



CARGILLS BANK LIMITED | INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED 30 SEPTEMBER 2023

MULTIPLYING OUR IMPACT

Cargills Bank records steady performance in the nine months ended 30 September 2023 – PAT Rs. 432 Million

Financial Highlights

- Profit before Income Tax - LKR 724 Mn
- Bank maintains strong capital adequacy and liquidity ratios
 - Total Capital Ratio (CAR) 20.43%
 - Statutory Liquid Asset Ratio (SLAR) 37.72%
- Total Assets grow by 20% or Rs. 11 Bn

Economic conditions and challenges prevailing last year have moderated somewhat, given the steadfast approach by policy makers and regulatory authorities towards economic recovery. We appreciate their efforts, and our results bear testimony to the progress made. Nevertheless, the road ahead remains challenging. A meaningful Government budget, continued success of the IMF program, general price stability and regained momentum in tourism, remittances and exports will be key in shaping the country's short- to medium- term economic revival.

Cargills Bank's results for the nine months ended 30 September 2023 reflected continuing QoQ improvement in profitability. Profit after tax at Rs. 432 Mn was higher by Rs. 324 Mn than in the corresponding period of 2022. We are pleased the Bank has been able to maintain this momentum of profitability growth, and are confident the results of 2023 will reflect the strong commitment of the Bank's team, successful execution of its strategy, a continued rigorous focus on market trends and its adaptability to a volatile environment.

Net interest income grew 15% or Rs. 353 Mn in the nine months compared with the corresponding period of 2022. The Bank directed its resources towards higher yielding assets, hedging interest rate risk and prudently managing deposits. In addition, close monitoring of the Bank's lending portfolio and timely solutions offered to financially stressed customers helped maintain a healthy NIM to date.

Net fee and commission income of Rs. 590 Mn for the nine months was lower than the Rs. 641 Mn in the previous year. The decrease of 6% related largely to lower trade volumes and reduced net income from card related services. Additionally, capital gains realized on derecognition of financial assets, and higher foreign exchange income boosted other income streams by Rs. 265 Mn, to Rs. 391 Mn in the nine months.

Total operating expenses increased 25% from Rs. 1.7 Bn last year to Rs. 2.1 Bn. Personnel expenses increased 15% largely due to adjustments to salary and welfare benefits considering increased costs of living and market conditions. Other operating expenses grew 44% mainly from the impact of the Social Security Contribution Levy which was effective from October 2022, the increased cost of utilities and the cost of repair and maintenance of IT assets, particularly where denominated in foreign currencies.

Impairment charges totaling Rs. 607 Mn reflected a reduction of 50% in the first nine months of 2023 evidencing a focused and proactive management of delinquencies and commendable overall team efforts in this direction. The Bank's Stage 3 Loans (net of Stage 3 Impairment) to Total Loans Ratio stood at 6.64% while Stage 3 Provision Cover was 52.74% at 30th September 2023. Additional impairment overlays considered necessary have been incorporated after a careful scrutiny of the status of borrowers.

VAT on Financial Services and income tax expenses increased substantially mainly due to growth in profits and the increased corporate income tax rate effective 1 October 2022.

The Bank maintains Capital Adequacy and Liquid Assets Ratios well above the minimum requirements prescribed by the Central Bank. The total Capital Adequacy Ratio was 20.43% while the Statutory Liquid Assets Ratio stood at 37.72%.

Total assets of the Bank at 30 September stood at Rs. 64.7 Bn, an increase of 20% or Rs. 11 Bn in the first nine months of the year. Financial Assets measured at fair value through other comprehensive income grew by 92% to reach Rs. 19.6 Bn. Positive gains were reflected in Other Comprehensive Income. The loan book registered moderate growth, from Rs. 36.0 Bn to Rs. 36.8 Bn, given conditions prevailing. In this regard, the Bank exercised care in maintaining the quality of its lending in a high interest rate environment, where interest payments threatened borrowers' viability. A shift in strategy commenced in the latter part of the period, to rebuild momentum in lending.

