

INTERIM FINANCIAL STATEMENTS

2019

FOR THE THREE MONTHS ENDED 31 MARCH 2019



Cargills Bank Limited Income Statement

	Three months ended		
	31-Mar-19 Rs. '000	31-Mar-18 Rs. '000	Change %
Interest income	990,798	876,862	13
Interest expenses	(561,416)	(415,253)	(35)
Net interest income	429,382	461,609	(7)
Fees and commission income	80,362	47,175	70
Fees and commission expenses	(26,872)	(13,897)	(93)
Net fees and commission income	53,490	33,278	61
Net gains / (losses) from trading	25,310	(816)	3,202
Net gains from derecognition of financial assets	(4,039)	18,151	(122)
Net other operating income	(8,734)	26,217	(133)
Total other income	12,537	43,552	(71)
Total operating income	495,409	538,439	(8)
Impairment for loans and other losses			
Loans and advances to customers	(298,572)	(79,199)	(277)
Financial assets	(24,774)	-	-
Others	-	-	-
Total impairment for loans and other losses	(323,346)	(79,199)	(308)
Net operating income	172,063	459,240	(63)
Personnel expenses	(186,285)	(169,151)	(10)
Depreciation and amortisation	(94,459)	(52,450)	(80)
Other operating expenses	(196,797)	(154,820)	(27)
Total operating Expenses	(477,541)	(376,421)	(27)
Operating profit/ (Loss) before Value Added Tax (VAT) and Nation Building Tax (NBT)	(305,478)	82,819	(469)
VAT and NBT on financial services	15,070	(36,650)	141
Debt Repayment Levy	7,799	-	-
Profit / (Loss) before tax	(282,609)	46,169	(712)
Tax expenses	86,071	(27,885)	409
Profit / (Loss) for the period	(196,538)	18,284	(1,175)
Earnings per share (Rs.)	(0.22)	0.58	(138)

*The financial statements for the three months ended 31 March 2019 have been prepared in accordance with Sri Lanka Accounting Standards-SLFRS 9 (Financial Instruments), whereas prior period financial statements have not been restated. (Refer explanatory notes - Note 3)

Cargills Bank Limited
Statement of Profit or Loss and Other Comprehensive Income

	Three months ended		
	31-Mar-19 Rs. '000	31-Mar-18 Rs. '000	Change %
Profit/ (Loss) for the period	(196,538)	18,284	(1,175)
Other comprehensive income, net of tax			
Items that will never be reclassified to profit & loss			
Net actuarial gains/(loss) on defined benefit obligation	-	-	-
Deferred tax related to the above	-	-	-
Fair valuation of Equity instruments	-	-	-
Deferred tax related to the above	-	-	-
	-	-	-
Items that are or may be reclassified to profit & loss			
Net gains / (losses) on re-measuring in financial assets measured at fair value through other comprehensive income/Available for sale	36,235	(33,332)	209
Deferred tax related to the above	(10,146)	9,333	(209)
	26,089	(23,999)	209
			-
Other comprehensive income/ (expense) for the period, net of tax	26,089	(23,999)	209
			-
Total comprehensive income/ (expense) for the period, net of tax	(170,449)	(5,715)	(2,882)

Cargills Bank Limited
Statement of Financial Position

As at	31-Mar-19 Rs. '000	31-Dec-18 (Audited) Rs. '000
Assets		
Cash and cash equivalents	4,760,852	1,231,655
Balances with Central Bank	1,522,249	994,405
Derivative financial instruments	11,022	24
Financial assets at amortized costs- Loans & Advances to other customers	25,669,425	23,917,397
Financial assets at Amortized costs - Debt and other Instruments	493,106	524,002
Financial assets measured at fair value through other comprehensive income	6,073,136	5,548,169
Property, plant & equipment	467,838	488,148
Intangible assets	446,060	474,374
Deferred tax assets	244,833	168,776
Other assets	354,272	456,170
Total assets	40,042,793	33,803,120
Liabilities and equity		
Due to banks	4,289,840	1,364,712
Derivative financial instruments	774	15,004
Financial liabilities at amortized cost - Due to depositors	21,731,523	19,902,741
Financial liabilities at amortized cost - Due to other borrowers	1,925,529	662,523
Retirement benefit obligation	54,233	51,233
Other liabilities	1,187,380	782,945
Total liabilities	29,189,279	22,779,158
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	32,386	32,386
Other reserves	(2,148)	(28,237)
Accumulated loss	(571,146)	(374,608)
Total equity attributable to equity holders of the bank	10,853,514	11,023,962
Total liabilities and equity	40,042,793	33,803,120
Contingent liabilities & commitments	17,623,338	17,891,677
Net assets value per ordinary share (Rs.)	12.29	12.48
Memorandum information:		
No. of employees	587	586
No. of branches	19	19

Certification:

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

Sgd.

