,233,033)	11,378,928

Statement of Cash Flows

For the year ended 31 December		2022	2021
	Note	Rs. '000	Rs. '000
Cash flows from operating activities			
Profit/(loss) before income tax		206,437	(368,655)
Adjustments for:			
Non-cash items included in profit/(loss) before tax	50	2,623,208	1,170,489
Gains/(losses) on sale of property, plant & equipment and other assets	11	(315)	368
Dividend income	11	(720)	(1,360)
Interest paid on lease liability	31.3	(34,271)	(40,857)
Benefits paid on defined benefit plans	38	(12,674)	(10,542)
Operating profits before changes in operating assets and liabilities		2,781,665	749,443
Increase in operating assets	51	(324,582)	(9,697,043)
Increase in operating liabilities	52	(2,118,078)	7,679,497
Cash generated from/(used in) operating activities before income tax		339,005	(1,268,103)
Income taxes paid		-	-
Net cash generated from/(used in) operating activities		339,005	(1,268,103)
Cash flows from investing activities			
Net purchase of property, plant and equipment	29	(177,616)	(31,823)
Investment in debentures	27	(160,353)	-
Proceeds from sale of property, plant and equipment	29	755	337
Net purchase of intangible assets	30	(193,576)	(53,386)
Dividends received	11	720	1,360
Net cash generated from/(used in) investing activities		(530,070)	(83,512)
Cash flows from financing activities			
Net proceeds from the issue of perpetual debenture		-	1,500,000
Payment of lease liability	31.4	(91,513)	(102,296)
Change in securities sold under repurchase agreements		(280,693)	348,425
Net cash generated from/(used in) financing activities		(372,206)	1,746,129
Net increase/(decrease) in cash and cash equivalents		(563,270)	394,514
Cash and cash equivalents at the beginning of the year		1,823,610	1,429,096
Cash and cash equivalents at the end of the year		1,260,340	1,823,610
Reconciliation of cash and cash equivalents			
Cash and cash equivalents	21	1,260,340	1,222,459
Placements with Banks	23	-	601,151
		1,260,340	1,823,610
Less: Impairment charges	21	(28,068)	(7,705)
Total Cash and cash equivalents		1,232,272	1,815,905

The Notes to the Financial Statements appearing on pages 97 to 171 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Cargills Bank Limited, (the Bank) is a Public Limited Company incorporated on 3 November 2011 and domiciled in Sri Lanka under the Companies Act No. 7 of 2007 for the purpose of carrying out banking activities in Sri Lanka. It is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is located at No.696, Galle Road, Colombo 3.

The Bank does not have an identifiable Parent of its own. Further, the Bank does not hold any investments in the form of a subsidiary, joint venture or an associate. Corporate information is presented in the inner back cover of this Annual Report.

1.2 Principal Activities and Nature of Operations

On 21 January 2014, in terms of Section 5 of the Banking Act No. 30 of 1988 (as amended from time to time), the Bank has been issued with a commercial banking license by the Central Bank of Sri Lanka (CBSL) to carry on domestic banking business and off-shore banking business. The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and retail banking, project financing, trade finance, treasury services, issuing of credit cards and debit cards, offshore banking, resident and non-resident foreign currency operations, invoice discounting, electronic banking services such as: telephone banking, internet banking, mobile banking and money remittance facilities, etc.

1.3 Number of Employees

The total number of employees of the Bank as at 31 December 2022 was 598. (2021 - 622).

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Bank have been prepared and presented in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto. These Financial Statements except for information in the Statement of Cash Flows have been prepared following the accrual basis of accounting.

The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL for the preparation, presentation and publication of Annual Audited Financial Statements of Licensed Commercial Banks.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 7 of 2007 and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors' on the Affairs of the Bank', 'Directors' Responsibility for Financial Reporting' and the certification on the 'Statement of Financial Position' on pages 78 to 80, 84 and 94 respectively.

These Financial Statements include the following components

- Income Statement, Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Bank for the year under review. Refer pages 92 to 93.
- A Statement of Financial Position providing the information on the financial position of the Bank as at the year end. Refer page 94.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Bank. Refer page 95.
- A Statement of Cash Flows providing the information to the users, on the ability of the Bank to generate cash and cash equivalents and the need to utilise those cash flows. Refer page 96.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information. Refer pages 97 to 171.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Bank for the year ended 31 December 2022 were approved (including comparatives for the year 2021) and authorised for issue by the Board of Directors on 22 March 2023.

Notes to the Financial Statements

2.4 Basis of Measurement

The Financial Statements of the Bank have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

Items	Measurement basis
Financial assets measured at fair value through profit or loss (FVTPL) including derivative financial instrument	Fair value
Financial assets measured at fair value through other comprehensive income (FVOCI)	Fair value
Net defined benefit (asset)/liability	Present value of the defined benefit obligation

2.5 Going Concern

The directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for a foreseeable future.

Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Bank. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.6 Functional and Presentation Currency

Items included in the Financial Statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the Functional Currency). These Financial Statements are presented in Sri Lankan Rupees, the Bank's Functional and Presentation Currency.

2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all the amounts in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to support their inter-period comparability.

The comparative information is reclassified where relevant for better presentation and to be comparable with those of the current year.

2.8 Presentation of Financial Statements

The assets and liabilities of the Bank presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by an Accounting Standard or an interpretation and as if specifically disclosed in the Accounting Policies of the Bank.

2.10 Rounding

The amounts in the Financial Statements have been rounded to the nearest Rupees thousands, except indicated otherwise as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.11 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements' and subsequent amendments.

2.12 Use of Significant Accounting Judgements and Assumptions and Estimates

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Coronavirus (COVID-19) Pandemic

The COVID-19 pandemic and its effect on the global economy have impacted the customers, operations and the Bank's performance. The outbreak necessitated the Government to respond at unprecedented levels to protect the health of the population, local economy and livelihoods.

Thus, the pandemic has increased the estimation uncertainty in the preparation of these Financial Statements including, the extent and duration of the disruption to businesses, expected economic downturn, and subsequent recovery.

Extraordinary Economic Conditions

With a view of meeting the challenges faced by businesses and individuals engaged in various economic sectors due to the prevailing extraordinary macroeconomic circumstances, the Central Bank of Sri Lanka (CBSL) via its direction on Concessions to affected borrowers amidst the prevailing extraordinary macroeconomic circumstances requested banks to provide concession to affected borrowers

on a need basis. Concessions granted by the Bank under this circular include grace period on capital or interest or both capital and interest for a period of six months from the date of the aforesaid circular, based on the new repayment capacity of the borrower.

When a customer is provided with a moratorium and the same results in a Significant Increase in Credit Risk (SICR), the impact on Expected Credit Loss (ECL) is recognised when assessing provision by applying risk elevation for Probability of Default (PD) to reflect the impact of moratorium granted.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement. The impact of these estimates where relevant is discussed further in the respective Notes to these Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognised prospectively.

2.12.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following Notes;

- Note 3.2.1.4: Classification of financial assets based on Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI).
- Note 12: Assessment of credit risk establishing the criteria for determining whether credit risk on the financial asset has increased significantly since the initial recognition, determining methodology for incorporating forward-

looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.

2.12.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment included in the following Notes;

Note 20: Determination of the fair value of financial instruments with significant unobservable inputs.

Note 29: Property, Plant and Equipment: Key assumptions of economic useful life and residual value.

Note 30: Intangible Assets: Key assumptions of economic useful life and residual value.

Note 32.3: Recognition of deferred tax assets: Availability of future taxable profit against which carry forward tax losses can be Utilised.

Note 38.2: Measurement of defined benefit obligations: Key actuarial assumptions.

2.13 Financial Risk Management

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

A detailed write-up on the way in which the risk management is carried out within the Bank's Risk Management Framework with due consideration given to factors such as governance,

identification, assessment, monitoring, reporting and mitigation are discussed in the Section on "Risk Management" on pages 61 to 68. The said write-up on "Risk Management" does not form a part of the Financial Statements.

The Bank exposure to risks arising out of financial activities which it undertakes in engaging in its operations are described more in Note 54: Financial Risk Management.

2.14 Events after the Reporting Period

Events after the Reporting Period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made, where necessary in Note 53 to the Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES - GENERAL

3.1 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the Functional Currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Bank's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Functional Currency at the middle exchange rate of the Functional Currency ruling at the reporting date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the Functional Currency at the beginning

Notes to the Financial Statements

of the year adjusted for payments and effective interest during the year, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Functional Currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currency that are measured at historical cost are translated using the exchange rate prevailed at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of FVOCI equity instruments or qualifying cash flow hedges, which are recognised in Other Comprehensive Income.

3.2 Financial Instruments

3.2.1 Initial Recognition, Classification and Subsequent Measurement

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

3.2.1.1 Date of recognition

The Bank initially recognises loans and advances, deposits, debt securities issued, subordinated liabilities, etc on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

3.2.1.2 Initial measurement of financial instruments

A financial asset or financial liability is measured at fair value plus, for items not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally at its transaction price.

3.2.1.3 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and 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 gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.2.1.4 Classification and subsequent measurement of Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as 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 to cash flows that are SPPI, on specific date.

A debt instrument 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 cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment- by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meet the requirements to be measured at amortised cost, at FVOCI as at FVTPL in the event such eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.2.1.4.1 Business Model Assessment

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 the business is managed, and information is provided to Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's Management; the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how Managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activities. 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.

3.2.1.4.2 Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "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 (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial assets measured at amortised cost

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 payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in the Notes 21,22,23,26 and 27 to the Financial Statements.

3.2.1.5 Securities purchased under resale agreements (Reverse Repos)

When the Bank purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (Reverse Repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Bank.

Subsequent to initial recognition, these securities issued are measured at their amortised cost using the EIR method with the corresponding interest receivable being recognised as interest income in profit or loss.

Notes to the Financial Statements

3.2.2 Recognition and Measurement of Financial Liabilities on Initial Recognition

The Bank classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss,

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

3.2.2.1 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

3.2.2.1.1 Financial liabilities at amortised cost

Financial Liabilities issued by the Bank that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call

deposits, certificates of deposit are classified as financial liabilities measured at amortised cost.

The EIR amortisation is included in "Interest expense" in the Income Statement. Gains and losses too are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.2.2.1.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.2.3 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Bank changes its objective of the business model for managing such financial assets. Financial liabilities are not reclassified, as such reclassifications are not permitted by Accounting Standard SLFRS 9 on Financial Instruments.

3.2.4 Derecognition of Financial Assets and Financial Liabilities

3.2.4.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement, and either:
- The Bank has transferred substantially all the risks and rewards of the asset, or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset 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.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained, substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

3.2.4.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 recognition 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.

3.2.5 Modification of Financial Assets and Financial Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset 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 plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or as a part of the gain or loss on recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy).

This approach impacts the result of the quantitative evaluation and means that the recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI

does not result in recognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial Liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different.

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 derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as recognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For

floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.2.6 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements therefore, the related assets and liabilities are presented as gross in Statement of Financial Position.

3.3 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 for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution right, then the asset is not identified;
- The Bank has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

Notes to the Financial Statements

- The Bank has the right to direct the use of the asset, when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for leases of land and buildings in which it is a lease, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Details of Right-of-use assets are given in Note 29.6 to the Financial Statements as a part of property, plant and equipment.

The lease 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 implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or a rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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 a change in an index or the rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, an extension or a termination option.

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Details of lease liability are given in Note 31 to the Financial Statements.

Short-term leases and leases with low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, if any. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.4 Impairment of Non-Financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than deferred tax 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 or CGUs.

The 'recoverable amount' of an asset or CGU 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An 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.

3.5 Employee Benefits

3.5.1 Defined Contribution Plans (DCP) - Employees' Provident Fund and Employees' Trust Fund

A DCP is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments are available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in accordance with the respective statutes and regulations.

The Bank contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and Employees' Trust Fund, respectively.

3.5.2 Defined Benefit Plan (DBP) - Gratuity

A DBP is a post-employment benefit plan other than a DCP as defined in the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

Based on the Sri Lanka Accounting Standard LKAS19 - Employee Benefits, the Bank has adopted the actuarial valuation method for employee benefit liability. An actuarial valuation is carried out every year to ascertain the full liability. A separate fund is not maintained for this purpose.

The principal assumptions, which have the most significant effects on the valuation are; the rate of discount, rate of increase in salary, rate of turnover at the selected ages, rate of disability, death benefits and expenses.

The liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the date of statement of financial position that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

The Bank recognises all actuarial gains and losses arising from the defined benefit plan in Other Comprehensive Income (OCI) and all other expenses related to defined benefit plans are recognised as personnel expenses in the Income Statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss from curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Details of Defined Benefit Plan - Gratuity are given in Note 38 to the Financial Statements.

3.5.3 Short-Term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.5.4 Terminal Benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

3.6 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.7 Restructuring

Provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Notes to the Financial Statements

3.8 Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

3.9 Stated Capital and Reserves

3.9.1 Debt Vs Equity

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Distributions thereon are recognised as interest or dividend depending on the debt or equity classification.

3.9.2 Share Issue Costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

3.9.3 Reserves

Several statutory and voluntary reserves are maintained by the Bank in order to meet various legal and operational requirements.

3.10 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The specific recognition criteria must also be met before revenue is recognised.

Applicable accounting policies on income recognition are given in Notes 7 to 11 to the Financial Statements.

3.11 Net Income from Other Financial Instruments at FVTPL

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at FVTPL. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.12 Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

3.13 Expenditure Recognition

Expenditure is recognised in the financial statements as they are incurred and recognised on an accrual basis. 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 the profit or loss.

3.13.1 Income Tax Expense

Details of Income Tax are given in Note 17 to the Financial Statements.

3.13.2 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund.

Currently, the CIL is payable at 1% of the profit after tax.

3.13.3 Value Added Tax on Financial Services

Details of Taxes on Financial Services are given in Note 16 to the Financial Statements.

3.13.4 Social Security Contribution Levy

In terms of the provisions of the Social Security Contribution Act No. 25 of 2022, Social Security Contribution Levy (SSCL) was introduced with effect from 01 October 2022 and is payable to the Department of Inland Revenue within the statutory due dates.

4. STATEMENT OF CASH FLOWS

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the LKAS 7 - 'Statement of Cash Flows.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

5. CHANGES IN ACCOUNTING POLICIES

The Bank has consistently applied the accounting policies to all the periods presented in these financial statements.

6. STANDARDS ISSUED BUT NOT EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards stated below in preparing these financial statements.

A) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases. Under the amendments, the Bank will recognise a separate deferred tax asset and a deferred tax liability, respectively in relation to the deductible temporary difference on the lease liability and the taxable temporary difference on the right-of-use asset as against the current treatment of recognising a net deferred tax asset/liability. There will be no impact on retained earnings on adoption of the amendments. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

B) Other Standards

The following new and amended standards are not expected to have a significant impact on the Bank's Financial Statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

Notes to the Financial Statements

7. NET INTEREST INCOME

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Interest income and expenses presented in the statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on fair value through other comprehensive income (FVOCI) and held to maturity financial assets calculated on an effective interest basis;

Effective Interest Rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between that initial amount and maturity amount, and for financial assets, adjusted for any Expected Credit Loss (ECL) allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any expected credit loss allowance.

When calculating the effective interest rate for financial instruments other than Purchased or Originated Credit Impaired Assets (POCI) assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs, fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Calculation of Interest Income and Expense

The effective interest rate of a financial asset or liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect the movements in market rates of interest.

However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Interest income	7.1	8,002,096	4,099,607
Less: Interest expense	7.2	4,797,845	2,259,926
Net interest income		3,204,251	1,839,681

7.1 Interest Income

Placements with banks		8,398	19,588
Reverse repurchase agreements		3,346	5,891
Financial assets measured at fair value through profit or loss		-	63,949
Investments in debenture		24,762	-
Financial assets measured at amortised cost - Loans and advances to other customers		6,234,071	3,427,695
Financial assets measured at amortised cost - Debt and other financial instruments		-	6,245
Financial assets measured at fair value through other comprehensive income		1,731,519	576,239
Total interest income		8,002,096	4,099,607

7.2 Interest Expense

Due to banks		55,622	45,273
Financial liabilities measured at amortised cost - Due to depositors		4,269,284	2,078,459
Financial liabilities measured at amortised cost - Other borrowings		168,258	114,081
Repurchase agreements		304,681	22,113
Total interest expense		4,797,845	2,259,926
Net interest income		3,204,251	1,839,681

8. NET FEES AND COMMISSION INCOME

Fees and commission income and expense that are integral to the effective interest rate of a financial asset or financial liability are included in the measurement of the effective interest rate and recognised in the income over the expected life of the instrument.

