

INTERIM FINANCIAL STATEMENTS

2020

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020



Cargills Bank Limited Income Statement

	For the nine months ended			For the Quarter ended		
	30-Sep-20 Rs. '000	30-Sep-19 Rs. '000	Change %	30-Sep-20 Rs. '000	30-Sep-19 Rs. '000	Change %
Interest income	3,187,245	3,325,437	(4)	1,013,486	1,288,817	(21)
Interest expenses	(1,957,623)	(1,763,611)	(11)	(681,465)	(587,618)	(16)
Net interest income	1,229,622	1,561,826	(21)	332,021	701,199	(53)
Fees and commission income	310,032	265,958	17	116,078	102,801	13
Fees and commission expenses	(151,351)	(110,737)	(37)	(55,508)	(52,610)	(6)
Net fees and commission income	158,681	155,221	2	60,570	50,191	21
Net gains / (losses) from trading	2,763	11,732	(76)	(13,669)	(6,336)	(116)
Net gains from derecognition of financial assets	92,451	67,131	38	55,320	33,104	67
Net other operating income	54,234	70,573	(23)	45,973	31,617	45
Total other income	149,448	149,436	-	87,624	58,385	50
Total operating income	1,537,751	1,866,483	(18)	480,215	809,775	(41)
Impairment for loans and other losses						
Loans and advances to customers	(720,728)	(1,042,870)	31	(62,222)	(573,124)	89
Financial assets	(6,442)	581	(1,209)	(7,482)	(889)	(742)
Others	(13,305)	-	-	-	-	-
Total impairment for loans and other losses	(740,475)	(1,042,289)	29	(69,704)	(574,013)	88
Net operating income	797,276	824,194	(3)	410,511	235,762	74
Personnel expenses	(573,221)	(637,081)	10	(175,393)	(229,498)	24
Depreciation and amortisation	(376,411)	(298,832)	(26)	(133,021)	(105,413)	(26)
Other operating expenses	(623,939)	(637,233)	2	(224,694)	(224,604)	(0)
Total operating Expenses	(1,573,571)	(1,573,146)	-	(533,108)	(559,515)	5
Operating profit/ (Loss) before Value Added Tax (VAT) and Nation Building Tax (NBT)	(776,295)	(748,952)	(4)	(122,597)	(323,753)	62
VAT and NBT on financial services	-	428	(100)	-	-	-
Debt Repayment Levy	-	76	(100)	-	-	-
Profit / (Loss) before tax	(776,295)	(748,448)	(4)	(122,597)	(323,753)	62
Tax expenses	101,049	272,759	(63)	(4,450)	109,022	(104)
Profit / (Loss) for the period	(675,246)	(475,689)	(42)	(127,047)	(214,731)	41
Earnings per share (Rs.)	(0.76)	(0.54)	(42)	(0.14)	(0.24)	41

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

	For the nine months ended			For the Quarter ended		
	30-Sep-20 Rs. '000	30-Sep-19 Rs. '000	Change %	30-Sep-20 Rs. '000	30-Sep-19 Rs. '000	Change %
Profit/ (Loss) for the period	(675,246)	(475,689)	(42)	(127,047)	(214,731)	41
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	-	1,220	-	-	1,220	-
Deferred tax related to the above	-	(341)	-	-	(341)	-
	-	879	(100)	-	879	(100)
Items that are or may be reclassified to profit & loss						
Treasury Bills	12,711	10,129	25	(44,568)	(351)	(12,597)
Treasury Bonds	99,612	75,712	32	(42,727)	9,482	(551)
Net gains / (losses) on re-measuring in financial assets measured at fair value through other comprehensive income	112,323	85,841	31	(87,295)	9,131	(1,056)
Deferred tax related to the above	(31,450)	(24,035)	(31)	24,443	(2,557)	1,056
	80,873	61,806	31	(62,852)	6,574	(1,056)
			-			
Other comprehensive income/ (expense) for the period, net of tax	80,873	62,684	29	(62,852)	7,453	(943)
			-			
Total comprehensive income/ (expense) for the period, net of tax	(594,373)	(413,005)	(44)	(189,900)	(207,279)	8

Cargills Bank Limited
Statement of Financial Position

As at	30-Sep-20	31-Dec-19
	Rs. '000	(Audited) Rs. '000
Assets		
Cash and cash equivalents	1,024,555	993,133
Balances with Central Bank	498,231	1,040,397
Placements with banks	285,600	689,336
Securities purchased under resale agreements	650,956	-
Derivative financial instruments	990	386
Financial assets at amortized costs- Loans & Advances to other customers	27,348,145	27,013,673
Financial assets at amortized costs - Debt and other Instruments	2,003,677	477,663
Financial assets measured at fair value through other comprehensive income	10,315,810	6,667,681
Property, plant & equipment	728,173	858,304
Intangible assets	402,762	457,570
Deferred tax assets	436,379	366,648
Other assets	560,788	573,743
Total assets	44,256,066	39,138,534
Liabilities and equity		
Due to banks	1,540,209	1,517,942
Derivative financial instruments	188	2,281
Financial liabilities at amortized cost - Due to depositors	30,538,987	25,042,562
Financial liabilities at amortized cost - Due to other borrowers	1,227,670	948,298
Retirement benefit obligation	52,627	43,577
Lease Liability	362,701	444,214
Other liabilities	695,592	707,195
Total liabilities	34,417,974	28,706,069
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	32,386	32,386
Other reserves	116,643	35,770
Accumulated loss	(1,705,358)	(1,030,112)
Total equity attributable to equity holders of the bank	9,838,092	10,432,465
Total liabilities and equity	44,256,066	39,138,534
Contingent liabilities & commitments	15,261,507	11,638,569
Net assets value per ordinary share (Rs.)	11.14	11.81
Memorandum information:		
No. of employees	644	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.