N Thamichelvan

Head of Financial Reporting

We, the undersigned, being the Executive Director and the Senior Director 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 the Bank, unless indicated as audited.

Sgd.

P S Mathavan

Executive Director

27/05/2019

Colombo

Sgd.

E M M Boyagoda

Senior Director

Cargills Bank Limited
Statement of Changes in Equity

	Stated capital	Statutory reserve	Available-for-sale reserve	Accumulated loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01.01.2018-Audited	11,394,421	26,246	10,546	(236,882)	11,194,331
Total comprehensive income for the three months ended 31.03.2018					
Profit for the period	-	-	-	18,284	18,284
Other comprehensive income, net of tax	-	-	(23,999)	-	(23,999)
Total comprehensive income for the period	-	-	(23,999)	18,284	(5,715)
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 31.03.2018	11,394,421	26,246	(13,453)	(218,598)	11,188,616
Balance as at 01.01.2019-Audited	11,394,421	32,386	(28,237)	(374,608)	11,023,962
Total comprehensive income for the three months ended 31.03.2019					
Profit for the period	-	-	-	(196,538)	(196,538)
Other comprehensive income, net of tax	-	-	26,089	-	26,089
Total comprehensive income for the period	-	-	26,089	(196,538)	(170,449)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 31.03.2019	11,394,421	32,386	(2,148)	(571,146)	10,853,514

Cargills Bank Limited
Statement of Cash Flows

	Three months ended	
	31-Mar-19 Rs. '000	31-Mar-18 Rs. '000
<i>Cash flows from operating activities</i>		
Profit / (Loss) before tax	(282,609)	46,169
<i>Adjustments for:</i>		
Non-cash items included in profit before tax	420,805	133,149
Change in operating assets	(2,945,389)	(3,345,919)
Change in operating liabilities	6,013,725	2,400,136
Gains/ (losses) on sale of property, plant & equipment and other assets	-	(600)
Benefits paid on defined benefit plans	-	(1,687)
Tax paid	-	-
Net cash from/ (used in) operating activities	3,206,533	(768,152)
<i>Cash flows from investing activities</i>		
Net purchase of property, plant and equipment	(43,290)	(55,523)
Net purchase of intangible assets	(2,546)	(97,424)
Dividend received	-	-
Net cash from/ (used in) investing activities	(45,836)	(152,947)
<i>Cash flows from financing activities</i>		
Change in securities sold under repurchase agreements	372,226	774,932
Net cash from/ (used in) financing activities	372,226	774,932
Net increase (decrease) in cash and cash equivalents	3,532,923	(146,167)
Cash and cash equivalents at the beginning of the period	1,234,721	685,652
Cash and cash equivalents at the end of the period	4,767,644	539,485

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 31.03.2019				
Financial assets				
Cash and cash equivalents	-	-	4,760,852	4,760,852
Balances with Central Bank of Sri Lanka	-	-	1,522,249	1,522,249
Placements with Banks	-	-	-	-
Derivative financial instruments	11,022	-	-	11,022
Financial assets at Amortized costs-Loans & Advances to Banks	-	-	-	-
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	25,669,425	25,669,425
Financial assets at Amortized costs - Debt and other Instruments	-	-	493,106	493,106
Financial assets -at fair value through other comprehensive income	-	6,061,240	-	6,061,240
Equity Instruments	-	11,896	-	11,896
Other assets	-	-	354,272	354,272
Total financial assets	11,022	6,073,136	32,799,904	38,884,062
Financial liabilities				
Due to banks	-	-	4,289,840	4,289,840
Derivative financial instruments	774	-	-	774
Financial liabilities at amortized cost - Due to depositors	-	-	21,731,523	21,731,523
Financial liabilities at amortized cost - Due to other borrowers	-	-	1,925,529	1,925,529
Other liabilities	-	-	1,187,380	1,187,380
Total financial liabilities	774	-	29,134,272	29,135,046
As at 31.12.2018-Audited				
Financial assets				
Cash and cash equivalents	-	-	1,231,655	1,231,655
Balances with Central Bank of Sri Lanka	-	-	994,405	994,405
Placements with Banks	-	-	-	-
Derivative financial instruments	24	-	-	24
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	23,917,397	23,917,397
Financial assets -at fair value through other comprehensive income	-	5,536,273	-	5,536,273
Equity Instruments	-	11,896	-	11,896
Other assets	-	-	456,169	456,169
Total financial assets	24	5,548,169	27,123,628	32,671,821
Financial liabilities				
Due to banks	-	-	1,364,712	1,364,712
Derivative financial instruments	15,004	-	-	15,004
Financial liabilities at amortized cost - Due to depos	-	-	19,902,741	19,902,741
Financial liabilities at amortized cost - Due to other	-	-	662,523	662,523
Other liabilities	-	-	782,945	782,945
Total financial liabilities	15,004	-	22,712,921	22,727,925

