

INTERIM FINANCIAL STATEMENTS

2021

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021



Cargills Bank Limited
Income Statement

	For the nine months ended			For the Quarter ended		
	30-Sep-21	30-Sep-20	Change	30-Sep-21	30-Sep-20	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Interest income	2,969,222	3,187,245	(7)	1,002,931	1,013,486	(1)
Interest expenses	(1,649,349)	(1,957,623)	16	(556,171)	(681,465)	18
Net interest income	1,319,873	1,229,622	7	446,760	332,021	35
Fees and commission income	535,749	310,032	73	202,447	116,078	74
Fees and commission expenses	(195,412)	(151,351)	(29)	(69,420)	(55,508)	(25)
Net fees and commission income	340,337	158,681	114	133,027	60,570	120
Net gains / (losses) from trading	3,117	2,763	13	8,043	(13,669)	159
Net gains from derecognition of financial assets	(10,964)	92,451	(112)	(30,187)	55,320	(155)
Net other operating income	133,005	54,234	145	16,071	45,973	(65)
Total other income	125,158	149,448	(16)	(6,073)	87,624	(107)
Total operating income	1,785,368	1,537,751	16	573,714	480,215	19
Impairment for loans and other losses						
Loans and advances to customers	(270,899)	(720,728)	62	(30,286)	(62,222)	51
Financial assets and other	(9,304)	(19,747)	53	723	(7,482)	110
Total impairment for loans and other losses	(280,203)	(740,475)	62	(29,563)	(69,704)	58
Net operating income	1,505,165	797,276	89	544,151	410,511	33
Personnel expenses	(634,494)	(573,221)	(11)	(204,182)	(175,393)	(16)
Depreciation and amortization	(306,092)	(376,411)	19	(97,342)	(133,021)	27
Other operating expenses	(603,040)	(623,939)	3	(189,628)	(224,694)	16
Total operating expenses	(1,543,626)	(1,573,571)	2	(491,152)	(533,108)	8
Operating profit/ (Loss) before taxes on financial services	(38,461)	(776,295)	95	52,999	(122,597)	143
VAT on financial services	(102,005)	-	-	(37,403)	-	-
Profit / (Loss) before Income Tax	(140,466)	(776,295)	82	15,596	(122,597)	113
Tax expenses	(53,952)	101,049	(153)	18,620	(4,450)	518
Profit / (Loss) for the period	(194,418)	(675,246)	71	34,216	(127,047)	127
Earnings per share (Rs.)	(0.22)	(0.76)	71	0.04	(0.14)	127

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

	For the nine months ended			For the Quarter ended		
	30-Sep-21 Rs. '000	30-Sep-20 Rs. '000	Change %	30-Sep-21 Rs. '000	30-Sep-20 Rs. '000	Change %
Profit/ (Loss) for the period	(194,418)	(675,246)	71	34,216	(127,047)	127
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	(137,490)	112,323	(222)	(64,672)	(87,295)	26
Deferred tax related to the above	38,381	(31,450)	222	15,521	24,443	(36)
	(99,109)	80,873	(223)	(49,151)	(62,852)	22
Other comprehensive income/ (expense) for the period, net of tax	(99,109)	80,873	(223)	(49,151)	(62,852)	22
Total comprehensive income/ (expense) for the period, net of tax	(293,527)	(594,373)	51	(14,935)	(189,900)	92

Cargills Bank Limited Statement of Financial Position

As at	30-Sep-21 Rs. '000	31-Dec-20 (Audited) Rs. '000	Growth %
Assets			
Cash and cash equivalents	1,219,296	1,420,123	(14)
Balances with Central Bank	1,004,848	443,993	126
Placements with banks	851,263	-	-
Derivative financial instruments	4,636	3,658	27
Financial assets measured at fair value through profit or loss	510,997	1,596,166	(68)
Financial assets at amortized costs - Loans & Advances to other customers	36,467,696	29,079,121	25
Financial assets at amortized costs - Debt and other Instruments	14,351	436,049	(97)
Financial assets measured at fair value through other comprehensive income	8,290,796	11,533,615	(28)
Property, plant & equipment	493,704	657,912	(25)
Intangible assets	278,619	357,739	(22)
Deferred tax assets	482,964	498,536	(3)
Other assets	692,537	505,622	37
Total assets	50,311,707	46,532,534	8
Liabilities and equity			
Due to banks	1,025,243	1,556,948	(34)
Derivative financial instruments	-	149	(100)
Financial liabilities at amortized cost - Due to depositors	36,976,396	31,997,601	16
Financial liabilities at amortized cost - Due to other borrowers	1,319,971	2,121,192	(38)
Retirement benefit obligation	74,362	64,763	15
Lease liability	288,397	339,985	(15)
Other liabilities	1,186,563	717,594	65
Total liabilities	40,870,932	36,798,232	11
Equity			
Stated capital	11,394,421	11,394,421	-
Statutory reserves	32,386	32,386	-
Fair Value through Other Comprehensive Income Reserve	(18,947)	80,162	(124)
Accumulated loss	(1,967,085)	(1,772,667)	(11)
Total equity attributable to equity holders of the bank	9,440,775	9,734,302	(3)
Total liabilities and equity	50,311,707	46,532,534	8
Contingent liabilities & commitments	18,295,448	16,134,217	
Net assets value per ordinary share (Rs.)	10.69	11.02	
Memorandum information:			
No. of employees	614	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.

