

INTERIM FINANCIAL STATEMENTS

2021

FOR THE THREE MONTHS ENDED 31 MARCH 2021



Cargills Bank Limited Income Statement

	For the three months ended		
	31-Mar-21 Rs. '000	31-Mar-20 Rs. '000	Change %
Interest income	982,806	1,096,059	(10)
Interest expenses	(546,376)	(636,436)	14
Net interest income	436,430	459,623	(5)
Fees and commission income	165,925	120,533	38
Fees and commission expenses	(62,338)	(48,274)	(29)
Net fees and commission income	103,587	72,259	43
Net gains / (losses) from trading	(4,155)	(7,811)	47
Net gains from derecognition of financial assets	15,981	10,033	59
Net other operating income	79,604	30,843	158
Total other income	91,430	33,065	177
Total operating income	631,447	564,947	12
Impairment for loans and other losses			
Loans and advances to customers	(183,697)	(279,134)	34
Financial assets and other	(2,647)	1,961	(235)
Total impairment for loans and other losses	(186,344)	(277,173)	33
Net operating income	445,103	287,774	55
Personnel expenses	(219,000)	(221,629)	1
Depreciation and amortization	(101,450)	(106,237)	5
Other operating expenses	(197,078)	(210,578)	6
Total operating Expenses	(517,528)	(538,444)	4
Operating profit/ (Loss) before Taxes	(72,425)	(250,670)	71
VAT on financial services	(24,586)	-	-
Profit / (Loss) before Income tax	(97,011)	(250,670)	61
Tax expenses*	(70,675)	8,074	(975)
Profit / (Loss) for the period	(167,685)	(242,596)	31
Earnings per share (Rs.)	(0.19)	(0.27)	31

* Please refer explanatory note 4

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

	For the three months ended		
	31-Mar-21 Rs. '000	31-Mar-20 Rs. '000	Change %
Profit/ (Loss) for the period	(167,685)	(242,596)	31
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	(60,842)	38,191	(259)
Deferred tax related to the above	19,983	(10,693)	287
	(40,859)	27,498	(249)
			-
Other comprehensive income/ (expense) for the period, net of tax	(40,859)	27,498	(249)
			-
Total comprehensive income/ (expense) for the period, net of tax	(208,544)	(215,098)	3

Cargills Bank Limited
Statement of Financial Position

As at	31-Mar-21 Rs. '000	31-Dec-20 (Audited) Rs. '000	Growth %
Assets			
Cash and cash equivalents	1,025,108	1,420,123	(28)
Balances with Central Bank	514,029	443,993	16
Placements with banks	255,032	-	-
Derivative financial instruments	1,077	3,658	(71)
Financial assets measured at fair value through profit or loss	1,619,343	1,596,166	1
Financial assets at amortized costs- Loans & Advances to other customers	31,793,206	29,079,121	9
Financial assets at amortized costs - Debt and other Instruments	41,422	436,049	(91)
Financial assets measured at fair value through other comprehensive income	9,951,077	11,533,615	(14)
Property, plant & equipment	606,721	657,912	(8)
Intangible assets	334,037	357,739	(7)
Deferred tax assets	447,844	498,536	(10)
Other assets	417,487	505,622	(17)
Total assets	47,006,383	46,532,534	1
Liabilities and equity			
Due to banks	1,445,412	1,556,948	(7)
Derivative financial instruments	1,429	149	859
Financial liabilities at amortized cost - Due to depositors	33,321,943	31,997,601	4
Financial liabilities at amortized cost - Due to other borrowers	1,480,468	2,121,192	(30)
Retirement benefit obligation	68,612	64,763	6
Lease Liability	318,395	339,985	(6)
Other liabilities	844,366	717,594	18
Total liabilities	37,480,625	36,798,232	2
Equity			
Stated capital	11,394,421	11,394,421	-
Statutory reserves	32,386	32,386	-
Fair Value through Other Comprehensive Income Reserve	39,303	80,162	(51)
Accumulated loss	(1,940,352)	(1,772,667)	(9)
Total equity attributable to equity holders of the bank	9,525,758	9,734,302	(2)
Total liabilities and equity	47,006,383	46,532,534	1
Contingent liabilities & commitments	17,824,298	16,134,217	
Net assets value per ordinary share (Rs.)	10.79	11.02	
Memorandum information:			
No. of employees	624	632	
No. of branches	21	20	

Certification:

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

Sgd.

