

**MARKET DISCIPLINE MINIMUM  
DISCLOSURE REQUIREMENTS  
UNDER PILLAR III 4Q 2022 CARGILLS  
BANK LTD**

## Pillar III Market Disclosures

Disclosures under these requirements mainly include the regulatory capital requirements and liquidity, risk weighted assets, discussion on adequacy to meet current and future capital requirements of banks and linkages between financial statements and regulatory exposures. It is required to disclose the templates specified by the Central Bank of Sri Lanka as per Basel III - Minimum disclosure requirements with effective from July 1, 2017.

### TEMPLATE 01

#### Key Regulatory Ratios - Capital and Liquidity

Item	31-Dec-22	31-Dec-21
Regulatory Capital (LKR '000)		
Common Equity Tier 1	8,421,461	8,421,650
Tier 1 Capital	9,921,461	9,921,650
Total Capital	10,157,843	10,236,768
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2022: 7 and 2021: 7)	18.95	19.31
Tier 1 Capital Ratio (Minimum Requirement - 2022: 8.5 and 2021: 8.5)	22.32	22.75
Total Capital Ratio (Minimum Requirement - 2022: 12.5 and 2021: 12.5)	22.85	23.47
Leverage Ratio (Minimum Requirement - 3)	14.45	13.86
Regulatory Liquidity		
Statutory Liquid Assets (LKR '000)	11,061,874	10,197,054
Statutory Liquid Asset Ratio (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	26.70	26.3
Off-Shore Banking Unit (%)	90.79	90.79
Statutory Liquid Asset Ratio - Bank (%)	27.00	26.52
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - 2022:90 & 2021:100)	176	164
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement - 2022:90 & 2021:100)	141	147
Net stable funding Ratio (%) (Minimum Requirement - 2022:90 & 2021:100)	127	110

## TEMPLATE 02

## Basel III Computation of Capital Ratios

Item	Amount (LKR '000)	
	31-Dec-22	31-Dec-21
Common Equity Tier 1 (CET1) Capital after Adjustment	8,421,461	8,421,650
Common Equity Tier 1 (CET1) Capital	9,712,332	9,318,180
Equity Capital (Stated Capital)/Assigned Capital	11,394,421	11,394,421
Reserve Fund	56,774	32,386
Published Retained Earnings/(Accumulated Retained Losses)	(1,598,139)	(2,055,814)
Published Accumulated Other Comprehensive Income (OCI)	(140,724)	(52,813)
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	1,290,871	896,530
Goodwill (net)	-	-
Intangible Assets (net)	335,150	258,942
Others (specify) - Deferred tax asset	955,721	637,588
Additional Tier 1 (AT1) Capital after Adjustments	1,500,000	1,500,000
Additional Tier 1 (AT1) Capital	1,500,000	1,500,000
Qualifying Additional Tier 1 Capital Instruments	1,500,000	1,500,000
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital	-	-
Investment in Own Shares	-	-
Others (Specify)	-	-
Tier 2 Capital after Adjustments	236,382	315,118
Tier 2 Capital	236,382	315,118
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	236,382	315,118
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	-	-
Investment in Own Shares	-	-
Others (Specify)	-	-
CET1 Capital	9,712,332	9,318,180
Total Tier 1 Capital	9,921,461	9,921,650
Total Capital	10,157,843	10,236,768

## Pillar III Market Disclosures

## TEMPLATE 02 CONTD.

	31-Dec-22	31-Dec-21
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	39,898,474	39,943,518
RWAs for Market Risk	1,097,152	873,427
RWAs for Operational Risk	3,451,568	2,793,894
CET1 Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	18.95	19.31
Of which: Capital Conservation Buffer (%)	2.00	2.00
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio	22.32	22.75
Total Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	22.85	23.47
Of which: Capital Conservation Buffer (%)	2.00	2.00
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-

