

INTERIM FINANCIAL
STATEMENTS

2018

FOR THE PERIOD ENDED 30 JUNE 2018



Cargills Bank Limited
Income Statement

	For the Six months ended			For the Quarter ended		
	30-Jun-18 Rs. '000	30-Jun-17 Rs. '000	Change %	30-Jun-18 Rs. '000	30-Jun-17 Rs. '000	Change %
Interest income	1,868,724	1,233,144	52	991,860	654,201	52
Interest expenses	(875,821)	(547,272)	(60)	(460,568)	(296,523)	(55)
Net interest income	992,903	685,872	45	531,292	357,678	49
Fees and commission income	101,385	69,203	47	54,209	31,975	70
Fees and commission expenses	(26,608)	(17,661)	(51)	(12,711)	(9,455)	(34)
Net fees and commission income	74,777	51,542	45	41,498	22,520	84
Net gains / (losses) from trading	4,524	3,204	41	5,340	(600)	990
Net gains/(losses) from financial instruments at fair value through profit & loss	-	-	-	-	-	-
Net gains / (losses) from financial investments	19,108	5,972	220	957	4,437	(78)
Other income	57,359	53,366	7	31,142	25,380	23
Total other income	80,991	62,542	29	37,439	29,217	28
Total operating income	1,148,671	799,956	44	610,229	409,415	49
Impairment for loans and other losses						
Individual impairment	(93,723)	(28,836)	(225)	(39,432)	(14,228)	(177)
Collective impairment	(48,392)	(15,180)	(219)	(23,483)	(18,284)	(28)
Others	(14)	2,493	(101)	(14)	(998)	99
Total impairment for loans and other losses	(142,129)	(41,523)	(242)	(62,929)	(33,510)	(88)
Net operating income	1,006,542	758,433	33	547,300	375,905	46
Personnel expenses	(349,584)	(254,051)	(38)	(180,432)	(127,453)	(42)
Depreciation and amortisation	(114,878)	(68,230)	(68)	(62,428)	(34,579)	(81)
Other operating expenses	(314,208)	(275,503)	(14)	(159,389)	(145,769)	(9)
Total operating Expenses	(778,670)	(597,784)	(30)	(402,249)	(307,801)	(31)
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT)	227,872	160,649	42	145,051	68,104	113
VAT and NBT on financial services	(86,831)	(54,328)	(60)	(50,180)	(29,001)	(73)
Profit before tax	141,041	106,321	33	94,871	39,103	143
Tax expenses	(70,241)	(44,544)	(58)	(42,356)	(19,448)	(118)
Profit for the period	70,800	61,777	15	52,515	19,655	167
Earnings per share (Rs.)	0.08	0.07	15	0.06	0.02	167

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

	For the Six months ended			For the Quarter ended		
	30-Jun-18 Rs. '000	30-Jun-17 Rs. '000	Change %	30-Jun-18 Rs. '000	30-Jun-17 Rs. '000	Change %
Profit for the year	70,800	61,777	15	52,515	19,655	167
Other comprehensive income, net of tax						
Items that will never be reclassified to profit & loss						
Net actuarial gains on defined benefit obligation	-	-	-	-	-	-
Deferred tax asset on net actuarial gains on defined benefit plans	-	-	-	-	-	-
	-	-	-	-	-	-
Items that are or may be reclassified to profit & loss						
Net gains / (losses) on re-measuring available for sale financial assets						
Sri Lanka government securities	(28,349)	11,324	(350)	4,983	16,035	(69)
Deferred tax asset on available for sale reserve	7,938	(3,171)	350	(1,395)	(4,490)	69
	(20,411)	8,153	(350)	3,588	11,545	(69)
Other comprehensive income for the year, net of tax	(20,411)	8,153	(350)	3,588	11,545	(69)
Total comprehensive income for the year, net of tax	50,389	69,930	(28)	56,103	31,200	80

