

**MARKET DISCIPLINE
MINIMUM DISCLOSURE REQUIREMENTS
UNDER PILLAR III 3Q 2022
CARGILLS BANK LTD**

Template 01

Key Regulatory Ratios – Capital and Liquidity

Item	30-Sep-22	31-Dec-21
Regulatory Capital (LKR '000)		
Common Equity Tier 1	8,384,900	8,421,650
Tier 1 Capital	9,884,900	9,921,650
Total Capital	10,200,018	10,236,768
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement – Q3'2022: 7 and 2021: 7</i>)	19.87	19.31
Tier 1 Capital Ratio (<i>Minimum Requirement – Q3'2022: 8.5 and 2020: 8.5</i>)	23.42	22.75
Total Capital Ratio (<i>Minimum Requirement – Q3'2022: 12.5 and 2021: 12.5</i>)	24.17	23.47
Leverage Ratio (<i>Minimum Requirement - 3</i>)	13.99	13.86
Regulatory Liquidity		
Statutory Liquid Assets (LKR '000)	9,187,443	10,197,054
Statutory Liquid Ratio (<i>Minimum Requirement – 20</i>)		
Domestic Banking Unit (%)	20.67	26.3
Off-Shore Banking Unit (%)	90.65	90.79
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement – Q3 2022:100 & 2021:100</i>)	133	164
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement – Q3 2022:100 & 2021:100</i>)	111	147

Template 02

Basel III Computation of Capital Ratios

Item	Amount (LKR '000)	
	30-Sep-22	31-Dec-21
Common Equity Tier 1 (CET1) Capital after Adjustment	8,384,900	8,421,650
Common Equity Tier 1 (CET1) Capital	9,281,430	9,318,180
Equity Capital (Stated Capital)/ Assigned Capital	11,394,421	11,394,421
Reserve Fund	32,386	32,386
Published Retained Earnings/ (Accumulated Retained Losses)	(2,055,814)	(2,055,814)
Published Accumulated Other Comprehensive Income (OCI)	(52,813)	(52,813)
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	(36,750)	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	896,530	896,530
Goodwill (net)	-	-
Intangible Assets (net)	258,942	258,942
Others (specify) – <i>Deferred tax asset</i>	637,588	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	315,118	315,118
Tier 2 Capital	315,118	315,118
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	315,118	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	9,281,430	9,318,180
Total Tier 1 Capital	9,884,900	9,921,650
Total Capital	10,200,018	10,236,768

	30-Sep-22	31-Dec-21
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	38,129,944	39,943,518
RWAs for Market Risk	804,056	873,427
RWAs for Operational Risk	3,265,696	2,793,894
CET1 Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.87	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	23.42	22.75
Total Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	24.17	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)	
	30-Sep-22	31-Dec-21
Tier 1 Capital	8,384,900	8,421,650
Total Exposures	59,948,223	60,761,614
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	53,671,092	54,867,331
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	6,277,131	5,894,283
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	13.99	13.86

Template 04

Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	Amount (LKR '000)			
	30-Sep-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)	7,877,463	7,877,463	9,186,365	9,186,365
Total Adjusted Level 1 Assets	7,866,643	7,866,643	9,393,341	9,393,341
Level 1 Assets	7,877,463	7,877,463	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	56,504,208	9,144,166	51,015,958	11,779,414
Deposits	21,350,675	2,135,068	22,008,948	2,200,895
Unsecured Wholesale Funding	8,964,593	5,234,325	13,453,067	9,110,842
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	26,188,940	1,774,774	15,553,943	467,678
Additional Requirements	-	-	-	-
Total Cash Inflows	5,894,057	3,205,931	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	5,894,057	3,205,931	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		133.00		164.00

Template 04

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR '000)			
	30-Sep-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)	7,890,582	7,890,582	9,188,499	9,188,499
Total Adjusted Level 1 Assets	7,879,762	7,879,762	9,395,345	9,395,345
Level 1 Assets	7,890,582	7,890,582	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	60,897,527	10,429,141	55,866,255	12,902,667
Deposits	23,388,465	2,338,847	24,224,768	2,422,477
Unsecured Wholesale Funding	10,688,332	6,323,970	14,593,599	9,955,768
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	26,820,730	1,766,324	17,047,888	524,422
Additional Requirements	-	-	-	-
Total Cash Inflows	6,144,540	3,340,611	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	6,144,540	3,340,611	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		111.31		147.35