Deposits to customers grew 20% from Rs. 37.8 Bn at the end of 2022 to Rs. 44.9 Bn at the reporting date amidst continued reductions in market interest rates. The Bank will judiciously balance interest expenditure and income, as substantial reductions in interest rates and the time lag in repricing loans have a direct impact on NIMs.

In October 2023, Fitch Ratings affirmed Cargills Bank's National Long-Term Rating at 'A(lka)'; Negative Outlook.

Ms Ruvini Fernando, who has served as a Director since 1 August 2018, resigned from the Bank's Board on 27 October 2023 due to personal circumstances. Mr Arjuna Herath has been appointed to the Bank's Board effective 1 November 2023.

The Colombo Stock Exchange (CSE) has approved the listing of the Bank's shares on the CSE. Steps are being taken to duly offer to the public 62.5 Mn shares of the Bank at Rs. 8.00 per share through an Initial Public Offering.

Income Statement

	For the Nine months ended			For the quarter ended		
	30-Sep-2023 Rs. '000	30-Sep-2022 Rs. '000	Change %	30-Sep-2023 Rs. '000	30-Sep-2022 Rs. '000	Change %
Interest income	8,619,871	5,628,342	53	2,820,475	2,483,886	14
Interest expense	(5,840,039)	(3,201,574)	(82)	(1,844,078)	(1,449,082)	(27)
Net interest income	2,779,832	2,426,768	15	976,397	1,034,804	(6)
Fees and commission income	941,165	929,431	1	298,808	354,666	(16)
Fees and commission expense	(351,036)	(288,727)	(22)	(116,529)	(103,892)	(12)
Net fees and commission income	590,129	640,704	(8)	182,279	250,774	(27)
Net gains/(losses) from trading	352	46,376	(99)	(1,654)	44,825	(104)
Net gains/(losses) from derecognition of financial assets	167,365	13,265	1,162	138,371	8,575	1,514
Net other operating income	223,762	67,073	234	34,951	69,239	(50)
Total other income	391,479	126,714	209	171,668	122,639	40
Total operating income	3,761,440	3,194,186	18	1,330,344	1,408,217	(6)
Impairment losses on financial instruments and other assets						
Loans and advances to customers	(583,800)	(1,200,714)	51	(165,829)	(399,880)	59
Financial assets and others	(23,337)	(5,596)	(317)	5,118	(5,940)	186
Total impairment losses on financial instruments and other assets	(607,137)	(1,206,310)	50	(160,711)	(405,820)	60
Net operating income	3,154,303	1,987,876	59	1,169,633	1,002,397	17
Personnel expenses	(787,297)	(684,873)	(15)	(264,336)	(224,959)	(18)
Depreciation and amortization	(244,343)	(265,922)	8	(82,120)	(82,094)	(0)
Other operating expenses	(1,108,751)	(768,199)	(44)	(424,110)	(282,494)	(50)
Total operating expenses	(2,140,391)	(1,718,994)	(25)	(770,566)	(589,547)	(31)
Operating profit/(loss) before taxes on financial services	1,013,912	268,882	277	399,067	412,850	(3)
VAT on financial services	(289,298)	(167,080)	(73)	(117,517)	(102,472)	(15)
Profit/(loss) before tax	724,614	101,802	612	281,550	310,378	(9)
Tax expense	(292,827)	5,855	(5,101)	(103,262)	(7,972)	(1,195)
Profit/(loss) for the period	431,787	107,657	301	178,288	302,406	(41)
Basic earnings per share (Rs.)	0.49	0.12	301	0.20	0.34	(41)
Diluted earnings per share (Rs.)	0.49	0.12	301	0.20	0.34	(41)

