

INTERIM FINANCIAL STATEMENTS

2018

FOR THE PERIOD ENDED 30 SEPTEMBER 2018



Cargills Bank Limited Income Statement

	For the nine months ended			For the Quarter ended		
	30-Sep-18 Rs. '000	30-Sep-17 Rs. '000	Change %	30-Sep-18 Rs. '000	30-Sep-17 Rs. '000	Change %
Interest income	2,883,579	1,999,590	44	1,014,855	766,447	32
Interest expenses	(1,353,361)	(949,650)	(43)	(477,541)	(402,378)	(19)
Net interest income	1,530,218	1,049,940	46	537,314	364,069	48
Fees and commission income	161,519	113,305	43	60,134	44,102	36
Fees and commission expenses	(46,683)	(32,896)	(42)	(20,067)	(15,235)	(32)
Net fees and commission income	114,836	80,409	43	40,067	28,867	39
Net gains / (losses) from trading	(3,003)	3,214	(193)	(7,527)	10	(75,370)
Net gains / (losses) from financial investments	17,898	17,871	0	(1,210)	11,898	(110)
Other income*	95,814	549,783	(83)	37,563	496,417	(92)
Total other income	110,709	570,868	(81)	28,826	508,325	(94)
Total operating income	1,755,763	1,701,217	3	606,207	901,261	(33)
Impairment for loans and other losses						
Individual impairment	(118,822)	(31,589)	(276)	(25,099)	(2,754)	(811)
Collective impairment	(117,857)	(47,960)	(146)	(69,466)	(32,780)	(112)
Others	(13)	6,226	(100)	1	3,733	(100)
Total impairment for loans and other losses	(236,692)	(73,323)	(223)	(94,564)	(31,801)	(197)
Net operating income	1,519,071	1,627,894	(7)	511,643	869,460	(41)
Personnel expenses	(542,385)	(387,787)	(40)	(192,801)	(133,735)	(44)
Depreciation and amortisation	(176,615)	(114,034)	(55)	(61,737)	(45,804)	(35)
Other operating expenses	(490,484)	(452,498)	(8)	(175,383)	(176,995)	1
Total operating Expenses	(1,209,484)	(954,319)	(27)	(429,921)	(356,534)	(21)
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT)	309,587	673,575	(54)	81,722	512,926	(84)
VAT and NBT on financial services	(124,789)	(80,918)	(54)	(37,959)	(26,589)	(43)
Profit before tax	184,798	592,657	(69)	43,763	486,337	(91)
Tax expenses	(113,321)	(66,048)	(72)	(43,080)	(21,504)	(100)
Profit for the period	71,477	526,609	(86)	683	464,833	(100)
Earnings per share (Rs.)	0.08	0.60	(87)	0.00	0.53	(100)

* The comparative information Includes gain on disposal of the Bank's subsidiary - Rs. 481 Mn

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

	For the nine months ended			For the Quarter ended		
	30-Sep-18 Rs. '000	30-Sep-17 Rs. '000	Change %	30-Sep-18 Rs. '000	30-Sep-17 Rs. '000	Change %
Profit for the year	71,477	526,609	(86)	683	464,833	(100)
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	(35,381)	23,714	(249)	(7,032)	12,390	(157)
Deferred tax asset on available for sale reserve	9,907	(6,640)	249	1,969	(3,469)	157
	(25,474)	17,074	(249)	(5,063)	8,921	(157)
			-			
Other comprehensive income for the year, net of tax	(25,474)	17,074	(249)	(5,063)	8,921	(157)
			-			
Total comprehensive income for the year, net of tax	46,003	543,683	(92)	(4,380)	473,753	(101)