D Gajanayaka

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

11/11/2021

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 30.09.2020					
Loss 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)
Total comprehensive income for the period 01.10.2020 to 31.12.2020					
Loss for the period	-	-	-	(68,701)	(68,701)
Other comprehensive income/ (loss) net of tax	-	-	(36,481)	1,392	(35,089)
Total comprehensive income for the period	-	-	(36,481)	(67,309)	(103,790)
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 30.09.2021					
Loss for the period	-	-	-	(194,418)	(194,418)
Other comprehensive income, net of tax	-	-	(99,109)	-	(99,109)
Total comprehensive income for the period	-	-	(99,109)	(194,418)	(293,527)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.09.2021	11,394,421	32,386	(18,947)	(1,967,085)	9,440,775

Cargills Bank Limited
Statement of Cash Flows

	For the period ended	
	30-Sep-21 Rs. '000	30-Sep-20 Rs. '000
<i>Cash flows from operating activities</i>		
Profit / (Loss) before tax	(140,466)	(776,295)
<i>Adjustments for:</i>		
Non-cash items included in profit/loss before tax	625,679	1,146,882
Interest paid on lease liability	(28,010)	(35,918)
Gains/ (losses) on sale of property, plant & equipment and other assets	(219)	-
Dividend income	(640)	-
Benefits paid on defined benefit plans	(1,774)	(1,668)
Tax paid	-	-
Change in operating assets	(4,589,021)	(5,868,418)
Change in operating liabilities	4,902,972	5,553,427
Net cash from/ (used in) operating activities	768,521	53,928
<i>Cash flows from investing activities</i>		
Net purchase of property, plant and equipment	(16,045)	(99,284)
Proceeds from sale of property, plant and equipment	219	157
Net purchase of intangible assets	(36,264)	(98,039)
Dividend received	640	-
Net cash from/ (used in) investing activities	(51,450)	(197,166)
<i>Cash flows from financing activities</i>		
Payment of lease liability	(87,771)	(74,747)
Change in securities sold under repurchase agreements	(831,142)	250,168
Net cash from/ (used in) financing activities	(918,913)	175,421
Net increase (decrease) in cash and cash equivalents	(201,842)	32,183
Cash and cash equivalents at the beginning of the period	1,429,096	994,853
Cash and cash equivalents at the end of the period	1,227,254	1,027,036
Less: impairment	(7,958)	(2,481)
Cash and cash equivalents as per Statement of Financial Position (Net)	1,219,296	1,024,555

Cargills Bank Limited
Classification of Financial Assets and Financial Liabilities

	Fair value through P/L	Fair Value through OCI	Amortized Cost	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 30.09.2021				
Financial assets				
Cash and cash equivalents	-	-	1,219,296	1,219,296
Balances with Central Bank of Sri Lanka	-	-	1,004,848	1,004,848
Placements with Banks	-	-	851,263	851,263
Derivative financial instruments	4,636	-	-	4,636
Financial assets measured at fair value through profit or loss	510,997	-	-	510,997
Financial assets at amortized costs - Loans & Advances to other customers	-	-	36,467,696	36,467,696
Financial assets at amortized costs - Debt and other Instruments	-	-	14,351	14,351
Financial assets at fair value through other comprehensive income-Government securities	-	8,275,643	-	8,275,643
Financial assets at fair value through other comprehensive income-Equity instruments	-	15,153	-	15,153
Other assets*	-	-	333,822	333,822
Total financial assets	515,633	8,290,796	39,891,276	48,697,705
Financial liabilities				
Due to banks	-	-	1,025,243	1,025,243
Derivative financial instruments	-	-	-	-
Financial liabilities at amortized cost - Due to depositors	-	-	36,976,396	36,976,396
Financial liabilities at amortized cost - Due to other borrowers	-	-	1,319,971	1,319,971
Lease Liability	-	-	288,397	288,397
Other liabilities**	-	-	715,300	715,300
Total financial liabilities	-	-	40,325,307	40,325,307
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 excluding accrued expenditure and impairment on commitments and contingencies