Cargills Bank Limited
Statement of Financial Position

As at	30-Jun-18 Rs. '000	31-Dec-17 (Audited) Rs. '000
Assets		
Cash and cash equivalents	684,452	2,805,146
Balances with Central Bank	1,091,591	925,719
Placements with banks	2,782,292	1,916,176
Derivative financial instruments	5,718	1,272
Other investments	278,183	-
Loans and receivables to banks	-	44,131
Loans and receivables to other customers	24,456,675	20,797,560
Financial investments available for sale	5,256,731	4,751,412
Held to maturity financial investments	324,921	-
Property, plant & equipment	415,411	347,234
Intangible assets	449,972	340,493
Deferred tax assets	86,777	139,752
Other assets	449,252	443,816
Total assets	36,281,975	32,512,711
Liabilities and equity		
Due to banks	887,868	961,253
Derivative financial instruments	1,943	1,397
Due to other customers	23,183,272	18,808,432
Securities sold under repurchase agreements	145,935	742,994
Other liabilities	818,238	804,304
Total liabilities	25,037,256	21,318,380
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	26,246	26,246
Other reserves	(9,865)	10,546
Accumulated loss	(166,083)	(236,882)
Total equity attributable to equity holders of the bank	11,244,719	11,194,331
Total liabilities and equity	36,281,975	32,512,711
Contingent liabilities & commitments	15,005,361	18,751,069
Net assets value per ordinary share (Rs.)	12.73	12.68
Memorandum information:		
No. of employees	493	451
No. of branches	19	17

Certification:

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

N Thamichelvan

Head of Financial Reporting

We, the undersigned, being the Managing 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.

R Theagarajah

Managing Director/ Chief Executive Officer

23-Aug-2018

Colombo

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 01.01.2017-Audited	11,394,421	603	(16,098)	(725,747)	10,653,179
Total comprehensive income for the six months ended 30.06.2017					
Profit for the period	-	-	-	61,777	61,777
Other comprehensive income, net of tax	-	-	8,153	-	8,153
Total comprehensive income for the period	-	-	8,153	61,777	69,930
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.06.2017	11,394,421	603	(7,945)	(663,970)	10,723,109
Total comprehensive income for the period 01.07.2017 to 31.12.2017					
Profit for the period	-	-	-	451,082	451,082
Other comprehensive income/ (loss) net of tax	-	-	18,491	1,649	20,140
Total comprehensive income for the period	-	-	18,491	452,730	471,221
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	25,643	-	(25,643)	-
Total Contributions and distributions	-	25,643	-	(25,643)	-
Balance as at 01.01.2018-Audited	11,394,421	26,246	10,546	(236,883)	11,194,331
Total comprehensive income for the six months ended 30.06.2018					
Profit for the period	-	-	-	70,800	70,800
Other comprehensive income, net of tax	-	-	(20,411)	-	(20,411)
Total comprehensive income for the period	-	-	(20,411)	70,800	50,389
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.06.2018	11,394,421	26,246	(9,865)	(166,083)	11,244,719

Cargills Bank Limited
Statement of Cash Flows

	For the 6 months ended	
	30-Jun-18 Rs. '000	30-Jun-17 Rs. '000
<i>Cash flows from operating activities</i>		
Profit before tax	141,041	106,321
<i>Adjustments for:</i>		
Non-cash items included in profit before tax	276,041	108,038
Change in operating assets	(5,935,746)	(3,421,054)
Change in operating liabilities	4,289,115	3,477,208
Benefits paid on defined benefit plans	(1,078)	(2,342)
Net cash from/ (used in) operating activities	(1,230,627)	268,171
<i>Cash flows from investing activities</i>		
Net purchase of property, plant and equipment	(126,870)	(94,091)
Proceeds from sale of property, plant and equipment	1,597	3,750
Net purchase of intangible assets	(167,734)	(43,867)
Net cash from/ (used in) investing activities	(293,007)	(134,208)
<i>Cash flows from financing activities</i>		
Change in securities sold under repurchase agreements	(597,060)	(133,206)
Net cash from/ (used in) financing activities	(597,060)	(133,206)
Net increase (decrease) in cash and cash equivalents	(2,120,694)	757
Cash and cash equivalents at the beginning of the period	2,805,146	618,120
Cash and cash equivalents at the end of the period	684,452	618,877