A R M I Sanjeevanie

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

May 21, 2021

Colombo

Sgd.

M O F Salieh

Senior Director

Cargills Bank Limited
Statement of Changes in Equity

	Stated capital	Statutory reserve	Fair Value through Other Comprehensive Income Reserve	Accumulated loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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 period ended 31.03.2020					
Profit for the period	-	-	-	(242,596)	(242,596)
Other comprehensive income, net of tax	-	-	27,498	-	27,498
Total comprehensive income for the year	-	-	27,498	(242,596)	(215,098)
Total comprehensive income for the period 01.04.2020 to 31.12.2020					
Loss for the period	-	-	-	(501,351)	(501,351)
Other comprehensive income/ (loss) net of tax	-	-	16,894	1,392	18,286
Total comprehensive income for the period	-	-	16,894	(499,959)	(483,065)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 01.01.2021-Audited	11,394,421	32,386	80,162	(1,772,667)	9,734,302
Total comprehensive income for the period ended 31.03.2021					
Profit/(loss) for the period	-	-	-	(167,685)	(167,685)
Other comprehensive income, net of tax	-	-	(40,859)	-	(40,859)
Total comprehensive income for the period	-	-	(40,859)	(167,685)	(208,544)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 31.03.2021	11,394,421	32,386	39,303	(1,940,352)	9,525,758

Cargills Bank Limited
Statement of Cash Flows

	For the Quarter ended	
	31-Mar-21 Rs. '000	31-Mar-20 Rs. '000
<i>Cash flows from operating activities</i>		
Profit / (Loss) before tax	(97,011)	(250,670)
<i>Adjustments for:</i>		
Non-cash items included in profit before tax	301,525	399,317
Change in operating assets	(1,245,251)	(3,152,938)
Change in operating liabilities	1,374,192	3,206,905
Interest paid on lease liability	(9,882)	(12,970)
Net cash from/ (used in) operating activities	323,574	202,613
<i>Cash flows from investing activities</i>		
Purchase of financial investments		
Net purchase of property, plant and equipment	(4,935)	55,652
Proceeds from sale of property, plant and equipment	-	157
Net purchase of intangible assets	(11,363)	(18,258)
Net cash from/ (used in) investing activities	(16,298)	37,551
<i>Cash flows from financing activities</i>		
Payment of lease liability	(39,431)	(33,229)
Change in securities sold under repurchase agreements	(667,434)	(1,597)
Net cash from/ (used in) financing activities	(706,865)	(34,826)
Net increase (decrease) in cash and cash equivalents	(399,589)	205,338
Cash and cash equivalents at the beginning of the period (before impairment)	1,429,096	994,853
Cash and cash equivalents at the end of the period (before impairment)	1,029,507	1,200,191