Statement of Profit or Loss and Other Comprehensive Income

	For the Nine months ended			For the quarter ended		
	30-Sep-2023 Rs. '000	30-Sep-2022 Rs. '000	Change %	30-Sep-2023 Rs. '000	30-Sep-2022 Rs. '000	Change %
Profit/(loss) for the period	431,787	107,657	301	178,288	302,406	(41)
Other comprehensive income, net of tax						
Items that are or may be reclassified to profit or loss						
Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI)						
Fair value gains/(losses) that arose during the period						
Treasury Bills	152,981	(95,306)	261	(17,107)	(148,852)	89
Treasury Bonds	1,831,274	(81,438)	2,349	1,304,228	48,558	2,586
	1,984,255	(176,744)	1,223	1,287,121	(100,294)	1,383
Fair value (gains)/losses realised to Income Statement on disposal						
Treasury Bills	(7,279)	(13,265)	45	(1,290)	(8,575)	85
Treasury Bonds	(160,086)	-	-	(137,081)	-	-
	(167,365)	(13,265)	(1,162)	(138,371)	(8,575)	(1,514)
Net gains/(losses) on re-measuring Financial Instruments at FVOCI						
Treasury Bills	145,702	(108,571)	234	(18,397)	(157,427)	88
Treasury Bonds	1,671,188	(81,438)	2,152	1,167,147	48,558	2,304
	1,816,890	(190,009)	1,056	1,148,750	(108,869)	1,155
Deferred tax related to the above	(545,067)	45,602	(1,295)	(344,625)	26,129	(1,419)
	1,271,823	(144,407)	981	804,125	(82,740)	1,072
Other comprehensive income/(loss) for the period, net of tax	1,271,823	(144,407)	981	804,125	(82,740)	1,072
Total comprehensive income/(loss) for the period, net of tax	1,703,610	(36,750)	4,736	982,413	219,665	347

Statement of Financial Position

As at	30-Sep-2023	31-Dec-2022	Change
	Rs. ' 000	(Audited) Rs. ' 000	%
Assets			
Cash and cash equivalents	2,122,843	1,232,272	72
Balances with Central Bank of Sri Lanka	632,152	1,311,926	(52)
Securities purchased under resale agreements	706,040	-	-
Derivative financial instruments	1,394	-	-
Financial assets at amortized cost - Loans and advances to other customers	36,798,255	35,960,080	2
Financial assets at amortized cost - Debt and other financial instruments	1,976,310	1,996,950	(1)
Financial assets measured at fair value through other comprehensive income	19,651,315	10,253,496	92
Property, plant & equipment	476,130	475,180	0
Intangible assets	298,661	335,150	(11)
Deferred tax assets	209,545	955,721	(78)
Other assets	1,852,214	1,232,032	50
Total assets	64,724,858	53,752,809	20
Liabilities and equity			
Due to banks	459,172	514,193	(11)
Derivative financial instruments	1,400	30	4,567
Financial liabilities at amortized cost - Due to depositors	44,859,249	37,802,680	19
Financial liabilities at amortized cost - Other borrowers	4,915,920	3,688,924	33
Retirement benefit obligations	97,092	96,806	0
Lease liability	329,625	340,542	(3)
Other liabilities	2,638,485	1,589,329	66
Total liabilities	53,300,943	44,032,504	21
Equity			
Stated capital	11,394,421	11,394,421	-
Statutory reserves	56,774	56,774	-
Other reserves	1,139,072	(132,751)	958
Retained losses	(1,166,352)	(1,598,139)	27
Total equity attributable to equity holders of the Bank	11,423,915	9,720,305	18
Total liabilities and equity	64,724,858	53,752,809	20
Contingent liabilities & commitments	16,034,491	22,292,738	
Net assets value per share (Rs.)	12.94	11.01	
Memorandum information			
Number of employees	610	598	
Number of branches	24	23	

Certification:

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

(Sgd.)

D Gajanayaka

Head of Finance

We, the undersigned, being the Managing Director and the Chairman of Cargills Bank Limited, certify jointly that;

(A) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka,

(B) the information contained in these statements have been extracted from the unaudited Financial Statements of the Bank, unless indicated as audited.

(Sgd.)

K B S Bandara

Managing Director/Chief Executive Officer

(Sgd.)

