

INTERIM FINANCIAL STATEMENTS

2021

FOR THE SIX MONTHS ENDED 30 JUNE 2021



Cargills Bank Limited
Income Statement

	For the six months ended			For the Quarter ended		
	30-Jun-21	30-Jun-20	Change	30-Jun-21	30-Jun-20	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Interest income	1,966,294	2,173,759	(10)	983,487	1,077,699	(9)
Interest expenses	(1,093,178)	(1,276,160)	14	(546,802)	(639,723)	15
Net interest income	873,116	897,599	(3)	436,685	437,976	(0)
Fees and commission income	333,303	193,954	72	167,377	73,424	128
Fees and commission expenses	(125,994)	(95,843)	(31)	(63,655)	(47,568)	(34)
Net fees and commission income	207,309	98,111	111	103,722	25,856	301
Net gains / (losses) from trading	(4,926)	16,432	(130)	(772)	24,243	(103)
Net gains from derecognition of financial assets	19,223	37,132	(48)	3,242	27,099	(88)
Net other operating income	116,933	8,261	1,315	37,328	(22,583)	265
Total other income	131,230	61,825	112	39,798	28,759	38
Total operating income	1,211,655	1,057,535	15	580,205	492,591	18
Impairment for loans and other losses						
Loans and advances to customers	(240,613)	(658,506)	63	(56,916)	(379,371)	85
Financial assets and other	(10,026)	(12,265)	18	(7,533)	(14,226)	47
Total impairment for loans and other losses	(250,639)	(670,771)	63	(64,449)	(393,597)	84
Net operating income	961,016	386,764	148	515,756	98,994	421
Personnel expenses	(430,311)	(397,827)	(8)	(211,311)	(176,199)	(20)
Depreciation and amortization	(208,750)	(243,389)	14	(107,300)	(137,152)	22
Other operating expenses	(413,414)	(399,244)	(4)	(216,181)	(188,664)	(15)
Total operating expenses	(1,052,475)	(1,040,460)	(1)	(534,792)	(502,015)	(7)
Operating profit/ (Loss) before taxes on financial services	(91,459)	(653,696)	86	(19,036)	(403,021)	95
VAT on financial services	(64,601)	-	-	(40,016)	-	-
Profit / (Loss) before Income Tax	(156,060)	(653,696)	76	(59,052)	(403,021)	85
Tax expenses	(72,570)	105,499	(169)	(1,895)	97,425	(102)
Profit / (Loss) for the period	(228,630)	(548,197)	58	(60,947)	(305,596)	80
Earnings per share (Rs.)	(0.26)	(0.62)	58	(0.07)	(0.35)	80

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

	For the six months ended			For the Quarter ended		
	30-Jun-21 Rs. '000	30-Jun-20 Rs. '000	Change %	30-Jun-21 Rs. '000	30-Jun-20 Rs. '000	Change %
Profit/ (Loss) for the period	(228,630)	(548,197)	58	(60,947)	(305,596)	80
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	(72,817)	199,618	(136)	(11,974)	161,427	(107)
Deferred tax related to the above	22,857	(55,893)	141	2,874	(45,200)	106
	(49,960)	143,725	(135)	(9,100)	116,227	(108)
Other comprehensive income/ (expense) for the period, net of tax	(49,960)	143,725	(135)	(9,100)	116,227	(108)
Total comprehensive income/ (expense) for the period, net of tax	(278,590)	(404,472)	31	(70,047)	(189,369)	63

Cargills Bank Limited
Statement of Financial Position

As at	30-Jun-21 Rs. '000	31-Dec-20 (Audited) Rs. '000	Growth %
Assets			
Cash and cash equivalents	1,202,580	1,420,123	(15)
Balances with Central Bank	821,340	443,993	85
Derivative financial instruments	887	3,658	(76)
Financial assets measured at fair value through profit or loss	1,638,924	1,596,166	3
Financial assets at amortized costs- Loans & Advances to other customers	33,999,476	29,079,121	17
Financial assets at amortized costs - Debt and other Instruments	28,151	436,049	(94)
Financial assets measured at fair value through other comprehensive income	8,980,578	11,533,615	(22)
Property, plant & equipment	545,822	657,912	(17)
Intangible assets	306,427	357,739	(14)
Deferred tax assets	448,823	498,536	(10)
Other assets	644,117	505,622	27
Total assets	48,617,125	46,532,534	4
Liabilities and equity			
Due to banks	1,075,181	1,556,948	(31)
Derivative financial instruments	2,010	149	1,249
Financial liabilities at amortized cost - Due to depositors	35,833,775	31,997,601	12
Financial liabilities at amortized cost - Due to other borrowers	956,877	2,121,192	(55)
Retirement benefit obligation	71,705	64,763	11
Lease Liability	302,380	339,985	(11)
Other liabilities	919,485	717,594	28
Total liabilities	39,161,413	36,798,232	6
Equity			
Stated capital	11,394,421	11,394,421	-
Statutory reserves	32,386	32,386	-
Fair Value through Other Comprehensive Income Reserve	30,202	80,162	(62)
Accumulated loss	(2,001,297)	(1,772,667)	(13)
Total equity attributable to equity holders of the bank	9,455,712	9,734,302	(3)
Total liabilities and equity	48,617,125	46,532,534	4
Contingent liabilities & commitments	20,368,355	16,134,217	
Net assets value per ordinary share (Rs.)	10.71	11.02	
Memorandum information:			
No. of employees	610	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 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

