

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

**As at 30th June 2023**



## Template 1

## Key regulatory ratios - capital and liquidity

Item	As at 30 June 2023	As at 31 March 2023
<b>Regulatory capital (LKR'000)</b>		
Common Equity Tier 1 (CET I) capital	12,280,947	13,659,214
Tier 1 capital	12,280,947	13,659,214
Total capital	14,449,499	14,803,063
<b>Regulatory capital ratio (%)</b>		
Common Equity Tier 1 capital ratio (Minimum requirement - 2022: 6.50 2021: 6.50%)	12.88%	13.08
Tier 1 Capital Ratio (Minimum requirement - 2022: 8.00 2021: 8.00%)	12.88%	13.08
Total capital ratio (Minimum requirement - 2022: 12.00%, 2021: 12.00%)	15.16%	15.52
<b>Leverage ratio (%) (Minimum requirement - 3%)</b>	7.78%	7.69
<b>Regulatory liquidity</b>		
Statutory liquid assets (LKR' 000)	33,671,705	29,193,950
Statutory liquid assets ratio (Minimum requirement - 20%)		
Domestic banking unit (%)	32.45	28.53
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	27,797,874	23,629,910
Liquidity coverage ratio (%) (Minimum requirement - 2022: 100%, 2021 - 90%)		
Rupee (%)	222.81	308.66
All currency (%)	222.93	308.66
Net stable funding ratio (%) (Minimum requirement - 100%)	186.23	234.62

Template 2		
Basel III computation of capital ratios		
Item	As at 30 June 2023	As at 31 March 2023
<b>Common Equity Tier 1 (CET1) capital after adjustments</b>	<b>12,280,947</b>	<b>12,479,801</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>13,659,215</b>	<b>13,659,214</b>
Equity capital (stated capital) /assigned capital	11,287,765	11,287,765
Reserve fund	317,231	317,231
Published retained earnings/(accumulated retained losses)	1,767,576	1,767,576
Published accumulated other comprehensive income (OCI)	-	-
General and other disclosed reserves	286,642	286,642
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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>1,378,267</b>	<b>1,179,414</b>
Goodwill (net)	-	-
Intangible assets (net)	777,639	578,786
Deferred tax assets (net)	600,628	600,628
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>2,168,552</b>	<b>2,323,263</b>
<b>Tier 2 capital</b>	<b>2,168,552</b>	<b>2,323,263</b>
Qualifying Tier 2 capital instruments	733,050	893,417
Revaluation gains	-	-
Loan loss provisions	1,435,502	1,429,845
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>12,280,947</b>	<b>12,479,801</b>
<b>Total Tier 1 capital</b>	<b>12,280,947</b>	<b>12,479,801</b>
<b>Total capital</b>	<b>14,449,499</b>	<b>14,803,063</b>
<b>Total risk weighted assets (RWA)</b>	<b>95,328,731</b>	<b>95,407,364</b>
RWAs for credit risk (Template 7 and 8)	85,560,080	85,503,419
RWAs for market risk (Template 9)	493,335	884,161
RWAs for operational risk (Template 10)	9,275,317	9,019,784
<b>CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)</b>	<b>12.88</b>	<b>13.08</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>12.88</b>	<b>13.08</b>
<b>Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)</b>	<b>15.16</b>	<b>15.52</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 2023</b>	<b>Amount (LKR' 000) As at 31 March 2023</b>
<b>Tier 1 capital</b>	<b>12,280,947</b>	<b>12,479,801</b>
<b>Total exposures</b>	<b>157,811,480</b>	<b>162,361,096</b>
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	156,851,026	161,577,748
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	960,454	783,348
<b>Basel III leverage ratio (%) (Tier 1/total exposure)</b>	<b>7.78</b>	<b>7.69</b>

## Template 4

## Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 30 June 2023		As at 31 March 2023	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
<b>Total stock of high-quality liquid assets (HQLA)</b>	<b>27,868,239</b>	<b>27,797,875</b>	<b>23,629,910</b>	<b>23,629,910</b>
Total adjusted level 1 assets	27,030,635	27,030,635	23,629,910	23,629,910
Level 1 assets	27,030,635	27,030,635	23,629,910	23,629,910
Total adjusted level 2A assets	837,605	711,964	-	-
Level 2A assets	837,605	711,964	-	-
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
<b>Total cash outflows</b>	<b>111,272,066</b>	<b>17,678,343</b>	<b>103,851,056</b>	<b>15,585,382</b>
Deposits	75,101,972	7,510,197	75,543,607	7,554,361
Unsecured wholesale funding	34,230,981	9,140,314	26,582,377	7,052,464
Secured funding transactions	28,964	28,964	29,714	29,714
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,910,150	998,868	1,695,358	948,844
Additional requirements	-	-	-	-
<b>Total cash inflows</b>	<b>15,958,868</b>	<b>5,208,903</b>	<b>20,433,271</b>	<b>7,929,847</b>
Maturing secured lending transactions backed by collateral	654,996	-	-	-
Committed facilities	7,350,000	-	7,350,000	-
Other inflows by counterparty which are maturing within 30 days	7,164,155	4,814,045	9,179,669	5,978,046
Operational deposits	-	-	-	-
Other cash inflows	789,718	394,859	3,903,602	1,951,801
<b>Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100</b>		<b>222.93</b>		<b>308.66</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 31st March 2022)	11,287,765		322,117	410,933
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 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
Convertible or non-convertible	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

<b>Template 6</b>
<b>Summary discussion on adequacy/meeting current and future capital requirements</b>

**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 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.

**These should include**

Provide qualitative information on capital planning to meet current and future capital requirements including:

