

**Disclosures as per Pillar III of Banking Act No. 1 of 2016,
Capital Requirements under Basel III**

30th June 2019



Template 1		
Key Regulatory Ratios - Capital and Liquidity		

Item	As at 30.06.2019	As at 31.03.2019
Regulatory Capital (LKR'000)		
Common Equity Tier 1	7,259,808	7,448,895
Tier 1 Capital	7,259,808	7,448,895
Total Capital	10,070,580	8,443,845
Regulatory Capital Ratio (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2019: 7.00%, 2018: 6.375%)	10.24	10.87
Tier 1 Capital Ratio (Minimum Requirement - 2019: 8.50%, 2018: 7.875%)	10.24	10.87
Total Capital Ratio (Minimum Requirement - 2019: 12.50%, 2018: 11.875%)	14.21	12.32
Leverage Ratio (%) (Minimum Requirement - 3%)	7.38	7.74
Regulatory Liquidity		
Statutory Liquid Assets (LKR' 000)	13,962,472	13,624,249
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	20.74	20.67
Off-Shore Banking Unit (%)	-	-
Total Stock of High-Quality Liquid Assets (LKR' 000)	2,553,131	4,091,426
Liquidity Coverage Ratio (%) (Minimum Requirement - 2019: 100%, 2018 - 90%)		
Rupee (%)	111.56	162.90
All Currency (%)	111.56	162.90
Net Stable Funding Ratio (%) (Minimum Requirement - 90%)	111.70	129.94

Template 2		
Basel III Computation of Capital Ratios		
Item	Amount (LKR' 000)	
	As at 30.06.2019	As at 31.03.2019
Common Equity Tier 1 (CET1) Capital after Adjustments	7,259,808	7,448,895
Common Equity Tier 1 (CET1) Capital	7,476,518	7,476,517
Equity Capital (Stated Capital) /Assigned Capital	5,921,538	5,921,538
Reserve Fund	215,612	215,612
Published Retained Earnings/(Accumulated Retained Losses)	1,308,553	1,308,552
Published Accumulated Other Comprehensive Income (OCI)	-	-
General and other Disclosed Reserves	30,815	30,815
Unpublished Current Year's Profit/(Losses) and Gains reflected in OCI	-	-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	216,710	27,622
Goodwill (net)	-	-
Intangible Assets (net)	147,295	2,622
Deferred Tax Assets (net)	69,415	-
Investments in the capital of banking and financial institutions	-	25,000
Additional Tier 1 (AT1) Capital after Adjustments	-	-
Additional Tier 1 (AT1) Capital	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-
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	2,810,773	994,949
Tier 2 Capital	2,860,773	1,019,949
Qualifying Tier 2 Capital Instruments	2,323,499	661,980
Revaluation Gains	-	-
Loan Loss Provisions	537,274	357,969
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	50,000	25,000
Investment in Own Shares	-	-
Investments in the capital of banking and financial institutions	50,000	25,000
CET 1 Capital	7,259,808	7,448,895
Total Tier 1 Capital	7,259,808	7,448,895
Total Capital	10,070,580	8,443,845
Total Risk Weighted Assets (RWA)	70,882,013	68,530,518
RWAs for Credit Risk (Template 7 and 8)	65,135,602	63,406,512
RWAs for Market Risk (Template 9)	-	-
RWAs for Operational Risk (Template 10)	5,746,411	5,124,006
CET 1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	10.24	10.87
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	10.24	10.87
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	14.21	12.32
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Template 3	
Computation of Leverage Ratio	
Item	Amount (LKR' 000)
	As at 30.06.2019
Tier 1 Capital	7,259,808
Total Exposures	98,378,968
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	97,612,530
Derivative Exposures	-
Securities Financing Transaction Exposures	-
Other Off-balance Sheet Exposures	766,439
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	7.38