Cargills Bank Limited
Classification of Financial Assets and Financial Liabilities

	Held for trading	Loans and receivables	Available for sale	Other amortized cost	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 30.06.2018					
Financial assets					
Cash and cash equivalents	-	684,452	-	-	684,452
Balance with Central Bank	-	1,091,591	-	-	1,091,591
Placements with banks	-	2,782,292	-	-	2,782,292
Derivative financial instruments	5,718	-	-	-	5,718
Other investments	-	278,183	-	-	278,183
Loans and receivables to banks	-	-	-	-	-
Loans and receivables to other customers	-	24,456,675	-	-	24,456,675
Financial investments available for sale	-	-	5,256,731	-	5,256,731
Financial investments held to maturity	-	-	-	-	-
Held to maturity	-	-	-	324,921	324,921
Other assets	-	-	-	112,689	112,689
Total financial assets	5,718	29,293,193	5,256,731	437,610	34,993,252
Financial liabilities					
Due to banks	-	-	-	887,868	887,868
Derivative financial instruments	1,943	-	-	-	1,943
Due to other customers	-	-	-	23,183,272	23,183,272
Securities sold under repurchase agreements	-	-	-	145,935	145,935
Other liabilities	-	-	-	393,255	393,255
Total financial liabilities	1,943	-	-	24,610,330	24,612,273
As at 31.12.2017-Audited					
Financial assets					
Cash and cash equivalents	-	2,805,146	-	-	2,805,146
Balance with Central Bank	-	925,719	-	-	925,719
Placements with banks	-	1,916,176	-	-	1,916,176
Derivative financial instruments	1,272	-	-	-	1,272
Loans and receivables to banks	-	44,131	-	-	44,131
Loans and receivables to other customers	-	20,797,560	-	-	20,797,560
Financial investments available for sale	-	-	4,751,412	-	4,751,412
Other assets	-	139,172	-	-	139,172
Total financial assets	1,272	26,627,904	4,751,412	-	31,380,588
Financial liabilities					
Due to banks	-	-	-	961,253	961,253
Derivative financial instruments	1,397	-	-	-	1,397
Due to other customers	-	-	-	18,808,432	18,808,432
Securities sold under repurchase agreements	-	-	-	742,994	742,994
Other liabilities	-	-	-	391,406	391,406
Total financial liabilities	1,397	-	-	20,904,085	20,905,482

Cargills Bank Limited
Selected Performance Indicators

As at	30-Jun-2018	31-Dec-2017
Regulatory Capital (LKR'000)		
Common Equity Tier 1	10,707,970	10,714,086
Tier 1 Capital	10,707,970	10,714,086
Total Capital	10,811,847	10,828,381
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 5.75%)	34.09	34.39
Tier 1 capital Ratio (Minimum Requirement - 7.25%)	34.09	34.39
Total Capital Ratio (Minimum Requirement - 11.25%)	34.42	34.76
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	3.14	3.55
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	2.64	3.46
Profitability		
Interest Margin,%	5.87	5.53
Return on Assets (before Tax),%	0.83	2.32
Return on Equity,%	1.26	4.69
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	6,726,664	8,263,439
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	27.31	43.99
Off-Shore Banking Unit, %	43.59	4,150
Liquidity coverage Ratio, % (Minimum requirement,80%)		
Rupee, %	244.95	200.20
All currency, %	240.08	228.81

Explanatory Notes

1). 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. 7 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto. These Financial Statements, except for information on 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 format prescribed by CBSL for the preparation, presentation and publication of Annual Audited Financial Statements of Licensed Commercial Banks.

2). The total temporary differences arising from tax losses and tax credits amounted to Rs. 998 Mn resulting in a deferred tax asset of Rs. 279 Mn as at 30 June 2018. Based on internal assessments carried out by the Board of Directors, the recognition of the deferred tax asset has been limited to Rs. 151 Mn. The unrecognized deferred tax asset as at 30 June 2018 was Rs 128 Mn.

