

INTERIM FINANCIAL STATEMENTS

2020

FOR THE SIX MONTHS ENDED 30 JUNE 2020



Cargills Bank Limited Income Statement

	For the six months ended			For the Quarter ended		
	30-Jun-20 Rs. '000	30-Jun-19 Rs. '000	Change %	30-Jun-20 Rs. '000	30-Jun-19 Rs. '000	Change %
Interest income	2,173,759	2,036,620	7	1,077,699	1,045,821	3
Interest expenses	(1,276,160)	(1,175,993)	(9)	(639,723)	(614,577)	(4)
Net interest income	897,599	860,627	4	437,976	431,244	2
Fees and commission income	193,954	163,157	19	73,424	82,795	(11)
Fees and commission expenses	(95,843)	(58,127)	(65)	(47,568)	(31,256)	(52)
Net fees and commission income	98,111	105,030	(7)	25,856	51,539	(50)
Net gains / (losses) from trading	16,432	18,068	(9)	24,243	(7,242)	435
Net gains from derecognition of financial assets	37,132	34,027	9	27,099	38,066	(29)
Net other operating income	8,261	38,956	(79)	(22,583)	47,690	(147)
Total other income	61,825	91,051	(32)	28,759	78,514	(63)
Total operating income	1,057,535	1,056,708	-	492,591	561,297	(12)
Impairment for loans and other losses						
Loans and advances to customers	(658,506)	(469,744)	(40)	(379,371)	(150,001)	(153)
Financial assets	(12,265)	1,470	(934)	(14,226)	5,073	(380)
Total impairment for loans and other losses	(670,771)	(468,274)	(43)	(393,597)	(144,928)	(172)
Net operating income	386,764	588,434	(34)	98,994	416,369	(76)
Personnel expenses	(397,827)	(407,583)	2	(176,199)	(221,298)	20
Depreciation and amortisation	(243,389)	(193,419)	(26)	(137,152)	(98,960)	(39)
Other operating expenses	(399,244)	(412,629)	3	(188,664)	(215,832)	13
Total operating Expenses	(1,040,460)	(1,013,631)	(3)	(502,015)	(536,090)	6
Operating profit/ (Loss) before Value Added Tax (VAT) and National Sales Tax (NST)	(653,696)	(425,197)	(54)	(403,021)	(119,721)	(237)
VAT and NBT on financial services	-	428	(100)	-	(14,642)	100
Debt Repayment Levy	-	76	-	-	(7,723)	-
Profit / (Loss) before tax	(653,696)	(424,692)	(54)	(403,021)	(142,086)	(184)
Tax expenses	105,499	163,738	(36)	97,425	77,667	25
Profit / (Loss) for the period	(548,197)	(260,954)	(110)	(305,596)	(64,418)	(374)
Earnings per share (Rs.)	(0.62)	(0.30)	(110)	(0.35)	(0.07)	(374)

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

	For the six months ended			For the Quarter ended		
	30-Jun-20	30-Jun-19	Change	30-Jun-20	30-Jun-19	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Profit/ (Loss) for the period	(548,197)	(260,954)	(110)	(305,596)	(64,418)	(374)
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	-	-	-	-	-	-
	-	-	-	-	11,334	(100)
Items that are or may be reclassified to profit & loss						
Treasury Bills	57,279	10,480	447	21,679	2,692	705
Treasury Bonds	142,339	66,230	115	139,748	37,784	270
Net gains / (losses) on re-measuring in financial assets measured at fair value through other comprehensive income	199,618	76,710	160	161,427	40,476	299
Deferred tax related to the above	(55,893)	(21,479)	(160)	(45,200)	(11,333)	(299)
	143,725	55,231	160	116,227	29,143	299
			-			
Other comprehensive income/ (expense) for the period, net of tax	143,725	55,231	160	116,227	29,143	299
			-			
Total comprehensive income/ (expense) for the period, net of tax	(404,472)	(205,723)	(97)	(189,369)	(35,276)	(437)