R A Ebell

Chairman

28 November 2023
Colombo

Statement of Changes in Equity

	Stated capital	Statutory reserves	Fair Value through Other Comprehensive Income Reserve	Retained losses	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01.01.2022 - Audited	11,394,421	32,386	(46,132)	(2,055,814)	9,324,862
Total comprehensive income for the period ended 30.09.2022					
Profit/(Loss) for the period	-	-	-	107,657	107,657
Other comprehensive income/(loss), net of tax	-	-	(144,407)	-	(144,407)
Total comprehensive income/(loss) for the period	-	-	(144,407)	107,657	(36,750)
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30.09.2022	11,394,421	32,386	(190,539)	(1,948,157)	9,288,112
Total comprehensive income for the period 01.10.2022 to 31.12.2022					
Profit/(Loss) for the period	-	-	-	380,107	380,107
Other comprehensive income/(loss), net of tax	-	-	57,788	(5,701)	52,087
Total comprehensive income/(loss) for the period	-	-	57,788	374,406	432,194
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserve	-	24,388	-	(24,388)	-
Total transactions with owners	-	24,388	-	(24,388)	-
Balance as at 01.01.2023 - Audited	11,394,421	56,774	(132,751)	(1,598,139)	9,720,305
Total comprehensive income for the period ended 30.09.2023					
Profit/(Loss) for the period	-	-	-	431,787	431,787
Other comprehensive income/(loss), net of tax	-	-	1,271,823	-	1,271,823
Total comprehensive income/(loss) for the period	-	-	1,271,823	431,787	1,703,610
Transactions with owners in their capacity as owners					
Issue of shares	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
Balance as at 30.09.2023	11,394,421	56,774	1,139,072	(1,166,352)	11,423,915

Statement of Cash Flows

	For the Nine months ended	
	30-Sep-2023 Rs. '000	30-Sep-2022 Rs. '000
Cash flows from operating activities		
Profit/(Loss) before income tax	724,614	101,802
Adjustments for:		
Non-cash items included in profit/(loss) before tax	1,135,133	2,285,393
Interest paid on lease liability	(31,834)	(24,149)
Gains/(losses) on sale of property, plant & equipment and other assets	-	386
Dividend income	(373)	-
Benefits paid on defined benefit plans	(16,507)	(8,177)
Change in operating assets	(9,682,370)	(144,215)
Change in operating liabilities	8,090,987	(3,052,501)
Net cash generated from/(used in) operating activities	219,650	(841,462)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(88,092)	(47,740)
Proceeds from sale of property, plant and equipment	-	531
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	(145,023)	(238,617)
Cash flows from financing activities		
Payment of lease liability	(10,917)	(101,334)
Change in securities sold under repurchase agreements and other borrowings	834,000	1,860,430
Net cash generated from/(used in) financing activities	823,083	1,759,096
Net increase/(decrease) in cash and cash equivalents	897,710	679,017
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	2,158,049	1,901,475
Less: Impairment on cash and cash equivalents	(35,206)	(12,377)
Total cash and cash equivalents	2,122,843	1,889,098