Template 4
Basel III Computation of Liquidity Coverage Ratio

Item	Amount (LKR' 000)			
	As at 30.06.2019		As at 31.03.2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	2,650,049	2,553,131	4,235,844	4,091,426
Total Adjusted Level 1 Assets	1,460,270	1,460,270	3,273,056	3,273,056
Level 1 Assets	1,579,617	1,579,617	3,273,056	3,273,056
Total Adjusted Level 2A Assets	1,189,778	1,011,311	962,788	818,370
Level 2A Assets	1,189,778	1,011,311	962,788	818,370
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	65,713,799	9,153,953	70,751,165	10,046,723
Deposits	49,781,015	4,978,102	52,219,891	5,221,989
Unsecured Wholesale Funding	14,702,680	3,675,670	17,406,266	4,351,567
Secured Funding Transactions	43,286	43,286	43,428	43,428
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	1,186,818	456,895	1,081,579	429,739
Additional Requirements	-	-	-	-
Total Cash Inflows	13,047,215	7,496,096	19,825,063	9,274,858
Maturing Secured Lending Transactions backed by Collateral	2,639,900	178,467	4,235,844	144,418
Committed Facilities	1,250,000	-	1,250,000	-
Other Inflows by Counterparty which are Maturing within 30 days	9,157,315	7,317,629	14,189,219	9,130,439
Operational Deposits	-	-	-	-
Other Cash Inflows	-	-	150,000	75,000
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash outflows over the Next 30 Calendar Days) * 100		111.56		162.90

Template 5				
Main Features of Regulatory Capital Instruments				
Description of the capital Instrument	Stated Capital	Subordinated Term Debt (2016)	Subordinated Term Debt (2016)	Subordinated Term Debt (2019)
Issuer	Sanasa Development Bank PLC	SBI FMO Emerging Asia Financial Sector Fund PTE. LTD	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Stichting Fondsbeheer DGGF Lokaal MKB
Unique Identifier	LK0412N00003	N/A	N/A	N/A
Governing Law of the Instrument	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations
Original date of Issuance	May 2012 to May 2018	December 2016	December 2016	March 2019
Par value of Instrument (LKR)	100	N/A	N/A	N/A
Perpetual or Dated	Perpetual	Dated	Dated	Dated
Original Maturity Date, if Applicable	N/A	December 2021	December 2021	March 2024
Amount Recognized in Regulatory Capital (in LKR '000 as at 30.06.2019)	5,921,538	411,738	184,044	1,727,717
Accounting Classification (Equity/Liability)	Equity	Liability	Liability	Liability
Issuer Call subject to Prior Supervisory Approval				
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A	N/A	N/A
Coupons/Dividends				
Fixed or Floating Dividend/Coupon	Floating Dividend	Floating Cupon	Floating Cupon	Floating Cupon
Coupon Rate and any Related Index (%)	N/A	6 Months T-Bill Rate+450bps	6 Months T-Bill Rate+550bps	6 Months T-Bill Rate+700bps
Non-Cumulative or Cumulative	Non-Cumulative	Cumulative	Cumulative	Cumulative
Convertible or Non-Convertible	Non-Convertible	Convertible	Convertible	Convertible or Write off
If Convertible, Conversion Trigger (s)	N/A	N/A	N/A	Conversion trigger (s) applicable as per Banking Act Direction No 1 of 2016
If Convertible, Fully or Partially	N/A	Fully or Partially subject to a maximum of 15% of the issued share capital	Fully or Partially subject to a maximum of 15% of the issued share capital	Fully or Partially subject to a maximum of 15% of the issued share capital
If Convertible, Mandatory or Optional	N/A	Optional	Optional	Mandatory upon the occurrence of a Trigger Event
If Convertible, Conversion Rate	N/A	Rs.140 or 1.1x of Book value per share which ever is lower in the event if Bank issues new shares to any new investor	Rs.140 or 1.1x of Book value per share which ever is lower in the event if Bank issues new shares to any new investor	Simple average of the daily volume weighted average price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange during the three months (03) period, immediately preceding the date of the Trigger Event

N/A – Not applicable

Template 6
Summary Discussion on Adequacy/Meeting Current and Future Capital Requirements