Cargills Bank Limited
Statement of Financial Position

As at	30-Jun-20 Rs. '000	31-Dec-19 (Audited) Rs. '000
Assets		
Cash and cash equivalents	714,955	993,133
Balances with Central Bank	501,293	1,040,397
Placements with banks	550,412	689,336
Securities purchased under resale agreements	3,000,776	-
Derivative financial instruments	14,471	386
Financial assets at amortized costs- Loans & Advances to other customers	28,777,685	27,013,673
Financial assets at Amortized costs - Debt and other Instruments	463,171	477,663
Financial assets measured at fair value through other comprehensive income	9,376,254	6,667,681
Property, plant & equipment	734,136	858,304
Intangible assets	360,934	457,570
Deferred tax assets	416,386	366,648
Other assets	652,364	573,743
Total assets	45,562,837	39,138,534
Liabilities and equity		
Due to banks	1,511,362	1,517,942
Derivative financial instruments	-	2,281
Financial liabilities at amortized cost - Due to depositors	31,882,289	25,042,562
Financial liabilities at amortized cost - Due to other borrowers	949,563	948,298
Retirement benefit obligation	49,810	43,577
Lease Liability	390,899	444,214
Other liabilities	750,921	707,195
Total liabilities	35,534,844	28,706,069
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	32,386	32,386
Other reserves	179,495	35,770
Accumulated loss	(1,578,309)	(1,030,112)
Total equity attributable to equity holders of the bank	10,027,993	10,432,465
Total liabilities and equity	45,562,837	39,138,534
Contingent liabilities & commitments	14,080,324	11,638,569
Net assets value per ordinary share (Rs.)	11.35	11.81
Memorandum information:		
No. of employees	650	650
No. of branches	20	19

Certification:

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

Sgd.

A R M I Sanjeewanie

Head of Finance

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.

Sgd.

R. Theagarajah

Managing Director

25.08.2020

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 01.01.2019-Audited	11,394,421	32,386	(28,237)	(374,608)	11,023,962
Total comprehensive income for the six months ended 30.06.2019					
Profit for the period	-	-	-	(260,954)	(260,954)
Other comprehensive income, net of tax	-	-	55,231	-	55,231
Total comprehensive income for the period	-	-	55,231	(260,954)	(205,723)
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.06.2019	11,394,421	32,386	26,994	(635,562)	10,818,239
Balance as at 01.01.2020-Audited	11,394,421	32,386	35,770	(1,030,112)	10,432,465
Total comprehensive income for the six months ended 30.06.2020					
Profit for the period	-	-	-	(548,197)	(548,197)
Other comprehensive income, net of tax	-	-	143,725	-	143,725
Total comprehensive income for the period	-	-	143,725	(548,197)	(404,472)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.06.2020	11,394,421	32,386	179,495	(1,578,309)	10,027,993

Cargills Bank Limited
Statement of Cash Flows

	For the Quarter ended	
	30-Jun-20 Rs. '000	30-Jun-19 Rs. '000
<i>Cash flows from operating activities</i>		
Profit / (Loss) before tax	(653,696)	(424,692)
<i>Adjustments for:</i>		
Non-cash items included in profit before tax	932,219	667,304
Change in operating assets	(7,374,358)	(2,613,723)
Change in operating liabilities	6,893,902	2,580,387
Income tax reversal	-	-
Interest paid on lease liability	(25,064)	-
Interest expense on borrowings	-	-
Net gains from investing activities		
Gains/ (losses) on sale of property, plant & equipment and other assets	(157)	(6,868)
Benefits paid on defined benefit plans	(90)	(269)
Net cash from/ (used in) operating activities	(202,180)	202,139
<i>Cash flows from investing activities</i>		
Net purchase of property, plant and equipment	(22,838)	(74,827)
Proceeds from sale of property, plant and equipment	157	7,751
Net purchase of intangible assets	405	(32,052)
Net cash from/ (used in) investing activities	(22,277)	(99,128)
<i>Cash flows from financing activities</i>		
Payment of lease liability	(53,314)	-
Change in securities sold under repurchase agreements	(685)	(454,949)
Net cash from/ (used in) financing activities	(53,999)	(454,949)
Net increase (decrease) in cash and cash equivalents	(278,456)	(351,939)
Cash and cash equivalents at the beginning of the period	994,853	1,234,721
Cash and cash equivalents at the end of the period	716,397	882,782