Other fees and commission income including account servicing fees, sales commission, placement fees and syndication fees, etc. are recognised as the related services are rendered.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Fee and commission income	8.1	1,272,446	767,818
Less: Fee and commission expense	8.2	410,078	275,737
Net fees and commission income		862,368	492,081

Notes to the Financial Statements

8.1 Fee and Commission Income

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Loans and advances	42,076	57,984
Debit and credit cards	615,931	453,019
Trade and remittances	417,615	102,733
Deposits	12,813	12,422
Guarantees	86,082	67,252
Other financial services	97,929	74,408
Total fee and commission income	1,272,446	767,818

8.2 Fee and Commission Expense

Debit and credit cards	339,319	231,308
Brokerage fee	3,992	3,410
Other financial services	66,767	41,019
Total fee and commission expense	410,078	275,737

9. NET GAINS/(LOSSES) FROM TRADING

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Derivative financial instruments		
Inter bank	994	(1,196)
Total net gains/(losses) from trading	994	(1,196)

10. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

Net gains/(losses) from derecognition of financial assets comprise all realised gains less losses related to debt instruments measured at fair value through other comprehensive income (FVOCI) and financial assets measured at amortised cost.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Government securities	20,814	(18,368)
Total net gains/(losses) from derecognition of financial assets	20,814	(18,368)

11. NET OTHER OPERATING INCOME

Net other operating income includes foreign exchange gains and losses, dividend income from equity instruments designated at fair value through other comprehensive income (FVOCI), gains/losses on disposal of property, plant and equipment, and rental and other income.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Gains/(losses) on sale of property, plant and equipment and other assets	315	(368)
Gains on foreign exchange		
Inter bank	24,510	7,484
Others	164,771	136,083
Dividend income	720	1,360
Rent and other income	1,944	1,750
Total net other operating income	192,260	146,309

12. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS AND OTHER ASSETS

Recognition of Expected Credit Loss (ECL)

The Bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss (FVTPL):

- Cash and cash equivalents;
- Placements with banks;
- Financial assets that are loans and advances;
- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Undrawn credit commitments.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

Notes to the Financial Statements

12. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS AND OTHER ASSETS CONTD.

Measurement of Expected Credit Loss (ECL)

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- The undrawn amounts including financial guarantees are converted into likely future exposures using Credit Conversion Factors (CCF) as specified in the BASEL III guidelines and included within the collective model which will reflect the days past due, Probability of Default (PD) and Loss Given Default (LGD).

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its recognition.

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of recognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-Impaired Financial Assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income (FVOCI) are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is an evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, Banking Act Direction No 13 of 2021 on Classification, recognition and measurement of credit facilities in a licensed banks too requires credit facility where contractual payments are past due for more than 90 days, contracts restructured for more than 2 time (other than upgraded facilities) and rescheduled contract (other than upgraded facilities) to be classified as credit impaired contracts.

Presentation of Allowance for Expected Credit Loss (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;
- Loan commitments and financial guarantee contracts: as a provision under other liabilities;
- Debt instruments 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 the fair value reserve.

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.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Impairment Charges for the Year

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Financial assets at amortised cost - Loans and advances to other customers	26.2	434,947	537,295
Financial assets at amortised cost - Debt and other instruments	27.2	13,227	(3,810)
Cash and cash equivalents	21.1	20,363	(1,268)
Contingent liabilities and commitments	43.1.2	(37,060)	106,783
Total impairment charges		431,477	639,000
Direct write-offs		1,031,085	26,866
Write-off other assets	12.1	923	18,644
Total impairment charges for financial instruments and other assets		1,463,485	684,510

12.1 Write-off of other assets includes net write-off of tax related receivables and other operational write-offs which cannot be carried forward/recovered.

Notes to the Financial Statements

12.2 Analysis of Impairment Changes - Stage Wise Impairment

For the year ended 31 December	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) 2022				
Financial assets at amortised cost - Loans and advances to other customers	(77,730)	357,527	155,150	434,947
Financial assets at amortised cost - Debt and other instruments	13,227	-	-	13,227
Cash and cash equivalents	4,786	15,577	-	20,363
Contingent liabilities and commitments	12,597	25,314	(74,972)	(37,060)
Total impairment charges	(47,120)	398,418	80,178	431,477
(b) 2021				
Financial assets at amortised cost - Loans and advances to other customers	83,504	274,977	178,814	537,295
Financial assets at amortised cost - Debt and other instruments	(3,810)	-	-	(3,810)
Cash and cash equivalents	(1,268)	-	-	(1,268)
Contingent liabilities and commitments	(7,979)	17,900	96,862	106,783
Total impairment charges	70,447	292,877	275,676	639,000

13. PERSONNEL EXPENSES

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Salary and bonus		681,341	639,467
Contributions to defined contribution plans	13.1	93,989	91,280
Provision for defined benefit obligations	38	25,242	21,099
Other staff related expenses		114,713	90,845
Total personnel expenses		915,285	842,691

13.1 Personnel expenses reported above include emoluments and post employment benefit expenses incurred on behalf of Executive Directors amounting to Rs. 58.4 Mn and Rs. 8.6 Mn, respectively (2021 - Rs. 71 Mn and 10.1 Mn, respectively).

14. DEPRECIATION AND AMORTISATION EXPENSES

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

The estimated useful lives and depreciation rates of the assets for the year ended 31 December 2022 & 2021 are as follows:

	Years	Rate
Furniture and Fittings	5 years	20%
Office Equipment	5 years	20%
Computer Hardware	4 years	25%
Motor Vehicle	4 years	25%
Machinery	5 years	20%
Improvements to Leasehold Buildings	8 - 15 years	6.67% - 12.5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The depreciation rates have not been changed during the year.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year and other relevant information are given in Note 29 to the Financial Statements.

Amortisation

Intangible Assets include software acquired by the Bank. Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative period is 4-8 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

For the year ended 31 December	2022		2021
	Note	Rs. '000	Rs. '000
Depreciation of property, plant and equipment	29	319,648	268,030
Amortisation of intangible assets	30	117,366	152,183
Total depreciation and amortisation expenses		437,014	420,213

Notes to the Financial Statements

15. OTHER OPERATING EXPENSES

These 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 expenses incurred in running the business and in maintaining the property, plant and equipment in a state of efficiency are charged to the Income Statement.

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Directors' emoluments	15.1	14,552	14,433
Auditors' remunerations		10,141	6,471
Audit fee and expenses		2,600	2,105
Audit related fee and expenses		2,075	1,930
Non-audit fee and expenses		5,466	2,436
Professional and legal expenses		55,196	15,249
Sri Lanka Deposit Insurance Scheme contribution		37,951	27,977
Office administration and establishment expenses		899,288	709,464
Total other operating expenses		1,017,128	773,594

15.1 Directors' Emoluments represent the fees paid to Non-Executive Directors of the Bank.

16. TAXES ON FINANCIAL SERVICES

The value addition attributable to the supply of financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

For the year ended 31 December	2022	2021
	Rs. '000	Rs. '000
Value Added Tax (VAT) on financial services	241,338	106,154
Total taxes on financial services	241,338	106,154

17. INCOME TAX EXPENSES

Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent it relates to items recognised directly in equity or OCI, in which case it is recognised in equity or OCI.

The Bank has determined that interest and penalties, if any related to income tax including uncertain tax treatments do not meet the definition of Income Tax, and therefore are accounted under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current Taxation

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto, at the rates specified.

Deferred Taxation

Refer Note 32 to the Financial Statements.

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Current tax expense			
Income tax on current year profit		-	-
Under/(over) provision in respect of previous years		-	-
Deferred tax expense		-	-
Origination and reversal of temporary differences	32	(281,327)	(91,528)
Total income tax expenses		(281,327)	(91,528)

17.1 Reconciliation of the Accounting Profit/(Loss) to Income Tax Expense

A reconciliation between taxable income and the accounting profit/(loss) multiplied by the statutory tax rate is given below:

For the year ended 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Accounting profit/(loss) before tax from operations	447,775	100	(262,501)	100
Tax effect at the statutory income tax rate	(116,557)	26	(63,000)	24
Tax effect of exempt income	-	-	(70)	0
Tax effect of non-deductible expenses	529,500	(118)	280,354	(107)
Tax effect of deductible expenses	(383,257)	86	(118,975)	45
Taxable profit/(loss) on disposal of lease/fixed assets	(4)	-	(34,357)	13
Tax losses utilised during the year	(29,682)	7	(63,952)	24
Income tax on current year profit	-	-	-	-
(Over)/under provision in respect of prior years	-	-	-	-
Deferred tax expense/(reversal)	(281,327)	-	(91,528)	-
Income tax expense/(reversal)	(281,327)	-	(91,528)	-

17.2 In terms of provision of Inland Revenue Act No.24 of 2017 and amendments thereto, the Bank is liable for income tax at 24% for the first half and 30% for the second half of the year of 2022 (2021 - 24%).

17.3 Tax Expense Recognised in Other Comprehensive Income

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Deferred tax on net actuarial gains/(losses) on defined benefit plans		266	166
Deferred tax on net gains/(losses) on investment in financial assets measured at fair value through other comprehensive income		36,540	47,358
Total recognised in other comprehensive income		36,806	47,524

Notes to the Financial Statements

17.4 Tax Losses/Credits Carried Forward

For the year ended 31 December	2022	2021
	Rs. '000	Rs. '000
Tax losses brought forward	1,658,958	2,052,213
Adjustment to tax losses	2,901	(127,597)
Add: Tax losses arising during the year	-	-
Less: Tax losses utilised during the year	(989,401)	(265,658)
Unutilised Tax losses/credits carried forward	672,458	1,658,958

18. EARNINGS PER SHARE

The Bank presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

18.1 Basic EPS

For the year ended 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Amount used as the numerator			
Profit/(loss) after tax attributable for equity holders of the Bank		487,764	(277,127)
Amount used as the denominator			
Weighted average number of ordinary shares in issue during the year	18.1.1	883,142,858	883,142,858
Basic earning/(loss) per share (Rs.)		0.55	(0.31)

18.1.1 Weighted average number of ordinary shares

Issued ordinary shares at 1 January	883,142,858	883,142,858
Weighted average number of ordinary shares as at 31 December	883,142,858	883,142,858

18.2 Diluted EPS

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 18.1.

19. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Bank.

19.1

As at 31 December		Fair value through P/L	Fair Value through OCI	Amortised Cost	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) 2022					
Financial assets					
Cash and cash equivalents	21	-	-	1,232,272	1,232,272
Balances with Central Bank of Sri Lanka	22	-	-	1,311,926	1,311,926
Placements with Banks	23	-	-	-	-
Derivative financial instruments	24	-	-	-	-
Financial assets measured at fair value through profit or loss	25	-	-	-	-
Financial assets at amortised cost -					
Loans and advances to other customers	26	-	-	35,960,080	35,960,080
Financial assets at amortised cost -					
Debt and other financial instruments	27	-	-	1,996,950	1,996,950
Financial assets - at fair value through					
other comprehensive income - Government securities	28	-	10,235,480	-	10,235,480
Financial assets - at fair value through					
other comprehensive income - Equity instruments	28	-	18,016	-	18,016
Other assets*	33	-	-	775,904	775,904
Total financial assets		-	10,253,496	41,277,132	51,530,628
Financial liabilities					
Due to banks	34	-	-	514,193	514,193
Derivative financial instruments	35	30	-	-	30
Financial liabilities at amortised cost - Due to depositors	36	-	-	37,802,680	37,802,680
Financial liabilities at amortised cost - Other borrowings	37	-	-	3,688,924	3,688,924
Lease liability	31	-	-	340,542	340,542
Other liabilities**	39	-	-	1,158,596	1,158,596
Total financial liabilities		30	-	43,504,935	43,504,965

Notes to the Financial Statements

19. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

As at 31 December		Fair value through P/L	Fair Value through OCI	Amortised Cost	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(b) 2021					
Financial assets					
Cash and cash equivalents	21	-	-	1,214,754	1,214,754
Balances with Central Bank of Sri Lanka	22	-	-	567,802	567,802
Placements with Banks	23	-	-	601,151	601,151
Derivative financial instruments	24	3,200	-	-	3,200
Financial assets measured at fair value through profit or loss	25	-	-	-	-
Financial assets at amortised cost -					
Loans and advances to other customers	26	-	-	40,490,736	40,490,736
Financial assets at amortised cost - Debt and other financial instruments	27	-	-	15,528	15,528
Financial assets - at fair value through					
other comprehensive income - Government securities	28	-	10,767,168	-	10,767,168
Financial assets - at fair value through					
other comprehensive income - Equity instruments	28	-	16,441	-	16,441
Other assets*	33	-	-	378,254	378,254
Total financial assets		3,200	10,783,609	43,268,225	54,055,034
Financial liabilities					
Due to banks	34	-	-	926,405	926,405
Derivative financial instruments	35	3,009	-	-	3,009
Financial liabilities at amortised cost - Due to depositors	36	-	-	40,182,402	40,182,402
Financial liabilities at amortised cost - Other borrowings	37	-	-	3,969,617	3,969,617
Lease liability	31	-	-	332,675	332,675
Other liabilities**	39	-	-	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.

20. FAIR VALUE OF FINANCIAL 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.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk and are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. These portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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:
 - (a) quoted prices in active markets for similar instruments,
 - (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
 - (c) 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.

Notes to the Financial Statements

20.1 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.

As at 31 December	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
(a) 2022					
Financial Assets					
Derivative financial instruments	24	-	-	-	-
Financial assets measured at fair value through profit or loss	25	-	-	-	-
Financial assets measured at fair value through other comprehensive income	28				
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	35	-	30	-	30
Total liabilities at fair value		-	30	-	30
(b) 2021					
Financial Assets					
Derivative financial instruments	24	-	3,200	-	3,200
Financial assets measured at fair value through profit or loss	25	-	-	-	-
Financial assets measured at fair value through other comprehensive income	28				
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	35	-	3,009	-	3,009
Total liabilities at fair value		-	3,009	-	3,009

20.2 Valuation Techniques and Inputs in Measuring Fair Values

Table below provides information on the valuation techniques and inputs used in measuring the fair values of derivative financial assets and liabilities in the Level 2 and Level 3 of the fair value hierarchy as given in Note 20.1 above.

Level	Type of Financial Instruments	Fair Value as at		Valuation Technique	Significant Valuation inputs
		31 December 2022 (Rs.'000)	31 December 2021 (Rs.'000)		
Level 2	Derivative Financial Assets	-	3,200	Adjusted Forward Rate Approach. This approach considers the present value of projected forward exchange rate as at the reporting date as the fair value. The said forward rate is projected based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	<ul style="list-style-type: none"> Spot exchange rate between Rs. 360/USD to 372/USD Interest rate differentials between currencies under consideration
	Derivative Financial Liabilities	30	3,009		
Level 3	Unquoted equities	18,016	16,441	Fair value is based on net assets value per share as per latest audited Financial Statements of these companies as at following dates; Credit Information Bureau - 31 December 2021 Lanka Clear (Pvt) Limited - 31 March 2022 The investments and related gains/losses are not material to the Bank.	Net asset value per share are between Rs. 200 to Rs. 300 range and Rs. 20,000 to Rs. 25,000 range.

20.2.1 Reconciliation of Level 3 asset balance

	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	16,441	15,153
Total gains/(losses) recognised in other comprehensive income	1,575	1,288
Balance as at 31 December	18,016	16,441

20.3 Financial Instruments not Measured at Fair Value

For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

Notes to the Financial Statements

20.3 Financial Instruments not Measured at Fair Value Contd.

The following table sets out the fair values of financial assets and liabilities not measured at fair value and analyses them by the level in fair value hierarchy into which each fair value measurement is categorised.