## TEMPLATE 03

## Computation of Leverage Ratio

Item	Amount (LKR '000)	
	31-Dec-22	31-Dec-21
Tier 1 Capital	8,421,461	8,421,650
Total Exposures	58,299,707	60,761,614
On-Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	52,461,938	54,867,331
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	5,837,769	5,894,283
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	14.45	13.86

## TEMPLATE 04

## 4.1 Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	Amount (LKR '000)			
	31-Dec-22		31-Dec-21	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	9,087,222	9,087,222	9,186,365	9,186,365
Total Adjusted Level 1 Assets	9,476,069	9,476,069	9,393,341	9,393,341
Level 1 Assets	9,087,222	9,087,222	9,186,365	9,186,365
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	51,013,930	8,753,424	51,015,958	11,779,415
Deposits	23,278,572	2,327,857	22,008,948	2,200,895
Unsecured Wholesale Funding	8,184,504	5,512,613	13,453,067	9,110,842
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	19,550,854	912,954	15,553,943	467,678
Additional Requirements	-	-	-	-
Total Cash Inflows	6,024,892	3,596,080	10,047,956	6,172,254
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	6,024,892	3,596,080	10,047,956	6,172,254
Operational Deposits	-	-	-	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		176		164

## Pillar III Market Disclosures

### 4.2 Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR '000)			
	31-Dec-22		31-Dec-21	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	9,108,873	9,108,873	9,188,499	9,188,499
Total Adjusted Level 1 Assets	9,497,720	9,497,720	9,395,345	9,395,345
Level 1 Assets	9,108,873	9,108,873	9,188,499	9,188,499
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	54,886,905	10,398,271	55,866,255	12,902,667
Deposits	24,644,776	2,464,478	24,224,768	2,422,477
Unsecured Wholesale Funding	10,326,708	7,050,362	14,593,599	9,955,768
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	19,915,421	883,432	17,047,888	524,422
Additional Requirements	-	-	-	-
Total Cash Inflows	6,628,769	3,915,456	11,052,370	6,667,024
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	6,628,769	3,915,456	10,730,999	6,667,024
Operational Deposits	-	-	321,371	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		141		147

### 4.3 Net Stable Funding Ratio (NSFR)

Item	Amount (LKR '000)	
	31-Dec-22	31-Dec-21
Total available stable funding (ASF)	34,887,292	36,019,343
Total required stable funding (RSF)	27,522,187	32,822,771
Required stable funding - On balance sheet assets	27,071,164	32,449,279
Required stable funding - Off balance sheet items	451,023	373,491
NSFR (%) (Minimum Requirement - 2022:90 & 2021:100)	127	110

**TEMPLATE 05****Main Features of Regulatory Capital Instruments**

Description of the Capital Instrument	BASEL III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures
Issuer	Cargills Bank Limited
Governing Law(s) of the Instrument	Companies Act No. 07 of 2007, Banking Act No. 30 of 1988 and other applicable laws and regulations
Original Date of Issuance	15 December 2021
Par Value of Instrument	LKR 100/-
Perpetual or Dated	Perpetual
Original Maturity Date, if Applicable	N/A
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	1,500,000
Accounting Classification (Equity/Liability)	Liability
Issuer Call subject to Prior Supervisory Approval	
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	*
Subsequent Call Dates, if Applicable	1 May to 31 May of each year from 2028 to 2031
Coupons/Dividends	
Fixed or Floating Dividend/Coupon	Floating
Coupon Rate and any Related Index	Weighted average twelve-month Net Treasury Bill rate + 2.00% p.a with the floor rate of 9.5% p.a.
Non-Cumulative or Cumulative	Cumulative
Convertible or Non-Convertible	Convertible
If Convertible, Conversion Trigger (s)	*
If Convertible, Fully or Partially	*
If Convertible, Mandatory or Optional	*
If Convertible, Conversion Rate	*

\* The debenture may be convertible by the debenture holder (subject to satisfaction of regulatory requirements), at any time during the conversion periods after a minimum of 05 years from the date of issue or a non viability conversion arising from an occurrence of a trigger event at a par value of LKR 100 per debenture.