Classification of Financial Assets and Financial Liabilities

	Fair value through P/L	Fair Value through OCI	Amortized Cost	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 30.09.2023				
Financial assets				
Cash and cash equivalents	-	-	2,122,843	2,122,843
Balances with Central Bank of Sri Lanka	-	-	632,152	632,152
Securities purchased under resale agreements	-	-	706,040	706,040
Derivative financial instruments	1,394	-	-	1,394
Financial assets at amortized cost - Loans and advances to other customers	-	-	36,798,255	36,798,255
Financial assets at amortized cost - Debt and other financial instruments	-	-	1,976,310	1,976,310
Financial assets at fair value through other comprehensive income - Debt securities	-	19,633,299	-	19,633,299
Financial assets at fair value through other comprehensive income - Equity securities	-	18,016	-	18,016
Other assets*	-	-	1,310,193	1,310,193
Total financial assets	1,394	19,651,315	43,545,793	63,198,502
Financial liabilities				
Due to banks	-	-	459,172	459,172
Derivative financial instruments	1,400	-	-	1,400
Financial liabilities at amortized cost - Due to depositors	-	-	44,859,249	44,859,249
Financial liabilities at amortized cost - Other borrowings	-	-	4,915,920	4,915,920
Lease liability	-	-	329,625	329,625
Other liabilities**	-	-	2,172,377	2,172,377
Total financial liabilities	1,400	-	52,736,343	52,737,743
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
Securities purchased under resale agreements	-	-	-	-
Derivative financial instruments	-	-	-	-
Financial assets at amortized costs- Loans & Advances to other customers	-	-	35,960,080	35,960,080
Financial assets at amortized costs - Debt and other financial instruments	-	-	1,996,950	1,996,950
Financial assets at fair value through other comprehensive income - Debt securities	-	10,235,480	-	10,235,480
Financial assets at fair value through other comprehensive income - Equity securities	-	18,016	-	18,016
Other assets*	-	-	775,904	775,904
Total financial assets	-	10,253,496	41,277,132	51,530,628
Financial liabilities				
Due to banks	-	-	514,193	514,193
Derivative financial instruments	30	-	-	30
Financial liabilities at amortized cost - Due to depositors	-	-	37,802,680	37,802,680
Financial liabilities at amortized cost - Other borrowings	-	-	3,688,924	3,688,924
Lease liability	-	-	340,542	340,542
Other liabilities**	-	-	1,158,596	1,158,596
Total financial liabilities	30	-	43,504,935	43,504,965

* Other assets only include other receivables

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

Fair Value Hierarchy

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

- **Level 1 : Fair value measurement using unadjusted quoted market prices**

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

- **Level 2 : Fair value measurement using significant observable inputs**

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

- (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.

Financial instruments measured at fair value - fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 30 September 2023				
Financial Assets				
Derivative financial instruments	-	1,394	-	1,394
Financial assets measured at fair value through other comprehensive income				
Debt Securities	19,633,299	-	-	19,633,299
Equity Securities	-	-	18,016	18,016
Total assets at fair value	19,633,299	1,394	18,016	19,652,709
Liabilities				
Derivative financial instruments	-	1,400	-	1,400
Total liabilities at fair value	-	1,400	-	1,400
As at 31 December 2022 - Audited				
Financial Assets				
Derivative financial instruments	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Debt Securities	10,235,480	-	-	10,235,480
Equity Securities	-	-	18,016	18,016
Total assets at fair value	10,235,480	-	18,016	10,253,496
Liabilities				
Derivative financial instruments	-	30	-	30
Total liabilities at fair value	-	30	-	30

Additional Disclosures

As at	30-Sep-2023	31-Dec-2022 (Audited)		
	Rs. '000	Rs. '000		
Loans and advances to other customers				
Gross loans and advances	41,540,716	40,249,717		
Less : Stage-wise impairment				
Stage 1	127,185	132,422		
Stage 2	1,006,229	1,026,985		
Stage 3	3,609,047	3,130,230		
Total impairment for loans and advances	4,742,461	4,289,637		
Total Net loans and advances	36,798,255	35,960,080		
Product wise Gross loans and advances to other customers				
By product - Domestic Currency				
Overdrafts	5,408,223	5,848,747		
Trade finance	2,155,553	2,040,049		
Staff loans	258,635	263,202		
Housing loans	1,021,529	1,183,963		
Personal loans	2,989,976	3,507,052		
Term loans	14,297,315	14,941,418		
Agriculture loans	519,565	456,584		
Vehicle loans	57,843	71,476		
Loans against Property	1,522,762	1,725,097		
Revolving loans	3,904,829	4,013,385		
Money market loans	3,314,769	392,058		
Credit card	1,655,927	1,554,323		
Micro finance	42,895	49,094		
Others	370,529	297,988		
Sub total	37,520,350	36,344,436		
By product - Foreign Currency				
Trade finance	1,395,163	904,923		
Housing loans	73,399	98,333		
Term loans	2,502,244	2,847,598		
Overdrafts	8,970	8,970		
Others	40,590	45,456		
Sub total	4,020,366	3,905,281		
Total Gross loans & advances	41,540,716	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 - Audited	132,422	1,026,985	3,130,230	4,289,637
Charge / (write back) to income statement	2,398	5,695	561,793	569,887
Exchange rate variance on foreign currency provisions	(7,636)	(26,451)	(82,975)	(117,062)
Closing balance as at 30 September 2023	127,185	1,006,229	3,609,048	4,742,462
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 - Audited	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 - Audited	132,422	1,026,985	3,130,230	4,289,637

Additional Disclosures Contd.

