

**MARKET DISCIPLINE
MINIMUM DISCLOSURE REQUIREMENTS
UNDER PILLAR III 1Q 2024
CARGILLS BANK PLC**

Basel III - Pillar III Market Disclosures

Disclosures under pillar III as per the Banking Act Direction No. 01 of 2016 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-Mar-2024	31-Dec-2023
Regulatory Capital (Rs. '000)		
Common Equity Tier 1	10,910,720	10,910,720
Tier 1 Capital	12,410,720	12,410,720
Total Capital	12,693,941	12,693,941
Regulatory Capital Ratios (%)*		
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 2024: 7 & 2023: 7)	19.07	19.89
Tier 1 Capital Ratio (Minimum Requirement – 2024: 8.5 & 2023: 8.5)	21.69	22.63
Total Capital Ratio (Minimum Requirement – 2024: 12.5 & 2023: 12.5)	22.18	23.15
Leverage Ratio (Minimum Requirement - 2024: 3 & 2023: 3)	14.37	14.67
Regulatory Liquidity		
Statutory Liquid Assets (Rs. '000)	20,231,192	19,717,993
Statutory Liquid Ratio (Minimum Requirement – 20%)		
Domestic Banking Unit (%)	37.94	39.45
Off-Shore Banking Unit (%)	90.65	90.65
Statutory Liquid Assets Ratio - Bank (%)	38.27	39.82
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement – 2024: 100 & 2023: 100)	345	359.5
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement – 2024: 100 & 2023: 100)	286	289
Net Stable Funding Ratio (Minimum Requirement: 2024: 100 & 2023: 100)	121	123

* 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 of LKR 20 Bn. by end 2025

TEMPLATE 02
Basel III Computation of Capital Ratios

Item	31-Mar-2024	31-Dec-2023
	Rs. '000	Rs. '000
Common Equity Tier 1 (CET1) Capital after Adjustment	10,910,720	10,910,720
Common Equity Tier 1 (CET1) Capital	11,478,255	11,478,255
Equity Capital (Stated Capital)/Assigned Capital	11,894,421	11,894,421
Reserve Fund	78,775	78,775
Published Retained Earnings/(Accumulated Retained Losses)	(1,176,968)	(1,176,968)
Published Accumulated Other Comprehensive Income (OCI)	682,027	682,027
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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-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	567,535	567,535
Goodwill (net)	-	-
Intangible Assets (net)	283,445	283,445
Others (specify) – Deferred tax asset	284,090	284,090
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	283,221	283,221
Tier 2 Capital	283,221	283,221
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	283,221	283,221
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	11,478,255	11,478,255
Total Tier 1 Capital	12,410,720	12,410,720
Total Capital	12,693,941	12,693,941

	31-Mar-2024	31-Dec-2023
	Rs. '000	Rs. '000
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	49,036,287	47,226,113
RWAs for Market Risk	3,316,761	2,972,977
RWAs for Operational Risk	4,874,033	4,645,715
CET1 Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.07	19.89
Of which: Capital Conservation Buffer (%)	2.50	2.50
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio	21.69	22.63
Total Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	22.18	23.15
Of which: Capital Conservation Buffer (%)	2.50	2.50
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-

TEMPLATE 03
Computation of Leverage Ratio

Item	31-Mar-2024	31-Dec-2023
	Rs. '000	Rs. '000
Tier 1 Capital	10,910,720	10,910,720
Total Exposures	75,931,210	74,380,070
On-Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	70,794,622	69,168,754
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	5,136,588	5,211,317
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	14.37	14.67

TEMPLATE 04

4.1 Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	31-Mar-2024		31-Dec-2023	
	Rs. '000		Rs. '000	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	21,213,961	21,213,961	19,139,573	19,139,573
Total Adjusted Level 1 Assets	21,114,658	21,114,658	19,025,831	19,025,831
Level 1 Assets	21,213,961	21,213,961	19,139,573	19,139,573
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	62,762,083	14,292,212	60,295,311	12,976,806
Deposits	32,781,633	3,278,163	32,702,620	3,270,262
Unsecured Wholesale Funding	14,682,310	10,485,985	12,709,369	9,131,745
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	15,298,140	528,063	14,883,323	574,798
Additional Requirements	-	-	-	-
Total Cash Inflows	11,968,574	8,149,501	11,730,268	7,652,825
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	11,968,574	8,149,501	11,730,268	7,652,825
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		345		359.5

TEMPLATE 04
4.2 Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	31-Mar-2024		31-Dec-2023	
	Rs. '000		Rs. '000	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	21,231,568	21,231,568	19,149,507	19,149,507
Total Adjusted Level 1 Assets	21,132,265	21,132,265	19,035,765	19,035,765
Level 1 Assets	21,231,568	21,231,568	19,149,507	19,149,507
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	67,843,701	16,235,236	66,089,010	14,571,662
Deposits	34,165,943	3,416,594	35,034,242	3,503,424
Unsecured Wholesale Funding	16,907,979	12,220,758	14,473,384	10,414,423
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	16,769,779	597,884	16,581,384	653,815
Additional Requirements	-	-	-	-
Total Cash Inflows	13,175,431	8,807,964	12,238,232	7,946,491
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	13,175,431	8,807,964	12,238,232	7,946,491
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		286		289

TEMPLATE 04
4.3 Net Stable Funding Ratio (NSFR)