**TEMPLATE 06****Summary Discussion on Adequacy/Meeting Current and Future Capital Requirements**

The Bank has set up an internal threshold on minimum CARs and ensures that appropriate measures are employed to maintain the CARs above the said threshold when preparing the budget. The Bank has a well established monitoring mechanism to periodically ensure the level of achievement against the predetermined targets and corrective action is taken for any deviations.

Methods of improving the CARs are being evaluated on an ongoing basis and in extreme situations, the Bank will deliberate on strategically curtailing the expansion of risk weighted assets. Prior to taking such decisions, the Bank will assess the impact on the internally developed thresholds of minimum CARs resulting from the short-term asset expansion plans. The Bank takes every endeavour to ensure maintaining the internal CAR thresholds.

Further, in December 2021, Cargills Bank Limited issued Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures with a conversion option to raise Rs. 1.5 Bn. to meet the regulatory minimum capital requirement.

## Pillar III Market Disclosures

## TEMPLATE 07

## Credit Risk under Standardised Approach -

## Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (LKR '000) as at 31 December 2022					
	Exposure before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA & RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density
Claims on Central Government and CBSL	13,415,246	-	13,415,246	-	-	0.00%
Claims on Foreign Sovereigns and Their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	751,256	544,695	751,256	10,894	426,659	55.98%
Claims on Financial Institutions	1,857,910	220,976	1,857,910	220,976	2,011,264	96.75%
Claims on Corporates	11,562,407	13,562,532	11,562,407	4,611,129	15,427,830	95.39%
Retail Claims	14,821,407	8,078,708	14,821,407	994,770	13,169,776	83.27%
Claims Secured by Residential Property	3,724,997	-	3,991,582	-	3,724,997	93.32%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	2,944,700	-	2,678,115	-	3,430,735	128.10%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	2,335,355	-	2,335,355	-	1,707,214	73.10%
<b>Total</b>	<b>51,413,278</b>	<b>22,406,911</b>	<b>51,413,278</b>	<b>5,837,769</b>	<b>39,898,474</b>	<b>69.69%</b>



## TEMPLATE 08

## Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Risk Weight	Amount (LKR '000) as at 31 December 2022 (Post CCF and CRM)							Total Credit Exposure Amount
	0%	20%	50%	75%	100%	150%	>150%	
Asset Classes								
Claims on Central Government and CBSL	13,415,246	-	-	-	-	-	-	13,415,246
Claims on Foreign Sovereigns and Their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	152,037	427,723	-	182,390	-	-	762,150
Claims on Financial Institutions	-	45,765	62,021	-	1,971,101	-	-	2,078,886
Claims on Corporates	-	925,763	10,191	-	15,237,582	-	-	16,173,536
Retail Claims	-	-	4,048,221	4,108,454	7,659,502	-	-	15,816,178
Claims Secured by Residential Property	-	-	-	-	3,724,997	-	-	3,724,997
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	201,799	-	1,569,032	1,173,869	-	2,944,700
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	628,141	-	-	-	1,707,214	-	-	2,335,355
<b>Total</b>	<b>14,043,387</b>	<b>1,123,564</b>	<b>4,749,955</b>	<b>4,108,454</b>	<b>32,051,817</b>	<b>1,173,869</b>	<b>-</b>	<b>57,251,047</b>

## TEMPLATE 09

## Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR' 000) As at 31 Dec 2022
(a) RWA for Interest Rate Risk	1,097,152
General Interest Rate Risk	
i. Net Long or Short Position	136,854
ii. Horizontal Disallowance	-
iii. Vertical Disallowance	-
iv. Options	-
Specific Interest Rate Risk	-
(b) RWA for Equity	-
i. General Equity Risk	-
ii. Specific Equity Risk	-
(c) RWA for Foreign Exchange & Gold	290
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	137,144

