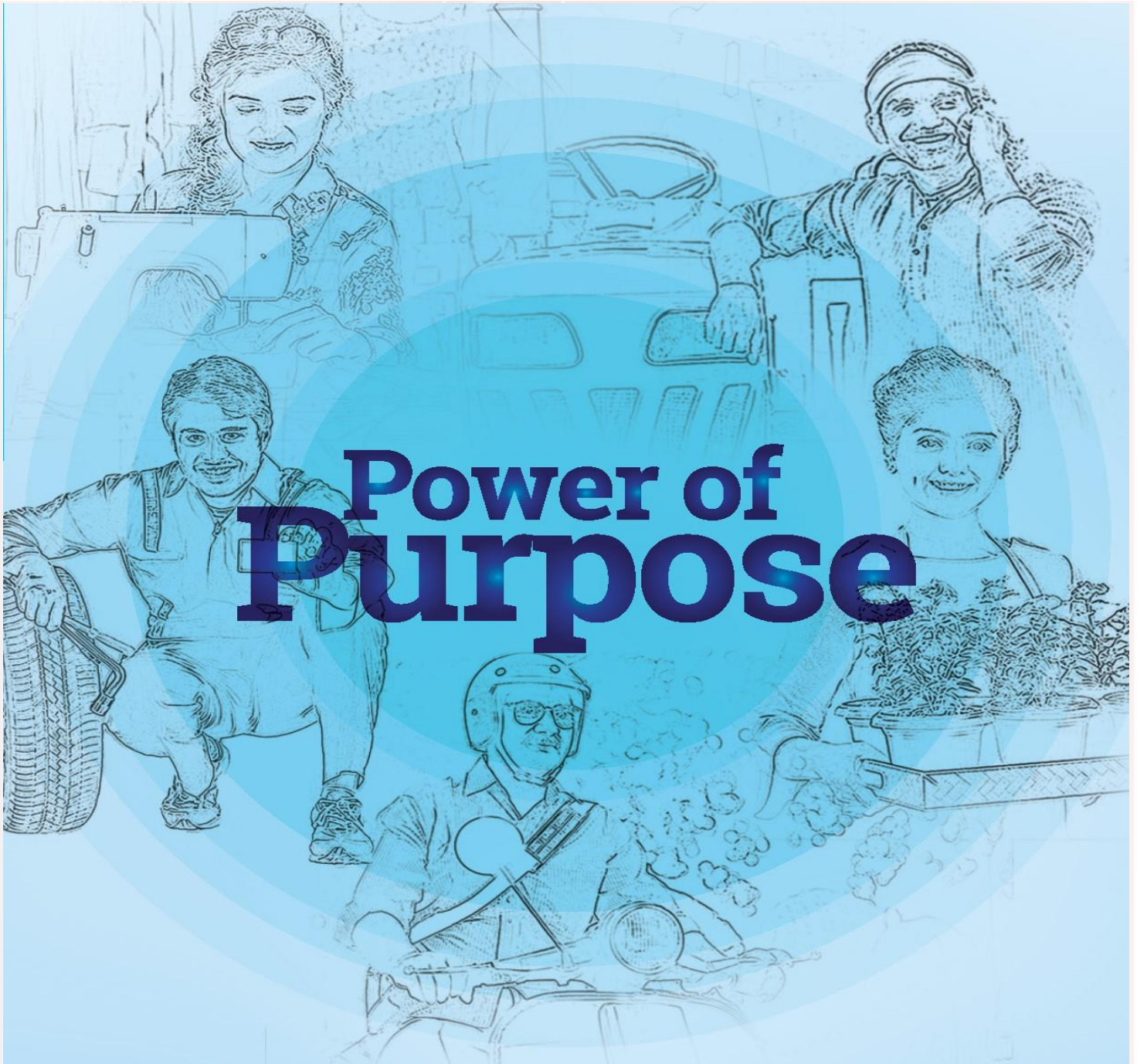


# Disclosures as per Pillar III of Banking Act No. 1 of 2016, Capital Requirements under Basel III

As at 30th June 2022



<b>Template 1</b>		
<b>Key regulatory ratios - capital and liquidity</b>		
<b>Item</b>	<b>As at 30 June 2022</b>	<b>As at 31 March 2022</b>
<b>Regulatory capital (LKR'000)</b>		
Common Equity Tier 1 (CET I) capital	13,292,421	13,375,070
Tier 1 capital	13,292,421	13,375,070
Total capital	15,703,660	16,086,391
<b>Regulatory capital ratio (%)</b>		
Common Equity Tier 1 capital ratio (Minimum requirement - 2022: 6.50 2021: 6.50%)	14.45	12.50
Tier 1 Capital Ratio (Minimum requirement - 2022: 8.00 2021: 8.00%)	14.45	12.50
Total capital ratio (Minimum requirement - 2022: 12.00%, 2021: 12.00%)	17.08	15.03
<b>Leverage ratio (%) (Minimum requirement - 3%)</b>		
	8.36	8.72
<b>Regulatory liquidity</b>		
Statutory liquid assets (LKR' 000)	24,666,592	19,511,081
Statutory liquid assets ratio (Minimum requirement - 20%)		
Domestic banking unit (%)	26.90	21.20
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	15,267,800	10,232,491
Liquidity coverage ratio (%)		
(Minimum requirement - 2022: 100%, 2021 - 90%)		
Rupee (%)	178.47	116.73
All currency (%)	178.47	116.73
Net stable funding ratio (%) (Minimum requirement - 100%)	213.48	138.89

Template 2		
Basel III computation of capital ratios		
Item	As at 30 June 2022	As at 31 March 2022
<b>Common Equity Tier 1 (CET1) capital after adjustments</b>	<b>13,292,421</b>	<b>13,375,070</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>14,129,697</b>	<b>14,129,697</b>
Equity capital (stated capital) /assigned capital	11,287,765	11,287,765
Reserve fund	314,173	314,173
Published retained earnings/(accumulated retained losses)	2,500,153	2,500,153
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Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	-	-
<b>Total adjustments to CET1 capital</b>	<b>837,276</b>	<b>754,627</b>
Goodwill (net)	-	-
Intangible assets (net)	461,726	367,670
Deferred tax assets (net)	375,550	386,956
Investments in the capital of banking and financial institutions	-	-
