

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

As at 30th June 2021



Template 1
Key regulatory ratios - capital and liquidity

Item	As at 30 June 2021	As at 31 March 2021
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	9,263,034	9,311,716
Tier 1 capital	9,263,034	9,311,716
Total capital	12,277,158	12,534,707
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (<i>Minimum requirement - 2021: 6.50%, 2020: 6.50%</i>)	9.32	9.44
Tier 1 Capital Ratio (<i>Minimum requirement - 2021: 8.00%, 2020: 8.00%</i>)	9.32	9.44
Total capital ratio (<i>Minimum requirement - 2021: 12.00%, 2020: 12.00%</i>)	12.36	12.71
Leverage ratio (%) (<i>Minimum requirement - 3%</i>)	6.70	6.83
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	21,643,706	18,908,235
Statutory liquid assets ratio (<i>Minimum requirement - 20%</i>)		
Domestic banking unit (%)	22.53	20.70
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	11,578,697	6,651,209
Liquidity coverage ratio (%) (<i>Minimum requirement - 2021: 90%, 2020 - 90%</i>)		
Rupee (%)	131.33	152.36
All currency (%)	131.33	152.36
Net stable funding ratio (%) (<i>Minimum requirement - 100%</i>)	130.19	126.47

Template 2		
Basel III computation of capital ratios		
Item	Amount (LKR' 000)	
	As at 30 June 2021	As at 31 March 2021
Common Equity Tier 1 (CET1) capital after adjustments	9,263,034	9,311,716
Common Equity Tier 1 (CET1) capital	9,925,440	9,923,806
Equity capital (stated capital) /assigned capital	7,727,941	7,727,941
Reserve fund	270,009	270,009
Published retained earnings/(accumulated retained losses)	1,899,884	1,898,251
Published accumulated other comprehensive income (OCI)	-	-
General and other disclosed reserves	27,605	27,605
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	662,406	612,090
Goodwill (net)	-	-
Intangible assets (net)	376,015	377,217
Deferred tax assets (net)	280,157	228,634
Investments in the capital of banking and financial institutions	6,234	6,239
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	-	-
Tier 2 capital after adjustments	3,014,125	3,222,990
Tier 2 capital	3,064,125	3,222,990
Qualifying Tier 2 capital instruments	2,219,697	2,450,312
Revaluation gains	-	-
Loan loss provisions	844,428	772,678
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
Total adjustments to Tier 2	50,000	-
Investment in own shares	-	-
Investments in the capital of banking and financial institutions	50,000	-
CET 1 capital	9,263,034	9,311,716
Total Tier 1 capital	9,263,034	9,311,716
Total capital	12,277,158	12,534,707
Total risk weighted assets (RWA)	99,346,235	98,597,561
RWAs for credit risk (Template 7 and 8)	91,657,579	90,823,970
RWAs for market risk (Template 9)	36,921	34,555
RWAs for operational risk (Template 10)	7,651,735	7,739,036
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	9.32	9.44
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	9.32	9.44
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	12.36	12.71
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 June 2021	As at 31 March 2021
Tier 1 capital	9,263,034	9,311,716
Total exposures	138,275,182	136,409,821
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	137,320,674	135,299,746
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	954,508	1,110,075
Basel III leverage ratio (%) (Tier 1/total exposure)	6.70	6.83

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 30 June 2021		As at 31 March 2021	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	11,915,960	11,578,697	6,765,946	6,651,209
Total adjusted level 1 assets	9,039,598	9,039,598	4,182,985	4,182,985
Level 1 assets	9,136,998	9,136,998	4,457,262	4,457,262
Total adjusted level 2A assets	2,867,195	2,437,115	2,578,476	2,191,705
Level 2A assets	2,867,195	2,437,115	2,578,476	2,191,705
Total adjusted level 2B assets	9,168	4,584	4,485	2,242
Level 2B assets	9,168	4,584	4,485	2,242
Total cash outflows	96,712,363	17,948,832	95,224,776	17,461,911
Deposits	63,683,679	6,368,368	63,591,785	6,359,179
Unsecured wholesale funding	31,577,922	11,035,467	30,029,588	10,552,484
Secured funding transactions	21,677	21,677	22,043	22,043
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,429,084	523,321	1,580,931	528,205
Additional requirements	-	-	-	-
Total cash inflows	17,142,530	9,132,487	24,556,475	14,211,482
Maturing secured lending transactions backed by collateral	4,351,152	409,953	5,081,951	362,638
Committed facilities	1,350,000	-	1,000,000	-
Other inflows by counterparty which are maturing within 30 days	9,922,735	7,963,213	15,577,323	12,400,243
Operational deposits	-	-	-	-
Other cash inflows	1,518,642	759,321	2,897,201	1,448,601
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		131.33		152.36

