

Review of First Quarter Performance

Dear Shareholders,

Cargills Bank Limited is pleased to report an improved performance for the 3 months ended 31 March 2017.

Cargills Bank recorded a profit before tax of Rs. 67Mn for the first quarter 2017 compared to the corresponding period in 2016 wherein a Rs. 89Mn loss before tax was recorded. Profit after tax for the first quarter was Rs. 42Mn. The overall trend is encouraging and we are confident of consistently improving our performance in the coming quarters.

The quarterly profitability was mainly led by the significant increase in net interest income arising from key changes in the Bank's business and operational strategies. Further, the fulfillment of the mandatory tier 1 capital requirement in the previous year enabled the Bank to achieve profitability within a shorter period of time. The gradual deployment of funds in higher interest bearing assets in the first three months has improved the core income of the Bank. The Bank strives to continuously improve its loan & advances portfolio and net interest income in the remaining period of 2017.

With the aim of accelerating the growth of the Bank, the Bank focused on retail centric banking activities and more funds were committed in the retail/SME segments with the launch of several new products and initiatives such as Loans Against Property (LAP), Housing loans, Loans for professionals and Educational loans. The Bank seeks to continuously extend its presence in the rural areas and expects to increase the customer base in the coming nine months period.

The non-funded income (net fee and commission income) recorded a growth of Rs. 20Mn for which income from trade and remittance services contributed with notable contributions.

Net gains from trading shows an increase of Rs. 3.2Mn with foreign exchange gains being the main contributor. Other income of the Bank increased by Rs.13Mn due to revaluation gains recorded with respect to foreign currency investments. The Bank's operating expenses has increased by Rs. 42Mn due to expansion in its operational activities. The Bank's cost to income ratio has decreased to 75.80% from 154% which reflects the outcome of improved performance.

The NPA ratio declined to 0.70% from the previous year's NPA ratio of 0.94%. The Bank continuously focuses in improving and maintaining the Asset quality.

The Bank recorded a total asset growth of Rs. 742Mn for the period and the total asset base was Rs. 22Bn while Loans and advances stood at Rs. 15Bn. Customer deposits grew by 7.28% for the period under review to reach Rs. 10Bn by 31 March 2017. There has also been a satisfactory increase in the Bank's customer base. As at March 2017 the Bank had 15 branches in operation of which 6 are "in-store" branches. We intent rolling out six more "in-store" branches this Financial Year to enhance the Bank's growth momentum.

We are mindful of our vision of being the most inclusive Bank in Sri Lanka and the need to serve the underserved in far flung districts, focus on SME and Agri and simultaneously leverage on modern technology to increase reach and fast track growth and are committed to make a signature presence in mobile banking and electronic payments.

The Bank is confident of continued progress during the remaining period of 2017 as it builds on the foundation of its Quarterly Performance.

(Sgd.)

Louis R Page
Chairman

30 – May – 2017

**Please access www.cargillsbank.com for the financial statements for the three months ended 31st March 2017.*

http://www.cargillsbank.com/download/financial_statements/interim_reports/Interim-Financial-Statements-for-the-Three-Months-Ended-31-March-2017.pdf