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 31.03.2021				
Financial assets				
Cash and cash equivalents	-	-	1,025,108	1,025,108
Balances with Central Bank of Sri Lanka	-	-	514,029	514,029
Placements with Banks	-	-	255,032	255,032
Derivative financial instruments	1,077	-	-	1,077
Financial assets measured at fair value through profit or loss	1,619,343	-	-	1,619,343
Financial assets at amortized costs- Loans & Advances to other customers	-	-	31,793,206	31,793,206
Financial assets at amortized costs - Debt and other Instruments	-	-	41,422	41,422
Financial assets -at fair value through other comprehensive income- Government securities	-	9,935,924	-	9,935,924
Financial assets -at fair value through other comprehensive income-Equity instruments	-	15,153	-	15,153
Other assets*	-	-	72,550	72,550
Total financial assets	1,620,420	9,951,077	33,701,347	45,272,844
Financial liabilities				
Due to banks	-	-	1,445,412	1,445,412
Derivative financial instruments	1,429	-	-	1,429
Financial liabilities at amortized cost - Due to depositors	-	-	33,321,943	33,321,943
Financial liabilities at amortized cost - Due to other borrowers	-	-	1,480,468	1,480,468
Lease Liability	-	-	318,395	318,395
Other liabilities**	-	-	408,621	408,621
Total financial liabilities	1,429	-	36,974,839	36,976,268
As at 31.12.2020-Audited				
Financial assets				
Cash and cash equivalents	-	-	1,420,123	1,420,123
Balances with Central Bank of Sri Lanka	-	-	443,993	443,993
Derivative financial instruments	3,658	-	-	3,658
Financial assets measured at fair value through profit or loss	1,596,166	-	-	1,596,166
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	29,079,120	29,079,120
Financial assets at Amortized costs - Debt and other Instruments	-	-	436,049	436,049
Financial assets -at fair value through other comprehensive income- Government securities	-	11,518,463	-	11,518,463
Financial assets -at fair value through other comprehensive income-Equity instruments	-	15,153	-	15,153
Other assets*	-	-	252,676	252,676
Total financial assets	1,599,824	11,533,616	31,631,962	44,765,401
Financial liabilities				
Due to banks	-	-	1,556,948	1,556,948
Derivative financial instruments	149	-	-	149
Financial liabilities at amortized cost - Due to depositors	-	-	31,997,601	31,997,601
Financial liabilities at amortized cost - Due to other borrowers	-	-	2,121,192	2,121,192
Lease Liability	-	-	339,985	339,985
Other liabilities**	-	-	414,924	414,924
Total financial liabilities	149	-	36,430,650	36,430,799

*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	31-Mar-2021	31-Dec-2020
Regulatory Capital (LKR'000)		
Common Equity Tier 1	8,634,285	8,842,828
Tier 1 Capital	8,634,285	8,842,828
Total Capital	8,874,242	9,082,785
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - (Minimum Requirement - 6.5%)	20.60	20.72
Tier 1 capital Ratio - (Minimum Requirement - 8%)	20.60	20.72
Total Capital Ratio - (Minimum Requirement - 12%)	21.17	21.28
Leverage Ratio - (Minimum Requirement- 3%)	17.54	16.71
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	10,882,811	11,597,058
Statutory Liquid Assets Ratio, % (Minimum requirement - 20%)		
Domestic Banking Unit, %	30.75	33.63
Off-Shore Banking Unit, %	90.35	83.49
Total Stock of High-Quality Liquid Assets (LKR '000)	9,725,381	10,490,835
Liquidity coverage Ratio, % - (Minimum requirement - 90%)		
Rupee, %	151.00	133.00
All currency, %	126.60	119.20
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	117	117
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	12.54	14.42
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	6.00	7.85
Profitability		
Interest Margin,%	4.01	3.88
Return on Assets (before Tax),%	(0.83)	(2.03)
Return on Equity,%	(7.06)	(7.14)

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 31 December 2020.
- The Central Bank of Sri Lanka (CBSL) issued several circulars and guidelines introducing different relief measures to safeguard those businesses impacted due to the global COVID -19 pandemic in order to manage the adverse impact on the Sri Lankan economy. These relief measures included deferment of repayment terms of credit facilities, offering concessionary rates of interest to eligible loan products and waiving off certain fees and charges. Although the quantification of the impact of all of these relief measures cannot be fully captured in these Financial statements, adequate provision was made in 2020 Financial Statements for day one impact due to deferment of recovery of loans and interest reversal arising from the moratorium relief scheme introduced by the Central Bank of Sri Lanka.
- The Bank estimated its Expected Credit Loss (ECL) as at 31 March 2021, based on the Probability of Default (PD) and Loss Given Default (LGD) used in 2020 audited accounts. The Economic Factor Adjustment (EFA) applied the recent forecasts and projections published by the Central Bank of Sri Lanka. Management made an overlay adjustment in assessing forward looking information by increasing the weightage assigned to stressed portfolio.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and fair value measurement. The Bank would continuously reassess its portfolio and changes would be made in impairment provisioning on identified customer segments impacted due to COVID-19 in estimating the ECL and projected potential cash flow postponement based on available information.
- A reduction in the income tax rate applicable from 28% to 24% is pending formal approval from the parliament as an amendment to the Inland Revenue Act No. 24 of 2017. Based on the guidelines issued on 23 April 2021 by CA Sri Lanka, on "Application of Tax rates in Measurement of Current Tax and Deferred Tax in LKAS 12", this reduction is considered as substantively enacted as at the reporting date and deferred tax was calculated at the rate of 24% as at 31 March 2021.