<b>Additional Tier 1 (AT1) capital after adjustments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>
Qualifying additional Tier 1 capital Instruments	-	-
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
<b>Total adjustments to AT1 capital</b>	<b>-</b>	<b>-</b>
Investment in own shares	-	-
Others	-	-
<b>Tier 2 capital after adjustments</b>	<b>2,411,240</b>	<b>2,711,321</b>
<b>Tier 2 capital</b>	<b>2,411,240</b>	<b>2,711,321</b>
Qualifying Tier 2 capital instruments	1,374,520	1,698,985
Revaluation gains	-	-
Loan loss provisions	1,036,720	1,012,336
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
<b>Total adjustments to Tier 2</b>	<b>-</b>	<b>-</b>
Investment in own shares	-	-
Investments in the capital of banking and financial institutions	-	-
<b>CET 1 capital</b>	<b>13,292,421</b>	<b>13,375,070</b>
<b>Total Tier 1 capital</b>	<b>13,292,421</b>	<b>13,375,070</b>
<b>Total capital</b>	<b>15,703,660</b>	<b>16,086,391</b>
<b>Total risk weighted assets (RWA)</b>	<b>91,966,083</b>	<b>107,018,033</b>
RWAs for credit risk (Template 7 and 8)	83,446,433	98,543,228
RWAs for market risk (Template 9)	0	2,371
RWAs for operational risk (Template 10)	8,519,650	8,472,433
<b>CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)</b>	<b>14.45</b>	<b>12.50</b>
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
<b>Total Tier 1 capital ratio (%)</b>	<b>14.45</b>	<b>12.50</b>
<b>Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)</b>	<b>17.08</b>	<b>15.03</b>
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-

<b>Template 3</b>		
<b>Computation of leverage ratio</b>		
<b>Item</b>	<b>Amount (LKR' 000) As at 30 June 2022</b>	<b>Amount (LKR' 000) As at 31 March 2022</b>
<b>Tier 1 capital</b>	<b>13,292,421</b>	<b>13,375,070</b>
<b>Total exposures</b>	<b>159,046,564</b>	<b>153,308,076</b>
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	158,405,078	152,490,241
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	641,486	817,835
<b>Basel III leverage ratio (%) (Tier 1/total exposure)</b>	<b>8.36</b>	<b>8.72</b>