Cargills Bank Limited
Selected Performance Indicators

As at	31-Mar-2019	31-Dec-2018
Regulatory Capital (LKR'000)		
Common Equity Tier 1	10,487,651	10,380,812
Tier 1 Capital	10,487,651	10,380,812
Total Capital	10,611,885	10,498,601
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - Minimum Requirement - 7% (2018- 6.375%)	28.46	32.27
Tier 1 capital Ratio - Minimum Requirement - 8.5% (2018 - 7.875%)	28.46	32.27
Total Capital Ratio - Minimum Requirement - 12.5% (2018 - 11.875%)	28.80	32.62
Leverage Ratio - Minimum Requirement- 3%	22.66	
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	6,758,419	7,162,868
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	30.79	29.68
Off-Shore Banking Unit, %	89.66	94.44
Total Stock of High-Quality Liquid Assets (LKR Million)	5,768,767	4,358,975
Liquidity coverage Ratio, % - Minimum requirement - 100% (2018 - 90%)		
Rupee, %	154.46	125.75
All currency, %	124.73	107.24
Net Stable Funding Ratio (%) - Minimum Requirement - 90%	119.00	
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	9.65	6.04
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	8.56	4.73
Profitability		
Interest Margin,%	4.81	5.88
Return on Assets (before Tax),%	-3.17	0.47
Return on Equity,%	-6.93	1.09

Explanatory Notes

- These Financial Statements are prepared in accordance with LKAS 34 - Interim Financial Reporting laid down 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 December 31, 2018, except for Accounting Policies and methods of computation adopted to be compliant with requirements of Sri Lanka Accounting Standard SLFRS - 16 on Leases, which became effective for annual financial periods from January 01, 2019.
- Total temporary differences arising from tax losses and tax credits amount to Rs. 757 Mn, resulting in a deferred tax asset of Rs. 212 Mn at 31 March 2019. Based on internal assessments carried out by the Board of Directors, recognition of the deferred tax asset has been limited to Rs. 84 Mn. The unrecognized deferred tax asset as at 31 March 2019 was Rs 128 Mn.
- Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments" which replaced the Standard LKAS 39 on "Financial Instruments: Recognition and Measurement" became effective for annual reporting periods beginning on or after January 1, 2018. As permitted by a Statement of Alternative Treatment allowed by CA Sri Lanka, the Bank prepared its interim Financial Statements for the quarter ended 31 March 2018 based on LKAS 39. The entire impact on adoption of SLFRS 9 was recorded in the last quarter of 2018. The financial statements for the quarter ended 31 March 2019 have been prepared in accordance with SLFRS 9 and the financial statements for the corresponding previous period have not been restated.

The operation of the Bank commenced during the year ended 31st December 2014 and it had only 2 years of historical default data for the majority of its products at the date of transition to SLFRS 9. In order to address the consequent limitations in the Bank's impairment model, the Bank made a management overlay adjustment (maturity adjustment) to the ECL model using the average provisioning cover of three peer banks with mature portfolios. Such adjustment resulted in recognition of an additional ECL of Rs. 222 Mn at the date of transition. In the absence of observable proxy indicators of default of peer banks, such approach was expected to address the requirement of circular No. 4 of 2018 issued by the Central Bank of Sri Lanka.

At 31 December 2018, a post-model adjustment was made to the maturity adjustment recognized effective 31 December 2017 to reflect the loss experience relative to the increase in portfolio maturity between 31 December 2017 and 31 December 2018.
- The Commissioner General of Inland Revenue (CGIR) issued a Notice of Assessment claiming Rs. 120 Mn for the Year of Assessment 2013/2014, disallowing some expenses and capital allowances claimed by the Bank, on the basis that it was not in commercial operation at the time and could not therefore make these deductions in arriving at Taxable Income for that Year of Assessment. The Bank did not agree with the determination issued by the CGIR and therefore appealed to the Tax Appeals Commission. The Bank awaits the hearing of this appeal. Having sought professional advice, the Bank is confident that the expenses and allowances claimed in arriving at Taxable income as per Inland Revenue Act No. 24 of 2006 and amendments thereto and accordingly can be sustained.
- 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-Mar-2019 Rs. '000	31-Dec-2018 Rs. '000
Loans and receivables to other customers		
Gross loans and receivables		
Stage 1	19,060,935	18,458,332
Stage 2	4,256,909	4,644,834
Stage 3	3,457,456	1,621,535
Total Gross loans and receivables	26,775,300	24,724,701
Less: Stage-wise Impairment		
Stage 1	184,330	172,103
Stage 2	220,560	226,003
Stage 3	700,986	409,198
Total impairment for loans and advances	1,105,876	807,304
Net loans and receivables	25,669,424	23,917,397
Product wise Gross Loans and receivables to other customers		
By product - Domestic Currency		
Overdrafts	5,601,713	4,606,331
Trade finance	2,015,294	1,897,007
Staff Loans	181,433	168,882
Housing loans	866,891	991,799
Personal loans	3,918,318	3,639,919
Term loans	6,006,126	5,563,554
Agriculture loans	507,308	517,022
Vehicle loans	66,064	53,065
Loans against Property	1,239,361	1,140,647
Money market loans	3,624,175	3,626,488
Bills receivable	(0)	226
Credit Card	256,919	136,931
Micro Finance	47,687	39,115
Sub total	24,331,289	22,380,986
By product - Foreign Currency		
Trade finance	783,156	670,821
Housing loans	88,716	96,694
Money market loans	76,846	87,056
Term loans	1,470,830	1,480,054
Overdrafts	8,710	9,090
Bills receivable	15,753	-
Sub total	2,444,011	2,343,715
Total Gross Loans & Advances	26,775,300	24,724,701