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 30.06.2020				
Financial assets				
Cash and cash equivalents	-	-	714,955	714,955
Balances with Central Bank of Sri Lanka	-	-	501,293	501,293
Placements with Banks	-	-	550,412	550,412
Securities purchased under resale agreements	-	3,000,776	-	3,000,776
Derivative financial instruments	14,471	-	-	14,471
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	28,777,685	28,777,685
Financial assets at Amortized costs - Debt and other Instruments	-	-	463,171	463,171
Financial assets -at fair value through other comprehensive income	-	9,362,808	-	9,362,808
Equity Instruments	-	13,446	-	13,446
Other assets*	-	-	208,256	208,256
Total financial assets	14,471	12,377,030	31,215,771	43,607,272
Financial liabilities				
Due to banks	-	-	1,511,362	1,511,362
Derivative financial instruments	-	-	-	-
Financial liabilities at amortized cost - Due to depositors	-	-	31,882,289	31,882,289
Financial liabilities at amortized cost - Due to other borrowers	-	-	949,563	949,563
Lease Liability	-	-	390,899	390,899
Other liabilities**	-	-	396,435	396,435
Total financial liabilities	-	-	35,130,548	35,130,548
As at 31.12.2019-Audited				
Financial assets				
Cash and cash equivalents	-	-	993,133	993,133
Balances with Central Bank of Sri Lanka	-	-	1,040,397	1,040,397
Placements with Banks	-	-	689,336	689,336
Derivative financial instruments	386	-	-	386
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	27,013,674	27,013,674
Financial assets at Amortized costs - Debt and other Instruments	-	-	477,663	477,663
Financial assets -at fair value through other comprehensive income	-	6,654,236	-	6,654,236
Equity Instruments	-	13,446	-	13,446
Other assets*	-	-	327,094	327,094
Total financial assets	386	6,667,682	30,541,297	37,209,365
Financial liabilities				
Due to banks	-	-	1,517,942	1,517,942
Derivative financial instruments	2,281	-	-	2,281
Financial liabilities at amortized cost - Due to depositors	-	-	25,042,562	25,042,562
Financial liabilities at amortized cost - Due to other borrowers	-	-	948,298	948,298
Lease Liability	-	-	444,214	444,214
Other liabilities**	-	-	403,844	403,844
Total financial liabilities	2,281	-	28,356,860	28,359,141

*Other assets only include other receivables

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

Cargills Bank Limited
Selected Performance Indicators

As at	30-Jun-2020	31-Dec-2019
Regulatory Capital (LKR'000)		
Common Equity Tier 1	9,043,607	10,355,341
Tier 1 Capital	9,043,607	10,355,341
Total Capital	9,226,885	10,541,765
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - Minimum Requirement - 6.5% (2019- 7%)	22.86	28.73
Tier 1 capital Ratio - Minimum Requirement - 8% (2019 - 8.5%)	22.86	28.73
Total Capital Ratio - Minimum Requirement - 12% (2019 - 12.5%)	23.33	29.25
Leverage Ratio - Minimum Requirement- 3%	18.07	23.57
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	11,452,842	8,413,619
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	35.69	32.65
Off-Shore Banking Unit, %	117.14	1,115.25
Total Stock of High-Quality Liquid Assets (LKR Million)	12,799,461	7,034,760
Liquidity coverage Ratio, % - Minimum requirement - 90% (2019-100%)		
Rupee, %	182	280.70
All currency, %	152.34	203.59
Net Stable Funding Ratio (%) - Minimum Requirement - 90% (2019-100%)	122	120
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	16.68	12.79
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	11.84	10.01
Profitability		
Interest Margin,%	4.31	5.55
Return on Assets (before Tax),%	-3.14	-2.41
Return on Equity,%	-10.17	-5.96

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, 2019.
- On 11 March 2020, the World Health Organization declared the Coronavirus-COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries now affected and has resulted in disruptions to overall global economic activity effecting most industries and sub-sectors.
Due to its potential impact on Sri Lankan individuals and businesses, Central Bank of Sri Lanka (CBSL) issued several circulars and guidelines introducing different relief measures to safeguard the affected. These relief measures include deferment of repayment terms of credit facilities, offering concessionary rates of interest to eligible loan products and waiving off certain fees and charges.

The Bank estimated Expected Credit Loss (ECL) as at 30 June 2020, based on the Probability of Default (PD) and Loss Given Default (LGD) computed as at 31 December 2019 in compliance with the guidance note issued by CA Sri Lanka on accounting implications of COVID 19.
The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement. A change to the Economic Factor Adjustment (EFA) was made to reflect the present economic conditions inline with the guidance issued by CA Sri Lanka and this would be reviewed further in the ensuing quarters. The Bank would reassess its portfolio post moratorium and changes would be made in impairment provisioning in line with repayments after the relief period.

