

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

As at 31st March 2023



SANASA Development Bank PLC



Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 31 March 2023	As at 31 December 2022
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	13,659,214	13,491,315
Tier 1 capital	13,659,214	13,491,315
Total capital	14,803,063	16,174,114
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (<i>Minimum requirement - 2023: 7.50 2021: 6.50%</i>)	13.08	13.16
Tier 1 Capital Ratio (<i>Minimum requirement - 2023: 8.50 2021: 8.00%</i>)	13.08	13.16
Total capital ratio (<i>Minimum requirement - 2023: 12.50%, 2021: 12.00%</i>)	15.52	15.78
Leverage ratio (%) (<i>Minimum requirement - 3%</i>)		
	7.69	8.48
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	29,193,950	24,666,592
Statutory liquid assets ratio (<i>Minimum requirement - 20%</i>)		
Domestic banking unit (%)	28.53	26.90
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	23,629,910	15,267,800
Liquidity coverage ratio (%)		
<i>(Minimum requirement - 2022: 100%, 2021 - 90%)</i>		
Rupee (%)	308.66	178.47
All currency (%)	308.66	178.47
Net stable funding ratio (%) (<i>Minimum requirement - 100%</i>)	234.62	213.48

Template 2		
Basel III computation of capital ratios		
Item	As at 31 March 2023	As at 31 December 2022
Common Equity Tier 1 (CET1) capital after adjustments	12,479,801	13,491,315
Common Equity Tier 1 (CET1) capital	13,659,214	14,129,697
Equity capital (stated capital) /assigned capital	11,287,765	11,287,765
Reserve fund	317,231	314,173
Published retained earnings/(accumulated retained losses)	1,767,576	2,500,153
Published accumulated other comprehensive income (OCI)	-	-
General and other disclosed reserves	286,642	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Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	1,179,414	638,381
Goodwill (net)	-	-
Intangible assets (net)	578,786	338,933
Deferred tax assets (net)	600,628	299,448
Investments in the capital of banking and financial institutions	-	-
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	2,323,263	2,682,799
Tier 2 capital	2,323,263	2,682,799
Qualifying Tier 2 capital instruments	893,417	1,763,878
Revaluation gains	-	-
Loan loss provisions	1,429,845	918,921
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	-	-
Investments in the capital of banking and financial institutions	-	-
CET 1 capital	12,479,801	13,491,315
Total Tier 1 capital	12,479,801	13,491,315
Total capital	14,803,063	16,174,114
Total risk weighted assets (RWA)	95,407,364	102,517,659
RWAs for credit risk (Template 7 and 8)	85,503,419	94,318,069
RWAs for market risk (Template 9)	884,161	25,975
RWAs for operational risk (Template 10)	9,019,784	8,173,615
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	13.08	13.16
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	13.08	13.16
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.52	15.78
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 31 March 2023	Amount (LKR' 000) As at 31 December 2022
Tier 1 capital	12,479,801	13,491,315
Total exposures	162,361,096	159,046,564
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	161,577,748	158,405,078
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	783,348	641,486
Basel III leverage ratio (%) (Tier 1/total exposure)	7.69	8.48

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 31 March 2023		As at 31 December 2022	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	23,629,910	23,629,910	15,211,305	15,267,801
Total adjusted level 1 assets	23,629,910	23,629,910	15,211,305	15,211,305
Level 1 assets	23,629,910	23,629,910	15,267,801	15,267,801
Total adjusted level 2A assets	-	-	-	-
Level 2A assets	-	-	-	-
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	103,851,056	15,585,382	93,396,019	17,097,771
Deposits	75,543,607	7,554,361	61,567,045	6,156,704
Unsecured wholesale funding	26,582,377	7,052,464	30,001,358	9,728,511
Secured funding transactions	29,714	29,714	30,230	30,230
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,695,358	948,844	1,797,387	1,182,325
Additional requirements	-	-	-	-
Total cash inflows	20,433,271	7,929,847	12,550,982	8,543,080
Maturing secured lending transactions backed by collateral	-	-	780,850	-
Committed facilities	7,350,000	-	250,000	-
Other inflows by counterparty which are maturing within 30 days	9,179,669	5,978,046	10,010,132	7,788,080
Operational deposits	-	-	-	-
Other cash inflows	3,903,602	1,951,801	1,510,000	755,000
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		308.66		178.47