Movement in impairment during the period for loans and receivables to other customers- 2019

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2019	172,103	226,003	409,198	807,304
Charge/ (write back) to income statement	12,227	(5,443)	291,788	298,572
Closing balance as at 31 March 2019	184,330	220,560	700,986	1,105,876

Movement in impairment during the period for loans and receivables to other customers - 2018

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2018	-	-	-	-
Adjustment on initial application of SLFRS 09	246,339	78,530	184,053	508,922
Adjusted balance as at 01 January 2018	246,339	78,530	184,053	508,922
Charge/ (write back) to income statement	(74,236)	147,473	225,145	298,382
Closing balance as at 31 December 2018	172,103	226,003	409,198	807,304

Cargills Bank Limited
Additional Disclosures

As at	31-Mar-2019 Rs. '000	31-Dec-2018 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	5,840,925	5,417,050		
Letters of credit	242,095	895,826		
Forward Purchase Fin Institutions	888,664	721,340		
Spots Purchase Fin Institutions	219,383	91,485		
Bills For Collection	200,254	217,311		
Undrawn credit lines	8,470,848	10,164,901		
Other commitments	45,836	52,135		
Sub total	15,908,006	17,560,048		
By product - Foreign Currency				
Guarantees	197,395	197,395		
Letters of credit	1,008,418	2,174		
Bills For Collection	115,313	98,357		
Forward Purchase Fin Institutions	390,828	32,770		
Spots Purchase Fin Institutions	3,379	933		
Sub total	1,715,333	331,629		
Total Commitments and Contingencies	17,623,338	17,891,677		
Movement in impairment during the period for Commitments and Contingencies				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2019	2,990	1,037	23,547	27,573
Charge/ (write back) to income statement	9,883	(252)	11,540	21,171
Closing balance as at 31 March 2019	12,872	785	35,087	48,744
Due to other customers				
By product - Domestic Currency				
Current account deposits	1,092,468	941,674		
Savings deposits	1,916,411	1,875,499		
Call Deposits	32,101	-		
Time deposits	16,226,928	14,932,254		
Certificate of deposits	1,016,620	860,905		
Margin deposits	104,272	130,939		
Sub total	20,388,800	18,741,271		
By product - Foreign Currency				
Current account deposits	54,286	49,185		
Savings deposits	605,204	423,721		
Time deposits	683,233	688,564		
Sub total	1,342,723	1,161,470		
Total deposits	21,731,523	19,902,741		

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 31 March 2019		No. of shares	%
1	Cargills (Ceylon) PLC	350,696,905	39.71 *
2	CT Holdings PLC	223,345,953	25.29 *
3	Monetary Board of Sri Lanka - On Behalf of EPF	44,000,000	4.98
4	Mulitex Investment Limited	30,800,000	3.49
5	MJF Foundation Investments (Pvt) Ltd	28,000,000	3.17
6	Softlogic Life Insurance PLC	26,600,000	3.01
7	MAS Amaliya (Pvt) Ltd	22,000,000	2.49
8	Rosewood (Pvt) Ltd	16,000,000	1.81
9	Phoenix Ventures Limited	13,200,000	1.49
10	Aindri Holdings Pte Ltd	11,000,000	1.25
11	A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.25
12	Softlogic Holdings PLC	10,000,000	1.13
13	Gardiya Lokuge Harris Premaratne	9,089,000	1.03
14	Merrill Joseph Fernando	7,800,000	0.88
15	Softlogic Finance 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
Other Shareholders		35,311,000	4
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.