The COVID 19 pandemic would increase the non-performing loans and advances of the bank and coupled with the negative impact arising from the debt moratorium relief granted by CBSL on interest income, fee income and cashflows, will result in lower profitability of the Bank. The quantification of these have not been fully captured in these Financial statements.
- Total temporary differences arising from tax losses and tax credits amount to Rs. 1,442 Mn, resulting in a deferred tax asset of Rs. 403 Mn at 30 June 2020. Based on internal assessments carried out by the Board of Directors, recognition of the deferred tax asset has been limited to Rs. 288 Mn. The unrecognized deferred tax asset as at 30 June 2020 was Rs 115 Mn.
- The authorities have proposed a reduction in the income tax rate applicable to the banking sector 28% to 24% which is pending formal approval from the parliament as an amendment to the Inland Revenue Act No 24 of 2017. As it is not considered as substantially enacted as at the reporting date, both income tax and deferred tax were calculated at the rate of 28% for the period ended 30 June 2020.
Had the impact of the proposed reduction been adjusted the net deferred tax asset as at 30 June 2020 would have been reduced by Rs.58 Mn.
- 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.
- 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	30-Jun-2020 Rs. '000	31-Dec-2019 Rs. '000
Loans and receivables to other customers		
Gross loans and receivables	31,310,497	28,870,614
Less: Stage-wise Impairment		
Stage 1	126,775	90,053
Stage 2	418,821	186,449
Stage 3	1,987,217	1,580,437
Total impairment for loans and advances	2,532,813	1,856,940
Net loans and receivables	28,777,684	27,013,674
Product wise Gross Loans and receivables to other customers		
By product - Domestic Currency		
Overdrafts	6,062,472	6,099,113
Trade finance	1,909,118	1,625,997
Staff Loans	229,385	199,215
Housing loans	1,020,855	970,701
Personal loans	3,890,286	3,587,429
Term loans	7,640,672	6,739,350
Agriculture loans	352,324	445,312
Vehicle loans	78,439	64,915
Loans against Property	1,606,915	1,463,448
Money market loans	4,846,116	4,008,163
Bills receivable	-	-
Credit Card	1,355,165	860,228
Micro Finance	67,016	59,719
Others	5,427	-
Sub total	29,064,190	26,123,591
By product - Foreign Currency		
Trade finance	1,064,703	1,017,315
Housing loans	67,916	63,186
Money market loans	-	-
Term loans	1,113,689	1,656,838
Overdrafts	-	9,684
Sub total	2,246,308	2,747,022
Total Gross Loans & Advances	31,310,498	28,870,613

Movement in impairment during the period for loans and receivables to other customers- Q2 2020

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2020	90,053	186,449	1,580,437	1,856,940
Charge/ (write back) to income statement	36,721	232,372	406,780	675,873
Closing balance as at 30 June 2020	126,775	418,821	1,987,217	2,532,813

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	(82,050)	(39,554)	1,171,239	1,049,636
Closing balance as at 31 December 2019	90,053	186,449	1,580,437	1,856,940

Cargills Bank Limited
Additional Disclosures

As at	30-Jun-2020 Rs. '000	31-Dec-2019 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	5,539,505	4,913,771		
Letters of credit	109,646	201,410		
Forward Purchase Fin Institutions	480,025	698,876		
Spots Purchase Fin Institutions	(0)	108,938		
Bills For Collection	7,015	139,053		
Undrawn credit lines	6,436,444	4,069,628		
Other commitments	127,299	64,628		
Sub total	12,699,933	10,196,303		
By product - Foreign Currency				
Guarantees	261,744	159,303		
Letters of credit	763,856	859,886		
Bills For Collection	327,835	116,945		
Forward Purchase Fin Institutions	26,956	299,460		
Spots Purchase Fin Institutions	-	6,671		
Sub total	1,380,391	1,442,266		
Total Commitments and Contingencies	14,080,324	11,638,569		
Movement in impairment during the period for Commitments and Contingencies				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2020	24,711	52,183	14,070	90,964
Charge/ (write back) to income statement	15,690	(22,577)	(10,478)	(17,365)
Closing balance as at 30 June 2020	40,401	29,606	3,592	73,599
Due to other customers				
By product - Domestic Currency				
Current account deposits			1,564,213	1,027,779
Savings deposits			3,496,411	2,352,232
Call Deposits			-	242,486
Time deposits			22,920,719	18,081,372
Certificate of deposits			1,897,818	1,388,621
Margin deposits			13,259	16,182
Sub total			29,892,420	23,108,672
By product - Foreign Currency				
Current account deposits			154,002	93,131
Savings deposits			480,970	591,154
Time deposits			1,354,898	1,249,604
Certificate of deposits			-	-
Sub total			1,989,870	1,933,889
Total deposits			31,882,290	25,042,561

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 30 June 2020		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 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 Barathananickam	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.