As at 31 December		Level 1	Level 2	Level 3	Carrying Amount Fair value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) 2022					
Assets					
Cash and cash equivalents	21	-	1,232,272	-	1,232,272
Balances with Central Bank of Sri Lanka	22	-	1,311,926	-	1,311,926
Placements with Banks	23	-	-	-	-
Financial assets at amortised cost - Loans & advances to other customers	26	-	-	35,960,080	35,960,080
Financial assets at amortised cost - Debt and other financial instruments	27	-	-	1,996,950	1,996,950
Other assets*	33	-	-	775,904	775,904
Total financial assets not at fair value		-	2,544,198	38,732,934	41,277,132
Liabilities					
Due to banks	34	-	514,193	-	514,193
Financial liabilities at amortised cost - Due to depositors	36	-	-	37,802,680	37,802,680
Financial liabilities at amortised cost - Other borrowings	37	-	3,688,924	-	3,688,924
Lease liability	31	-	-	340,542	340,542
Other liabilities**	39	-	-	1,158,596	1,158,596
Total financial liabilities not at fair value		-	4,203,117	39,301,818	43,504,935
(b) 2021					
Assets					
Cash and cash equivalents	21	-	1,214,754	-	1,214,754
Balance with Central Bank of Sri Lanka	22	-	567,802	-	567,802
Placements with banks	23	-	601,151	-	601,151
Financial assets at amortised cost - Loans & advances to other customers	26	-	-	40,490,736	40,490,736
Financial assets at amortised cost - Debt and other financial instruments	27	-	-	15,528	15,528
Other assets*	33	-	-	378,254	378,254
Total financial assets not at fair value		-	2,383,707	40,884,518	43,268,225
Liabilities					
Due to banks	34	-	926,405	-	926,405
Financial liabilities at amortised cost - Due to depositors	36	-	-	40,182,402	40,182,402
Financial liabilities at amortised cost - Other borrowings	37	-	3,969,617	-	3,969,617
Lease liability	30	-	-	332,675	332,675
Other liabilities**	39	-	-	424,258	424,258
Total financial liabilities not at fair value		-	4,896,022	40,939,335	45,835,357

* Other assets only include other receivables.

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

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, placements with banks and at short notice that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Cash in hand			
Coins and notes held in local currency		606,491	529,089
Coins and notes held in foreign currency		21,651	2,004
Balances with banks		632,198	691,366
Gross cash and cash equivalents		1,260,340	1,222,459
Less: Provision for impairment	21.1	(28,068)	(7,705)
Total cash and cash equivalents		1,232,272	1,214,754

21.1 Movement in Provision for Impairment During the Year

Stage 01

Balance as at 01 January		7,705	8,973
Charge/(write back) to Income Statement	12.2	20,363	(1,268)
Balance as at 31 December		28,068	7,705

Allowance for impairment on cash and cash equivalent balances are measured based on PDs determined with reference to S&P credit ratings and regulatory loss rates.

22. BALANCES WITH CENTRAL BANK OF SRI LANKA

Balances with Central Bank consist of Statutory/Non-statutory balances with Central Bank and are carried at amortised cost in the Statement of Financial Position.

As at 31 December	2022	2021
	Rs. '000	Rs. '000
Statutory Balances with Central Bank of Sri Lanka	1,311,926	567,802
Total balances with Central Bank of Sri Lanka	1,311,926	567,802

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka.

As required by Section 93 of the Monetary Law Act, a cash balance to fulfil the statutory reserve requirement of 4% (4% w.e.f 01 September 2021 and 2% for the remaining comparative period) of the rupee deposit liabilities to be maintained with CBSL.

There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Offshore Banking Centre (OBC) in Sri Lanka.

Notes to the Financial Statements

23. PLACEMENTS WITH BANKS

Placements with banks include money at call and short notice and fixed deposits that are subject to an insignificant risk of changes in the fair value, and are used by the Bank in the management of its short term commitments. These are brought to the Financial Statements at the face values or gross values. Placements with banks are carried at amortised cost in the Statement of Financial Position.

As at 31 December	2022	2021
	Rs. '000	Rs. '000
Placements - within Sri Lanka	-	601,151
Placements - outside Sri Lanka	-	-
Gross placements with banks	-	601,151
Less: Provision for impairment	-	-
Net placements with banks	-	601,151

There was no impairment charge for the comparative period since the maturity of the above placements were not more than 07 days from the reporting date.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives recorded at fair value through profit or loss (FVTPL). Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the Statement of Financial Position.

Other derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

As at 31 December	2022	2021
	Rs. '000	Rs. '000
Foreign currency derivatives		
Forward foreign exchange contracts	-	3,200
Total derivative financial instruments	-	3,200

25. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS - MEASURED AT FAIR VALUE

Financial assets held for trading are measured at fair value through profit or loss (FVTPL) in the Statement of Financial Position. Interest and dividend income are recorded in "Interest income" and "Net gains/(losses) from trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

26. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO OTHER CUSTOMERS

Financial assets at amortised cost - Loans and advances to other customers includes, loans and advances portfolio of the Bank.

As per SLFRS 9, "Loans and advances to other customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, loans and advances to other customers are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Bank designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income", while the losses arising from impairment are recognised in "Impairment losses on financial instruments and other assets" in the Income Statement.

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Gross loans and advances			
Stage 1		22,138,056	28,706,889
Stage 2		12,029,934	9,744,067
Stage 3		6,081,727	5,231,275
Total gross loans and advances		40,249,717	43,682,231
Less: Provision for impairment			
Stage 1	26.2	132,422	152,309
Stage 2	26.2	1,026,985	617,283
Stage 3	26.2	3,130,230	2,421,903
Total impairment for loans and advances		4,289,637	3,191,495
Net loans and receivables		35,960,080	40,490,736

26.1 Analysis of Financial Assets at Amortised Cost - Gross Loans and Advances to other Customers

As at 31 December	2022 Rs. '000	2021 Rs. '000
26.1.1 By product		
Loans and advances	Amount	Amount
Overdrafts	5,857,717	6,970,137
Trade finance	2,944,972	3,201,221
Housing loans	1,282,296	1,153,283
Personal loans	3,507,052	4,055,767
Staff loans	263,202	271,981
Term loans	17,789,016	15,136,081
Loans against property	1,725,097	1,695,419
Agriculture loans	456,584	417,518
Money market loans	4,405,443	8,920,731
Vehicle loans	71,476	95,021
Credit cards	1,554,323	1,579,712
Micro finance	49,095	66,831
Others	343,444	118,529
Total gross loans and advances	40,249,717	43,682,231
26.1.2 By currency		
Sri Lankan Rupee	36,344,437	41,075,650
United States Dollar	3,848,723	2,575,459
Great Britain Pounds	11,487	4,590
Singapore Dollars	45,070	26,532
Total gross loans and advances	40,249,717	43,682,231

Notes to the Financial Statements

26.1.3 By industry

As at 31 December	2022		2021	
	Rs. '000 Amount	%	Rs. '000 Amount	%
Agriculture & fishing	4,542,854	11.29%	5,283,821	12.10%
Manufacturing	2,242,689	5.57%	2,699,840	6.18%
Tourism	3,631,928	9.02%	2,944,410	6.74%
Transport	435,348	1.08%	508,303	1.16%
Construction	6,495,549	16.14%	7,086,674	16.22%
Traders	7,094,881	17.63%	7,911,658	18.11%
New economy	394,541	0.98%	636,818	1.46%
Financial & business services	4,785,674	11.89%	7,204,917	16.49%
Infrastructure	24,648	0.06%	28,776	0.07%
Other services	1,927,285	4.79%	1,947,671	4.46%
Other customers	8,674,320	21.55%	7,429,343	17.01%
Total gross loans and advances	40,249,717	100%	43,682,231	100%

26.2 Impairment Allowance for Loans and Advances to other Customers at Amortised Cost - Stage Wise Analysis

	Note	Stage 01	Stage 02	Stage 03	Total
(a) 2022					
Balance as at 01 January		152,309	617,283	2,421,903	3,191,495
Charge/(Write back) to Income Statement	12.2	(77,730)	357,527	155,150	434,947
Exchange rate variance on foreign currency provision		57,843	52,175	553,177	663,195
Balance as at 31 December		132,422	1,026,985	3,130,230	4,289,637
(b) 2021					
Balance as at 01 January		68,805	342,306	2,243,089	2,654,200
Charge/(Write back) to Income Statement	12.2	83,504	274,977	178,814	537,295
Exchange rate variance on foreign currency provision		-	-	-	-
Balance as at 31 December		152,309	617,283	2,421,903	3,191,495

26.3 Movement in Impairment Allowance During the Year

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
(a) 2022				
Balance as at 01 January	152,309	617,283	2,421,903	3,191,495
Transfer to Stage 1	60,808	(53,295)	(7,513)	-
Transfer to Stage 2	(18,761)	26,959	(8,198)	-
Transfer to Stage 3	(1,388)	(110,493)	111,881	-
Net remeasurement of loss allowance	(53,525)	423,958	(588,872)	(218,439)
Impairment on new loans granted during the year	55,511	329,980	314,261	699,752
Financial assets that have been derecognised	(62,532)	(207,407)	(144,316)	(414,256)
Write offs	-	-	1,031,085	1,031,085
Balance as at 31 December	132,422	1,026,985	3,130,230	4,289,637

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
b) 2021				
Balance as at 01 January	68,805	342,306	2,243,089	2,654,200
Transfer to Stage 1	84,501	(55,193)	(29,308)	-
Transfer to Stage 2	(6,153)	254,722	(248,569)	-
Transfer to Stage 3	(571)	(10,467)	11,038	-
Net remeasurement of loss allowance	(77,942)	(50,128)	442,403	314,333
Impairment on new loans granted during the year	110,891	205,365	234,721	550,977
Financial assets that have been derecognised	(27,222)	(69,322)	(182,546)	(279,090)
Write offs	-	-	(48,925)	(48,925)
Balance as at 31 December	152,309	617,283	2,421,903	3,191,495

27. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

As per SLFRS 9, financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss (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 payments of principal and interest on the principal amount outstanding.

After initial recognition, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in interest income while the losses arising from impairment are recognised in "Impairment losses on financial instruments and other assets" in the Income Statement.

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Government Treasury bonds		1,849,824	15,528
Investment in Debentures	27.1	160,353	-
Gross financial assets measured at amortised cost		2,010,177	15,528
Less: Provision for impairment	27.2	(13,227)	-
Net financial assets measured at amortised cost		1,996,950	15,528

27.1 Investment in Debentures

Resus Energy PLC	160,353	-
Total investment in debentures	160,353	-

27.2 Movement in Provision for Impairment During the Year

Stage 1		
Balance as at 01 January	-	3,810
(Write back)/charge to Income Statement	13,227	(3,810)
Balance as at 31 December	13,227	-

Notes to the Financial Statements

28. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL :

- The instrument is held within a business model, the objective of which 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 cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Net other operating income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

As at 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Government securities			
Treasury bills		7,018,927	6,943,182
Treasury bonds		3,216,553	3,823,986
Total Government securities		10,235,480	10,767,168
Equity securities			
Unquoted shares	28.1	18,016	16,441
Total equity securities		18,016	16,441
Financial assets measured at fair value through other comprehensive income		10,253,496	10,783,609

28.1 Unquoted shares

As at 31 December	No. of Shares	2022		2021	
		Market Value	Cost	Market Value	Cost
Lanka Clear (Pvt) Ltd	50,000	11,655	3,500	10,139	3,500
Credit Information Bureau of Sri Lanka	300	6,361	2,383	6,302	2,383
Total		18,016	5,883	16,441	5,883

No impairment was recognised since net assets values per share as per the latest Financial Statements were higher than the carrying amount.

None of these strategic investments were disposed of during the year ended 31 December 2022 (2021 Nil) and there were no transfers of any cumulative gain or loss within equity relating to these investments (2021 Nil).

29. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSET

The Bank applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on "Property, Plant and Equipment" in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Bank and cost of the asset can be reliably measured.

Basis of measurement

"An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing) as explained below.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Bank applies the Cost Model to all property, plant and equipment and these are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 recognised in "Net other operating income" in the Income Statement in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard - LKAS 16 on "Property, Plant and Equipment".

Capital work-in-progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management (i.e., available for use).

The accounting policy and the estimates used in the computation of depreciation of the property, plant and equipment are explained in detail in note 14 on page 115.

Notes to the Financial Statements

29. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSET CONTD.

Borrowing Costs

As per the Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing costs', the Bank capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

Right-of-use assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position.

	Improvements to Leasehold Buildings Rs. '000	Computer Hardware Rs. '000	Office Equipment, Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	Machinery Rs. '000	Work in Progress Rs. '000	Right-of- Use Asset Rs. '000	Total Rs. '000
(a) 2022								
Cost								
Balance as at 01 January	126,391	732,958	242,629	22,957	90,434	1,486	625,329	1,842,184
Additions during the year	1,692	39,828	37,711	3	3,522	-	99,380	182,137
Disposals during the year	-	(871)	(270)	-	(986)	-	-	(2,127)
Transfers/Adjustments	-	-	-	-	-	-	94,859	94,859
Write-Off	(3,046)	(233)	(1,496)	-	-	-	-	(4,775)
Balance as at 31 December	125,037	771,682	278,574	22,960	92,970	1,486	819,568	2,112,278
Accumulated Depreciation								
Balance as at 01 January	89,790	613,305	192,613	15,877	74,414	-	337,324	1,323,323
Charge for the year (Note 14)	13,213	72,399	30,235	2,028	9,290	-	100,084	227,249
Disposals during the year	-	(725)	(265)	-	(986)	-	-	(1,976)
Transfers/Adjustments (Note 14)	-	-	-	-	-	-	92,399	92,399
Write-Off	(3,029)	(183)	(1,274)	-	-	-	-	(4,486)
Balance as at 31 December	99,974	684,796	221,309	17,905	82,718	-	529,807	1,636,509
Less: Impairment								
Balance as at 01 January	-	-	589	-	-	-	-	589
Charge/(write back) to income statement	-	-	-	-	-	-	-	-
Balance as at 31 December	-	-	589	-	-	-	-	589
Carrying amount as at 31 December 2022	25,063	86,886	56,676	5,056	10,252	1,486	289,761	475,180

	Improvements to Leasehold Buildings	Computer Hardware	Office Equipment, Furniture & Fittings	Motor Vehicles	Machinery	Work in Progress	Right-of- Use Asset	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(b) 2021								
Cost								
Balance as at 01 January	126,372	719,959	238,098	14,850	87,691	1,486	528,058	1,716,514
Additions during the year	153	13,363	7,437	8,107	2,763	-	99,237	131,060
Disposals during the year	-	(102)	(490)	-	-	-	(1,966)	(2,558)
Transfers/Adjustments	-	-	-	-	-	-	-	-
Write-Off	(134)	(262)	(2,416)	-	(20)	-	-	(2,832)
Balance as at 31 December	126,391	732,958	242,629	22,957	90,434	1,486	625,329	1,842,184
Accumulated Depreciation								
Balance as at 01 January	76,384	505,411	162,358	14,850	65,407	-	233,603	1,058,013
Charge for the year (Note 14)	13,540	108,165	32,557	1,027	9,020	-	103,721	268,030
Disposals during the year	-	(51)	(414)	-	-	-	-	(465)
Transfers/Adjustments (Note 14)	-	-	-	-	-	-	-	-
Write-Off	(134)	(220)	(1,888)	-	(13)	-	-	(2,255)
Balance as at 31 December	89,790	613,305	192,613	15,877	74,414	-	337,324	1,323,323
Less: Impairment								
Balance as at 01 January	-	-	589	-	-	-	-	589
Charge/(write back) to income statement	-	-	-	-	-	-	-	-
Balance as at 31 December	-	-	589	-	-	-	-	589
Carrying amount as at 31 December 2021	36,601	119,653	49,427	7,080	16,020	1,486	288,005	518,272

29.1 Impairment of Property Plant and Equipment

Impairment includes the cost of improvements made to leasehold building and electrical fittings in branches that will not commence commercial operations in the foreseeable future.

29.2 Title restrictions on Property, Plant and Equipment

There were no restrictions on the title of the property, plant and equipment of the Bank as at the reporting date (2021 - Nil).

29.3 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of Property, plant and equipment pledged as securities for liabilities of the Bank as at the reporting date (2021- Nil).

29.4 Borrowing Cost

There were no capitalised borrowing cost related to the acquisition of property plant and equipment during the year 2022 (2021 - Nil).

Notes to the Financial Statements

29.5 Fully depreciated Property, Plant and Equipment

The cost of fully depreciated Property, plant and equipment of the Bank which are still in use are as follows:

As at 31 December	2022 Rs. '000	2021 Rs. '000
Improvements to leasehold buildings	11,502	3,779
Computer hardware	554,220	384,777
Office equipment, furniture & fittings	124,477	94,619
Machinery	47,585	43,578
Motor vehicles	14,850	14,850
Computer software	509,132	242,752
Total	1,261,766	784,355

29.6 Right of use Assets and Lease Liability

The Banks material leases only include land and buildings. The right of use assets are depreciated over 04-10 Years. Incremental Borrowing rates used range between 6%-12%,

As at 31 December	2022 Rs. '000	2021 Rs. '000
Right of Use Asset		
Balance as at 1 January	288,005	294,455
Additions	99,380	99,237
Terminations	-	(1,966)
Adjustments	2,460	-
Depreciation	(100,084)	(103,721)
Balance as at 31 December	289,761	288,005

Refer Note 31 to the Financial Statements for lease liability.