20/8/2021

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 30.06.2020					
Loss 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)
Total comprehensive income for the period 01.07.2020 to 31.12.2020					
Loss for the period	-	-	-	(195,750)	(195,750)
Other comprehensive income/ (loss) net of tax	-	-	(99,333)	1,392	(97,941)
Total comprehensive income for the period	-	-	(99,333)	(194,358)	(293,691)
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 30.06.2021					
Loss for the period	-	-	-	(228,630)	(228,630)
Other comprehensive income, net of tax	-	-	(49,960)	-	(49,960)
Total comprehensive income for the period	-	-	(49,960)	(228,630)	(278,590)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.06.2021	11,394,421	32,386	30,202	(2,001,297)	9,455,712

Cargills Bank Limited
Statement of Cash Flows

	For the Quarter ended	
	30-Jun-21 Rs. '000	30-Jun-20 Rs. '000
<i>Cash flows from operating activities</i>		
Profit / (Loss) before tax	(156,060)	(653,696)
<i>Adjustments for:</i>		
Non-cash items included in profit/loss before tax	486,173	932,219
Interest paid on lease liability	(19,259)	(25,064)
Gains/ (losses) on sale of property, plant & equipment and other assets	(211)	(157)
Dividend income	(319)	-
Benefits paid on defined benefit plans	582	(90)
Change in operating assets	(2,833,985)	(7,374,358)
Change in operating liabilities	3,570,509	6,893,902
Net cash from/ (used in) operating activities	1,047,430	(202,180)
<i>Cash flows from investing activities</i>		
Purchase of financial investments		
Net purchase of property, plant and equipment	(10,139)	(22,838)
Proceeds from sale of property, plant and equipment	211	157
Net purchase of intangible assets	(24,753)	405
Dividend received	319	-
Net cash from/ (used in) investing activities	(34,362)	(22,277)
<i>Cash flows from financing activities</i>		
Payment of lease liability	(65,036)	(53,314)
Change in securities sold under repurchase agreements	(1,166,847)	(685)
Net cash from/ (used in) financing activities	(1,231,883)	(53,999)
Net increase (decrease) in cash and cash equivalents	(218,815)	(278,456)
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)	1,210,281	716,397

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 30.06.2021				
Financial assets				
Cash and cash equivalents	-	-	1,202,580	1,202,580
Balances with Central Bank of Sri Lanka	-	-	821,340	821,340
Placements with Banks	-	-	-	-
Derivative financial instruments	887	-	-	887
Financial assets measured at fair value through profit or loss	1,638,924	-	-	1,638,924
Financial assets at amortized costs- Loans & Advances to other customers	-	-	33,999,476	33,999,476
Financial assets at amortized costs - Debt and other Instruments	-	-	28,151	28,151
Financial assets -at fair value through other comprehensive income- Government securities	-	8,965,425	-	8,965,425
Financial assets -at fair value through other comprehensive income-Equity instruments	-	15,153	-	15,153
Other assets*	-	-	257,853	257,853
Total financial assets	1,639,811	8,980,578	36,309,400	46,929,789
Financial liabilities				
Due to banks	-	-	1,075,181	1,075,181
Derivative financial instruments	2,010	-	-	2,010
Financial liabilities at amortized cost - Due to depositors	-	-	35,833,775	35,833,775
Financial liabilities at amortized cost - Due to other borrowers	-	-	956,877	956,877
Lease Liability	-	-	302,380	302,380
Other liabilities**	-	-	457,545	457,545
Total financial liabilities	2,010	-	38,625,758	38,627,768
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	30-Jun-2021	31-Dec-2020
Regulatory Capital (LKR'000)		
Common Equity Tier 1	8,564,239	8,842,828
Tier 1 Capital	8,564,239	8,842,828
Total Capital	8,804,196	9,082,785
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - (Minimum Requirement - 6.5%)	20.21	20.72
Tier 1 capital Ratio - (Minimum Requirement - 8%)	20.21	20.72
Total Capital Ratio - (Minimum Requirement - 12%)	20.77	21.28
Leverage Ratio - (Minimum Requirement- 3%)	16.17	16.71
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	9,709,720	11,597,058
Statutory Liquid Assets Ratio, % (Minimum Requirement - 20%)		
Domestic Banking Unit, %	26.17	33.63
Off-Shore Banking Unit, %	90.49	83.49
Total Stock of High-Quality Liquid Assets (LKR '000)	9,416,720.00	10,490,835
Liquidity Coverage Ratio, % - (Minimum Requirement - 90%)		
Rupee, %	123.00	133.00
All currency, %	105.93	119.20
Net Stable Funding Ratio (%) - (Minimum Requirement - 90%)	128.00	117
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio,% (net of interest in suspense)	11.68	14.42
Net Non-Performing Advances Ratio,% (net of interest in suspense and provision)	5.26	7.85
Profitability		
Interest Margin,%	3.92	3.88
Return on Assets (before Tax),%	(0.65)	(2.03)
Return on Equity,%	(4.85)	(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 COVID-19 pandemic has now affected and disrupted global economic activities affecting most industries and sub-sectors and resulting in an economic slow down. Due to its potential impact on Sri Lankan individuals and businesses, 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 30 June 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.
- As per the Inland Revenue (Amendment) Act, No. 10 of 2021 , corporate income tax rate has been reduced to 24% from 28% with effect from 01.01.2020. Accordingly, the Bank's deferred tax was calculated at the reduced rate of 24% as at 30 June 2021.