Cargills Bank Limited
Statement of Financial Position

As at	30-Sep-18 Rs. '000	31-Dec-17 (Audited) Rs. '000
Assets		
Cash and cash equivalents	841,633	2,805,146
Balances with Central Bank	1,070,479	925,719
Placements with banks	169,296	1,916,176
Derivative financial instruments	3,006	1,272
Other investments	278,183	-
Loans and receivables to banks	-	44,131
Loans and receivables to other customers	24,539,130	20,797,560
Financial investments available for sale	5,166,609	4,751,412
Held to maturity financial investments	342,657	-
Property, plant & equipment	420,603	347,234
Intangible assets	436,656	340,493
Deferred tax assets	56,752	139,752
Other assets	546,748	443,816
Total assets	33,871,752	32,512,711
Liabilities and equity		
Due to banks	1,707,052	961,253
Derivative financial instruments	6,842	1,397
Due to other customers	18,810,881	18,808,432
Securities sold under repurchase agreements	1,283,845	742,994
Other liabilities	822,798	804,304
Total liabilities	22,631,418	21,318,380
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	26,246	26,246
Other reserves	(14,928)	10,546
Accumulated loss	(165,405)	(236,882)
Total equity attributable to equity holders of the bank	11,240,334	11,194,331
Total liabilities and equity	33,871,752	32,512,711
Contingent liabilities & commitments	19,406,065	18,751,069
Net assets value per ordinary share (Rs.)	12.73	12.68
Memorandum information:		
No. of employees	524	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 Thamilchelvan

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

2-Nov-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 nine months ended 30.09.2017					
Profit for the period	-	-	-	526,609	526,609
Other comprehensive income, net of tax	-	-	17,074	-	17,074
Total comprehensive income for the period	-	-	17,074	526,609	543,683
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.09.2017	11,394,421	603	976	(199,138)	11,196,862
Total comprehensive income for the period 01.10.2017 to 31.12.2017					
Loss for the period	-	-	-	(13,750)	(13,750)
Other comprehensive income/ (loss) net of tax	-	-	9,570	1,649	11,219
Total comprehensive income for the period	-	-	9,570	(12,101)	(2,531)
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 nine months ended 30.09.2018					
Profit for the period	-	-	-	71,477	71,477
Other comprehensive income, net of tax	-	-	(25,474)	-	(25,474)
Total comprehensive income for the period	-	-	(25,474)	71,477	46,003
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.09.2018	11,394,421	26,246	(14,928)	(165,405)	11,240,334

Cargills Bank Limited
Statement of Cash Flows

	For the 9 months ended	
	30-Sep-18 Rs. '000	30-Sep-17 Rs. '000
Cash flows from operating activities		
Profit before tax	184,798	592,657
Adjustments for:		
Non-cash items included in profit before tax	435,017	(310,033)
Change in operating assets	(3,508,847)	(11,277,893)
Change in operating liabilities	730,820	10,509,659
Benefits paid on defined benefit plans	(1,078)	(2,930)
Net cash from/ (used in) operating activities	(2,159,290)	(489,140)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(173,170)	(185,853)
Proceeds from sale of property, plant and equipment	1,597	3,750
Net purchase of intangible assets	(174,270)	(170,654)
Net cash from/ (used in) investing activities	(345,073)	713,416
Cash flows from financing activities		
Change in securities sold under repurchase agreements	540,850	38,951
Net cash from/ (used in) financing activities	540,850	38,951
Net increase (decrease) in cash and cash equivalents	(1,963,513)	263,228
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	841,633	881,348