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 2023)	11,287,765	-	409,967	483,450
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

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 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 31 March 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	22,730,742	-	22,730,742	-	-	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	19,024,033	-	19,024,033	-	3,804,807	20%
Claims on financial institutions	-	-	-	-	-	-
Claims on corporates	4,207,211	-	4,207,211	-	978,369	23%
Retail claims	104,816,147	-	91,858,139	-	68,159,977	74%
Claims secured by residential property	3,193,881	-	3,193,881	-	1,260,839	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	6,091,194	-	6,091,194	-	6,298,335	103%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	5,369,930	783,348	5,369,930	319,986	5,001,092	88%
Total	165,433,138	783,348	152,475,130	319,986	85,503,419	56%

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 31 March 2023 (Post CCF & CRM)									Total credit exposures amount
Asset classes	Risk weight	0%	20%	35%	50%	60%	75%	100%	150%	>150%	
Claims on Central Government and CBSL		22,730,742	-	-	-	-	-	-	-	-	22,730,742
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		-	19,024,032	-	-	-	-	-	-	-	19,024,032
Claims on financial institutions		-	-	-	-	-	-	-	-	-	-
Claims on corporates		-	4,036,052	-	-	-	-	171,159	-	-	4,207,211
Retail claims		339,294	6,419,116	-	-	-	72,894,302	12,205,427	-	-	91,858,139
Claims secured by residential property		-	-	2,973,910	-	-	-	219,971	-	-	3,193,881
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	252,062	-	-	5,172,788	666,344	-	6,091,194
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		679,562	11,578	-	-	-	-	4,998,776	-	-	5,689,916
Total		23,749,597	29,490,778	2,973,910	252,062	-	72,894,302	22,768,121	666,344	-	152,795,115

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Template 9
Market risk under standardised measurement method

Item	RWA amount (LKR' 000) As at 31 March 2023
(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 and gold	110,520
Capital charge for market risk {(a) +(b) + (c) } * CAR	884,160

Template 10					
Operational risk under basic indicator approach					
Business lines	Capital charge factor	Gross income (LKR' 000) as at 31			Amount (LKR' 000)
		1 st Year	2 nd Year	3 rd Year	
The basic indicator approach	15%	7,670,196	7,821,639	7,057,624	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,127,473
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					9,019,784

Template 11					
Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories					
Item	Amount (LKR '000 as at 31 March 2023)				
	a	b	c	d	e
	Carrying values as	Carrying values	Subject to credit	Subject to market	Not subject to capital
Assets					
Cash and cash equivalents	3,342,263	3,342,263	3,342,263	-	-
Placements with banks	16,372,318	16,372,318	16,372,318		-
Financial assets fair value through profit or loss	4,036,052	4,036,052	4,036,052	-	
Financial assets at amortised cost					
- Loans and receivables to other customers	110,246,468	110,246,468	111,676,313	-	1,429,845
- Debt and other instruments	22,838,755	22,838,755	22,838,755	-	-
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	1,060,580	1,060,580	1,060,580	-	-
Right of use assets	645,394	645,394	645,394	-	-
Investment properties	-	-	-	-	-
Intangible assets	578,786	578,786	-		578,786
Differed tax assets	600,628	600,628	-	-	600,628
Other assets	2,972,818	2,972,818	2,972,818	-	
Total assets	162,757,162	162,757,162	163,007,593	-	2,609,259
Liabilities					
Due to banks					
Due to other customers	111,162,793	111,162,793	-	-	-
Other borrowings	30,689,282	30,689,282	-	-	-
Subordinated term debts	4,579,247	4,579,247	-	-	-
Retirement benefit obligations	735,080	735,080	-	-	-
Current tax liabilities	209,430	209,430	-	-	-
Other liabilities	1,678,711	1,678,710.52	-	-	-
Total liabilities	149,054,542	149,054,542	-	-	-

			-	-	-
Off-balance sheet liabilities					
Guarantees	728,285	728,285	728,285		
Undrawn loan commitments	-	544,387	544,387	-	-
	-			-	-
Shareholders' equity					
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	1,810,981	1,810,981	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	622,925	603,874	-	-	-
Total shareholders' equity	13,702,620	13,702,620	-	-	-