Overview

A proper “Capital management process” is vital in ensuring the long-term stability of the business, SANASA Development Bank has continued to maintain Capital Adequacy Ratios at healthy levels by keeping a significant margin over and above the regulatory minimum requirements. The Basel III Capital Standards introduced by the CBSL with effect from 1st July 2017 provides stringent framework for Banks to enhance the quality, consistency and the transparency of their “capital” through the introduction of new capital buffers, new mandatory disclosure requirements and revised definitions for capital instruments. Under the new directive, minimum Regulatory Requirements for Tier I Capital Ratio (5%) and Total Capital Ratio (10%) have been increased significantly to 8.50% and 12.50% respectively, with Banks required to comply with these requirements over a period of 18 months, to meet the 01st January 2019 international time line for the implementation of Basel III.

Capital Management Process

In order to comply with the new Basel III guidelines, SANASA Development Bank’s Capital Management Process is under supervision of Board Strategic Planning committee. The three year (2018-2020) capital management plan rolled out has been integrated with the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Bank’s Strategic Plan, taking cognizance of the estimated negative impact to the Bank’s capital structure arising from changes in new regulations such as SLFRS 9, Inland Revenue Act, etc. Efforts taken to comply with the Basel III regulations saw the Bank increases its capital levels by issuing Basel III compliant debt instruments. Steps were also taken to optimize the capital ratios by rebalancing the Risk Weighted Assets (RWA).

Moving Forward

Moving forward with the Capital Management plan, the Bank will execute specific medium term and long term strategies to raise both Tier I and Tier II capital in line with Basel III minimum regulatory requirements. In addition, timely actions have been identified and will be executed during the coming years to optimize the Risk Weighted Assets for the purpose of improving the capital allocation of the Bank.

Template 7
Credit Risk under Standardized Approach - Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (LKR' 000) as at 30.06.2019					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and 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	2,737,812	-	2,737,812	-	-	0%
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	9,503,046	-	9,503,046	-	1,912,213	20%
Claims on Financial Institutions	-	-	-	-	-	-
Claims on Corporates	2,349,926	-	2,349,926	-	1,148,104	49%
Retail Claims	73,905,338	-	68,283,685	-	54,613,101	80%
Claims Secured by Residential Property	4,802,816	-	4,802,816	-	2,997,210	62%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,323,010	-	1,323,010	-	1,329,351	100%
Higher-risk Categories	-	-	-	-	-	-
Cash items and Other Assets	3,155,758	766,439	3,155,758	332,263	3,135,623	90%
Total	97,777,707	766,439	92,156,054	332,263	65,135,602	71%

Note:

- (i) NPAs - As per Banking Act Directions on Classification of loans and advances, income recognition and provisioning.
(ii) RWA Density – Total RWA/Exposures post CCF and CRM.

Template 8									
Credit Risk under Standardized Approach - Exposures by asset Classes and Risk Weights									
Description	Amount (LKR' 000) as at 30.06.2019 (Post CCF & CRM)								
Asset Classes / Risk Weight	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and CBSL	2,737,812	-	-	-	-	-	-	-	2,737,812
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	-	9,464,366	38,680	-	-	-	-	-	9,503,046
Claims on Financial Institutions	-	-	-	-	-	-	-	-	-
Claims on Corporates	-	1,189,778	500,000	-	-	660,148	-	-	2,349,926
Retail Claims	82,116	925,179	-	-	51,393,297	15,883,092	-	-	68,283,685
Claims Secured by Residential Property	-	-	3,611,211	-	-	1,191,605	-	-	4,802,816
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	76,034	-	-	1,158,262	88,714	-	1,323,010
Higher-risk Categories	-	-	-	-	-	-	-	-	-
Cash items and Other Assets	317,153	44,056	-	-	-	3,126,812	-	-	3,488,022
Total	3,137,081	11,623,380	4,225,925	-	51,393,297	22,019,919	88,714	-	92,488,317

Template 9
Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR' 000) as at 30.06.2019
(a) RWA for Interest Rate Risk	-
General Interest Rate Risk	-
(i) Net Long or Short Position	-
(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	-
Capital Charge for Market Risk {(a) +(b) + (c) } * CAR	-

