

**MARKET DISCIPLINE
MINIMUM DISCLOSURE REQUIREMENTS
UNDER PILLAR III 2Q 2022
CARGILLS BANK LTD**

Template 01

Key Regulatory Ratios – Capital and Liquidity

Item	30-Jun-22	31-Dec-21
Regulatory Capital (LKR '000)		
Common Equity Tier 1	8,164,886	8,421,650
Tier 1 Capital	9,664,886	9,921,650
Total Capital	9,980,003	10,236,768
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement – Q1'2021: 6.5 and 2020: 6.5</i>)	19.00	19.31
Tier 1 Capital Ratio (<i>Minimum Requirement – Q1'2021: 8 and 2020: 8</i>)	22.50	22.75
Total Capital Ratio (<i>Minimum Requirement – Q1'2021: 12 and 2020: 12</i>)	23.23	23.47
Leverage Ratio (<i>Minimum Requirement - 3</i>)	13.78	13.86
Regulatory Liquidity		
Statutory Liquid Assets (LKR '000)	10,318,740	10,197,054
Statutory Liquid Ratio (<i>Minimum Requirement – 20</i>)		
Domestic Banking Unit (%)	21.59	26.3
Off-Shore Banking Unit (%)	90.65	90.79
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement – Q1 2021:90 & 2020:90</i>)	159	164
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement – Q1 2021:90 & 2020:90</i>)	126.86	147.35

Template 02

Basel III Computation of Capital Ratios

Item	Amount (LKR '000)	
	30-Jun-22	31-Dec-21
Common Equity Tier 1 (CET1) Capital after Adjustment	8,164,886	8,421,650
Common Equity Tier 1 (CET1) Capital	9,061,416	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Unpublished Current Year's Profit/Loss and Gains reflected in OCI	(256,764)	-
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	-	-
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	9,061,416	9,318,180
Total Tier 1 Capital	9,664,886	9,921,650
Total Capital	9,980,003	10,236,768

	30-Jun-22	31-Dec-21
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	39,441,271	39,943,518
RWAs for Market Risk	483,957,277	873,427
RWAs for Operational Risk	3,038,798	2,793,894
CET1 Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.00	19.31
Of which: Capital Conservative Buffer (%)	2.00	2.00
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio	22.50	22.75
Total Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	23.23	23.47
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)	
	30-Jun-22	31-Dec-21
Tier 1 Capital	8,164,886	8,421,650
Total Exposures	59,245,122	60,761,614
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	52,901,534	54,867,331
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	6,343,588	5,894,283
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	13.78	13.86

Template 04

Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	Amount (LKR '000)			
	30-Jun-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)	9,037,269	9,037,269	9,186,365	9,186,365
Total Adjusted Level 1 Assets	9,037,269	9,037,269	9,393,341	9,393,341
Level 1 Assets	9,037,269	9,037,269	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	47,620,685	10,079,574	51,015,958	11,779,414
Deposits	21,639,897	2,163,990	22,008,948	2,200,895
Unsecured Wholesale Funding	11,620,686	7,540,502	13,453,067	9,110,842
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	14,360,102	375,082	15,553,943	467,678
Additional Requirements	-	-	-	-
Total Cash Inflows	7,680,410	4,402,521	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	7,680,410	4,402,521	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		159.00		164.00