## Pillar III Market Disclosures

## TEMPLATE 10

## Operational Risk under Basic Indicator Approach/The Standardised Approach/The Alternative Standardised Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR '000)		
			1st Year	2nd Year	3rd Year
Basic Indicator Approach	15%		4,259,873	2,476,903	1,892,148
The Standardised Approach			-	-	-
Corporate Finance	18%		-	-	-
Trading and Sales	18%		-	-	-
Payment and Settlement	18%		-	-	-
Agency Services	15%		-	-	-
Asset Management	12%		-	-	-
Retail Brokerage	12%		-	-	-
Retail Banking	12%		-	-	-
Commercial Banking	15%		-	-	-
The Alternative Standardised Approach			-	-	-
Corporate Finance	18%		-	-	-
Trading and Sales	18%		-	-	-
Payment and Settlement	18%		-	-	-
Agency Services	15%		-	-	-
Asset Management	12%		-	-	-
Retail Brokerage	12%		-	-	-
Retail Banking	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-
Capital Charge for Operational Risk (LKR' 000)					
The Basic Indicator Approach			431,446		
The Standardised Approach			-		
The Alternative Standardised Approach			-		
Risk Weighted Amount for Operational Risk (LKR '000)					
The Basic Indicator Approach			3,451,568		
The Standardised Approach			-		
The Alternative Standardised Approach			-		

## TEMPLATE 11

## Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank Only

Item	Amount (LKR '000) as at 31 December 2022				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Values under Scope of Regulatory Reporting	Credit Risk Framework	Market Risk Framework	Capital Requirements or Subject to Deduction from Capital
<b>Assets</b>					
Cash and Cash Equivalents	1,232,272	1,232,272	1,232,272		
Balances with Central Banks	1,311,926	1,311,926	1,311,926		
Placements with Banks	-	-	-		
Derivative Financial Instruments	-	-	-		
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-			
Loans and Receivables to Other Customers	35,960,080	35,960,080	35,960,080		11,620,882
Financial Investments - Available-For-Sale	10,253,496	10,253,496	10,253,496	10,253,496	
Financial Investments - Held-To-Maturity	1,996,950	1,996,950	1,996,950	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	475,180	475,180	475,180		
Investment Properties	-	-			
Goodwill and Intangible Assets	335,150	335,150			335,150
Deferred Tax Assets	955,721	955,721			955,721
Other Assets	1,232,034	1,386,644	1,386,644		
<b>Liabilities</b>					
Due to Banks	514,193	514,193			
Derivative Financial Instruments	30	30			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	37,802,680	37,802,680			
Other Borrowings	3,688,924	3,688,924			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	96,806	96,806			
Other Liabilities	1,929,871	1,929,871			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			

## Pillar III Market Disclosures

Item	Amount (LKR '000) as at 31 December 2022				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Values under Scope of Regulatory Reporting	Credit Risk Framework	Market Risk Framework	Capital Requirements or Subject to Deduction from Capital
Off-Balance Sheet Liabilities					
Guarantees	7,716,489	7,716,489	7,716,489		
Performance Bonds	-	-			
Letters of Credit	541,681	541,681	541,681		
Other Contingent Items	2,238,394	2,238,394	2,238,394		
Undrawn Loan Commitments	11,643,163	11,643,163	11,643,163		
Other Commitments	267,185	267,185			
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	11,394,421	12,894,421*			
of which Amount Eligible for CET1	11,394,421	11,394,421			
of which Amount Eligible for AT1	-	1,500,000*			
Retained Earnings	(1,598,139)	(1,598,139)			
Accumulated Other Comprehensive Income	(132,751)	(132,751)			
Other Reserves	56,774	56,774			
Total Shareholders' Equity	9,720,306	11,220,306*			

\* The difference is due to the BASEL III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures issued in December 2021 (Refer Template 05).