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. 1.4 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-2021 Rs. '000	31-Dec-2020 Rs. '000
Loans and advances to other customers		
Gross loans and receivables		
Stage 1	20,766,923	17,450,348
Stage 2	10,649,721	7,428,834
Stage 3	5,482,952	6,854,139
Gross loans and advances	36,899,595	31,733,321
Less: Stage-wise Impairment		
Stage 1	78,638	68,805
Stage 2	457,552	342,306
Stage 3	2,363,929	2,243,089
Total impairment for loans and advances	2,900,119	2,654,200
Net loans and advances	33,999,476	29,079,121
Product wise Gross Loans and advances to other customers		
By product - Domestic Currency		
Overdrafts	5,684,501	5,405,360
Trade finance	1,803,008	1,300,075
Staff loans	266,190	256,727
Housing loans	1,054,025	1,002,966
Personal loans	3,717,612	3,722,863
Term loans	11,461,785	7,192,019
Agriculture loans	329,840	370,043
Vehicle loans	108,542	80,547
Loans against property	1,659,929	1,538,790
Money market loans	5,746,726	6,324,909
Credit card	1,432,205	1,385,025
Micro finance	75,785	75,174
Others	845,337	320,570
Sub total	34,185,484	28,975,070
By product - Foreign Currency		
Trade finance	951,834	1,047,952
Housing loans	68,762	69,542
Money market loans	-	-
Term loans	1,453,398	1,616,677
Overdrafts	12,611	11,190
Others	227,507	12,890
Sub total	2,714,112	2,758,251
Total Gross Loans & Advances	36,899,595	31,733,321

Movement in impairment during the period for loans and advances to other customers- Q2 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	9,834	115,247	120,838	245,919
Closing balance as at 30 June 2021	78,639	457,553	2,363,927	2,900,119

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	30-Jun-2021 Rs. '000	31-Dec-2020 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	6,293,555	6,191,429		
Letters of credit	227,019	903,610		
Bills For collection	471,615	109,569		
Forwards purchase	40,600	434,294		
Undrawn credit lines	9,839,663	6,557,147		
Other commitments	76,644	58,075		
Sub total	16,949,094	14,254,125		
By product - Foreign Currency				
Guarantees	1,082,257	666,017		
Letters of credit	1,808,684	1,101,093		
Bills for collection	32,619	88,629		
Forwards purchase	495,700	13,950		
Spots purchase	-	10,403		
Sub total	3,419,261	1,880,092		
Total Commitments and Contingencies	20,368,355	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	(10,729)	(17)	5,441	(5,305)
Closing balance as at 30 June 2021	30,905	53	8,187	39,146
Due to other customers				
By product - Domestic Currency				
Current account deposits	1,068,962	1,155,077		
Savings deposits	6,339,164	6,336,923		
Call Deposits	4,534	3,532		
Time deposits	23,710,341	19,853,138		
Certificate of deposits	1,946,776	1,932,342		
Margin deposits	18,924	10,653		
Sub total	33,088,702	29,291,665		
By product - Foreign Currency				
Current account deposits	356,266	399,078		
Savings deposits	536,920	1,127,458		
Time deposits	1,851,888	1,179,400		
Margin deposits	-	-		
Sub total	2,745,073	2,705,936		
Total deposits	35,833,775	31,997,601		

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 30 June 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.