Item	31-Mar-2024	31-Dec-2023
	Rs. '000	Rs. '000
Total available stable funding (ASF)	44,640,949	44,295,242
Total required stable funding (RSF)	36,866,862	36,064,555
Required stable funding – On balance sheet assets	36,525,540	35,708,546
Required stable funding – Off balance sheet items	341,322	356,009
NSFR (Minimum Requirement – 2024: 100 & 2023: 100)	121	123

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

Description of the Capital Instrument	BASEL III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures
Issuer	Cargills Bank PLC
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 Rs. '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 (Rs. '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 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 as at 31 March 2024 (Rs. '000)					
	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	18,559,085	-	18,559,085	-	-	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	754,521	-	754,521	30,191	358,645	45.70%
Claims on Financial Institutions	10,567,356	-	10,567,356	-	7,928,795	75.03%
Claims on Corporates	15,728,153	14,753,736	15,728,153	3,358,925	19,087,078	100.00%
Retail Claims	13,893,636	3,803,981	13,893,636	1,259,874	12,395,323	81.80%
Claims Secured by Residential Property	1,156,132	-	1,200,498	31,000	1,187,132	96.40%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	4,621,343	-	4,576,977	456,598	5,712,220	113.48%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	3,120,584	-	3,120,584	-	2,367,094	75.85%
Total	68,400,812	18,557,717	68,400,812	5,136,588	49,036,287	66.68%

TEMPLATE 08**Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights**

<div> <div></div> <div>Risk Weight</div> </div> <div>Asset Classes</div>	Amount as at 31 March 2024 (Post CCF and CRM) (Rs. '000)							Total Credit Exposure Amount
	0%	20%	50%	75%	100%	150%	>150%	
Claims on Central Government and CBSL	18,559,085	-	-	-	-	-	-	18,559,085
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	-	257,874	483,187	-	-	43,651	-	784,713
Claims on Financial Institutions	-	-	5,277,121	-	5,290,235	-	-	10,567,356
Claims on Corporates	-	-	-	-	19,087,078	-	-	19,087,078
Retail Claims	-	-	1,921,773	7,957,914	5,273,823	-	-	15,153,511
Claims Secured by Residential Property	-	-	-	-	1,187,132	-	-	1,187,132
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	44,367	-	3,720,651	1,312,924	-	5,077,941
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	753,490	-	-	-	2,367,094	-	-	3,120,584
Total	19,312,575	257,874	7,726,448	7,957,914	36,926,012	1,356,575	-	73,537,399

TEMPLATE 09**Market Risk under Standardised Measurement Method**

Item	RWA Amount
	Rs. '000
	As at 31 Mar 2024
(a) RWA for Interest Rate Risk	3,316,761
General Interest Rate Risk	
i. Net Long or Short Position	413,127
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	1,468
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	414,595

TEMPLATE 10
Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardised Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income as at 31 March 2024 (Rs. '000)		
			1 st Year	2 nd Year	3 rd Year
Basic Indicator Approach	15%		4,862,853	4,568,801	2,753,429
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 (Rs. '000)					
The Basic Indicator Approach	609,254				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (Rs. '000)					
The Basic Indicator Approach	4,874,033				
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 as at 31 March 2024 (Rs. '000)				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Capital Requirements or Subject to Deduction from Capital
Assets					
Cash and Cash Equivalents	1,368,390	1,368,390	1,368,390		
Balances with Central Banks	668,107	668,107	668,107		
Placements with Banks	245,229	245,229	245,229		
Derivative Financial Instruments	2,382	2,382		2,382	
Financial Assets Designated at Fair Value through Profit or Loss	3,052,059	3,052,059	3,052,059		
Loans and Receivables to Banks	-	-			
Loans and Receivables to Other Customers	41,580,406	41,580,406	41,580,406		6,744,176
Financial Investments - Available-For-Sale	18,837,859	18,837,859	18,837,859	18,837,859	
Financial Investments - Held-To-Maturity	1,999,571	1,999,571	1,999,571	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	419,106	419,106	419,106		
Investment Properties	-	-			
Goodwill and Intangible Assets	255,147	255,147			255,147
Deferred Tax Assets	267,141	267,141			267,141
Other Assets	1,947,988	2,171,029	2,171,029		
Liabilities					
Due to Banks	419,042	419,040			
Derivative Financial Instruments	6,279	6,279			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	52,548,952	52,548,955			
Other Borrowings	2,508,090	2,508,090			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	108,733	108,733			
Other Liabilities	3,613,178	3,613,178			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			
Off-Balance Sheet Liabilities					
Guarantees	6,425,940	6,425,940	6,425,940		
Performance Bonds	-	-			
Letters of Credit	1,280,720	1,280,720	1,280,720		
Other Contingent Items	1,656,703	1,656,703	1,656,703		
Undrawn Loan Commitments	9,117,984	9,117,984	9,117,984		
Other Commitments	76,371	76,371			
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital)	11,894,421	13,394,421			
of which Amount Eligible for CET1	11,894,421	11,894,421			
of which Amount Eligible for AT1	-	1,500,000			
Retained Earnings	(1,130,431)	(1,130,431)			
Accumulated Other Comprehensive Income	1,317,500	1,317,500			
Other Reserves	78,775	78,775			
Total Shareholders' Equity	12,160,265	13,660,265			

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