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 30 September 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	12,969,979	-	12,969,979	-	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	1,289,250	-	1,289,250	-	889,843	69.02%
Claims on Financial Institutions	2,112,825	999,615	2,112,825	240,968	1,492,125	63.39%
Claims on Corporates	10,624,217	7,511,031	10,624,217	5,140,194	15,304,136	97.08%
Retail Claims	13,121,433	5,574,637	13,121,433	819,366	11,529,211	82.70%
Claims Secured by Residential Property	4,108,846	-	4,356,298	41,500	4,150,346	94.37%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	3,035,155	-	2,787,703	35,102	3,331,323	118.01%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	2,182,809	-	2,182,809	-	1,432,961	65.65%
Total	49,444,514	14,085,283	49,444,514	6,277,130	38,129,945	68.43%

Template 08

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

Risk Weight	Amount (LKR '000) as at 30 September 2022 (Post CCF and CRM)							Total Credit Exposure Amount
	0%	20%	50%	75%	100%	150%	>150%	
Asset Classes								
Claims on Central Government and CBSL	12,969,979	-	-	-	-	-	-	12,969,979
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	-	453,554	73,128	-	762,568	-	-	1,289,250
Claims on Financial Institutions	-	75,137	1,603,117	-	675,539	-	-	2,353,793
Claims on Corporates	-	-	920,550	-	14,843,861	-	-	15,764,411
Retail Claims	-	-	3,875,930	3,444,865	6,620,004	-	-	13,940,799
Claims Secured by Residential Property	-	-	-	-	4,150,346	-	-	4,150,346
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	115,716	-	2,316,694	637,847	-	3,070,257
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	749,848	-	-	-	1,432,961	-	-	2,182,809
Total	13,719,827	528,691	6,588,441	3,444,865	30,801,973	637,847	-	55,721,644

Template 09

Market Risk under Standardised Measurement Method

Item	RWA Amount
	(LKR' 000)
	As at 30 September 2022
(a) RWA for Interest Rate Risk	804,056
General Interest Rate Risk	
i. Net Long or Short Position	99,850
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	657
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	100,507

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%		3,861,461	2,243,211	2,059,572
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	408,212				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR '000)					
The Basic Indicator Approach	3,265,696				
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 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
Assets					
Cash and Cash Equivalents	1,889,098	1,889,098	1,889,098		
Balances with Central Banks	1,566,264	1,566,264	1,566,264		
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	37,214,793	37,214,793	37,214,793		11,085,468
Financial Investments - Available-For-Sale	9,874,464	9,874,464	9,874,464	9,874,464	
Financial Investments - Held-To-Maturity	1,679,252	1,679,252	1,679,252	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	393,973	393,973	393,973		
Investment Properties	-	-			
Goodwill and Intangible Assets	208,788	208,788			208,788
Deferred Tax Assets	689,045	689,045			689,045
Other Assets	1,038,988	1,038,988	1,038,988		
Liabilities					
Due to Banks	729,569	729,569			
Derivative Financial Instruments	626	626			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	37,838,327	37,838,327			
Other Borrowings	5,243,993	5,243,993			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	85,684	85,684			
Other Liabilities	1,368,355	1,368,355			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			
Off-Balance Sheet Liabilities					
Guarantees	7,813,181	7,813,181	7,813,181		
Performance Bonds	-	-			
Letters of Credit	828,349	828,853	828,853		
Other Contingent Items	2,231,985	2,231,985	2,231,985		
Undrawn Loan Commitments	19,040,504	19,040,504	19,040,504		
Other Commitments	194,504	194,504	194,504		
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	(1,948,157)	(1,948,157)			
Accumulated Other Comprehensive Income	(190,539)	(190,539)			
Other Reserves	32,386	32,386			
Total Shareholders' Equity	9,288,111	10,788,111			