<b>Template 4</b>				
<b>Basel III computation of liquidity coverage ratio</b>				
<b>Item</b>	<b>Amount (LKR' 000)</b>			
	<b>As at 30 June 2022</b>		<b>As at 31 March 2022</b>	
	<b>Total un-weighted value</b>	<b>Total weighted value</b>	<b>Total un-weighted value</b>	<b>Total weighted value</b>
<b>Total stock of high-quality liquid assets (HQLA)</b>	<b>15,211,305</b>	<b>15,267,801</b>	<b>10,233,011</b>	<b>10,232,491</b>
Total adjusted level 1 assets	15,211,305	15,211,305	10,231,972	10,231,972
Level 1 assets	15,267,801	15,267,801	10,231,972	10,231,972
Total adjusted level 2A assets	-	-	-	-
Level 2A assets	-	-	-	-
Total adjusted level 2B assets	-	-	1,040	520
Level 2B assets	-	-	1,040	520
<b>Total cash outflows</b>	<b>93,396,019</b>	<b>17,097,771</b>	<b>96,492,972</b>	<b>16,918,608</b>
Deposits	61,567,045	6,156,704	63,888,007	6,388,801
Unsecured wholesale funding	30,001,358	9,728,511	30,877,607	9,671,696
Secured funding transactions	30,230	30,230	27,030	27,030
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,797,387	1,182,325	1,700,328	831,082
Additional requirements	-	-	-	-
<b>Total cash inflows</b>	<b>12,550,982</b>	<b>8,543,080</b>	<b>9,369,645</b>	<b>8,152,303</b>
Maturing secured lending transactions backed by collateral	780,850	-	-	-
Committed facilities	250,000	-	250,000	-
Other inflows by counterparty which are maturing within 30 days	10,010,132	7,788,080	9,109,645	8,147,303
Operational deposits	-	-	-	-
Other cash inflows	1,510,000	755,000	10,000	5,000
<b>Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100</b>		<b>178.47</b>		<b>116.73</b>

Template 5				
Main features of regulatory capital instruments				
Description of the capital instrument	Stated capital	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	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
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
Original date of issuance (agreement signed date for subordinated term debts)	May 2012	December 2016	March 2019	September 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	March 2024	September 2024
Amount recognised in regulatory capital (in LKR '000 as at 30th June 2022)	11,287,765	-	673,517	701,003
Accounting classification (equity/liability)	Equity	Liability	Liability	Liability
<b>Issuer call subject to prior supervisory approval</b>				
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
<b>Coupons/Dividends</b>				
Fixed or floating dividend/coupon	Floating dividend	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 + 700bps	6 months LIBOR + 550bps
Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative
<b>Convertible or non-convertible</b>	Non-convertible	Convertible	Convertible or write off	Convertible
If convertible, conversion trigger(s)	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
If convertible, mandatory or optional	N/A	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	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 2022					
	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	15,418,160	-	15,418,160	-	-	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	25,204,988	-	25,204,988	-	5,040,998	20%
Claims on financial institutions	-	-	-	-	-	-
Claims on corporates	1,702,762	-	1,702,762	-	472,791	28%
Retail claims	94,017,880	-	85,312,700	-	64,928,563	76%
Claims secured by residential property	3,879,950	-	3,879,950	-	1,572,959	41%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	5,490,698	-	5,490,698	-	6,408,840	117%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	5,033,296	641,486	5,033,296	257,290	5,022,283	95%
<b>Total</b>	<b>150,747,734</b>	<b>641,486</b>	<b>142,042,555</b>	<b>257,290</b>	<b>83,446,433</b>	<b>59%</b>

**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	Risk weight	Amount (LKR' 000) as at 30 June 2022 (Post CCF & CRM)									Total credit exposures amount	
		0%	20%	35%	50%	60%	75%	100%	150%	>150%		
Claims on Central Government and CBSL		15,418,160	-	-	-	-	-	-	-	-	-	15,418,160
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		-	25,204,988	-	-	-	-	-	-	-	-	25,204,988
Claims on financial institutions		-	-	-	-	-	-	-	-	-	-	-
Claims on corporates		-	1,537,464	-	-	-	-	165,298	-	-	-	1,702,762
Retail claims		234,381	3,446,918	-	-	-	69,568,889	12,062,512	-	-	-	85,312,700
Claims secured by residential property		-	-	3,549,218	-	-	-	330,732	-	-	-	3,879,950
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	170,543	-	-	3,313,329	2,006,826	-	-	5,490,698
Higher-risk categories		-	-	-	-	-	-	-	-	-	-	-
Cash items and other assets		254,803	16,875	-	-	-	-	5,018,908	-	-	-	5,290,586
<b>Total</b>		<b>15,907,344</b>	<b>30,206,245</b>	<b>3,549,218</b>	<b>170,543</b>	<b>-</b>	<b>69,568,889</b>	<b>20,890,780</b>	<b>2,006,826</b>	<b>-</b>	<b>-</b>	<b>142,299,845</b>