Template 10
Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor	Gross Income (LKR' 000) as at 30.06.2019			Amount
		1 st Year	2 nd Year	3 rd Year	
The Basic Indicator Approach	15%	5,651,369	4,784,504	3,930,154	
Capital Charges for Operational Risk (LKR' 000)					
The Basic Indicator Approach					718,301
Risk-Weighted Amount for Operational Risk (LKR' 000)					
The Basic Indicator Approach					5,746,411

Template 11						Template 12
Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories						Explanation for Differences between Accounting and Regulatory Reporting
Item	Amount (LKR '000 as at 30.06.2019)					
	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	Not subject to Capital Requirements or Subject to Deduction from Capital	
Assets						
Cash and cash equivalents	1,272,123	1,350,076	1,350,076	-	-	Impairment of financial assets under SLFRS 9.
Placements with banks	8,611,523	8,475,500	8,475,500	-	-	Interest receivable on placements with banks is classified as other assets in regulatory reporting. Impairment of financial assets under SLFRS 9.
Financial assets fair value through profit or loss	1,189,778	1,189,778	1,189,778	-	-	In regulatory reporting these investments are classified as investments - trading account. Interest receivable on these investments is classified as other assets in regulatory reporting.
Financial assets at amortised cost						
- loans and receivables to other customers	80,144,253	81,166,946	81,704,220	-	(537,274)	In regulatory reporting loans and receivables to customers arrived after netting off CBSL time based provisions. However, in published financial statements loans and receivables to customers arrived after netting off impairment allowances as per SLFRS 9.
- debt and other instruments	3,941,249	3,926,492	3,876,492	-	50,000	Interest receivable on debt and other instruments is classified as other assets in regulatory reporting. Impairment of financial assets under SLFRS 9.
Financial assets measured at fair value through other comprehensive income	60,148	60,148	60,148	-	-	
Property, plant and equipment	696,174	696,174	696,174	-	-	
Investment properties	21,807	21,807	21,807	-	-	
Intangible assets	147,295	147,295	-	-	147,295	
Differed tax assets	69,415	69,415	-	-	69,415	In regulatory reporting differed tax assets are recorded in other assets.
Other assets	1,597,772	1,050,369	1,050,369	-	-	The difference is due to recognition of interest receivable on investments in regulatory reporting and SLFRS 9 adjustments.
Total assets	97,751,538	98,154,000	98,424,564	-	(270,564)	
Liabilities						
Due to banks	-	-	-	-	-	
Due to other customers	69,658,325	66,710,583	-	-	-	Interest payable on deposits are stated under other liabilities in regulatory reporting
Other borrowings	15,395,546	15,101,282	-	-	-	Interest payable on borrowings are stated under other liabilities in regulatory reporting
Debt securities issued	1,013,228	964,560	-	-	-	Interest payable on borrowings are stated under other liabilities in regulatory reporting
Subordinated term debts	2,761,720	2,749,970	-	-	-	Interest payable on borrowings are stated under other liabilities in regulatory reporting
Retirement Benefit Obligations	391,778	391,778	-	-	-	
Current tax liabilities	106,109	107,969	-	-	-	Taxes are computed based on different profits under each reporting method.
Other liabilities	866,749	4,346,603	-	-	-	Interest payable on borrowing and deposits added to the other liabilities in regulatory reporting.
Total liabilities	90,193,455	90,372,745	-	-	-	

Off-balance sheet liabilities						
Guarantees	169,854	169,854	169,854	-	-	
Undrawn loan commitments	-	596,585	596,585	-	-	
Shareholders' equity						
Equity capital (stated capital)/ assigned Capital	5,921,538	5,921,538	-	-	-	
of which amount eligible for CET 1	5,921,538	5,921,538	-	-	-	
of which amount eligible for AT 1	-	-	-	-	-	
Retained earnings	1,390,119	1,613,291	-	-	-	Due to differences which arise in profits computed in previous GAAP and SLFRSs.
Accumulated other comprehensive income	(15,842)	-	-	-	-	
Other reserves	262,268	246,426	-	-	-	
Total shareholders' equity	7,558,083	7,781,256	-	-	-	