Template 04

Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	Amount (LKR '000)			
	30-Jun-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)	9,048,108	9,048,108	9,188,499	9,188,499
Total Adjusted Level 1 Assets	9,048,108	9,048,108	9,395,345	9,395,345
Level 1 Assets	9,048,108	9,048,108	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	53,839,037	11,898,632	55,866,255	12,902,667
Deposits	23,877,702	2,387,770	24,224,768	2,422,477
Unsecured Wholesale Funding	14,069,137	9,130,063	14,593,599	9,955,768
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	15,892,198	380,799	17,047,888	524,422
Additional Requirements	-	-	-	-
Total Cash Inflows	9,124,832	4,766,349	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	8,396,536	4,766,349	10,730,999	6,667,024
Operational Deposits	728,296.00	-	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		126.86		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 June 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	10,018,018	-	10,018,018	-	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	1,636,860	-	1,636,860	-	758,888	46.36%
Claims on Financial Institutions	2,071,946	220,976	2,071,946	251,198	1,323,611	56.97%
Claims on Corporates	10,093,953	8,262,283	10,093,953	5,022,371	14,261,380	94.34%
Retail Claims	19,096,573	2,745,765	19,096,573	985,394	16,724,425	83.28%
Claims Secured by Residential Property	1,321,138	33,500	1,383,090	33,500	1,354,638	95.63%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	3,326,158	72,491	3,264,206	51,124	3,723,484	112.31%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	1,937,689	-	1,937,689	-	1,294,844	66.82%
Total	49,502,335	11,335,016	49,502,335	6,343,588	39,441,271	70.63%

Template 08

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

Risk Weight	Amount (LKR '000) as at 30 June 2022 (Post CCF and CRM)							Total Credit Exposure Amount
	0%	20%	50%	75%	100%	150%	>150%	
Asset Classes								
Claims on Central Government and CBSL	10,018,018	-	-	-	-	-	-	10,018,018
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	-	977,753	191,538	-	467,569	-	-	1,636,860
Claims on Financial Institutions	-	790,521	827,904	-	611,047	93,672	-	2,323,144
Claims on Corporates	-	1,067,255	2,281	-	14,046,788	-	-	15,116,325
Retail Claims	-	-	4,649,284	5,991,314	9,441,370	-	-	20,081,967
Claims Secured by Residential Property	-	-	-	-	1,354,638	-	-	1,354,638
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	35,240	-	2,614,399	727,644	-	3,377,282
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	642,845	-	-	-	1,294,844	-	-	1,937,689
Total	10,660,862	2,835,530	5,706,247	5,991,314	29,830,655	821,315	-	55,845,923

Template 09

Market Risk under Standardised Measurement Method

Item	RWA Amount
	(LKR' 000)
	As at 30 June 2022
(a) RWA for Interest Rate Risk	483,957,277
General Interest Rate Risk	
i. Net Long or Short Position	60,148,947
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	345,713
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	60,494,660

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%		3,117,178	2,018,319	2,461,499
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	379,850				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR '000)					
The Basic Indicator Approach	3,038,798				
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 June 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	1,517,828	1,517,828	1,517,828		58,111,984
Balances with Central Banks	392,279	392,279	392,279		
Placements with Banks	-	-	-		
Derivative Financial Instruments	100,632	100,632		100,632	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-		
Loans and Receivables to Banks	-	-			
Loans and Receivables to Other Customers	43,822,742	43,822,742	43,822,742		11,111,126
Financial Investments - Available-For-Sale	9,921,023	9,921,022	9,921,022	9,921,022	
Financial Investments - Held-To-Maturity	166,188	166,188	166,188	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	467,513	467,513	467,513		
Investment Properties	-	-			
Goodwill and Intangible Assets	235,776	235,776			235,776
Deferred Tax Assets	666,537	666,537			666,537
Other Assets	821,466	821,466	821,466		
Liabilities					
Due to Banks	555,602	555,602			
Derivative Financial Instruments	5,786	5,786			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value through Profit or Loss	-	-			
Due to Other Customers	41,711,669	41,711,667			
Other Borrowings	4,537,980	4,537,982			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	84,329	84,329			
Other Liabilities	2,016,294	2,016,294			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			
Off-Balance Sheet Liabilities					
Guarantees	8,667,753	8,667,753	8,667,753		
Performance Bonds	-	-			
Letters of Credit	828,853	828,853	828,853		
Other Contingent Items	2,006,958	2,006,958	2,006,958		
Undrawn Loan Commitments	8,752,567	8,752,567	8,752,567		
Other Commitments	153,021	153,021	153,021		
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	(2,055,814)	(2,055,814)			
Accumulated Other Comprehensive Income	(46,132)	(46,132)			
Other Reserves	32,386	32,386			
Total Shareholders' Equity	9,324,861	10,824,861			

*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)