		30-Sep-2023	31-Dec-2022 (Audited)	
		Rs. '000	Rs. '000	
As at				
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees		6,294,635	7,372,782	
Letters of credit		50,422	520,821	
Bills for collection		-	1,236,904	
Undrawn commitments		7,227,531	11,643,163	
Capital commitments and other		116,537	273,659	
Sub total		13,689,125	21,047,330	
By product - Foreign Currency				
Guarantees		531,049	343,707	
Letters of credit		669,091	20,860	
Bills for collection		23,256	33,563	
Forwards purchase		408,113	961,452	
Spots purchase		841,943	20	
Sub total		2,473,451	1,359,601	
Total Commitments and Contingencies		16,162,576	22,406,931	
Movement in impairment during the period for Commitments and Contingencies				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2023 - Audited	46,252	43,284	24,637	114,173
Charge/ (write back) to income statement	(10,866)	(34,939)	59,717	13,912
Closing balance as at 30 September 2023	35,386	8,345	84,354	128,085
As at				
Due to depositors				
By product - Domestic currency				
Current account deposits		1,642,394	1,688,146	
Savings deposits		6,756,973	5,122,446	
Call deposits		3,843	83,373	
Time deposits		33,168,987	27,518,903	
Certificates of deposit		63,747	172,541	
Margin deposits		34,710	40,682	
Sub total		41,670,654	34,626,092	
By product - Foreign currency				
Current account deposits		83,480	303,357	
Savings deposits		1,200,192	823,523	
Time deposits		1,904,471	2,010,850	
Margin deposits		452	38,858	
Sub total		3,188,594	3,176,589	
Total deposits		44,859,249	37,802,680	

Selected Performance Indicators

As at	30-Sep-2023	31-Dec-2022
Regulatory Capital (Rs. '000)		
Common Equity Tier 1	8,421,461	8,421,461
Total 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%)	16.93	18.95
Total Tier 1 Capital Ratio (Minimum Requirement - 8.5%)	19.95	22.32
Total Capital Ratio (Minimum Requirement - 12.5%)	20.43	22.85
Leverage Ratio (Minimum Requirement - 3%)	12.19	14.45
Regulatory Liquidity		
Statutory Liquid Assets, (Rs. '000) - Bank	18,668,524	11,061,874
Statutory Liquid Assets Ratio - Total Bank, % - (Minimum Requirement - 20%)	37.72	27.00
Total Stock of High-Quality Liquid Assets (Rs. '000)	18,184,189	9,087,222
Liquidity Coverage Ratio, % - (Minimum Requirement - 2023 - 100% , 2022 - 90%)		
Rupee, %	320.17	176.00
All currency, %	244.12	140.51
Net Stable Funding Ratio (%) - (Minimum Requirement - 2023 - 100% , 2022 - 90%)	119.50	127
Assets Quality (Quality of Loan Portfolio)		
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans	6.64	4.85
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)	52.74	51.15
Profitability		
Interest Margin,%	6.19	5.99
Return on Assets (before tax),%	1.49	0.36
Return on Equity,%	5.54	5.28

Explanatory Notes

1) These Financial Statements are prepared in accordance with LKAS 34 - Interim Financial Reporting issued by the Institute of Chartered Accountants of Sri Lanka. There were no changes to Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31 December 2022.

2) 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.

3) 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 September 2023. The Management also made approximate overlay adjustments to reflect the increased credit risk profiles of borrowers due to the 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.

4) Income Tax - Year of Assessment 2013/2014

The Commissioner General of Inland Revenue (CGIR) issued a Notice of Assessment for the Year of Assessment 2013/2014. The Bank has appealed before the 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.