K B S Bandara

Managing Director

24.11.2020

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 nine months ended 30.09.2019					
Profit for the period	-	-	-	(475,689)	(475,689)
Other comprehensive income, net of tax	-	-	62,685	-	62,685
Total comprehensive income for the period	-	-	62,685	(475,689)	(413,004)
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.09.2019	11,394,421	32,386	34,448	(850,297)	10,610,958
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 nine months ended 30.09.2020					
Profit for the period	-	-	-	(675,246)	(675,246)
Other comprehensive income, net of tax	-	-	80,873	-	80,873
Total comprehensive income for the period	-	-	80,873	(675,246)	(594,373)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.09.2020	11,394,421	32,386	116,643	(1,705,358)	9,838,092

Cargills Bank Limited
Statement of Cash Flows

	For the nine months ended	
	30-Sep-20 Rs. '000	30-Sep-19 Rs. '000
<i>Cash flows from operating activities</i>		
Profit / (Loss) before tax	(776,295)	(748,448)
<i>Adjustments for:</i>		
Non-cash items included in profit before tax	1,146,882	1,348,650
Change in operating assets	(5,868,418)	(3,245,546)
Change in operating liabilities	5,553,427	2,310,021
Income tax reversal	-	-
Interest paid on lease liability	(35,918)	-
Interest expense on borrowings	-	-
Net gains from investing activities	-	-
Gains/ (losses) on sale of property, plant & equipment and other assets	-	(6,866)
Benefits paid on defined benefit plans	(1,668)	(1,202)
Net cash from/ (used in) operating activities	53,928	(343,391)
<i>Cash flows from investing activities</i>		
Purchase of financial investments	-	-
Net purchase of property, plant and equipment	(99,284)	(92,086)
Proceeds from sale of property, plant and equipment	157	7,751
Net purchase of intangible assets	(98,039)	(36,946)
Dividend received	-	935
Net cash from/ (used in) investing activities	(197,166)	(120,346)
<i>Cash flows from financing activities</i>		
Payment of lease liability	(74,747)	-
Change in securities sold under repurchase agreements	250,168	267,260
Net cash from/ (used in) financing activities	175,421	267,260
Net increase (decrease) in cash and cash equivalents	32,183	(196,477)
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	1,027,036	1,038,244

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 30.09.2020				
Financial assets				
Cash and cash equivalents	-	-	1,024,555	1,024,555
Balances with Central Bank of Sri Lanka	-	-	498,231	498,231
Placements with Banks	-	-	285,600	285,600
Securities purchased under resale agreements	-	650,956	-	650,956
Derivative financial instruments	990	-	-	990
Financial assets at amortized costs- Loans & Advances to other customers	-	-	27,348,145	27,348,145
Financial assets at amortized costs - Debt and other Instruments	-	-	2,003,677	2,003,677
Financial assets -at fair value through other comprehensive income	-	10,302,364	-	10,302,364
Equity Instruments	-	13,446	-	13,446
Other assets*	-	-	203,402	203,402
Total financial assets	990	10,966,766	31,363,610	42,331,366
Financial liabilities				
Due to banks	-	-	1,540,209	1,540,209
Derivative financial instruments	188	-	-	188
Financial liabilities at amortized cost - Due to depositors	-	-	30,538,987	30,538,987
Financial liabilities at amortized cost - Due to other borrowers	-	-	1,227,670	1,227,670
Lease Liability	-	-	362,701	362,701
Other liabilities**	-	-	308,588	308,588
Total financial liabilities	188	-	33,978,155	33,978,343
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-Sep-2020	31-Dec-2019
Regulatory Capital (LKR'000)		
Common Equity Tier 1	8,916,558	10,355,341
Tier 1 Capital	8,916,558	10,355,341
Total Capital	9,099,836	10,541,765
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - Minimum Requirement - 6.5% (2019- 7%)	21.86	28.73
Tier 1 capital Ratio - Minimum Requirement - 8% (2019 - 8.5%)	21.86	28.73
Total Capital Ratio - Minimum Requirement - 12% (2019 - 12.5%)	22.31	29.25
Leverage Ratio - Minimum Requirement- 3%	17.88	23.57
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	11,124,527	8,413,619
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	32.14	32.65
Off-Shore Banking Unit, %	97.29	1,115.25
Total Stock of High-Quality Liquid Assets (LKR '000)	11,273,154	7,034,760
Liquidity coverage Ratio, % - Minimum requirement - 90% (2019-100%)		
Rupee, %	197.00	280.70
All currency, %	165.71	203.59
Net Stable Funding Ratio (%) - Minimum Requirement - 90% (2019-100%)	130	120
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	16.46	12.79
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	10.00	10.01
Profitability		
Interest Margin,%	4.14	5.55
Return on Assets (before Tax),%	(2.41)	(2.41)
Return on Equity,%	(8.50)	(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.
- Due to the potential negative impact of the global COVID -19 pandemic on Sri Lankan economy, individuals and businesses, The 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 its Expected Credit Loss (ECL) as at 30 September 2020, based on the Probability of Default (PD) , Loss Given Default (LGD) and Economic Factor Adjustment (EFA) used in 2019 Audited figures 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.