Cargills Bank Limited
Selected Performance Indicators

As at	30-Sep-2021	31-Dec-2020
Regulatory Capital (LKR'000)		
Common Equity Tier 1	8,549,302	8,842,828
Tier 1 Capital	8,549,302	8,842,828
Total Capital	8,789,259	9,082,785
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - (Minimum Requirement - 7%)	19.42	20.72
Tier 1 capital Ratio - (Minimum Requirement - 8.5%)	19.42	20.72
Total Capital Ratio - (Minimum Requirement - 12.5%)	19.96	21.28
Leverage Ratio - (Minimum Requirement - 3%)	15.57	16.71
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	9,058,738	11,597,058
Statutory Liquid Assets Ratio, % (Minimum Requirement - 20%)		
Domestic Banking Unit, %	22.71	33.63
Off-Shore Banking Unit, %	90.49	83.49
Total Stock of High-Quality Liquid Assets (LKR '000)	8,263,586	10,490,835
Liquidity Coverage Ratio, % - (Minimum Requirement - 100%)		
Rupee, %	120.00	133.00
All currency, %	107.26	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)	10.59	14.42
Net Non-Performing Advances Ratio,% (net of interest in suspense and provisions)	4.62	7.85
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans*	7.62	NA
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)*	41.41	NA
Profitability		
Interest Margin,%	3.87	3.88
Return on Assets (before Tax),%	(0.38)	(2.03)
Return on Equity,%	(2.78)	(7.14)

* 1. Subsequent to the issuance of new Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks, banks have been requested to publish new ratios in Quarter 3 and Quarter 4 of 2021 to ensure smooth transition to the requirements of the said Direction.

2. Impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

Explanatory Notes

1) 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.

2) 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. The Bank continuously monitors and takes necessary actions to manage the impact of the pandemic on its operations and performance.

3) The Bank estimated its Expected Credit Loss (ECL) as at 30 September 2021, based on the Probability of Default (PD) and Loss Given Default (LGD) used in preparing Annual Audited Financial Statements for the year ended 31 December 2020. 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 portfolios.

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.

4) 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 January 2020. Accordingly, the Bank's deferred tax was calculated at the reduced rate of 24% as at 30 September 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. 1.8 Mn.

5) 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

6) There was no pending litigation of a material nature against the bank.

7) All known expenses have been provided in these Interim Financial Statements.

8) 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-2021 Rs. '000	31-Dec-2020 Rs. '000
Loans and advances to other customers		
Gross loans and receivables		
Gross loans and advances	39,349,945	31,733,321
Less: Stage-wise Impairment		
Stage 1	139,565	68,805
Stage 2	530,684	342,306
Stage 3	2,212,000	2,243,089
Total impairment for loans and advances	2,882,249	2,654,200
Net loans and advances	36,467,696	29,079,121
Product wise Gross Loans and advances to other customers		
By product - Domestic Currency		
Overdrafts	6,007,180	5,405,360
Trade finance	2,145,474	1,300,075
Staff loans	267,144	256,727
Housing loans	1,103,757	1,002,966
Personal loans	3,917,400	3,722,863
Term loans	11,614,330	7,192,019
Agriculture loans	365,503	370,043
Vehicle loans	101,574	80,547
Loans against property	1,633,160	1,538,790
Money market loans	6,896,101	6,324,909
Credit card	1,476,032	1,385,025
Micro finance	69,161	75,174
Others	1,225,311	320,570
Sub total	36,822,126	28,975,070
By product - Foreign Currency		
Trade finance	762,682	1,047,952
Housing loans	67,338	69,542
Term loans	1,410,991	1,616,677
Overdrafts	10,932	11,190
Others	275,877	12,890
Sub total	2,527,820	2,758,251
Total Gross Loans & Advances	39,349,945	31,733,321

Movement in impairment during the period for loans and advances to other customers- Q3 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	70,760	188,378	(31,089)	228,049
Closing balance as at 30 September 2021	139,565	530,684	2,212,000	2,882,249

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-Sep-2021 Rs. '000	31-Dec-2020 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	6,766,286	6,191,429		
Letters of credit	124,801	903,610		
Bills For collection	435,335	109,569		
Forwards purchase	-	434,294		
Spots purchase	-	-		
Undrawn credit lines	8,387,075	6,557,147		
Capital commitments and other	80,086	58,075		
Sub total	15,793,582	14,254,125		
By product - Foreign Currency				
Guarantees	649,681	666,017		
Letters of credit	1,537,790	1,101,093		
Bills for collection	82,437	88,629		
Forwards purchase	195,850	13,950		
Spots purchase	36,108	10,403		
Sub total	2,501,866	1,880,092		
Total Commitments and Contingencies	18,295,448	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	(7,462)	63	50,250	42,851
Closing balance as at 30 September 2021	34,172	132	52,996	87,302
Due to other customers				
By product - Domestic Currency				
Current account deposits	1,859,633	1,155,077		
Savings deposits	5,875,871	6,336,923		
Call Deposits	4,882	3,532		
Time deposits	24,072,820	19,853,138		
Certificate of deposits	1,956,589	1,932,342		
Margin deposits	44,952	10,653		
Sub total	33,814,746	29,291,665		
By product - Foreign Currency				
Current account deposits	84,684	399,078		
Savings deposits	829,653	1,127,458		
Time deposits	2,247,312	1,179,400		
Margin deposits	-	-		
Sub total	3,161,649	2,705,936		
Total deposits	36,976,396	31,997,601		

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 30 September 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.