

**MARKET DISCIPLINE
MINIMUM DISCLOSURE REQUIREMENTS
UNDER PILLAR III 3Q 2023
CARGILLS BANK LTD**

Template 01

Key Regulatory Ratios – Capital and Liquidity

Item	30-Sep-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 (%) (Refer Note 01)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 2023: 7 and 2022: 7)	16.93	18.95
Tier 1 Capital Ratio (Minimum Requirement – 2023: 8.5 and 2022: 8.5)	19.95	22.32
Total Capital Ratio (Minimum Requirement – 2023: 12.5 and 2022: 12.5)	20.43	22.85
Leverage Ratio (Minimum Requirement - 3%)	12.19	14.45
Regulatory Liquidity		
Statutory Liquid Assets (LKR '000)	18,668,524	11,061,874
Statutory Liquid Ratio (Minimum Requirement – 20%)		
Domestic Banking Unit (%)	37.71	26.70
Statutory Liquid Assets Ratio - Bank (%)	37.72	27.00
Off-Shore Banking Unit (%)	90.65	90.79
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement – 2023 Q3:100 & 2022:90)	320	176
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement – 2023 Q3:100 & 2022:90)	244	141
Net stable funding ratio (minimum requirement: 2023 Q3 – 100%, 2022 – 90%)	120	127

NOTE 01

The Bank expects to list on the Colombo Stock Exchange by end 2023. It is thereafter required to meet the regulatory minimum capital requirement of LKR 20 Billion by end 2025. The Bank should maintain Total Tier 1 Capital Ratio 250 basis points above the minimum applicable until it complies with the regulatory minimum capital requirement.

Template 02

Basel III Computation of Capital Ratios

Item	Amount (LKR '000)	
	30-Sep-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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-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) – <i>Deferred tax asset</i>	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

	30-Sep-23	31-Dec-22
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	42,651,049	39,898,474
RWAs for Market Risk	2,834,441	1,097,152
RWAs for Operational Risk	4,244,133	3,451,568
CET1 Capital Ratio (Including Capital Conservative Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.93	18.95
Of which: Capital Conservation Buffer (%)	2.50	2.00
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio	19.95	22.32
Total Capital Ratio (Including Capital Conservative Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	20.43	22.85
Of which: Capital Conservative Buffer (%)	2.50	2.00
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-

Template 03**Computation of Leverage Ratio**

Item	Amount (LKR '000)	
	30-Sep-23	31-Dec-22
Tier 1 Capital	8,421,461	8,421,461
Total Exposures	69,078,679	58,299,707
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	63,432,592	52,461,938
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	5,646,087	5,837,769
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	12.19	14.45

Template 04

4.1 Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	Amount (LKR '000)			
	30-Sep-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)	18,177,107	18,177,107	9,087,222	9,087,222
Total Adjusted Level 1 Assets	18,360,842	18,360,842	9,476,069	9,476,069
Level 1 Assets	18,177,107	18,177,107	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	53,961,722	11,617,214	51,013,930	8,753,424
Deposits	26,968,406	2,696,841	23,278,572	2,327,857
Unsecured Wholesale Funding	12,878,318	8,548,200	8,184,504	5,512,613
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	14,114,997	372,173	19,550,854	912,954
Additional Requirements	-	-	-	-
Total Cash Inflows	9,756,293	5,939,851	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	9,756,293	5,939,851	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		320		176

Template 04

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

Item	Amount (LKR '000)			
	30-Sep-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)	18,184,189	18,184,189	9,108,873	9,108,873
Total Adjusted Level 1 Assets	18,367,924	18,367,924	9,497,720	9,497,720
Level 1 Assets	18,184,189	18,184,189	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	58,078,941	13,469,209	54,886,905	10,398,271
Deposits	28,389,811	2,838,981	24,644,776	2,464,478
Unsecured Wholesale Funding	14,929,820	10,260,486	10,326,708	7,050,362
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	14,759,311	369,742	19,915,421	883,432
Additional Requirements	-	-	-	-
Total Cash Inflows	11,020,191	6,020,320	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	9,895,750	6,020,320	6,628,769	3,915,456
Operational Deposits	1,124,441.10	-	-	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		244		141

Template 4.3

Net stable funding ratio (NSFR)