30. INTANGIBLE ASSETS

The Bank's intangible assets include the value of computer software acquired.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

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.

Useful economic lives and amortisation

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Useful economic lives, amortisation and impairment of finite intangible assets are described below:

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative period is 4-8 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The Bank did not hold intangible assets with indefinite useful-life as at the reporting date.

	Core Banking Software	Other Computer Software	Other Computer Software-Work In Progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) 2022				
Cost				
Balance as at 01 January	207,389	735,642	11,622	954,653
Additions/revaluation during the year	123,384	34,490	35,702	193,576
Transfers	-	26,518	(26,518)	-
Disposals during the year	-	-	-	-
Write-off	-	-	-	-
Balance as at 31 December	330,773	796,650	20,806	1,148,229
Accumulated Depreciation				
Balance as at 01 January	169,205	526,508	-	695,713
Charged for the year	29,377	87,989	-	117,366
Disposals during the year	-	-	-	-
Write-off	-	-	-	-
Balance as at 31 December	198,582	614,497	-	813,079
Carrying amount as at 31 December 2022	132,191	182,153	20,806	335,150

Notes to the Financial Statements

30. INTANGIBLE ASSETS CONTD.

	Core Banking Software Rs. '000	Other Computer Software Rs. '000	Other Computer Software-Work In Progress Rs. '000	Total Rs. '000
(b) 2021				
Cost				
Balance as at 01 January	168,676	696,394	36,198	901,268
Additions/revaluation during the year	15,755	28,220	9,411	53,386
Transfers	22,958	11,028	(33,987)	-
Disposals during the year	-	-	-	-
Write-off	-	-	-	-
Balance as at 31 December	207,389	735,642	11,622	954,654
Accumulated Depreciation				
Balance as at 01 January	124,131	419,398	-	543,529
Charged for the year	45,073	107,110	-	152,183
Disposals during the year	-	-	-	-
Write-off	-	-	-	-
Balance as at 31 December	169,204	526,508	-	695,712
Carrying amount as at 31 December 2021	38,185	209,134	11,622	258,942

31. LEASE LIABILITY

Set out below are the carrying amounts of lease liabilities and the movement during the year.

	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	332,675	339,985
Additions	99,380	94,987
Interest expense	34,271	40,857
Adjustments	7,479	-
Payments	(133,263)	(143,154)
Balance as at 31 December	340,542	332,675

31.1 Maturity Analysis - Contractual Undiscounted Cash flows

Less than one year	128,531	127,004
One to five years	269,464	234,774
More than five years	101,786	60,867
Total undiscounted lease liability	499,781	422,645

31.2 Lease Liability Recognised in the Statement of Financial Position

Current	92,153	96,265
Non-current	248,389	236,410
Total	340,542	332,675

31.3 Amounts Recognised in the Income Statement

	2022	2021
	Rs. '000	Rs. '000
Interest on lease liabilities	34,271	40,857
Total	34,271	40,857

31.4 Amounts Recognised in the Statement of Cash Flows

Total cash outflow of leases	133,263	143,154
Total	133,263	143,154

32. DEFERRED TAX ASSETS

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Temporary differences in relation to a right of use asset and lease liability for leases is regarded as a net package (Impact from the SLFRS 16 on 'Leases') for the purpose of recognising deferred tax.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Additional taxes that arise from any distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally related to income arising from transactions that were originally recognised in profit or loss.

Notes to the Financial Statements

32.1 Summary of Net Deferred Tax Asset

	Note	2022		2021	
		Temporary difference	Tax effect	Temporary difference	Tax effect
Balance as at 01 January		2,359,867	637,588	1,780,483	498,536
Recognised in profit or loss					
Charge for the year	32.2	937,757	281,327	381,368	91,528
Recognised in other comprehensive income					
Effect on actuarial (gains)/losses on defined benefit plans		888	266	(14)	(3)
Effect on fair value losses on financial investments measured at FVOCI		123,633	37,090	197,326	47,358
Effect on fair value gains on equity instruments measured at FVOCI		(1,833)	(550)	704	169
Balance as at 31 December		3,420,312	955,721	2,359,867	637,588

In terms of provisions of the Inland Revenue (Amendment) Act, No. 45 of 2022, corporate income tax rate has been increased to 30% from 24% with effect from 01.10.2022. Accordingly, deferred tax was recalculated at the increased rate of 30% as at 31 December 2022.

The deferred tax reversal to the Income Statement due to the rate revision was Rs. 180 Mn and the deferred tax reversal to Other Comprehensive Income due to the rate revision was Rs. 11 Mn. The impact of the rate change was incorporated into these financial statements prepared as at 31 December 2022.

32.2 Reconciliation of Net Deferred Tax Asset

	Statement of Financial Position		Income Statement		Statement of Profit or Loss and Other Comprehensive Income	
	2022	2021	2022	2021	2022	2021
For the year ended/as at 31 December						
Deferred Tax Assets on:						
Defined benefit plans	27,331	18,077	9,255	1,390	-	-
Actuarial losses on defined benefit plans	1,710	1,444	-	-	266	(3)
Unrealised loss on Financial assets measured at fair value through OCI	53,751	16,662	-	-	37,090	16,662
Carried forward tax losses	201,737	397,956	(196,219)	(13,307)	-	-
Impairment provision	691,779	223,219	468,560	81,565	-	-
Impact from SLFRS 16 Leases	15,234	10,721	4,513	(2,027)	-	-
	991,542	668,079	286,109	67,621	37,356	16,659
Deferred Tax Liabilities on:						
Accelerated depreciation for tax purposes	34,964	30,182	4,782	(23,908)	-	-
Actuarial gains on defined benefit plans	-	-	-	-	-	-
Unrealised gains on Financial assets measured at fair value through OCI - Financial Investments	-	-	-	-	-	(30,696)
Unrealised gains on Financial assets measured at fair value through OCI - Equity Instruments	859	309	-	-	550	(169)
	35,823	30,491	4,782	(23,908)	550	(30,865)
Deferred tax effect on profit or loss and other comprehensive income			281,327	91,528	36,806	47,524
Net deferred tax asset as at 31 December	955,721	637,588	-	-	-	-

32.3 The total temporary differences arising from tax losses and tax credits amounted to Rs. 672 Mn (2021 - Rs.1,658 Mn). resulting in a deferred tax asset of Rs. 202 Mn as at 31 December 2022 (2021 - Rs. 398 Mn) which was recognised in the Financial Statements based on an internal cash flow assessment carried out by the Board of Directors. The unrecognised deferred tax asset as at 31 December 2022 was Rs. 54 Mn (2021 - Rs. 43 Mn).

32.4 The Bank's deferred tax charge recognised in Income Statement and OCI for the year ended 31 December 2022, includes benefit/(Loss) from change in tax rate amounting to Rs. 191 Mn.

33. OTHER ASSETS

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Deposits and prepayments		312,249	157,418
Other receivables		775,904	378,254
Prepaid staff cost		53,643	41,651
Tax recoverable	33.1	90,238	98,156
Total other assets		1,232,034	675,479

33.1 Tax Recoverable

Withholding Tax recoverable	74,957	74,232
Crop Insurance Levy recoverable	505	505
Debt Repayment Levy recoverable	12,024	20,667
Nation Building Tax recoverable	2,752	2,752
Total taxes recoverable	90,238	98,156

34. DUE TO BANKS

These represent refinance borrowings, call money borrowings, credit balances in Nostro Accounts and borrowings from financial institutions. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Interest paid/ payable on these borrowings is recognised in profit or loss.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Borrowings		
Local currency borrowings	233,565	687,515
Foreign currency borrowings	280,628	238,890
Total due to banks	514,193	926,405

Notes to the Financial Statements

35. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial liabilities are classified as held for trading. This category includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships.

Derivatives embedded in financial liabilities are treated separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms as embedded derivative would meet the definition of derivative and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit or loss.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Derivative financial liabilities - Held for trading		
Forward foreign exchange contracts	30	3,009
Total	30	3,009

36. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEPOSITORS

These include savings deposits, term deposits, deposits payable at call, and certificates of deposit. Subsequent to initial recognition, deposits are measured at amortised cost using the EIR method, except where the Bank designates liabilities at fair value through profit or loss. Interest paid/payable on these deposits is recognised in "Interest expense" in the Income Statement.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Local currency deposits	34,626,091	36,790,102
Foreign currency deposits	3,176,589	3,392,300
Total Due to depositors	37,802,680	40,182,402

36.1 Analysis of due to Depositors

36.1.1 By product

Current account deposits	1,991,503	1,741,478
Savings deposits	5,945,969	9,608,577
Time deposits	29,613,127	27,146,619
Certificate of deposits	172,541	1,566,433
Margin deposits	79,540	119,295
Total Due to depositors	37,802,680	40,182,402

As at 31 December	2022	2021
	Rs. '000	Rs. '000

36.1.2 By currency

Sri Lanka Rupees	34,626,091	36,790,102
United States Dollars	3,099,188	3,232,920
Great Britain Pound	4,623	106,597
Euro	15,366	8,524
Australian Dollars	7,924	4,294
Other currencies	49,488	39,965
Total Due to depositors	37,802,680	40,182,402

36.1.3 By Institution/Customers

Deposits from banks	971,038	2,019,137
Deposits from finance companies	1,104,088	1,729,297
Deposits from other corporates	12,815,078	15,209,706
Deposits from other customers	22,912,476	21,224,262
Total Due to depositors	37,802,680	40,182,402

37. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWINGS

	Note	2022	2021
		Rs. '000	Rs. '000
Term borrowings		-	699,874
Securities sold under repurchase (repo) agreements		2,188,924	1,763,076
Perpetual Debenture	37.2	1,500,000	1,506,667
Total due to other borrowers		3,688,924	3,969,617

37.1 Securities Sold Under Repurchase (repo) Agreements

Refer Note 48 for further details on the market value of the eligible securities.

37.2 Perpetual Debenture

As at 31st December	Note	2022	2021
		Rs. '000	Rs. '000
Debenture issued	37.2.1	1,500,000	1,506,667
		1,500,000	1,506,667

37.2.1 The principal terms of the debenture is as follows:

Cargills Bank Limited issued Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures with a conversion at the option of the debenture holder and Non-Viability Conversion upon the occurrence of a trigger event at the par value of Sri Lankan Rupees One Hundred (LKR 100/-).

The interest is cumulative and will be paid only if the Bank has distributable profits. The Bank has discretion at all times to cancel the interest payments and any such cancellation of interest in accordance with No (7) i) of the Web Based Return Code 20.2.2.1.1.1 of the Banking Act Direction No.1 of 2016 will not result in an event of default. However, such interest shall be paid as soon as the underlying factors for the non-payment are no longer prevalent. Therefore, the Bank cannot avoid its obligation to pay interest.

Notes to the Financial Statements

37.2.1 The principal terms of the debenture is as follows: contd.

The debenture holder has the right to convert the debenture to ordinary shares of the Bank during the conversion period. The conversion option does not meet the fixed-for-fixed requirement as a variable number of shares would be issued.

Based on the above factors, the Bank has classified this debenture as a liability.

These Debentures are included within the Bank's regulatory capital base as Tier 1 capital in terms of the directions issued by the Central Bank of Sri Lanka.

The Bank did not have any default of principal or interest or other breaches with respect to its debentures during the years ended 31 December 2022 and 2021.

Interest Rate (Per Annum)	Tenor	Date of Issue	Floor Rate on the Interest Rate	Interest Payment Frequency	No. of Debentures	Face Value Rs. '000	Amortised Cost	
							2022	2021
Weighted Average Twelve-Month Net Treasury Bill Rate + 2% p.a.	Perpetual	15-Dec-21	9.50% p.a.	Annually	15,000,000	1,500,000	1,500,000	1,506,667

38. RETIREMENT BENEFIT OBLIGATIONS

	Note	2022 Rs. '000	2021 Rs. '000
Balance as at 1 January		81,336	64,763
Expenses recognised in the Income statement	38.1	25,242	21,099
Amounts paid during the year		(12,674)	(10,542)
Benefits payable for those who left during the period		(2,799)	-
Actuarial (gains)/losses recognised in OCI		5,701	6,016
(Gains)/losses due to change in experience assumptions		2,092	4,864
(Gains)/losses due to change in financial assumptions		3,106	1,290
(Gains)/losses due to change in demographic assumptions		503	(138)
Balance as at 31 December		96,806	81,336

38.1 Expense Recognised in the Income Statement - Gratuity

Amount charged/reversed during the year	-	-
Current service cost	16,295	16,566
Past service cost	-	-
Interest cost	8,947	4,533
	25,242	21,099

38.2 Details of Actuarial Assumptions are as Follows;

Discount rate per annum	18%	11%
Future salary increases	16%	9%
Retirement age (years)	60 Years	60 Years

As proposed by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in terms of its 'Frequently Asked Questions (FAQs) on Use of Discount rate under the Uncertain Economic Conditions' issued in January 2023, an adjustment was made to risk spread in the discount rate used for valuation of employee benefit obligations as per LKAS 19. Accordingly, An adjusted discount rate of 18% per annum was used while the actual treasury bill/bond rates during the latter part of the year 2022 were hovering around 30%.

Staff turnover, the probability of a member withdrawing from the employment prior to the retirement age was considered in arriving at the above liability.

As at 31 December 2022, the weighted-average duration of the defined benefit obligation of the permanent cadre was 4.1 years (2021 - 6 years).

An actuarial valuation of the retirement benefit obligation was carried out as at 31 December 2022 by M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the 'Projected Unit Credit Method (PUC)', the method prescribed by the Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefits'.

The liability is not externally funded.

38.3 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

As at 31 December	Note	Sensitivity effect on defined benefit obligation	
		2022 Rs. '000	2021 Rs. '000
1% increase in discount rate		(93,535)	(3,995)
1% decrease in discount rate		100,312	4,406
1% increase in salary escalation rate		100,734	4,793
1% decrease in salary escalation rate		(93,085)	(4,413)

39. OTHER LIABILITIES

	Note	2022 Rs. '000	2021 Rs. '000
Accrued expenditure		316,560	371,264
Cheques sent on clearing/PO issued		9,065	57,559
Impairment provision in respect of undrawn credit commitments and financial guarantees	43.1.2	114,173	151,234
Other payables		1,149,531	366,699
Total other liabilities		1,589,329	946,756

Notes to the Financial Statements

40. STATED CAPITAL

Ordinary shares of the Bank are recognised at the amount paid per ordinary share after deducting incremental costs that are directly attributable to the issue of the equity instrument.

	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	11,394,421	11,394,421
Issue of ordinary shares*	-	-
Balance as at 31 December	11,394,421	11,394,421

40.1 Movement in Number of Ordinary Shares

Balance as at 01 January	883,142,858	883,142,858
Issue of ordinary shares	-	-
Balance as at 31 December	883,142,858	883,142,858

* No voting right 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.

41. RESERVES

41.1 Statutory Reserve

The statutory reserve fund is maintained as per the requirements under Section 20 (1) of the Banking Act No.30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund will be used only for the purpose specified in the section 20(2) of the Banking Act No.30 of 1988.

	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	32,386	32,386
Transfers during the year, net of tax	24,388	-
Balance as at 31 December	56,774	32,386

41.2 Fair Value through OCI Reserve

The fair value reserve comprises of the cumulative net change in the fair value of equity securities measured at FVOCI and the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified.