Accordingly, the deferred tax charge to the Statement of Profit or Loss due to the rate revision was Rs. 76 Mn and the deferred tax reversal to the Statement of Other Comprehensive Income due to the rate revision was Rs. 1.8 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	31-Mar-2021 Rs. '000	31-Dec-2020 Rs. '000
Loans and advances to other customers		
Gross loans and advances	34,638,264	31,733,321
Less: Stage-wise Impairment		
Stage 1	79,118	68,805
Stage 2	220,201	342,306
Stage 3	2,545,740	2,243,089
Total impairment for loans and advances	2,845,057	2,654,200
Net loans and advances	31,793,207	29,079,121
Product wise Gross Loans and advances to other customers		
By product - Domestic Currency		
Overdrafts	5,509,455	5,405,360
Trade finance	1,344,054	1,300,075
Staff Loans	267,139	256,727
Housing loans	1,055,517	962,867
Personal loans	3,843,081	3,747,672
Term loans	9,835,855	7,200,192
Agriculture loans	406,946	370,043
Vehicle loans	84,301	81,116
Loans against Property	1,632,031	1,543,264
Money market loans	5,658,187	6,324,909
Bills receivable	-	-
Credit Card	1,638,811	1,385,025
Micro Finance	78,837	75,174
Others	564,641	320,570
Sub total	31,918,855	28,972,995
By product - Foreign Currency		
Trade finance	982,017	1,047,952
Housing loans	75,311	71,616
Money market loans	-	-
Term loans	1,630,313	1,616,678
Overdrafts	12,267	11,190
Others	19,501	12,890
Sub total	2,719,409	2,760,326
Total Gross Loans & Advances	34,638,264	31,733,321

Movement in impairment during the period for loans and advances to other customers- Q1 2021

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2021	68,805	342,306	2,243,089	2,654,200
Charge/ (write back) to income statement	10,314	(122,105)	302,650	190,858
Closing balance as at 31 March 2021	79,118	220,201	2,545,739	2,845,058

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

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2020	90,054	186,450	1,580,437	1,856,941
Charge/ (write back) to income statement	(21,249)	155,856	662,652	797,259
Closing balance as at 31 December 2020	68,805	342,306	2,243,089	2,654,200

Cargills Bank Limited
Additional Disclosures

As at	31-Mar-2021 Rs. '000	31-Dec-2020 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	6,064,070	6,191,429		
Letters of credit	410,421	903,610		
Bills For Collection	-	109,569		
Forward Purchase Fin Institutions	408,313	434,294		
Spots Purchase Fin Institutions	-	-		
Undrawn credit lines	7,688,525	6,557,147		
Other commitments	58,455	58,075		
Sub total	14,629,782	14,254,125		
By product - Foreign Currency				
Guarantees	829,332	666,017		
Letters of credit	1,611,488	1,101,093		
Bills For Collection	346,332	88,629		
Forward Purchase Fin Institutions	407,362	13,950		
Spots Purchase Fin Institutions	-	10,403		
Sub total	3,194,516	1,880,092		
Total Commitments and Contingencies	17,824,298	16,134,217		
Movement in impairment during the period for Commitments and Contingencies				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2021	41,634	70	2,747	44,451
Charge/ (write back) to income statement	(6,217)	352	(1,295)	(7,160)
Closing balance as at 31 March 2021	35,417	422	1,451	37,290
Due to other customers				
By product - Domestic Currency				
Current account deposits			1,188,538	1,155,077
Savings deposits			7,210,023	6,336,923
Call Deposits			17,536	3,532
Time deposits			21,020,829	19,853,138
Certificate of deposits			1,810,241	1,932,342
Margin deposits			16,869	10,653
Sub total			31,264,036	29,291,665
By product - Foreign Currency				
Current account deposits			273,692	399,078
Savings deposits			609,465	1,127,458
Time deposits			1,174,751	1,179,400
Margin deposits			-	-
Sub total			2,057,908	2,705,936
Total deposits			33,321,944	31,997,601

Cargills Bank Limited Shareholders' Information

Twenty three largest shareholders as at 31 March 2021		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.