Item	Amount (LKR '000)	
	30-Sep-23	31-Dec-22
Total available stable funding (ASF)	37,373,748	34,887,292
Total required stable funding (RSF)	30,974,252	27,522,187
Required stable funding – On balance sheet asset	299,642	27,071,164
Required stable funding – Off balance sheet item	31,273,894	451,023
NSFR (minimum requirement – 100) (%)	120	127

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 endeavor 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 30 September 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	19,214,435	-	19,214,435	-	-	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	1,460,951	-	1,460,951	25,001	783,272	52.71%
Claims on Financial Institutions	5,419,504	220,976	5,419,504	220,976	4,642,291	82.30%
Claims on Corporates	15,254,945	11,015,030	15,254,945	2,551,495	16,737,160	93.99%
Retail Claims	12,666,507	4,926,571	12,666,507	2,740,952	12,698,010	82.41%
Claims Secured by Residential Property	1,248,369	-	1,248,369	31,000	1,279,369	100.00%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	3,125,405	-	3,125,405	76,663	4,182,603	130.62%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	3,138,534	-	3,138,534	-	2,328,343	74.19%
Total	61,528,651	16,162,576	61,528,651	5,646,087	42,651,049	63.49%

Template 08

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

Risk Weight	Amount (LKR '000) as at 30 September 2023 (Post CCF and CRM)							Total Credit Exposure Amount
	0%	20%	50%	75%	100%	150%	>150%	
Asset Classes								
Claims on Central Government and CBSL	19,214,435	-	-	-	-	-	-	19,214,435
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	-	176,537	1,122,901	-	186,514	-	-	1,485,952
Claims on Financial Institutions	-	-	1,996,378	-	3,644,102	-	-	5,640,480
Claims on Corporates	-	1,291,795	71,689	-	16,442,957	-	-	17,806,441
Retail Claims	-	-	2,580,695	6,708,684	6,118,080	-	-	15,407,459
Claims Secured by Residential Property	-	-	-	-	1,279,369	-	-	1,279,369
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	-	-	1,240,997	1,961,071	-	3,202,068
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	810,191	-	-	-	2,328,343	-	-	3,138,534
Total	20,024,626	1,468,332	5,771,663	6,708,684	31,240,362	1,961,071	-	67,174,738

Template 09

Market Risk under Standardised Measurement Method

Item	RWA Amount
	(LKR' 000)
	As at 30 September 2023
(a) RWA for Interest Rate Risk	2,834,441
General Interest Rate Risk	
i. Net Long or Short Position	352,238
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	2,068
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	354,305

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%		4,505,661	3,861,461	2,243,211
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	530,517				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR '000)					
The Basic Indicator Approach	4,244,133				
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 30 September 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	2,122,843	2,122,843	2,122,843		
Balances with Central Banks	632,152	632,152	632,152		
Placements with Banks	-	-	-		
Derivative Financial Instruments	1,394	-		-	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-			
Loans and Receivables to Other Customers	36,798,255	36,798,255	36,798,255		7,633,832
Financial Investments - Available-For-Sale	19,651,315	19,651,315	19,651,315	19,651,315	
Financial Investments - Held-To-Maturity	1,976,310	1,976,310	1,976,310	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	476,130	476,130	476,130		
Investment Properties	-	-			
Goodwill and Intangible Assets	298,661	298,661			298,661
Deferred Tax Assets	209,545	209,545			209,545
Other Assets	1,852,214	2,102,313	2,102,313		
Liabilities					
Due to Banks	459,172	459,172			
Derivative Financial Instruments	1,400	1,400			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	44,859,249	44,859,249			
Other Borrowings	4,915,920	4,915,920			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	97,092	97,092			
Other Liabilities	2,968,110	2,968,110			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			
Off-Balance Sheet Liabilities					
Guarantees	6,825,684	6,825,684	6,825,684		
Performance Bonds	-	-			
Letters of Credit	719,514	719,514	719,514		
Other Contingent Items	1,317,463	1,317,463	1,317,463		
Undrawn Loan Commitments	7,227,531	7,227,531	7,227,531		
Other Commitments	72,385	72,385			
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	(1,166,352)	(1,166,352)			
Accumulated Other Comprehensive Income	1,139,072	1,139,072			
Other Reserves	56,774	56,774			
Total Shareholders' Equity	11,423,915	12,923,915			