	2022 Rs. '000	2021 Rs. '000
Balance as at 01 January	(46,132)	80,162
Other comprehensive income for the year, net of tax	(86,619)	(126,294)
Balance as at 31 December	(132,751)	(46,132)

42. ACCUMULATED LOSSES/RETAINED

	2022	2021
	Rs. '000	Rs. '000
Balance as at 01 January	(2,055,814)	(1,772,667)
Total comprehensive income		
Profit/(loss) for the year	487,764	(277,127)
Other comprehensive income	(5,701)	(6,020)
Transfer to statutory reserves	(24,388)	-
Balance as at 31 December	(1,598,139)	(2,055,814)

43. CONTINGENT LIABILITIES & COMMITMENTS

Contingent liabilities are possible obligations whose existence will be confirmed only by an uncertain future event or present obligation where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

No any pending legal claims against the Bank form a part of contingencies as at 31 December 2022. (Refer Note 44)

43.1 Contingent Liabilities

As at 31 December		2022	2021
	Note	Rs. '000	Rs. '000
Guarantees	43.1.1	7,716,489	7,853,618
Documentary credits		541,681	989,952
Bills for collection		1,270,467	650,912
Forward exchange purchases		961,452	1,094,404
Spot exchange purchases		-	20
Other		6,474	1,305
Total gross contingent liabilities		10,496,563	10,590,211
Less: impairment provision	43.1.2	(114,173)	(151,234)
Total net contingent liabilities		10,382,390	10,438,977

43.1.1 Guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Notes to the Financial Statements

43.1.2 Movement in impairment allowance during the year

	Stage 1	Stage 2	Stage 3	Total
(a) 2022				
Balance as at 01 January	33,655	17,970	99,609	151,234
Charge/(write back) to Income Statement	12,597	25,314	(74,972)	(37,060)
Balance as at 31 December	46,252	43,284	24,637	114,173
(b) 2021				
Balance as at 01 January	41,634	70	2,747	44,451
Charge/(write back) to Income Statement	(7,979)	17,900	96,862	106,783
Balance as at 31 December	33,655	17,970	99,609	151,234

43.2 Commitments

As at 31 December		2022	2021
	Note	Rs. '000	Rs. '000
Undrawn commitments		11,643,163	8,160,225
Capital commitments			
Commitments in relation to property, plant & equipment		51,793	43,417
Commitments in relation to intangible assets		215,392	45,131
Total capital commitments		267,185	88,548
Total commitments		11,910,348	8,248,773
Total net contingent liabilities	43.1	10,382,390	10,438,977
Total commitments and contingencies		22,292,738	18,687,750

44. LITIGATION AGAINST THE BANK

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has established mechanism for dealing with such legal claims.

There are no pending litigations of a material nature against the Bank as at the reporting date (2021- Nil).

44.1 Tax Matters

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 disallowing some expenses and capital allowances stating that the Bank was not in its commercial operations to deduct such expenses to arrive at Taxable Income.

The Bank has appealed to the Tax Appeals Commission and the Bank awaits the hearing of the Appeal from the Tax Appeals Commission.

Management is of the opinion that the above will not have an unfavorable impact to the Bank.

Income Tax - Year of Assessment 2017/2018

The Commissioner General of Inland Revenue (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 determination stage at the Inland Revenue Department.

Management is of the opinion that the above will not have an unfavorable impact to the Bank.

VAT on Financial Services/NBT on Financial services - Years of Assessment 2016/2017 & 2017/2018

The Commissioner General of Inland Revenue (CGIR) issued above Notices disallowing some expenses and capital allowances to arrive at VAT on Financial Services and NBT on Financial Services.

The Bank has appealed to the Tax Appeals Commission and the Bank awaits the hearing of the Appeal from the Tax Appeals Commission.

Management is of the opinion that the above amounts are not material and will not have an unfavorable impact to the Bank.

45. NET ASSET VALUE PER SHARE

As at 31 December	2022	2021
Amount used as the numerator		
Shareholders' funds (Rs.'000)	9,720,305	9,324,861
Amount used as the denominator		
Total no. of shares	883,142,858	883,142,858
Net assets value per ordinary share (Rs.)	11.01	10.56

Notes to the Financial Statements

46. ANALYSIS OF ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's assets and liabilities;

Rs. '000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at	
						31-Dec-22	31-Dec-21
Interest earning assets							
Placements with banks	-	-	-	-	-	-	601,151
Derivative financial instruments	-	-	-	-	-	-	3,200
Financial assets measured at fair value through profit or loss							
Financial assets at Amortised cost - Loans and advances to other customers	11,344,085	7,051,615	4,172,929	8,806,797	4,584,654	35,960,080	40,490,736
Financial assets at Amortised cost - Debt and other financial instruments	10,353	-	269,883	379,048	1,337,666	1,996,950	15,528
Financial assets - measured at fair value through other comprehensive income	1,740,033	5,278,894	1,806,923	971,751	437,879	10,235,480	10,767,168
Total interest earning assets	13,094,471	12,330,509	6,249,735	10,157,596	6,360,199	48,192,510	51,877,783
Non-interest earning assets							
Cash and cash equivalents	1,232,272	-	-	-	-	1,232,272	1,214,754
Balances with Central Bank of Sri Lanka	520,601	459,497	149,757	112,515	69,557	1,311,926	567,802
Financial assets - measured at fair value through other comprehensive income							
Property, plant and equipment	-	-	-	-	475,180	475,180	518,272
Intangible assets	-	-	-	335,150	-	335,150	258,942
Deferred tax assets	-	-	-	-	955,721	955,721	637,588
Other assets	1,232,034	-	-	-	-	1,232,034	675,479
Total non-interest earning assets	2,984,908	459,497	149,757	447,665	1,518,473	5,560,299	3,889,278
Total assets	16,079,379	12,790,006	6,399,492	10,605,261	7,878,672	53,752,809	55,767,061
Interest bearing liabilities							
Due to banks	281,953	49,676	96,075	86,489	-	514,193	926,405
Derivative financial instruments	30	-	-	-	-	30	-
Financial liabilities at amortised cost - Due to depositors							
Financial liabilities at amortised cost - Other borrowings	15,000,940	13,240,241	4,315,183	3,242,063	2,004,253	37,802,680	40,182,402
Other borrowings	2,188,924	-	-	-	1,500,000	3,688,924	3,969,617
Total interest bearing liabilities	17,471,847	13,289,917	4,411,258	3,328,552	3,504,253	42,005,827	45,078,424
Non-interest bearing liabilities							
Derivative financial instruments	-	-	-	-	-	-	3,009
Retirement benefit obligations	-	-	-	-	96,806	96,806	81,336
Lease liability	36,120	56,033	99,962	48,910	99,517	340,542	332,675
Other liabilities	1,589,329	-	-	-	-	1,589,329	946,756
Stated capital	-	-	-	-	11,394,421	11,394,421	11,394,421
Statutory reserves	-	-	-	-	56,774	56,774	32,386
Accumulated losses	-	-	-	-	(1,598,139)	(1,598,139)	(2,055,814)
Other Reserves	-	-	-	-	(132,751)	(132,751)	(46,132)
Total non-interest bearing liabilities and equity	1,625,450	56,033	99,962	48,910	9,916,628	11,746,982	10,688,637
Total liabilities and equity	19,097,297	13,345,950	4,511,220	3,377,462	13,420,881	53,752,809	55,767,061

47. OPERATING SEGMENTS

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Corporate Management Team headed by the Managing Director/Chief Executive Officer (being the Chief Operating Decision Maker - CODM) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

In accordance with the Sri Lankan Accounting Standard SLFRS 8 - 'Segmental Reporting', segmental information is presented in respect of the Bank based on the Bank's management and internal reporting structure.

The Bank has the following strategic divisions which are reportable segments. These divisions offer different business products and services and are managed separately based on the Bank's management and internal reporting structure.

- Banking
- Treasury and Investments
- Unallocated

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment's performance is evaluated based on operating profit or loss of respective segment.

The following table presents the income, profit and asset and liability information on the Bank's business segments.

Rs. '000 For the year ended 31 December	Banking		Treasury/Investments		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Net interest income	2,852,644	1,781,257	351,607	58,424	-	-	3,204,251	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	3,735,897	2,259,427	543,756	198,088	1,035	992	4,280,687	2,458,507
Personnel and other operating expenses	(1,909,519)	(1,598,093)	(22,894)	(18,192)	-	-	(1,932,413)	(1,616,285)
Credit loss expense	(2,125,543)	(684,510)	(644)	-	-	-	(1,463,485)	(684,510)
Total operating expenses	(3,372,360)	(2,282,603)	(23,538)	(18,192)	-	-	(3,395,898)	(2,300,795)
Net operating income	364,571	(23,176)	520,218	179,896	1,035	992	884,789	157,712
Depreciation and amortisation	(433,537)	(419,827)	(3,477)	(386)	-	-	(437,014)	(420,213)
Operating profit/(loss) by segment	(68,966)	(443,003)	516,741	179,510	1,035	992	447,775	(262,501)
VAT on financial services	241,338	(106,154)	-	-	-	-	241,338	(106,154)
Segment result	(310,304)	(549,157)	516,741	179,510	1,035	992	206,437	(368,655)
Income tax expense							(281,327)	(91,528)
Profit/(Loss) for the year							487,764	(277,127)
Other information								
Segment assets	38,948,114	43,120,847	14,804,695	12,646,214	-	-	53,752,809	55,767,061
Segment liabilities	40,062,922	43,430,975	3,969,582	3,011,225	-	-	44,032,504	46,442,200

Notes to the Financial Statements

48. REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires licensed banks/primary dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills.

48.1 Carrying Value of Securities Allocated for Repurchase Transactions

As at 31st December	Note	Amortised Cost		Fair Value	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Financial assets measured at fair value through other comprehensive income		2,371,069	1,945,409	2,255,684	1,943,644

48.2 Market Value of Securities Received for Reverse Repurchase Transactions

Not applicable since there were no reverse repo transactions recognised in the Financial Statements as at the reporting date.

48.3 Bank's Policy on Haircuts for Repurchase and Reverse Repurchase Transactions

In terms of the minimum haircut for Repo (Borrowing) and Reverse repo (Lending) transactions, security allocation is carried out based on remaining maturity of the security and it is required to offer and accept Treasury Bills and Bonds only with maturity of less than 03 years. The haircuts applied meet the minimum haircut requirements imposed by the Directive No. 1 of 2019 as follows.

At the time of entering into a Repo/Reverse repo transaction, the market value of eligible securities should adequately cover the maturity value of transaction and hair cut requirement should be 10% from the dirty price and should not fall less than the below mentioned CBSL haircut levels over its tenor.

Remaining Term to Maturity of the Eligible Security	Minimum Haircut requirement (%)
Up to 1 Year	4
More than 1 year and up to 3 years	6

48.4 Any Penalties Imposed During the Period Under Review

None.

49. RELATED PARTY DISCLOSURES

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', except for the transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

The pricing applicable to such transactions is based on the risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. Accordingly the Bank's KMP include the Board of Directors (Including Executive and Non-Executive Directors).

49.1 Transactions with Key Management Personnel (KMP)

49.1.1 Compensation of directors

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Non Executive Director emoluments	14,552	14,433
Executive Director emoluments	58,364	71,314
Post employee benefits	8,601	10,092
	81,517	95,839

In addition to the salaries, the Bank also provides non cash benefits to Key Management Personnel.

49.2 Transactions, Arrangements and Agreements Involving KMPs, and their CFMs

Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Bank. They include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner who are identified as related parties of the Bank.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Items in the Statement of Financial Position		
Assets		
Financial assets at amortised cost - Loans and advances to other customers	-	-
Credit cards	395	664
Total	395	664
Liabilities		
Financial liabilities at amortised cost - Due to depositors	211,515	215,522
Total	211,515	215,522
Commitments and contingencies		
Undrawn facilities	3,105	2,336
Total	3,105	2,336
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0%	0%
Items in the Income statement		
Interest income	27	2
Interest expense	(25,948)	(11,250)
Fee and commission income	2	16
Compensation to KMP	(81,517)	(95,839)
	(107,436)	(107,071)
Shareholdings of KMP and CFM		
Number of shares	1,100,000	1,100,000
Shareholding %	0.12%	0.12%

Notes to the Financial Statements

49.3 Transactions with Related Companies

The Bank carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS - 24 "Related Party Disclosures", the details of which are reported below.

49.3.1 Transactions with Significant Shareholders

As at 31 December/For the year ended 31 December Items in the Statement of Financial Position	2022 Rs. '000	2021 Rs. '000
Assets		
Financial assets at amortised cost - Loans and advances to other customers	14	-
Other receivables	3,458	-
Total	3,472	-
Liabilities		
Financial liabilities at amortised cost - Due to depositors	225,013	95,294
Perpetual Debentures	1,500,000	1,500,000
Other payables	45,792	40,397
Total	1,770,805	1,635,691
Commitments and contingencies		
Off balance sheet	-	-
Undrawn facilities	1,986	-
Total	1,986	-
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0%	0%
Items in the Income statement		
Interest income	-	-
Interest expense	(226,145)	(9,137)
Fee and commission income	316	206
Fee and commission expense	-	-
Rent expense	(8,145)	(7,963)
Reimbursement of expenses	(23,271)	(20,301)
Other expenses	(10,721)	(9,855)
Total	(267,966)	(47,050)
Shareholdings of related companies		
Number of shares	574,042,858	574,042,858
Shareholding %	65%	65%
Voting rights %	30%	30%

49.3.2 Transactions with Subsidiaries of Significant Shareholders

As at 31 December/For the year ended 31 December	2022	2021
Items in the Statement of Financial Position	Rs. '000	Rs. '000
Assets		
Financial assets at amortised cost - Loans and advances to other customers	92,302	-
Other receivables	20,327	21,891
Capital expenditure	-	75
Total	112,629	21,966
Liabilities		
Financial liabilities at amortised cost - Due to depositors	1,608,948	2,414,950
Securities sold under repurchase agreements	-	-
Other investments	-	-
Other payables	18,810	164,131
Total	1,627,758	2,579,081
Commitments and contingencies		
Off balance sheet	70,269	381,305
Undrawn facilities	1,011,366	829,556
Total	1,081,635	1,210,861
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0%	0%
Items in the Income statement		
Interest income	27,252	-
Interest expense	(291,457)	(111,247)
Fee and commission income	42,849	10,394
Fee and commission expense	-	-
Rent expense	(29,600)	(57,016)
Reimbursement of expenses	(5,618)	(9,507)
Other expenses	(36,062)	(38,166)
Total	(292,636)	(205,542)
Shareholdings of related companies		
Number of shares	-	-
Shareholding %	0%	0%

Notes to the Financial Statements

49.3.3 Transactions with provident fund of Significant Shareholders

As at 31 December/For the year ended 31 December	2022	2021
Items in the Statement of Financial Position	Rs. '000	Rs. '000
Assets		
Financial assets at amortised cost- Loans and advances to other customers	-	-
Other receivables	-	-
Total	-	-
Liabilities		
Financial liabilities at amortised cost - Due to depositors	6,971	3,704
Securities sold under repurchase agreements	-	-
Other investments	-	-
Other payables	-	-
Total	6,971	3,704
Commitments and contingencies		
Off balance sheet	-	-
Undrawn faculties	-	-
Total	-	-
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0%	0%
Items in the Income statement		
Interest income	-	-
Interest expense	(3,664)	(484)
Fee and commission income	-	-
Fee and commission expense	-	-
Rent expense	-	-
Reimbursement of expenses	-	-
Other expenses	-	-
Net gains from derecognition of financial assets	18,874	1,956
Total	15,210	1,472
Shareholdings of related companies		
Number of shares	-	-
Shareholding %	0%	0%

50. NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

As at 31 December	Note	2022	2021
		Rs. '000	Rs. '000
Depreciation of property, plant and equipment	14	319,648	268,030
Amortisation of intangible assets		117,366	152,183
Interest cost - Leases	31	34,271	40,857
Impairment losses on loans and advances	12	434,947	537,295
Revaluation gain/(loss)		663,195	-
Impairment losses on other financial instruments		(3,469)	105,515
Write off other assets		923	18,644
Direct Write-offs		1,031,085	26,866
Charge for defined benefit plans		25,242	21,099
Total		2,623,208	1,170,489

51. CHANGE IN OPERATING ASSETS

As at 31 December	2022	2021
	Rs. '000	Rs. '000
Change in balances with Central banks	(744,124)	(123,809)
Change in Derivative financial instruments	3,200	458
Change in Financial assets-at fair value through profit or loss	-	1,596,166
Change in loans and advances to other customers	2,401,429	(11,975,776)
Change in debt and other instruments	(1,834,296)	420,521
Change in Financial assets-at fair value through OCI	406,687	576,185
Change in deposits & pre-payments	(154,831)	(9,434)
Change in other assets	(402,647)	(181,354)
Total	(324,582)	(9,697,043)

52. CHANGE IN OPERATING LIABILITIES

As at 31 December	2022	2021
	Rs. '000	Rs. '000
Change in derivative financial instruments	(2,979)	2,860
Change in deposits from banks, customers and debt securities issued	(2,791,934)	7,554,258
Change in accruals and deferred income	(54,704)	113,045
Change in other liabilities	731,539	9,334
Total	(2,118,078)	7,679,497

53. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT

54.1 Introduction

The dynamic nature of today's business environment is increasing both the scope and potential impact of the risks the banks face in day-to-day operations. Managing risks therefore constantly requires innovation and constitutes an integral part in the role of banking operations and also in the areas of strategic decisions of Cargills Bank. The Bank has established mechanisms, which ensure the ongoing assessment of relevant risk types on an individual basis and of the overall risk position of the Bank.