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

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

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

Operating Segments

For the Nine months ended 30 September	Banking		Treasury/ Investments		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Net interest income	2,601,377	2,300,070	178,455	126,698	-	-	2,779,832	2,426,768
Net fees and commission income	582,664	634,675	7,465	6,029	-	-	590,129	640,704
Net gains/(losses) from derecognition of financial assets	-	-	167,365	13,265	-	-	167,365	13,265
Foreign exchange profit	116,711	(679,453)	102,851	744,653	-	-	219,561	65,200
Other income	4,180	47,488	-	375	373	386	4,553	48,249
Total operating income by segment	3,304,931	2,302,780	456,136	891,020	373	386	3,761,440	3,194,186
Impairment losses	(599,886)	(1,201,637)	(7,251)	(4,673)	-	-	(607,137)	(1,206,310)
Net operating income	2,705,045	1,101,143	448,884	886,347	373	386	3,154,303	1,987,876
Personnel and other operating expenses	(1,874,867)	(1,436,638)	(21,181)	(16,435)	-	-	(1,896,048)	(1,453,073)
Depreciation and amortisation	(244,213)	(265,727)	(130)	(195)	-	-	(244,343)	(265,922)
Total operating expenses	(2,119,080)	(1,702,364)	(21,311)	(16,630)	-	-	(2,140,391)	(1,718,994)
Operating profit/(loss) by segment	585,965	(601,221)	427,573	869,717	373	386	1,013,912	268,882
VAT on financial services	(289,298)	(167,080)	-	-	-	-	(289,298)	(167,080)
Profit/(Loss) before tax by segment	296,667	(768,301)	427,573	869,717	373	386	724,614	101,802
Tax expense							(292,827)	5,855
Profit/(Loss) for the period							431,787	107,657
As at	30 Sep 2023	31 Dec 2022 Audited	30 Sep 2023	31 Dec 2022 Audited	30 Sep 2023	31 Dec 2022 Audited	30 Sep 2023	31 Dec 2022 Audited
Other information								
Segment assets	43,108,761	38,948,114	21,616,097	14,804,695	-	-	64,724,858	53,752,809
Segment liabilities	48,579,860	40,062,922	4,721,083	3,969,582	-	-	53,300,943	44,032,504

Shareholders' Information

Twenty three largest shareholders as at 30 September 2023		No. of shares	%
1	Cargills (Ceylon) PLC	350,696,905	39.71 *
2	CT Holdings PLC	223,345,953	25.29 *
3	Monetary Board of Sri Lanka - On Behalf of EPF	44,000,000	4.98
4	Multitex Investment Limited	30,800,000	3.49
5	MJF Foundation Investments (Pvt) Ltd	28,000,000	3.17
6	Softlogic Life Insurance PLC	26,600,000	3.01
7	MAS Amaliya (Pvt) Ltd	22,000,000	2.49
8	Rosewood (Pvt) Ltd	16,000,000	1.81
9	Phoenix Ventures Limited	13,200,000	1.49
10	Aindri Holdings Pte Ltd	11,000,000	1.25
11	A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.25
12	Softlogic Holdings PLC	10,000,000	1.13
13	Gardiya Lokuge Harris Premaratne	9,089,000	1.03
14	Merrill Joseph Fernando	7,800,000	0.88
15	Softlogic Capital PLC	7,400,000	0.84
16	GF Capital Global Limited	6,100,000	0.69
17	Periyasampillai Barathakumar	4,400,000	0.50
18	Periyasampillai Muruganandhan	4,400,000	0.50
19	Periyasampillai Anandarajah	4,400,000	0.50
20	Periyasampillai Devaraj	4,400,000	0.50
21	Periyasampillai Barathamamickam	4,400,000	0.50
22	Ishara Chinthaka Nanayakkara	4,400,000	0.50
23	Lalan Rubber Holdings (Pvt) Ltd	4,400,000	0.50
	Sub total	847,831,858	96.00
	Other Shareholders	35,311,000	4.00
	Total	883,142,858	100.00

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



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