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)	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 duly represented by Triple Jump B.V	Belgian Investment Company for Developing Countries NV/SA - (BIO)
Unique identifier	LK0412N00003	N/A	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, Banking Act Directions	Companies Act No. 07 of 2007, Colombo Stock Exchange Regulations, Banking Act Directions	Companies Act No. 07 of 2007, Colombo Stock Exchange Regulations, Banking Act Directions	Companies Act No. 07 of 2007, Colombo Stock Exchange Regulations, Banking Act Directions
Original date of issuance (agreement signed date for subordinated term debts)	May 2012	December 2016	December 2016	March 2019	September 2019
Par value of instrument (LKR)	100	N/A	N/A	N/A	N/A
Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
Original maturity date, if applicable	N/A	December 2021	December 2021	March 2024	September 2024
Amount recognised in regulatory capital (in LKR '000 as at 30th June 2021)	7,727,941	137,246	66,460	1,024,917	991,074
Accounting classification (equity/liability)	Equity	Liability	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	N/A
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons/Dividends					
Fixed or floating dividend/coupon	Floating dividend	Floating coupon	Floating coupon	Floating coupon	Floating coupon
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	6 months LIBOR + 550bps
Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Convertible	Convertible	Convertible or write off	Convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A	Conversion trigger(s) applicable as per Banking Act Direction No. 1 of 2016	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	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	Mandatory upon the occurrence of a trigger event
If convertible, conversion rate	N/A	LKR 140 or 1.1 x of book value per share which ever is lower in the event if Bank issues new shares to any new investor	LKR 140 or 1.1 x 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 of the borrower as published by the colombo stock exchange during the three (3) months period, immediately preceding the date of the trigger event	Simple average of the daily volume weighted average price (VWAP) of an ordinary voting share of the borrower as published by the colombo stock exchange during the three (3) months 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, the capital adequacy ratio is a measure used to determine whether the Bank has sufficient capital to withstand unexpected losses arising from various risks during the course of the business. Therefore, it acts as a layer of cushion in absorbing potential losses arising from the course of the business and safeguarding the depositors’ funds. At present, capital adequacy position of the banks are computed based on banking Act Direction No. 01 of 2016 and subsequent amendments thereto issued by Central Bank of Sri Lanka. 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.

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 (2020-2022) capital management plan rolled out has been integrated with the Internal Capital Adequacy Assessment Process (ICAAP) as well as the Bank’s Strategic Plan. Efforts have taken to comply with the Basel III regulations saw the Bank increases its capital levels by issuing Basel III compliant Tier - II 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 June 2021					
	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	9,046,693	-	9,046,693	-	-	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	9,626,519	-	9,626,519	-	1,925,304	20%
Claims on financial institutions	-	-	-	-	-	-
Claims on corporates	4,457,968	-	4,457,968	-	1,031,877	23%
Retail claims	100,145,409	-	95,320,973	-	78,337,550	82%
Claims secured by residential property	5,135,594	-	5,135,594	-	2,393,565	47%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	2,643,094	-	2,643,094	-	2,255,681	85%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	5,945,724	954,508	5,945,724	415,438	5,713,602	90%
Total	137,001,002	954,508	132,176,565	415,438	91,657,579	69%

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 June 2021 (Post CCF & CRM)									
Asset classes	Risk weight	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total credit exposures amount
Claims on Central Government and CBSL		9,046,693	-	-	-	-	-	-	-	-	9,046,693
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		-	9,626,519	-	-	-	-	-	-	-	9,626,519
Claims on financial institutions		-	-	-	-	-	-	-	-	-	-
Claims on corporates		-	4,095,113	-	300,000	-	-	62,855	-	-	4,457,968
Retail claims		165,536	2,600,772	-	-	-	58,949,078	33,605,587	-	-	95,320,973
Claims secured by residential property		-	-	4,218,506	-	-	-	917,088	-	-	5,135,594
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	790,118	-	-	1,837,684	15,292	-	2,643,094
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		593,517	67,554	-	-	-	-	5,700,092	-	-	6,361,162
Total		9,805,746	16,389,959	4,218,506	1,090,118	-	58,949,078	42,123,305	15,292	-	132,592,004