Formulated and advanced under the Integrated Risk Management Direction (2011) of the Central Bank of Sri Lanka (CBSL), Cargills Bank's Integrated Risk Management Framework is focused on supporting the day to day business activities of the Bank by building and strengthening its risk management processes at all levels of the Bank.

The Bank has identified credit, market and operational as its main risk areas. The Bank also monitors liquidity risk on a regular basis.

54.2 Credit risk

Being mainly involved in lending activities, management of credit risk is very critical to our institution, Credit risk can be defined as the risk of a potential loss to the Bank when a borrower or counterparty is either unable or unwilling to meet its financial obligations.

Cargills Bank's Credit Policy approved by the Bank's Board of Directors plays a central and strategic role in managing daily business activities. The policy defines the principles encompassing client selection, due diligence, early alert reporting, acceptable levels of concentration risk and portfolio monitoring, in line with the Bank's risk appetite and the regulatory guidelines.

54.2.1 Credit quality analysis

As at 31 December	2022					2021
	Carrying Amount	Not Subject to ECL	Subject to			
			12-Month ECL (Stage 1)	Life-time ECL - Not Credit Impaired - (Stage 2)	Life-time ECL - Credit Impaired - (Stage 3)	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Cash and cash equivalents (balances with Banks) *						
Balances with local banks	196,799	-	196,799	-	-	369,995
Balances with foreign banks	435,399	-	400,784	34,615	-	321,371
Total balances with banks	632,198	-	597,583	34,615	-	691,366
Expected credit loss allowance	(28,068)	-	(12,491)	(15,577)	-	(7,705)
Net balances with banks	604,130	-	585,092	19,038	-	683,661
Balances with Central Bank of Sri Lanka*	1,311,926	1,311,926	-	-	-	567,802
Placements with banks*	-	-	-	-	-	601,151
Financial assets at amortised cost - Loans and advances to other customers						
Grade 0 - 2 performing loans	34,167,990	-	22,138,056	12,029,934	-	38,706,535
Grade 3: NPCF special mention	739,143	-	-	-	739,143	34,640
Grade 4: NPCF substandard	178,439	-	-	-	178,439	129,770
Grade 5: NPCF doubtful	389,349	-	-	-	389,349	193,926
Grade 6: NPCF loss	4,774,796	-	-	-	4,774,796	4,617,360
Total gross loans and advances	40,249,717	-	22,138,056	12,029,934	6,081,727	43,682,231
Expected credit loss allowance/impairment	(4,289,637)	-	(132,422)	(1,026,985)	(3,130,230)	(3,191,495)
Total net loans and advances	35,960,080	-	22,005,634	11,002,949	2,951,497	40,490,736
Financial assets at amortised costs - Debt and other financial instruments**						
Investment in debentures	160,353	-	160,353	-	-	-
Treasury bonds	1,849,824	1,849,824	-	-	-	15,528
Total debt and other instruments	2,010,177	1,849,824	160,353	-	-	15,528
Expected credit loss allowance/impairment	(13,227)	-	(13,227)	-	-	-
Net debt and other instruments	1,996,950	1,849,824	147,126	-	-	15,528
Financial assets measured at fair value through other comprehensive income						
Government securities**	10,235,480	10,235,480	-	-	-	10,767,168
Equity securities	18,016	18,016	-	-	-	16,441
Total	10,253,496	10,253,496	-	-	-	10,783,609

Notes to the Financial Statements

54.2.1 Credit quality analysis contd.

As at 31 December	2022					2021
	Carrying Amount	Not Subject to ECL	Subject to			
			12-Month ECL (Stage 1)	Life-time ECL- Not Credit Impaired - (Stage 2)	Life-time ECL- Credit Impaired - (Stage 3)	
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Off Balance Sheet						
Contingent liabilities and commitments						
Gross contingent liabilities and commitments						
(i) Contingent Liabilities						
Grade 0 - 2 performing loans	10,455,488	961,452	8,318,598	1,175,438	-	10,420,206
Grade 3: NPCF special mention	-	-	-	-	-	-
Grade 4: NPCF substandard	-	-	-	-	-	-
Grade 5: NPCF doubtful	-	-	-	-	-	15,000
Grade 6: NPCF loss	34,600	-	-	-	34,600	155,005
Gross carrying amount	10,490,088	961,452	8,318,598	1,175,438	34,600	10,590,211
(ii) Undrawn commitments						
Grade 0 - 2 performing loans	11,865,733	267,185	11,117,907	480,641	-	8,139,261
Grade 3: NPCF special mention	20,456	-	-	-	20,456	9,216
Grade 4: NPCF substandard	7,851	-	-	-	7,851	5,111
Grade 5: NPCF doubtful	1,308	-	-	-	1,308	270
Grade 6: NPCF loss	21,475	-	-	-	21,475	6,367
Gross carrying amount	11,916,823	267,185	11,117,907	480,641	51,090	8,160,225
Total gross contingent liabilities and undrawn commitments (Excluding capital commitments)	22,406,911	1,228,637	19,436,505	1,656,079	85,690	18,750,436
Expected credit loss allowance	(114,173)	-	(46,252)	(43,284)	(24,637)	(151,234)
Total net contingent liabilities and commitments	22,292,738	1,228,637	19,390,253	1,612,795	61,053	18,599,202

* External risk gradings as at 31 December 2022 and 2021 were investment grading or above.

** Subject to sovereign guarantees.

Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under accounting policies and Note 12 to the Financial Statements.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The Bank uses a backstop of 30 days past due for determining whether there is a significant increase in credit risk.

When a customer is provided with a moratorium, it automatically results in a Significant Increase in Credit Risk (SICR) and the impact on ECL was recognised when assessing provision depending on the extension of the moratorium. Accordingly, tourism sector moratorium customers in Stage 1 (Current and 0-30 DPD) and stage 2 bucket 1 (31-60 DPD) were moved to stage 2 bucket 2 (61-90 DPD) while stage 2 bucket 2 (61-90 DPD) were moved to stage 3. Other moratorium customers in stage 1 bucket 1 (Current) were moved to stage 2 bucket 1 (31-60 DPD) while stage 1 bucket 2 (1-30 DPD) and stage 2 bucket 1 (31-60 DPD) were moved to stage 2 bucket 2 (61-90 DPD). Further, stage 2 bucket 2 (61-90 DPD) were move to stage 3 to reflect the SICR in the different segments.

Incorporation of forward looking Information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

The scenario probability weightings applied in measuring ECL are as follows.

As at 31 December	2022			2021		
	Base	Best	Worse	Base	Best	Worse
Scenario probability weighting (%)	15%	5%	80%	58%	14%	28%

Economic factor scenario weightage was changed in 2022 for Base Case (decrease from 58% to 15%), Best Case (decrease from 14% to 5%) and Worst Case (increase from 28% to 80%), in response to the current adverse economic condition.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

Sensitivity Analysis: Impact of staging of loans on collective impairment

The Bank categorises its loans into stage 1, stage 2 and stage 3 when determining the collective impairment provision under SLFRS 9. The sensitivity of collective impairment provision to staging of the loans is given below.

- If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Bank as at 31 December 2022 would have reduced by approximately 25% (2021 - 46%). The total loans and advances in stage 2 as at 31 December 2022 amounts to Rs. 12 Bn (2021 - Rs 10 Bn) for the Bank.
- If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Bank as at 31 December 2022 would have further increased by approximately 145% (2021 - 153%). The total loans and advances in stage 1 as at 31 December 2022 amounts to Rs. 22 Bn (2021 - Rs 29 Bn) for the Bank. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

Notes to the Financial Statements

54.2.1 Credit quality analysis contd.

The table below lists the macroeconomic assumptions used in the base, best and worse scenarios over the five-year forecasted period. The assumptions represent the absolute percentages,

Year	GDP Growth	Inflation (YoY) (CCPI)	Interest Rate (RF)	Unemployment
Base case				
Average 5-year forecast				
2021	5.10%	5.72%	10.60%	5.10%
2022	(11.80%)	46.40%	29.27%	5.00%
Best Case				
Average 5-year forecast				
2021	6.10%	4.72%	9.60%	4.10%
2022	(10.80%)	45.40%	28.27%	4.00%
Worst Case				
Average 5-year forecast				
2021	4.10%	6.72%	11.60%	6.10%
2022	(12.80%)	47.40%	30.27%	6.00%

Sensitivity of ECL to future economic conditions

The table below shows the loss allowance on loans and advances to corporate and retail customers coming under collective impairment assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements. The amounts are inclusive of post-model adjustments, as appropriate to each scenario.

As at 31 December	2022				2021			
	Best	Base	Worst	Probability weighted	Best	Base	Worst	Probability weighted
Exposure (Rs. 000)								
Corporate	14,651,390	14,651,390	14,651,390	14,651,390	23,325,031	23,325,031	23,325,031	23,325,031
Retail	12,262,137	12,262,137	12,262,137	12,262,137	11,232,356	11,232,356	11,232,356	11,232,356
Loss Allowance (Rs. 000)								
Corporate	369,655	394,393	421,409	414,723	337,867	424,199	440,467	409,619
Retail	740,987	763,837	785,751	780,462	538,331	580,649	615,898	583,188
Loss Allowance as % of Exposure								
Corporate	3%	3%	3%	3%	1%	2%	2%	2%
Retail	6%	6%	6%	6%	5%	5%	5%	5%

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following Variables:

- Probability of Default (PD)
- Loss Given Default (LGD) and
- Exposure At Default (EAD)

ECL for exposures in stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The bank used 45% of LGD in absence of history of recovery rates.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. The Bank uses credit conversion factors mentioned in the regulatory guidelines in converting off balance sheet exposures for impairment purposes. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Collaterals held & other credit enhancement and their valuation

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. Collaterals are generally not held over loans and advances to banks, except when securities are held as a part of reverse repurchase and securities borrowing activity. Collaterals are not held against investment securities.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained include mortgages over residential properties and real estate properties, cash, inventory and trade receivables, shares, motor vehicles, gold, etc.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Bank's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

The Bank holds collaterals and other credit enhancements against its credit exposures. The following table sets out the principal types of collaterals with approximate percentages against different types of financial assets.

As at 31st December	2022				2021			
	Total Maximum exposure to credit risk	Value of collateral	Stage 3 - Maximum exposure to credit risk	Stage 3 - Value of collateral	Total Maximum exposure to credit risk	Value of collateral	Stage 3 - Maximum exposure to credit risk	Stage 3 - Value of collateral
Rs. 000								
Financial Assets								
Cash and cash equivalent	1,260,340	-	-	-	1,222,459	-	-	-
Placement with banks	-	-	-	-	601,151	-	-	-
Derivative financial instruments	-	-	-	-	3,200	-	-	-
Financial assets at amortised cost								
Loans and advances	40,249,717	20,542,507	6,081,727	2,614,473	43,682,231	25,527,828	5,231,275	2,321,680
Debt and other instruments	1,996,950	-	-	-	15,528	-	-	-
Financial assets - fair value through comprehensive income	10,253,496	-	-	-	10,783,609	-	-	-
Other assets	1,232,034	-	-	-	674,339	-	-	-
Total	54,992,537	20,542,507	6,081,727	2,614,473	56,982,517	25,527,828	5,231,275	2,321,680

Notes to the Financial Statements

54.2.1 Credit quality analysis contd.

Approximately 32% and 9% of the total loans and advances of the Bank are secured against immovable property and cash/deposits held within the Bank respectively. Further 12% of the loans & advances are secured against other securities including movable property, gold, stocks, etc. Approximately 32% of stage 3 loans & advances of the Bank are secured against immovable properties, cash/deposits held within the bank.

Extend to which the loans and advances were covered by cash/deposits held within the Bank, no loss allowance has been recognised in the Financial Statements. Value of the cash collateral held as at 31 December 2022 was stood at Rs. 3.468 Bn.

The Bank held cash and cash equivalents of Rs. 1,260 Mn as at 31 December 2022 (2021 - Rs. 1,222 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA (lka) to CCC/C (lka), based on Fitch Ratings.

The Bank holds collateral and other credit enhancements against its credit exposures. The following tables sets out the principal types of collateral held and their approximate collateral percentages against different types of financial assets.

Type of credit exposure	Principal type of collateral held for secured lending	Percentage of exposure that is subject to collateral requirements	
		2022	2021
Loans and advances to retail customers			
Mortgage lending	Residential property	100%	100%
Credit cards	None/Limited cash deposits	-	-
Personal loans	None/Guarantors	-	-
Loans and advances to corporate customers			
Corporate loans	Commercial property, Floating charges over other loans and advances	54%*	62%*

* Based on the exposure covered with collateral.

Collateral repossessed

The Bank's policy is to dispose collaterals repossessed at the earliest possible opportunity.

54.2.2 Concentrations of credit risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/group, industry sectors, product, counterparty and country etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Credit Policy Committee (CPC), the Executive Integrated Risk Management Committee (EIRMC) and the Board Integrated Risk Management Committee (BIRMC) to capture the developments in market, political and economical environment both locally and internationally to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

The maximum exposure to credit risk to the components of financial assets (before impairment) in the Statement of Financial Position as at 31 December, broken down by industry sector financial assets are given below:

	Agriculture & fishing	Manufacturing	Tourism	Transport	Construction	Traders	New economy	Financial & business services	Government	Infrastructure	Other services	Other customers	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 December 2022													
Financial Assets													
Cash and cash equivalents	-	-	-	-	-	-	-	1,260,340	-	-	-	-	1,260,340
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-	-
Placements with Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost -													
Loans and advances to other customers	4,542,854	2,242,689	3,631,928	435,348	6,495,549	7,094,881	394,541	4,785,674	-	24,648	1,927,285	8,674,320	40,249,717
Financial assets at amortised cost -													
Debt and other financial instruments	-	-	-	-	-	-	-	2,010,177	-	-	-	-	2,010,177
Financial assets - measured at fair value through other comprehensive income													
Total	4,542,854	2,242,689	3,631,928	435,348	6,495,549	7,094,881	394,541	8,074,207	10,235,480	24,648	1,927,285	8,674,320	53,773,730
As at 31 December 2021													
Financial Assets													
Cash and cash equivalents	-	-	-	-	-	-	-	1,222,459	-	-	-	-	1,222,459
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 amortised cost -													
Loans and Advances to other customers	5,283,821	2,699,840	2,944,410	508,303	7,086,674	7,911,658	636,818	7,204,917	-	28,776	1,947,671	7,429,343	43,682,231
Financial assets at amortised cost -													
Debt and other Instruments	-	-	-	-	-	-	-	15,528	-	-	-	-	15,528
Financial assets - measured at fair value through other comprehensive income/ Available for sale													
Total	5,283,821	2,699,840	2,944,410	508,303	7,086,674	7,911,658	636,818	9,063,696	11,334,970	28,776	1,947,671	7,429,343	56,875,980

Notes to the Financial Statements

54.3 Liquidity Risk and Fund Management

Liquidity risk is the risk that the Bank will be unable to honour daily cash and financial obligations without resorting to costly and untimely measures. Liquidity risk arises when sources of funds become insufficient to meet scheduled payments under the Bank's commitments. Liquidity risk stems from mismatched cash flows related to assets and liabilities as well as the behavioral characteristics of certain products, such as savings and current accounts and non-fixed term deposits.

The Bank understands the importance of a vigorous liquidity risk management policy and constantly monitors the liquidity position of the Bank in line with the regulatory guidelines.

54.3.1 Exposure to Liquidity Risk

As per the regulations by the Bank Supervision Department of Central Bank of Sri Lanka the Bank has to maintain minimum liquid assets, not less than 20%. LAR calculates the percentage of liquid assets to total liabilities excluding shareholders' funds. For this purpose, 'liquid assets' include cash and cash equivalents, Placements with banks and Government Securities (net). Details of the reported ratio of liquid assets to external liabilities as at the reporting date are as follows:

	2022 %	2021 %
Statutory Liquid Asset Ratio - Domestic Banking Unit	26.70	26.30
Average for the period -Domestic Banking Unit	22.95	27.62
Statutory Liquid Asset Ratio - Consolidated *	27.00	26.52
Statutory minimum requirement	20.00	20.00

* According to the Banking Act Directions No. 08 of 2022, issued on Regulatory Requirements on Liquidity Ratio dated 18th November 2022, The Bank is required to maintain liquid assets of an amount not less than 20% of total adjusted liabilities, on a consolidated basis for the overall Bank.