The Bank considered the potential impact on identified customer segments impacted due to COVID-19 in estimating the ECL and projected potential cash flow postponement based on available information. Additionally, an EFA with a higher weight on the worst-case scenario for the collective impairment assessment was used. 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. However, a loss of Rs. 48 Mn has been recognized as a Day one impact due to deferment of recovery of loans arising from the moratorium relief scheme introduced by the Central Bank of Sri Lanka.
- Total temporary differences arising from tax losses and tax credits amount to Rs. 1,907 Mn, resulting in a deferred tax asset of Rs. 534 Mn at 30 September 2020. Based on internal assessments carried out by the Board of Directors, recognition of the deferred tax asset has been limited to Rs. 418 Mn. The unrecognized deferred tax asset as at 30 September 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 September 2020. Had the impact of the proposed reduction been adjusted the net deferred tax asset as at 30 September 2020 would have been reduced by Rs.62 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-Sep-2020 Rs. '000	31-Dec-2019 Rs. '000
Loans and receivables to other customers		
Gross loans and receivables	29,978,697	28,870,613
Less: Stage-wise Impairment		
Stage 1	54,158	90,053
Stage 2	511,344	186,449
Stage 3	2,016,653	1,580,438
Moratorium Impairment	48,397	-
Total impairment for loans and advances	2,630,552	1,856,940
Net loans and receivables	27,348,145	27,013,673
Product wise Gross Loans and receivables to other customers		
By product - Domestic Currency		
Overdrafts	5,176,556	6,099,113
Trade finance	1,502,834	1,625,997
Staff Loans	252,076	199,215
Housing loans	1,027,241	970,701
Personal loans	3,793,861	3,587,429
Term loans	6,959,238	6,739,350
Agriculture loans	401,619	445,312
Vehicle loans	71,785	64,915
Loans against Property	1,674,916	1,463,448
Money market loans	4,678,135	4,008,163
Bills receivable	963	-
Credit Card	1,363,929	860,228
Micro Finance	71,636	59,719
Others	238,775	-
Sub total	27,213,564	26,123,590
By product - Foreign Currency		
Trade finance	1,041,153	1,017,315
Housing loans	64,760	63,186
Money market loans	-	-
Term loans	1,637,508	1,656,838
Overdrafts	10,733	9,684
Others	10,979	-
Sub total	2,765,134	2,747,023
Total Gross Loans & Advances	29,978,697	28,870,613

Movement in impairment during the period for loans and receivables to other customers- Q3 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	(35,895)	324,895	436,215	725,215
Moratorium Impairment	-	-	-	48,397
Closing balance as at 30 September 2020	54,158	511,344	2,016,652	2,630,552

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-Sep-2020 Rs. '000	31-Dec-2019 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	6,489,296	4,913,771		
Letters of credit	196,699	201,410		
Bills For Collection	4,169	139,053		
Forward Purchase Fin Institutions	269,581	698,876		
Spots Purchase Fin Institutions	92,495	108,938		
Undrawn credit lines	6,298,446	4,069,628		
Other commitments	141,408	64,628		
Sub total	13,492,094	10,196,304		
By product - Foreign Currency				
Guarantees	259,335	159,303		
Letters of credit	923,910	859,886		
Bills For Collection	270,915	116,945		
Forward Purchase Fin Institutions	305,756	299,460		
Spots Purchase Fin Institutions	9,497	6,671		
Sub total	1,769,413	1,442,265		
Total Commitments and Contingencies	15,261,507	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	8,625	(1,044)	(12,067)	(4,486)
Closing balance as at 30 september 2020	33,336	51,139	2,003	86,478
Due to other customers				
By product - Domestic Currency				
Current account deposits			1,058,351	1,027,779
Savings deposits			5,602,680	2,352,232
Call Deposits			1,500	242,486
Time deposits			19,723,748	18,081,372
Certificate of deposits			1,884,792	1,388,621
Margin deposits			13,801	16,182
Sub total			28,284,872	23,108,672
By product - Foreign Currency				
Current account deposits			227,848	93,131
Savings deposits			428,582	591,154
Time deposits			1,593,135	1,249,605
Margin deposits			4,550	-
Sub total			2,254,115	1,933,890
Total deposits			30,538,987	25,042,562

Cargills Bank Limited Shareholders' Information

Twenty three largest shareholders as at 30 September 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.