0

<b>Template 9</b>	
<b>Market risk under standardised measurement method</b>	
<b>Item</b>	<b>RWA amount (LKR' 000) As at 30 June 2022</b>
<b>(a) RWA for interest rate risk</b>	<b>-</b>
General interest rate risk	-
(i) Net long or short position	-
(ii) Horizontal disallowance	-
(iii) Vertical disallowance	-
(iv) Options	-
Specific interest rate risk	-
<b>(b) RWA for equity</b>	<b>0</b>
(i) General equity risk	0
(ii) Specific equity risk	-
<b>(c) RWA for foreign exchange and gold</b>	<b>-</b>
<b>Capital charge for market risk <math>\{(a) + (b) + (c)\} * CAR</math></b>	<b>0</b>

<b>Template 10</b>					
<b>Operational risk under basic indicator approach</b>					
<b>Business lines</b>	<b>Capital charge factor</b>	<b>Gross income (LKR' 000) as at</b>			<b>Amount (LKR' 000)</b>
		<b>1<sup>st</sup> Year</b>	<b>2<sup>nd</sup> Year</b>	<b>3<sup>rd</sup> Year</b>	
<b>The basic indicator approach</b>	<b>15%</b>	<b>7,752,233</b>	<b>7,183,169</b>	<b>6,363,723</b>	
<b>Capital charges for operational risk (LKR' 000)</b>					
The basic indicator approach					1,064,956
<b>Risk-weighted amount for operational risk (LKR' 000)</b>					
The basic indicator approach					8,519,650

<b>Template 11</b>					
<b>Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories</b>					
<b>Item</b>	<b>Amount (LKR '000 as at 30 June 2022)</b>				
	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>
	<b>Carrying values as</b>	<b>Carrying values under</b>	<b>Subject to credit</b>	<b>Subject to market</b>	<b>Not subject to capital</b>
<b>Assets</b>					
Cash and cash equivalents	3,642,002	3,642,002	3,642,002	-	-
Placements with banks	21,863,430	21,863,430	21,863,430		-
Financial assets fair value through profit or loss	1,537,464	1,537,464	1,537,464	-	
Financial assets at amortised cost					
- Loans and receivables to other customers	111,563,132	111,563,132	112,599,852	-	1,036,720
- Debt and other instruments	15,520,313	15,520,313	15,520,313	-	-
Financial assets measured at fair value through other comprehensive income	56,939	56,939	56,939	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	953,326	953,326	953,326	-	-
Right of use assets	554,647	554,647	554,647	-	-
Investment properties	19,695	19,695	19,695	-	-
Intangible assets	461,726	461,726	-		461,726
Differed tax assets	357,606	357,606	-	-	357,606
Other assets	3,233,950	3,233,950	3,233,950	-	
<b>Total assets</b>	<b>159,770,393</b>	<b>159,770,393</b>	<b>159,987,780</b>	<b>-</b>	<b>1,856,052</b>
<b>Liabilities</b>					
Due to banks					
Due to other customers	97,596,019	97,596,019	-	-	-
Other borrowings	41,691,232	41,691,232	-	-	-
Subordinated term debts	5,092,800	5,092,800	-	-	-
Retirement benefit obligations	609,392	609,392	-	-	-
Current tax liabilities	546,241	546,241	-	-	-
Other liabilities	789,435	789,434.70	-	-	-
<b>Total liabilities</b>	<b>146,325,119</b>	<b>146,325,119</b>	<b>-</b>	<b>-</b>	<b>-</b>

			-	-	-
<b>Off-balance sheet liabilities</b>					
Guarantees	211,078	211,078	211,078		
Undrawn loan commitments	-	429,976	429,976	-	-
	-			-	-
<b>Shareholders' equity</b>					
Equity capital (stated capital)/ assigned capital	11,287,765	11,287,765			
of which amount eligible for CET 1	11,287,765	11,287,765	-	-	-
of which amount eligible for AT 1	-	-	-	-	-
Retained earnings	1,815,730	1,815,730	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	360,830	341,778	-	-	-
<b>Total shareholders' equity</b>	<b>13,445,274</b>	<b>13,445,274</b>	-	-	-

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