

**MARKET DISCIPLINE
MINIMUM DISCLOSURE REQUIREMENTS
UNDER PILLAR III 1Q 2023
CARGILLS BANK LTD**

Template 01

Key Regulatory Ratios – Capital and Liquidity

Item	31-Mar-23	31-Dec-22
Regulatory Capital (LKR '000)		
Common Equity Tier 1	8,421,461	8,421,461
Tier 1 Capital	9,921,461	9,921,461
Total Capital	10,157,843	10,157,843
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 2022: 7 and 2021: 7)	18.62	18.95
Tier 1 Capital Ratio (Minimum Requirement – 2022: 8.5 and 2021: 8.5)	21.94	22.32
Total Capital Ratio (Minimum Requirement – 2022: 12.5 and 2021: 12.5)	22.46	22.85
Leverage Ratio (Minimum Requirement - 3)	13.17	14.45
Regulatory Liquidity		
Statutory Liquid Assets (LKR '000)	13,774,881	11,061,874
Statutory Liquid Ratio (Minimum Requirement – 20)		
Domestic Banking Unit (%)	32.12	26.70
Statutory Liquid Assets Ratio - Bank (%)	32.00	27.00
Off-Shore Banking Unit (%)	90.65	90.79
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement – 2022:90 & 2023 Q1:100)	156	176
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement – 2022:90 & 2023 Q1:100)	123	141
Net stable funding ratio (minimum requirement: 2023 Q1 – 100%, 2022 – 90%)	122	127

Template 02

Basel III Computation of Capital Ratios

Item	Amount (LKR '000)	
	31-Mar-23	31-Dec-22
Common Equity Tier 1 (CET1) Capital after Adjustment	8,421,461	8,421,461
Common Equity Tier 1 (CET1) Capital	9,712,332	9,712,332
Equity Capital (Stated Capital)/ Assigned Capital	11,394,421	11,394,421
Reserve Fund	56,774	56,774
Published Retained Earnings/ (Accumulated Retained Losses)	(1,598,139)	(1,598,139)
Published Accumulated Other Comprehensive Income (OCI)	(140,724)	(140,724)
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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-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	1,290,871
Goodwill (net)	-	-
Intangible Assets (net)	335,150	335,150
Others (specify) – Deferred tax asset	955,721	955,721
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	236,382
Tier 2 Capital	236,382	236,382
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	236,382	236,382
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	9,712,332
Total Tier 1 Capital	9,921,461	9,921,461
Total Capital	10,157,843	10,157,843

	31-Mar-23	31-Dec-22
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	39,959,861	39,898,474
RWAs for Market Risk	1,551,409	1,097,152
RWAs for Operational Risk	3,712,121	3,451,568
CET1 Capital Ratio (Including Capital Conservative Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	18.62	18.95
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	21.94	22.32
Total Capital Ratio (Including Capital Conservative Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	22.46	22.85
Of which: Capital Conservative 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-Mar-23	31-Dec-22
Tier 1 Capital	8,421,461	8,421,461
Total Exposures	63,936,709	58,299,707
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	58,352,699	52,461,938
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	5,584,010	5,837,769
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	13.17	14.45

Template 04

Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	Amount (LKR '000)			
	31-Mar-23		31-Dec-22	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	13,180,387	13,180,387	9,087,222	9,087,222
Total Adjusted Level 1 Assets	13,239,285	13,239,285	9,476,069	9,476,069
Level 1 Assets	13,180,387	13,180,387	9,087,222	9,087,222
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	60,058,575	12,876,684	51,013,930	6,425,567
Deposits	25,348,906	2,534,891	23,278,572	0
Unsecured Wholesale Funding	12,227,757	8,921,684	8,184,504	5,512,613
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	22,481,912	1,420,109	19,550,854	912,954
Additional Requirements	-	-	-	-
Total Cash Inflows	7,515,565	4,403,751	6,024,892	3,596,080
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	7,515,565	4,403,751	6,024,892	3,596,080
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		156.00		176.00

Template 04

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR '000)			
	31-Mar-23		31-Dec-22	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	13,197,753	13,197,753	9,108,873	9,108,873
Total Adjusted Level 1 Assets	13,256,651	13,256,651	9,497,720	9,497,720
Level 1 Assets	13,197,753	13,197,753	9,108,873	9,108,873
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	64,531,901	15,394,909	54,886,905	10,398,271
Deposits	27,146,293	2,714,629	24,644,776	2,464,478
Unsecured Wholesale Funding	15,133,626	11,291,627	10,326,708	7,050,362
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	22,251,982	1,388,652	19,915,421	883,432
Additional Requirements	-	-	-	-
Total Cash Inflows	7,884,931	4,648,130	6,628,769	3,915,456
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	7,884,931	4,648,130	6,628,769	3,915,456
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		122.81		140.51

Template 5

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.