Template 9
Market risk under standardised measurement method

Item	RWA amount (LKR' 000) As at 30 June 2021
(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	4,615
(i) General equity risk	4,157
(ii) Specific equity risk	458
(c) RWA for foreign exchange and gold	-
Capital charge for market risk {(a) +(b) + (c) } * CAR	36,921

Template 10
Operational risk under basic indicator approach

Business lines	Capital charge factor	Gross income (LKR' 000) as at 30 June 2021			Amount (LKR' 000)
		1 st Year	2 nd Year	3 rd Year	
The basic indicator approach	15%	7,083,140	6,394,828	5,651,369	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					956,467
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					7,651,735

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 June 2021)					
	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	6,162,780	6,361,210	6,361,210	-	-	Impairment of financial assets under SLFRS 9.
Placements with banks	4,086,353	3,926,379	3,926,379	-	-	Interest receivable on placements with banks is classified as other assets in regulatory reporting.
Financial assets fair value through profit or loss	4,312,577	4,607,983	4,394,867	213,117		Impairment of financial assets under SLFRS 9. 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	108,603,266	109,499,686	107,924,094	-	(844,428)	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	9,433,536	9,096,693	9,046,693	-	(50,000)	Interest receivable on debt and other instruments is classified as other assets in regulatory reporting.
Financial assets measured at fair value through other comprehensive income	56,939	56,939	56,939	-	-	Impairment of financial assets under SLFRS 9.
Investment in subsidiaries	6,163	6,163	6,163	-	-	
Property, plant and equipment	891,483	881,176	881,176	-	-	
Right of use assets	607,606	-	-	-	-	In regulatory reporting Right of use asset as per SLFRS 16 is not recognised.
Investment properties	19,695	19,695	19,695	-	-	
Intangible assets	376,015	376,015			376,015	
Differed tax assets	280,157	304,087	-	-	280,157	In regulatory reporting differed tax assets are recorded in other assets.
Other assets	2,587,954	2,220,102	4,383,783	-		The difference is due to recognition of interest receivable on investments in regulatory reporting and SLFRS 9 adjustments.
Total assets	137,424,523	137,356,128	137,000,998	213,117	(238,255)	
Liabilities						
Due to banks						
Due to other customers	98,986,424	96,236,918	-	-	-	Interest payable on deposits are stated under other liabilities in regulatory reporting.
Other borrowings	21,648,048	21,579,330	-	-	-	Interest payable on borrowings are stated under other liabilities in regulatory reporting.
Subordinated term debts	4,167,541	4,110,112	-	-	-	Interest payable on borrowings are stated under other liabilities in regulatory reporting.
Retirement benefit obligations	608,806	608,806	-	-	-	
Current tax liabilities	225,493	219,584	-	-	-	Taxes are computed based on different profits under each reporting method.
Other liabilities	1,575,725	4,284,010	-	-	-	Interest payable on borrowing and deposits added to the other liabilities in regulatory reporting.
Total liabilities	127,212,036	127,038,761	-	-	-	

			-	-	-	
Off-balance sheet liabilities						
Guarantees	206,053	206,053	206,053			
Undrawn loan commitments	-	748,455	748,455	-	-	
	-			-	-	
Shareholders' equity						
Equity capital (stated capital)/ assigned capital	7,727,941	7,727,941				
of which amount eligible for CET 1	7,727,941	7,727,941	-	-	-	
of which amount eligible for AT 1	-	-	-	-	-	
Retained earnings	2,186,931	2,291,812	-	-	-	Due to differences which arise in profits computed in regulatory reporting and SLFRSs.
Accumulated other comprehensive income	(19,052)	-	-	-	-	
Other reserves	316,666	297,614	-	-	-	
Total shareholders' equity	10,212,486	10,317,367	-	-	-	