Composition of liquid assets - Domestic Banking Unit

As at 31 December	2022 Rs. '000	2021 Rs. '000
Cash	644,668	514,180
Treasury bills and securities issued or guaranteed by the government of Sri Lanka	5,917,932	5,254,651
Balances with licensed commercial banks	202,408	314,619
Balances with banks abroad	638,713	392,711
Treasury bonds	3,865,752	3,720,893
Total	11,269,473	10,197,054

54.3.2 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the discounted cash flows of the Bank's financial assets and liabilities as at 31 December 2022.

Rs. 000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at	
						31-Dec-22	31-Dec-21
Interest earning assets							
Placements with banks	-	-	-	-	-	-	601,151
Derivative financial instruments	-	-	-	-	-	-	3,200
Financial assets measured at fair value through profit or loss							
Financial assets at amortised cost -							
Loans & advances to other customers	11,344,085	7,051,615	4,172,929	8,806,797	4,584,655	35,960,080	40,490,736
Financial assets at amortised cost -							
Debt and other financial instruments	10,353	-	269,883	379,048	1,337,666	1,996,950	15,528
Financial assets - measured at fair value through other comprehensive income							
	1,740,033	5,278,894	1,806,923	971,751	437,879	10,235,480	10,767,168
Total interest earning assets	13,094,471	12,330,509	6,249,735	10,157,596	6,360,199	48,192,510	51,877,783
Non-interest earning assets							
Non-interest earning assets	2,984,908	459,497	149,757	447,665	1,518,473	5,560,299	3,889,278
Total assets	16,079,379	12,790,006	6,399,492	10,605,261	7,878,672	53,752,809	55,767,061
Interest bearing liabilities							
Due to banks	281,953	49,676	96,075	86,489	-	514,193	926,405
Derivative financial instruments	30	-	-	-	-	30	3,009
Financial liabilities at amortised cost -							
Due to depositors	15,000,940	13,240,241	4,315,183	3,242,063	2,004,253	37,802,680	40,182,402
Financial liabilities at amortised cost -							
Other borrowings	2,188,924	-	-	-	1,500,000	3,688,924	3,969,617
Total interest bearing liabilities	17,471,847	13,289,917	4,411,258	3,328,552	3,504,253	42,005,827	45,081,433
Non-interest bearing liabilities							
Non-interest bearing liabilities	1,625,450	56,033	99,962	48,910	9,916,628	11,746,982	10,685,628
Total liabilities	19,097,297	13,345,950	4,511,220	3,377,462	13,420,881	53,752,809	55,767,061

The Bank's policy is to monitor portfolios and adopt appropriate hedging strategies to ensure that liquidity risk is maintained within prudent levels. Liquidity risk is mainly monitored through a stock approach and a flow approach. Under the stock approach liquidity is measured in terms of key ratios showing the liquidity stored on the Balance Sheet. Under the flow approach the Bank monitors contractual and behavioral liquidity mismatches through static and dynamic maturity analyses. Less than 1-year buckets include a sizable proportion of savings balances which may not be withdrawn within a short period of time based on its behavioral pattern.

Notes to the Financial Statements

54.3.3 Undiscounted cash flow of financial assets and financial liabilities

The following table shows the expected undiscounted cash flows for financial assets and financial liabilities at 31 December 2022.

Rs. 000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at	
						31-Dec-22	31-Dec-21
Financial assets							
Cash and cash equivalents	1,232,272	-	-	-	-	1,232,272	1,233,373
Balances with Central Bank of Sri Lanka	520,601	459,497	149,757	112,514	69,557	1,311,926	651,463
Placements with Banks	-	-	-	-	-	-	601,393
Derivative financial instruments	-	-	-	-	-	-	3,200
Financial assets at amortised cost -							
Loans and Advances to other customers	15,160,038	11,027,557	13,331,684	8,720,367	8,648,537	56,888,183	50,631,521
Financial assets at amortised cost -							
Debt and other financial instruments	153,729	200,334	1,008,125	865,712	1,563,157	3,791,057	25,219
Financial assets-at fair value through other comprehensive income							
	7,795,487	675,009	3,233,137	1,515,950	639,075	13,858,658	11,126,266
Financial liabilities							
Due to banks	328,690	99,386	103,867	251,314	-	783,257	941,004
Derivative financial instruments	30	-	-	-	-	30	3,009
Financial liabilities at amortised cost -							
Due to depositors	21,924,519	13,008,159	4,133,754	3,317,992	-	42,384,424	41,474,067
Financial liabilities at amortised cost -							
Other borrowings	2,597,438	-	-	-	1,500,000	4,097,438	4,171,751
Lease liability	37,368	62,043	131,168	64,179	130,584	425,342	422,645

54.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The main objective of the Cargills Bank's market risk management is to manage and control market risk exposures within acceptable levels in order to ensure the Bank's solvency while maximising the returns.

The Bank has completed only eight and half years since commencing operations as such the relative exposures lies at a very low level. However, necessary policies and procedures are in place to regularly assess its assets and liability profile in terms of interest rate and other risks and depending on this assessment, realignments in the assets and liability structure are undertaken where necessary.

54.4.1 Exposure to market risk - Trading and Non-Trading portfolios

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31 December		2022			2021		
		Market Risk Measurement			Market Risk Measurement		
Note	Carrying Amount Rs. '000	Trading Portfolios Rs. '000	Non-Trading Portfolios Rs. '000	Carrying Amount Rs. '000	Trading Portfolios Rs. '000	Non-Trading Portfolios Rs. '000	
Assets Subject to Market Risk							
Placements with banks	23	-	-	-	601,151	-	601,151
Derivative financial instruments	24	-	-	-	3,200	3,200	-
Financial assets measured at fair value through profit or loss	25	-	-	-	-	-	-
Financial assets at amortised cost - Loans & advances to other customers	26	35,960,080	-	35,960,080	40,490,736	-	40,490,736
Financial assets at amortised cost - Debt and other financial instruments	27	1,996,950	-	1,996,950	15,528	-	15,528
Financial assets measured at fair value through other comprehensive income	28	10,253,496	-	10,253,496	10,783,609	-	10,783,609
Total		48,210,526	-	48,210,526	51,894,224	3,200	51,891,024
Liabilities Subject to Market Risk							
Due to banks	34	514,193	-	514,193	926,405	-	926,405
Derivative financial instruments	35	30	30	-	3,009	3,009	-
Financial liabilities at amortised cost - Due to depositors	36	37,802,680	-	37,802,680	40,182,402	-	40,182,402
Financial liabilities at amortised cost - Other borrowings	37	3,688,924	-	3,688,924	3,969,617	-	3,969,617
Total		42,005,827	30	42,005,797	45,081,433	3,009	45,078,424

Notes to the Financial Statements

54.4.2 Exposure to interest rate risk - sensitivity analysis

(a) Exposure to Interest Rate Risk - Non-Trading Portfolio

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments gives rise to interest rate risk. The Bank's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is maintained within prudent levels.

The following is a summary of the Bank's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

As at 31 December 2022	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Non-Sensitive Rs. '000	Total as at 31.12.2022 Rs. '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	1,232,272	1,232,272
Balance with central banks	-	-	-	-	-	1,311,926	1,311,926
Placements with banks	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss							
Financial assets at amortised cost -							
Loans & advances to other customers	22,499,972	3,305,106	3,715,988	2,907,542	1,953,526	1,577,946	35,960,080
Financial assets at amortised cost -							
Debt and other financial instruments	10,353	-	269,883	379,048	1,337,666	-	1,996,950
Financial assets measured at fair value through other comprehensive income							
	1,740,033	5,278,894	1,806,923	971,751	437,879	18,016	10,253,496
Other assets	-	-	-	-	-	1,232,034	1,232,034
Total Financial Assets	24,250,358	8,584,000	5,792,794	4,258,341	3,729,071	5,372,194	51,986,758
Financial Liabilities							
Due to banks	1,325	49,676	96,075	86,489	-	280,628	514,193
Derivative financial instruments	30	-	-	-	-	-	30
Financial liabilities at amortised cost -							
Due to depositors	17,245,723	10,525,313	627,646	137,078	4,593,081	4,673,839	37,802,680
Financial liabilities at amortised cost -							
Other borrowings	2,188,924	-	-	-	1,500,000	-	3,688,924
Retirement benefit obligations	-	96,806	-	-	-	-	96,806
Lease liability	-	-	-	-	-	340,542	340,542
Other liabilities	-	-	-	-	-	1,589,329	1,589,329
Total Financial Liabilities	19,436,002	10,671,795	723,721	223,567	6,093,081	6,884,338	44,032,504
Interest rate sensitivity gap	4,814,356	(2,087,795)	5,069,073	4,034,775	(2,364,010)	(1,512,144)	7,954,254
1% increase	48,144	(20,878)	50,691	40,348	(23,640)	-	94,664
1% decrease	(48,144)	20,878	(50,691)	(40,348)	23,640	-	(94,664)

As at 31 December 2021	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Non-Sensitive Rs. '000	Total as at 31.12.2021 Rs. '000
Financial Assets							
Cash and cash equivalents	-	-	-	-	-	1,214,754	1,214,754
Balance with central banks	-	-	-	-	-	567,802	567,802
Placements with banks	601,151	-	-	-	-	-	601,151
Derivative financial instruments	3,200	-	-	-	-	-	3,200
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at amortised cost -							
Loans & advances to other customers	32,921,046	5,240,238	167,873	140,216	164,551	1,856,812	40,490,736
Financial assets at amortised cost -							
Debt and other financial instruments	-	-	-	-	15,528	-	15,528
Financial assets measured at fair value through other comprehensive income	8,396,079	2,114,887	-	107,537	148,665	16,441	10,783,609
Other assets	-	-	-	-	-	675,479	675,479
Total Financial Assets	41,921,476	7,355,125	167,873	247,753	328,744	4,331,288	54,352,259
Financial Liabilities							
Due to banks	500,418	38,300	56,451	73,996	18,181	239,059	926,405
Derivative financial instruments	3,009	-	-	-	-	-	3,009
Financial liabilities at amortised cost -							
Due to depositors	20,908,331	10,525,313	627,646	137,078	4,593,081	3,390,953	40,182,402
Financial liabilities at amortised cost -							
Other borrowings	1,763,076	699,874	-	-	1,506,667	-	3,969,617
Retirement benefit obligations	-	81,336	-	-	-	-	81,336
Lease liability	-	-	-	-	-	332,675	332,675
Other liabilities	-	-	-	-	-	946,756	946,756
Total Financial Liabilities	23,174,834	11,344,823	684,097	211,074	6,117,929	4,909,443	46,442,200
Interest rate sensitivity gap	18,746,642	(3,989,698)	(516,224)	36,679	(5,789,185)	(578,155)	7,910,059
1% increase	187,466	(39,897)	(5,162)	367	(57,892)	-	84,882
1% decrease	(187,466)	39,897	5,162	(367)	57,892	-	(84,882)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100bp parallel fall or rise in all yield curves across the board. The above table contains the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

(b) Exposure to interest rate risk

As at 31 December	2022 Rs. '000	2021 Rs. '000
Savings deposits	5,945,969	9,608,577
Time deposits	29,613,127	27,146,619
Certificate of deposits	172,541	1,566,433
Total	35,731,637	38,321,629

Notes to the Financial Statements

54.4.2 Exposure to interest rate risk - sensitivity analysis contd.

As at the reporting date, there were no significant foreign currency exposures in the non-trading book, other than following foreign currency exposure as set out in the table below. The below table further contains the Bank's sensitivity to 5% depreciation or appreciation in foreign currencies in the forex market, assuming no asymmetrical movement in other variables and a constant financial position.

54.4.3 Exposure to currency risk

As at 31 December Rs. 000	Sensitivity		2022	2021
	5% increase	5% decrease	Amount	Amount
Foreign exchange position - USD	57,676	(57,676)	1,153,522	1,225,995
Foreign exchange position - AUD	172	(172)	3,449	423
Foreign exchange position - AED	12	(12)	243	22,663
Foreign exchange position - EUR	771	(771)	15,422	844
Foreign exchange position - THB	-	-	-	-
Foreign exchange position - SGD	6,466	(6,466)	129,315	77,754
Foreign exchange position - GBP	1,774	(1,774)	35,483	3,010
Foreign exchange position - JPY	29,269	(29,269)	585,390	705,463
Foreign exchange position - CAD	0	(0)	1	42
Foreign exchange position - SEK	8	(8)	167	225
Foreign exchange position - DKK	-	-	-	-
Foreign exchange position - KWD	-	-	-	-
Foreign exchange position - CNY	849	(849)	16,987	16,818
Foreign exchange position - MYR	32	(32)	642	-
Foreign exchange position - QAR	-	-	-	-
Foreign exchange position - INR	300	(300)	6,000	49,490
Foreign exchange position - MMK	-	-	-	-
Foreign exchange position - NOK	-	-	-	-
Foreign exchange position - IDR	-	-	-	-
Foreign exchange position - OMR	-	-	-	-
Foreign exchange position - SAR	-	-	-	-
Foreign exchange position - RUB	-	-	-	-
Foreign exchange position - TRY	80	(80)	1,596	-

54.5 Operational Risk

Operational Risk is the risk of losses incurring due to human errors, inadequate or failed internal processes or systems or external events including legal risk. Legal risk arises when the Bank's business is not conducted in accordance with applicable laws.

The Bank has a process of continuous internal audit and an external audit utilising the services of KPMG, Chartered Accountants and also working in combination with business unit managers, the Bank has developed tools to assist in identifying, measuring, monitoring and reporting operational risk on a continuous basis.

54.6 Capital Management

54.6.1 Objective

The Bank is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

54.6.2 Regulatory capital

Capital Adequacy Ratio (CAR) is calculated based on the CBSL Directions stemming from Basel III Accord. These guidelines require the Bank to maintain a Capital Adequacy Ratio (CAR) of not less than 7% with Common Equity Tier I capital (CET I) in relation to total risk-weighted assets and a minimum overall CAR of 12.50% inclusive of Tier I and Tier II in relation to total risk-weighted assets.

As at 31 December	2022 Rs. '000	2021 Rs. '000
Common Equity Tier 1 (CET 1) Capital		
Paid-up ordinary shares/Common stock/Assigned capital	11,394,421	11,394,421
Statutory reserve fund	56,774	32,386
Published retained profits/(accumulated losses)	(1,598,139)	(2,055,814)
General and other reserves	(140,724)	(52,813)
	9,712,332	9,318,180
Deductions/Adjustments		
Net Deferred Tax Assets	(955,721)	(637,588)
Other intangible assets	(335,150)	(258,942)
Qualifying Additional Tier 1 Capital Instruments	1,500,000	1,500,000
Total Tier 1 Capital	9,921,461	9,921,650
Tier II Capital		
General provisions	236,382	315,118
Deductions/Adjustments		
50% of investments in unconsolidated banking and financial subsidiary companies	-	-
50% investments in the capital of other banks and financial institutions	-	-
Total Tier II Capital	236,382	315,118
Total Capital	10,157,843	10,236,768
Capital adequacy ratios		
Common Equity Tier 1 Capital Ratio (%)	18.95	19.31
Tier 1 Capital Ratio (%)	22.32	22.75
Total Capital Ratio (%)	22.85	23.47

54.6.2.1 Minimum capital requirement

The Bank is required maintain a minimum capital of Rs. 10 Bn in accordance with the Central Bank of Sri Lanka Circular on Enhancement of Minimum Capital Requirement of Banks dated 23 December 2014 and in order to meet the said requirement, the Bank in December 2021 issued 15 Mn Basel III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures at the par value of Rs. 100.00 totaling to Rs. 1.5 Bn with a conversion at the option of the debenture holder and non-viability conversion upon the occurrence of a trigger event.