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 30.09.2018					
Financial assets					
Cash and cash equivalents	-	841,633	-	-	841,633
Balance with Central Bank	-	1,070,479	-	-	1,070,479
Placements with banks	-	169,296	-	-	169,296
Derivative financial instruments	3,006	-	-	-	3,006
Other investments	-	278,183	-	-	278,183
Loans and receivables to banks	-	-	-	-	-
Loans and receivables to other customers	-	24,539,130	-	-	24,539,130
Financial investments available for sale	-	-	5,166,609	-	5,166,609
Financial investments held to maturity	-	-	-	-	-
Held to maturity	-	-	-	342,657	342,657
Other assets	-	-	-	170,323	170,323
Total financial assets	3,006	26,898,721	5,166,609	512,980	32,581,316
Financial liabilities					
Due to banks	-	-	-	1,707,052	1,707,052
Derivative financial instruments	6,842	-	-	-	6,842
Due to other customers	-	-	-	18,810,881	18,810,881
Securities sold under repurchase agreements	-	-	-	1,283,845	1,283,845
Other liabilities	-	-	-	361,881	361,881
Total financial liabilities	6,842	-	-	22,163,659	22,170,501
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-Sep-2018	31-Dec-2017
Regulatory Capital (LKR'000)		
Common Equity Tier 1	10,696,705	10,714,086
Tier 1 Capital	10,696,705	10,714,086
Total Capital	10,813,661	10,828,381
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 5.75%)	32.34	34.39
Tier 1 capital Ratio (Minimum Requirement - 7.25%)	32.34	34.39
Total Capital Ratio (Minimum Requirement - 11.25%)	32.69	34.76
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	5.78	3.55
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	5.24	3.46
Profitability		
Interest Margin,%	5.94	5.53
Return on Assets (before Tax),%	0.72	2.32
Return on Equity,%	0.84	4.69
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	7,162,868	8,263,439
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	29.68	43.99
Off-Shore Banking Unit, %	94.44	4,150
Liquidity coverage Ratio, % (Minimum requirement,80%)		
Rupee, %	125.75	200.20
All currency, %	107.24	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. 842 Mn resulting in a deferred tax asset of Rs. 236 Mn as at 30 September 2018. Based on internal assessments carried out by the Board of Directors, the recognition of the deferred tax asset has been limited to Rs. 108 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 it's 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 assessments undertaken for 2017 which are yet to be audited, the total estimated additional loan loss provision on the Financial Statements as at December 31, 2017 on adoption of SLFRS 9 is expected to be in the range of 40% - 45% of the total impairment provision as per LKAS 39. The bank is in the process of assessing the impact of SLFRS 9 for 2018.

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-Sep-2018 Rs. '000	31-Dec-2017 Rs. '000
1) Loans and receivables to other customers		
Gross loans and receivables	25,046,569	21,067,586
(Less): Individual impairment	274,553	155,731
(Less): Collective impairment	232,886	114,295
Net loans and receivables	24,539,130	20,797,560
2) Loans and receivables to other customers - By product		
By product - Domestic Currency		
Loans and advances		
Overdrafts	5,753,499	4,574,378
Trade finance	2,129,149	2,065,947
Staff Loans	181,240	143,811
Housing loans	1,033,373	708,152
Personal loans	3,675,556	3,267,366
Term loans	5,327,719	5,230,098
Agriculture loans	488,320	530,880
Vehicle loans	39,826	32,867
Loans against Property	987,762	165,126
Money market loans	2,972,787	3,101,583
Bills receivable	-	7,894
Credit Card	54,986	-
Micro Finance	26,013	-
Sub total	22,670,230	19,828,102
By product - Foreign Currency		
Trade finance	833,362	636,050
Housing loans	78,179	-
Money market loans	84,432	180,758
Term loans	1,371,802	415,004
Overdrafts	8,564	7,672
Bills receivable	-	-
Sub total	2,376,339	1,239,484
Total Gross Loans & Advances	25,046,569	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	118,822	86,782
Net write-off (recoveries) during the period	-	-
Closing balance	274,553	155,731
Movement in allowance for collective impairment		
Opening balance	114,295	68,189
Charge to income statement	117,857	46,081
Exchange rate variance on foreign currency provisions	734	25
Closing balance	232,886	114,295
Total impairment	507,440	270,026
4) Due to other customers - By product		
By product - Domestic Currency		
Current account deposits	840,658	478,628
Savings deposits	1,591,142	2,049,397
Call Deposits	12,771	-
Time deposits	13,162,317	10,983,365
Certificate of deposits	757,403	764,467
Margin deposits	40,362	16,249
Sub total	16,404,653	14,292,106
By product - Foreign Currency		
Current account deposits	20,416	16,198
Savings deposits	494,314	1,525,102
Time deposits	1,891,498	2,975,026
Sub total	2,406,228	4,516,326
Total deposits	18,810,881	18,808,432

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 30 September 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	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.