3). There was no pending litigation of a material nature against the bank.

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

5). Sri Lanka Accounting Standard- SLFRS 9 on "Financial Instruments"

The Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments" which replaces the existing Standard LKAS 39 on "Financial Instruments: Recognition and Measurement" has become effective for annual reporting periods beginning or after January 01, 2018. SLFRS 09 replaces the "Incurred Loss Model" in LKAS 39 with the forward looking "Expected Loss Credit Model (ECL)" which requires considerable judgement over how changes in economic factors affect ECL, which in turn has to be determined on a probability weighted basis. SLFRS 09 also contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed based on their cash flow characteristics.

Based on the "Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements" issued by The Institute of Chartered Accountants of Sri Lanka, entities are granted the option of preparing Interim Financial Statements continuing application of LKAS 39, with disclosures of the impact on the Income Statement and Statement of Profit or Loss and Other Comprehensive Income for the period if SLFRS 09 had been applied.

The Bank has completed the initial assessment of the impact on its Financial Statements for the year ended December 31, 2016, resulting from the application of SLFRS 9 with the assistance of an external consultant. Based on the assessments undertaken to date which are yet to be audited, the total estimated additional loan loss provision on the Financial Statements as at December 31, 2016 on adoption of SLFRS 9 is expected to be in the range of 35%-45% of the total impairment provision as per the previously applicable LKAS 39.

6). No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the financial statements.

7). The comparative information has been reclassified/ restated where necessary to conform to the current period's classification in order to provide a better presentation.

Cargills Bank Limited
Additional Disclosures

As at	30-Jun-2018 Rs. '000	31-Dec-2017 Rs. '000
1) Loans and receivables to other customers		
Gross loans and receivables	24,869,047	21,067,586
(Less): Individual impairment	249,454	155,731
(Less): Collective impairment	162,918	114,295
Net loans and receivables	24,456,675	20,797,560
2) Loans and receivables to other customers - By product		
By product - Domestic Currency		
Loans and advances		
Overdrafts	6,581,611	4,574,378
Trade finance	2,322,828	2,065,947
Staff Loans	120,837	143,811
Housing loans	987,756	708,152
Personal loans	3,621,906	3,267,366
Term loans	5,080,050	5,230,098
Agriculture loans	510,881	530,880
Vehicle loans	34,104	32,867
Loans against Property	635,082	165,126
Money market loans	3,092,718	3,101,583
Bills receivable	4,802	7,894
Credit Card	5,481	-
Micro Finance	15,720	-
Sub total	23,013,776	19,828,102
By product - Foreign Currency		
Trade finance	745,838	636,050
Housing loans	31,515	-
Money market loans	85,067	180,758
Term loans	984,675	415,004
Overdrafts	8,176	7,672
Bills receivable	-	-
Sub total	1,855,271	1,239,484
Total Gross Loans & Advances	24,869,047	21,067,586
3) Movement in individual and collective impairment during the period for loans and receivables to other customers		
Movement in allowance for individual impairment		
Opening balance	155,731	68,949
Charge to income statement	93,723	86,782
Net write-off (recoveries) during the period	-	-
Closing balance	249,454	155,731
Movement in allowance for collective impairment		
Opening balance	114,295	68,189
Charge to income statement	48,392	46,081
Exchange rate variance on foreign currency provisions	231	25
Closing balance	162,918	114,295
Total impairment	412,372	270,026
4) Due to other customers - By product		
By product - Domestic Currency		
Current account deposits	1,421,404	478,628
Savings deposits	1,578,355	2,049,397
Time deposits	14,888,847	10,983,365
Certificate of deposits	686,471	764,467
Margin deposits	100,756	16,249
Sub total	18,675,833	14,292,106
By product - Foreign Currency		
Current account deposits	47,168	16,198
Savings deposits	2,155,696	1,525,102
Time deposits	2,304,575	2,975,026
Sub total	4,507,439	4,516,326
Total deposits	23,183,272	18,808,432

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 30 June 2018	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 Barathanamickam	4,400,000	0.50
22 Rajah Mahinda 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.