ANNEXURE F - INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 AUGUST 2023

INTERIM FINANCIAL
STATEMENTS

2023

FOR THE EIGHT MONTHS ENDED 31 AUGUST 2023



Classification : Public

Cargills Bank Limited Income Statement

	For the Eight months ended		
	31-Aug-23 Rs. '000	31-Aug-22 Rs. '000	Change %
Interest income	7,750,815	4,803,172	61
Interest expenses	(5,279,558)	(2,710,117)	(95)
Net interest income	2,471,257	2,093,055	18
Fees and commission income	838,525	801,441	5
Fees and commission expenses	(320,317)	(253,502)	(26)
Net fees and commission income	518,208	547,939	(5)
Net gains/(losses) from trading	2,603	714	265
Net gains/(losses) from derecognition of financial assets	167,365	13,265	1,162
Net other operating income	212,624	70,039	204
Total other income	382,592	84,018	355
Total operating income	3,372,057	2,725,012	24
Impairment for loans and other losses			
Loans and advances to customers	(645,754)	(1,067,154)	39
Financial assets and other	(26,606)	(1,054)	(2,424)
Total impairment for loans and other losses	(672,360)	(1,068,208)	37
Net operating income	2,699,697	1,656,804	63
Personnel expenses	(700,756)	(610,897)	(15)
Depreciation and amortization	(215,193)	(238,751)	10
Other operating expenses	(939,558)	(665,541)	(41)
Total operating expenses	(1,855,507)	(1,515,189)	(22)
Operating Profit/(Loss) before taxes on financial services	844,190	141,615	496
VAT on financial services	(244,085)	(134,817)	(81)
Profit/(Loss) before Income Tax	600,105	6,798	8,727
Tax expenses	(234,999)	16,719	(1,506)
Profit/(Loss) for the period	365,106	23,517	1,453
Basic earnings per share (Rs.)	0.41	0.03	1,453
Diluted earning per share (Rs.)	0.41	0.03	1,453

Cargills Bank Limited
Statement of Profit or Loss and Other Comprehensive Income

	For the Eight months ended		
	31-Aug-23 Rs. '000	31-Aug-22 Rs. '000	Change %
Profit/(Loss) for the period	365,106	23,517	1,453
Other comprehensive income, net of tax			
Items that are or may be reclassified to profit & loss			
Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI)			
Fair value gains/(losses) that arose during the period			
Treasury Bills	176,355	(34,073)	618
Treasury Bonds	1,838,891	(94,501)	2,046
	2,015,246	(128,574)	1,667
Fair value (gains)/losses realised to Income Statement on disposal			
Treasury Bills	(7,279)	(13,265)	45
Treasury Bonds	(160,086)	-	-
	(167,365)	(13,265)	(1,162)
Net gains / (losses) on re-measuring Financial Instruments at FVOCI			
Treasury Bills	169,076	(47,338)	457
Treasury Bonds	1,678,805	(94,501)	1,876
	1,847,881	(141,839)	1,403
Deferred tax related to the above	(554,364)	34,041	(1,729)
	1,293,517	(107,797)	1,300
Other comprehensive income/(loss) for the period, net of tax	1,293,517	(107,797)	1,300
Total comprehensive income/(loss) for the period, net of tax	1,658,623	(84,280)	2,068

Cargills Bank Limited
Statement of Financial Position

As at	31-Aug-23 Rs. '000	31-Dec-22 (Audited) Rs. '000	Growth %
Assets			
Cash and cash equivalents	2,249,375	1,232,272	83
Balances with Central Bank of Sri Lanka	559,748	1,311,926	(57)
Placements with banks	21,006	-	-
Securities purchased under resale agreements	694,094	-	-
Derivative financial instruments	7,529	-	-
Financial assets at amortized costs - Loans and Advances to other customers	36,233,737	35,960,082	1
Financial assets at amortized costs - Debt and other Instruments	1,941,465	1,996,950	(3)
Financial assets measured at fair value through other comprehensive income	20,035,695	10,253,496	95
Property, plant & equipment	430,665	475,180	(9)
Intangible assets	308,985	335,150	(8)
Deferred tax assets	176,358	955,721	(82)
Other assets	1,313,322	1,232,032	7
Total assets	63,971,979	53,752,809	19
Liabilities and equity			
Due to banks	455,934	514,193	(11)
Derivative financial instruments	5,283	30	17,510
Financial liabilities at amortized cost - Due to depositors	45,997,687	37,802,680	22
Financial liabilities at amortized cost - Due to other borrowers	4,124,429	3,688,924	12
Retirement benefit obligation	97,012	96,806	0
Lease liability	273,361	340,542	(20)
Other liabilities	1,639,344	1,589,329	3
Total liabilities	52,593,050	44,032,504	19
Equity			
Stated capital	11,394,421	11,394,421	-
Statutory reserves	56,774	56,774	-
Other reserves	1,160,766	(132,751)	974
Accumulated loss	(1,233,033)	(1,598,139)	23
Total equity attributable to equity holders of the Bank	11,378,929	9,720,305	17
Total liabilities and equity	63,971,979	53,752,809	19
Contingent liabilities & commitments	16,603,472	22,292,738	
Net assets value per share (Rs.)	12.88	11.01	
Memorandum information:			
No. of employees	611	598	
No. of branches	24	23	

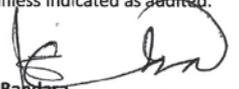
Certification:

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


D Gajayaka
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.


K B S Bandara
Managing Director/Chief Executive Officer


R A Ebell
Chairman

20 September 2023
Colombo

Cargills Bank Limited
Statement of Cash Flows

	For the period ended	
	31-Aug-23 Rs. '000	31-Aug-22 Rs. '000
Cash flows from operating activities		
Profit/(Loss) before income tax	600,105	6,799
Adjustments for:		
Non-cash items included in profit/(loss) before tax	1,094,257	2,098,949
Interest paid on lease liability	(25,250)	(21,755)
Net gains from investing activities		
Gains/(losses) on sale of property, plant & equipment and other assets	-	386
Dividend income	(373)	-
Benefits paid on defined benefit plans	(15,924)	(5,195)
Change in operating assets	(8,692,664)	353,721
Change in operating liabilities	8,247,195	(3,186,931)
Net cash generated from/(used in) operating activities	1,207,345	(754,025)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(87,224)	(35,916)
Proceeds from sale of property, plant and equipment	-	(185)
Investment in Debenture	-	(150,000)
Net purchase of intangible assets	(57,304)	(41,408)
Dividend received	373	-
Net cash generated from/(used in) investing activities	(144,155)	(227,510)
Cash flows from financing activities		
Payment of lease liability	(92,431)	(92,623)
Change in securities sold under repurchase agreements	58,000	1,533,430
Net cash generated from/(used in) financing activities	(34,431)	1,440,807
Net increase/(decrease) in cash and cash equivalents	1,028,760	459,272
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 period	2,289,100	1,681,730
Less: Provision for impairment	(39,726)	(8,759)
Cash and cash equivalents as per Statement of Financial Position (Net)	2,249,374	1,672,971

Cargills Bank Limited
Statement of Changes in Equity

	Stated capital	Other Equity	Statutory reserve	Fair Value through Other Comprehensive Income Reserve	Accumulated loss	Total
	Rs. '000	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 31.08.2022						
Loss for the period	-	-	-	-	23,517	23,517
Other comprehensive income, net of tax	-	-	-	(107,797)	-	(107,797)
Total comprehensive income/(loss) for the period	-	-	-	(107,797)	23,517	(84,280)
Transactions with owners in their capacity as owners						
Issue of shares	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 31.08.2022	11,394,421	-	32,386	(153,929)	(2,032,297)	9,240,581
Total comprehensive income for the period 01.09.2022 to 31.12.2022						
Profit for the period	-	-	-	-	464,247	464,247
Other comprehensive income/ (loss) net of tax	-	-	-	21,178	(5,701)	15,477
Total comprehensive income/(loss) for the period	-	-	-	21,178	458,546	479,724
Transactions with owners in their capacity as owners						
Issue of shares	-	-	-	-	-	-
Transfer to statutory reserves	-	-	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)	9,720,305
Total comprehensive income for the period ended 31.08.2023						
Profit for the period	-	-	-	-	365,106	365,106
Other comprehensive income/(loss), net of tax	-	-	-	1,293,517	-	1,293,517
Total comprehensive income/(loss) for the period	-	-	-	1,293,517	365,106	1,658,623
Transactions with owners in their capacity as owners						
Issue of shares	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance as at 31.08.2023	11,394,421	-	56,774	1,160,766	(1,233,033)	11,378,928

Cargills Bank Limited
Classification of Financial Assets and Financial Liabilities

	Fair value through P/L Rs. '000	Fair Value through OCI Rs. '000	Amortized Cost Rs. '000	Total Rs. '000
As at 31.08.2023				
Financial assets				
Cash and cash equivalents	-	-	2,249,375	2,249,375
Balances with Central Bank of Sri Lanka	-	-	559,748	559,748
Placements with Banks	-	-	21,006	21,006
Securities purchased under resale agreements	-	694,094	-	694,094
Derivative financial instruments	7,529	-	-	7,529
Other financial instruments held for trading	-	-	-	-
Financial assets measured at fair value through profit or loss	1,854,774	-	-	1,854,774
Financial assets at Amortized costs-Loans & Advances to Banks	-	-	-	-
Financial assets at amortized costs - Loans and Advances to other customers	-	-	36,233,737	36,233,737
Financial assets at amortized costs - Debt and other Instruments	-	-	1,941,465	1,941,465
Financial assets at fair value through other comprehensive income -Government securities	-	20,017,679	-	20,017,679
Financial assets at fair value through other comprehensive income - Equity instruments	-	18,016	-	18,016
Other assets*	-	-	739,844	739,844
Total financial assets	1,862,303	20,729,789	41,745,175	64,337,267
Financial liabilities				
Due to banks	-	-	455,934	455,934
Derivative financial instruments	5,283	-	-	5,283
Financial liabilities at amortized cost - Due to depositors	-	-	45,997,687	45,997,687
Financial liabilities at amortized cost - Due to other borrowers	-	-	4,124,429	4,124,429
Lease Liability	-	-	273,361	273,361
Other liabilities**	-	-	1,195,941	1,195,941
Total financial liabilities	5,283	-	52,047,352	52,052,635
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 and 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 - Due to other borrowers	-	-	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

Cargills Bank Limited
Selected Performance Indicators

As at	31-Aug-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%)	18.11	18.95
Tier 1 capital Ratio - (Minimum Requirement - 8.5%)	21.33	22.32
Total Capital Ratio - (Minimum Requirement - 12.5%)	21.84	22.85
Leverage Ratio - (Minimum Requirement - 3%)	11.72	14.45
Regulatory Liquidity		
Statutory Liquid Assets, (Rs. '000) - Bank	19,502,223	11,061,874
Statutory Liquid Assets Ratio - Total Bank, % - (Minimum Requirement - 20%)	37.74	27.00
Total Stock of High-Quality Liquid Assets (Rs '000)	19,791,489	9,087,222
Liquidity Coverage Ratio, % - (Minimum Requirement - 90%)		
Rupee, %	395.30	176.00
All currency, %	271.44	140.51
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	120	127
Assets Quality (Quality of Loan Portfolio)		
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans	7.04	4.85
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)	49.25	51.15
Profitability		
Interest Margin, %	6.26	5.99
Return on Assets (before Tax), %	1.40	0.36
Return on Equity, %	5.34	5.28

* Regulatory Capital Ratios are as at 30 June 2023

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 30 June 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 Court of Appeal and the Bank awaits the hearing of the Appeal from the Court of Appeal.
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.

Cargills Bank Limited
Additional Disclosures

As at	31-Aug-2023	31-Dec-2022
	Rs. '000	(Audited) Rs. '000
Loans and advances to other customers		
Gross loans and advances	41,016,215	40,249,717
Less: Stage-wise impairment		
Stage 1	122,371	132,422
Stage 2	1,330,421	1,026,985
Stage 3	3,329,686	3,130,230
Total impairment for loans and advances	4,782,477	4,289,637
Net loans and advances	36,233,738	35,960,080
Product wise Gross Loans and advances to other customers		
By product - Domestic Currency		
Overdrafts	5,527,067	5,848,747
Trade finance	2,240,660	2,040,049
Staff loans	251,851	263,202
Housing loans	1,066,202	1,183,963
Personal loans	3,062,925	3,507,052
Term loans	14,495,004	14,941,418
Agriculture loans	512,015	456,584
Vehicle loans	55,738	71,476
Loans against property	1,497,407	1,725,097
Revolving loans	4,264,946	4,013,385
Money market loans	2,203,479	392,058
Credit card	1,643,179	1,554,323
Micro finance	43,298	49,094
Others	205,460	297,988
Sub total	37,069,232	36,344,436
By product - Foreign Currency		
Trade finance	1,353,384	904,923
Housing loans	74,161	98,333
Term loans	2,470,410	2,847,598
Overdrafts	8,970	8,970
Others	40,060	45,456
Sub total	3,946,984	3,905,281
Total Gross Loans & Advances	41,016,216	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	26,050	303,345	291,438	620,832
Exchange rate variance on foreign currency provisions	(36,101)	91	(91,982)	(127,992)
Closing balance as at 31 August 2023	122,371	1,330,421	3,329,686	4,782,477

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

**Cargills Bank Limited
Additional Disclosures**

As at	31-Aug-2023 Rs. '000	31-Dec-2022 (Audited) Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	6,596,915	7,372,782		
Letters of credit	53,539	520,821		
Bills For collection	-	1,236,904		
Forwards purchase	-	-		
Undrawn commitments	7,785,707	11,643,163		
Capital commitments and other	102,643	273,659		
Sub total	14,538,804	21,047,330		
By product - Foreign Currency				
Guarantees	610,829	343,707		
Letters of credit	606,918	20,860		
Bills for collection	9,184	33,563		
Forwards purchase	655,030	961,452		
Spot purchase	321,800	-		
Sub total	2,203,762	1,359,581		
Total Commitments and Contingencies	16,742,566	22,406,911		
Movement in impairment during the period for Commitments and Contingencies				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2022	46,252	43,284	24,637	114,173
Charge/ (write back) to income statement	(9,812)	(14,076)	48,807	24,920
Closing balance as at 31 August 2023	36,440	29,208	73,445	139,093
Due to other customers				
By product - Domestic Currency				
Current account deposits			1,688,116	1,688,146
Savings deposits			7,460,165	5,122,446
Call Deposits			4,536	83,373
Time deposits			32,745,158	27,518,903
Certificate of deposits			62,903	172,541
Margin deposits			36,668	40,682
Sub total			41,997,545	34,626,092
By product - Foreign Currency				
Current account deposits			486,846	303,357
Savings deposits			1,423,635	823,523
Time deposits			2,089,210	2,010,850
Margin deposits			452	38,858
Sub total			4,000,142	3,176,589
Total deposits			45,997,687	37,802,680

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 31 August 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	Periyasamipillai Barathakumar	4,400,000	0.50
18	Periyasamipillai Muruganandhan	4,400,000	0.50
19	Periyasamipillai Anandarajah	4,400,000	0.50
20	Periyasamipillai Devaraj	4,400,000	0.50
21	Periyasamipillai 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

* 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.

Operating segments		Banking		Treasury/ Investments		Unallocated		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
<i>For the eight months ended 31 August</i>									
Net interest income	2,324,044	2,001,445	147,213	91,610	-	-	-	2,471,257	2,093,055
Foreign exchange profit	125,388	(625,612)	83,192	693,929	-	-	-	208,580	68,317
Net fees and commission income	511,398	543,683	6,810	4,256	-	-	-	518,208	547,939
Other income	6,274	2,436	167,365	13,265	373	-	-	174,012	15,701
Operating income by segment	2,967,104	1,921,952	404,579	803,061	373	-	-	3,372,057	2,725,012
Personnel and other operating expenses	(1,621,398)	(1,261,798)	(18,916)	(14,640)	-	-	-	(1,640,314)	(1,276,438)
Credit loss expense	(665,108)	(1,067,154)	(7,251)	(1,054)	-	-	-	(672,360)	(1,068,208)
Total operating expenses	(2,286,506)	(2,328,952)	(26,168)	(15,694)	-	-	-	(2,312,674)	(2,344,646)
Net operating income	680,599	(407,001)	378,412	787,367	373	-	-	1,059,383	380,366
Depreciation and amortisation	(215,076)	(238,571)	(117)	(180)	-	-	-	(215,193)	(238,751)
Operating profit/(loss) by segment	465,522	(645,572)	378,295	787,187	373	-	-	844,190	141,615
VAT on financial services	(244,085)	(134,817)	-	-	-	-	-	(244,085)	(134,817)
Segment result	221,437	(780,389)	378,295	787,187	373	-	-	600,105	6,798
Income tax expense	-	-	-	-	-	-	-	(234,999)	16,719
Profit/(Loss) for the year								365,106	23,517
<i>As at 31 August</i>									
Other information									
Segment assets	41,881,691	38,948,114	22,090,288	14,804,695	-	-	-	63,971,979	53,752,809
Segment liabilities	48,646,689	40,062,922	3,946,361	3,969,582	-	-	-	52,593,050	44,032,504



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