- (a) Overview of capital planning and assessment process;
- (b) Material risk exposures in line with strategic plan;
- (c) Current and future capital needs, anticipated capital expenditure and desirable capital level;
- (d) Discussion on possible internal and external capital sources;
- (e) Assessment of the adequacy of bank's capital commensurate with all material risks and other capital needs in relation to its current and future activities; General contingency plan for dealing with divergences and unexpected events such as raising additional capital, restricting

## Template 7

## Credit risk under standardized approach - credit risk exposures and credit risk mitigation (CRM) effects

Asset class	Amount (LKR' 000) as at 30th June 2023					
	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	25,190,045	-	25,190,045	-	-	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	17,898,083	-	17,898,083	-	8,241,969	46%
Claims on financial institutions	350,879	-	350,879	-	191,277	-
Claims on corporates	2,946,222	-	2,946,222	-	1,375,736	47%
Retail claims	86,684,250	-	77,054,030	-	61,693,137	80%
Claims secured by residential property	3,235,675	-	3,235,675	-	2,164,585	67%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	6,559,977	-	6,559,977	-	6,822,178	104%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	5,407,524	960,454	5,407,524	402,432	5,071,197	87%
<b>Total</b>	<b>148,272,654</b>	<b>960,454</b>	<b>138,642,435</b>	<b>402,432</b>	<b>85,560,080</b>	<b>62%</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		Amount (LKR' 000) as at 30th June 2023(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		25,190,045	-	-	-	-	-	-	-	-	25,190,045
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		-	2,356,906	-	15,541,176	-	-	-	-	-	17,898,083
Claims on financial institutions		-	-	-	328,501	-	-	27,027	-	-	355,528
Claims on corporates		-	1,644,028	-	510,527	-	-	791,666	-	-	2,946,222
Retail claims		1,786,816	4,548,264	-	-	-	78,523,734	1,890,683	-	-	86,749,498
Claims secured by residential property		-	-	1,647,831	-	-	-	1,587,844	-	-	3,235,675
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	295,819	-	-	5,443,935	820,223	-	6,559,977
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		720,084	23,343	-	-	-	-	5,066,529	-	-	5,809,956
Total		27,696,945	8,572,542	1,647,831	16,676,023	-	78,523,734	14,807,684	820,223	-	148,744,983

<b>Template 9</b>
<b>Market risk under standardised measurement method</b>

<b>Item</b>	<b>RWA amount (LKR' 000) As at 30th June 2023</b>
<b>(a) RWA for interest rate risk</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>7,115</b>
(i) General equity risk	7,115
(ii) Specific equity risk	-
<b>(c) RWA for foreign exchange and gold</b>	<b>54,552</b>
<b>Capital charge for market risk {(a) +(b) + (c) } * CAR</b>	<b>493,335</b>

**Template 10****Operational risk under basic indicator approach**

Business lines	Capital charge factor	Gross income (LKR' 000) as at 31			Amount (LKR' 000)
		1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year	
<b>The basic indicator approach</b>	<b>15%</b>	<b>8,252,890</b>	<b>7,752,233</b>	<b>7,183,169</b>	
<b>Capital charges for operational risk (LKR' 000)</b>					
The basic indicator approach					1,159,415
<b>Risk-weighted amount for operational risk (LKR' 000)</b>					
The basic indicator approach					9,275,317

<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 30th June 2023)</b>				
	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>
	<b>Carrying values as</b>	<b>Carrying values</b>	<b>Subject to credit</b>	<b>Subject to market</b>	<b>Not subject to capital</b>
<b>Assets</b>					
Cash and cash equivalents	3,089,752	3,089,752	3,089,752	-	-
Placements with banks	15,537,348	15,537,348	15,537,348		-
Financial assets fair value through profit or loss	2,846,374	2,846,374	1,649,216	1,197,158	
Financial assets at amortised cost					
- Loans and receivables to other customers	104,847,810	104,847,810	106,283,312	-	1,435,502
- Debt and other instruments	25,802,544	25,802,544	25,802,544	-	-
Financial assets measured at fair value through	56,939	56,939	56,939	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	823,040	823,040	823,040	-	-
Right of use assets	669,753	669,753	669,753	-	-
Investment properties	-	-	-	-	-
Intangible assets	777,639	777,639	-		777,639
Differed tax assets	600,628	600,628	-	-	600,628
Other assets	3,171,305	3,171,305	3,171,305	-	
<b>Total assets</b>	<b>158,229,293</b>	<b>158,229,293</b>	<b>157,089,370</b>	<b>1,197,158</b>	<b>2,813,769</b>
<b>Liabilities</b>					
Due to banks					
Due to other customers	109,332,121	109,332,121	-	-	-
Other borrowings	27,671,401	27,671,401	-	-	-
Subordinated term debts	4,319,622	4,319,622	-	-	-
Retirement benefit obligations	775,713	775,713	-	-	-
Current tax liabilities	242,883	242,883	-	-	-
Other liabilities	2,078,243	2,078,243	-	-	-
<b>Total liabilities</b>	<b>144,419,982</b>	<b>144,419,982</b>	<b>-</b>	<b>-</b>	<b>-</b>

			-	-	-
<b>Off-balance sheet liabilities</b>					
Guarantees	259,317	259,317	259,317		
Undrawn loan commitments	-	701,137	701,137	-	-
	-			-	-
<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	1,917,673	1,917,673	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	622,925	603,874	-	-	-
<b>Total shareholders' equity</b>	<b>13,809,311</b>	<b>13,809,311</b>	-	-	-