Template 07

Credit Risk under Standardised Approach –

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (LKR '000) as at 31 March 2023					
	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	15,129,111	-	15,129,111	-	0	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	1,013,147	-	1,013,147	3,296	544,288	53.55%
Claims on Financial Institutions	2,965,647	220,976	2,965,647	220,976	2,651,771	83.22%
Claims on Corporates	12,474,954	13,446,109	12,474,954	4,152,826	16,627,780	100.00%
Retail Claims	12,931,703	5,284,567	12,931,703	1,206,912	11,531,592	81.56%
Claims Secured by Residential Property	3,584,426	-	3,834,087	-	3,584,426	93.49%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	3,048,368	-	2,798,708	-	3,476,234	124.21%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	2,369,564	-	2,369,564	-	1,543,769	65.15%
Total	53,516,920	18,951,651	53,516,920	5,584,010	39,959,861	67.61%

Template 08

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

Risk Weight \ Asset Classes	Amount (LKR '000) as at 31 March 2023 (Post CCF and CRM)							Total Credit Exposure Amount
	0%	20%	50%	75%	100%	150%	>150%	
Claims on Central Government and CBSL	15,129,111	-	-	-	-	-	-	15,129,111
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	-	157,928	691,627	-	166,889	-	-	1,016,443
Claims on Financial Institutions	-	33,236	1,016,525	-	2,136,862	-	-	3,186,623
Claims on Corporates	-	-	-	-	16,627,780	-	-	16,627,780
Retail Claims	-	-	3,562,024	4,728,855	5,847,737	-	-	14,138,616
Claims Secured by Residential Property	-	-	-	-	3,584,426	-	-	3,584,426
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	198,295	-	1,796,045	1,054,027	-	3,048,368
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	825,794	-	-	-	1,543,769	-	-	2,369,564
Total	15,954,905	191,164	5,468,471	4,728,855	31,703,508	1,054,027	-	59,100,930

Template 09

Market Risk under Standardised Measurement Method

Item	RWA Amount
	(LKR' 000)
	As at 31 March 2023
(a) RWA for Interest Rate Risk	1,551,409
General Interest Rate Risk	
i. Net Long or Short Position	193,801
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	125
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	193,926

Template 10

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

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income		
			1 st Year	2 nd Year	3 rd Year
Basic Indicator Approach	15%		4,540,900	2,786,702	1,952,700
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	464,015				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR '000)					
The Basic Indicator Approach	3,712,121				
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 March 2023				
	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
Assets					
Cash and Cash Equivalents	1,690,342	1,690,342	1,690,342		
Balances with Central Banks	1,423,799	1,423,799	1,423,799		
Placements with Banks	108,046	108,046	108,046		
Derivative Financial Instruments	1,659	-		-	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-			
Loans and Receivables to Other Customers	38,980,386	38,980,386	38,980,386		9,668,546
Financial Investments - Available-For-Sale	12,808,748	12,808,748	12,808,748	12,808,748	
Financial Investments - Held-To-Maturity	1,951,983	1,951,983	1,951,983	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	435,223	435,223	435,223		
Investment Properties	-	-			
Goodwill and Intangible Assets	313,537	313,537			313,537
Deferred Tax Assets	821,301	821,301			821,301
Other Assets	1,108,546	2,285,350	2,285,350		
Liabilities					
Due to Banks	461,462	461,462			
Derivative Financial Instruments	-	-			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	45,354,453	45,354,453			
Other Borrowings	2,116,031	2,116,031			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	98,901	98,901			
Other Liabilities	1,629,644	1,629,644			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			
Off-Balance Sheet Liabilities					
Guarantees	7,208,362	7,208,362	7,208,362		
Performance Bonds	-	-			
Letters of Credit	780,179	780,179	780,179		
Other Contingent Items	1,582,637	1,582,637	1,582,637		
Undrawn Loan Commitments	9,316,903	9,316,903	9,316,903		
Other Commitments	63,571	63,571			
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	(1,491,673)	(1,491,673)			
Accumulated Other Comprehensive Income	23,556	23,556			
Other Reserves	56,774	56,774			
Total Shareholders' Equity	9,983,079	11,483,078			