

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

As at 31st March 2024



ENVISIONING
**PROGRESS,
EMPOWERING
COMMUNITIES**



Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 31 March 2024	As at 31 December 2023
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	12,979,271	12,978,479
Tier 1 capital	12,979,271	12,978,479
Total capital	14,283,670	14,381,730
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio <i>(Minimum requirement - 2022: 6.50 2021: 6.50%)</i>	14.93%	14.85%
Tier 1 Capital Ratio <i>(Minimum requirement - 2022: 8.00 2021: 8.00%)</i>	14.93%	14.85%
Total capital ratio <i>(Minimum requirement - 2022: 12.00%, 2021: 12.00%)</i>	16.42%	16.45%
Leverage ratio (%) (Minimum requirement - 3%)		
	8.48%	8.29%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	36,992,256	39,467,410
Statutory liquid assets ratio <i>(Minimum requirement - 20%)</i>		
Domestic banking unit (%)	35.72	38.25
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	32,489,495	35,487,865
Liquidity coverage ratio (%)		
<i>(Minimum requirement - 2022: 100%, 2021 - 90%)</i>		
Rupee (%)	285.54	285.43
All currency (%)	287.15	287.06
Net stable funding ratio (%) <i>(Minimum requirement - 100%)</i>	204.68	192.78

Template 2		
Basel III computation of capital ratios		
Item	As at 31 March 2024	As at 31 December 2023
Common Equity Tier 1 (CET1) capital after adjustments	12,979,271	12,978,479
Common Equity Tier 1 (CET1) capital	14,265,856	14,265,856
Equity capital (stated capital) /assigned capital	11,287,765	11,287,765
Reserve fund	340,572	340,572
Published retained earnings/(accumulated retained losses)	2,275,937	2,275,937
Published accumulated other comprehensive income (OCI)		
General and other disclosed reserves	361,581	361,581
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	1,286,584	1,287,377
Goodwill (net)	-	-
Intangible assets (net)	752,774	753,566
Deferred tax assets (net)	533,810	533,810
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	1,304,399	1,403,251
Tier 2 capital	1,304,399	1,403,251
Qualifying Tier 2 capital instruments	251,947	412,315
Revaluation gains	-	-
Loan loss provisions	1,052,452	990,936
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	12,979,271	12,978,479
Total Tier 1 capital	12,979,271	12,978,479
Total capital	14,283,670	14,381,730
Total risk weighted assets (RWA)	86,963,243	87,477,742
RWAs for credit risk (Template 7 and 8)	76,252,845	77,122,195
RWAs for market risk (Template 9)	748,831	572,290
RWAs for operational risk (Template 10)	9,961,567	9,783,257
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	14.93	14.85
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	14.93	14.85
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	16.42	16.45
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 2024	Amount (LKR' 000) As at 31 December 2022
Tier 1 capital	12,979,271	12,979,271
Total exposures	153,132,777	156,484,285
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	152,245,649	155,670,024
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	887,128	814,262
Basel III leverage ratio (%) (Tier 1/total exposure)	8.48	8.29

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 31 March 2024		As at 31 December 2023	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	32,489,496	32,489,496	35,577,512	35,487,865
Total adjusted level 1 assets	32,489,496	32,489,496	34,979,864	34,979,864
Level 1 assets	32,489,496	32,489,496	34,979,864	34,979,864
Total adjusted level 2A assets	-	-	597,648	508,001
Level 2A assets	-	-	597,648	508,001
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	111,743,710	17,465,551	109,687,627	17,084,700
Deposits	74,921,390	7,492,139	75,637,598	7,563,760
Unsecured wholesale funding	35,487,576	9,491,396	32,546,160	8,799,222
Secured funding transactions	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,334,744	482,016	1,503,869	721,718
Additional requirements	-	-	-	-
Total cash inflows	12,132,448	6,087,415	9,656,146	4,651,523
Maturing secured lending transactions backed by collateral	-	-	-	-
Committed facilities	3,850,000	-	2,850,000	-
Other inflows by counterparty which are maturing within 30 days	7,263,374	5,068,341	6,680,115	4,525,491
Operational deposits	-	-	-	-
Other cash inflows	1,019,074	1,019,074	126,031	126,031
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		285.54		285.43

Template 5			
Main features of regulatory capital instruments			
Description of the capital instrument	Stated capital	Subordinated term debt (2019)	Subordinated term debt (2019)
Issuer	Sanasa Development Bank PLC	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
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
Original date of issuance (agreement signed date for subordinated term debts)	May 2012	March 2019	September 2019
Par value of instrument (LKR)	100	N/A	N/A
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date, if applicable	N/A	March 2024	September 2024
Amount recognised in regulatory capital (in LKR '000 as at 31st December 2023)	11,287,765	58,567	193,380
Accounting classification (equity/liability)	Equity	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
Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/Dividends			
Fixed or floating dividend/coupon	Floating dividend	Floating coupon	Floating coupon
Coupon rate and any related index (%)	N/A	6 months T-bill Rate + 700bps	6 months LIBOR + 550bps
Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Convertible or write off	Convertible
If convertible, conversion trigger(s)	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
If convertible, mandatory or optional	N/A	Mandatory upon the occurrence of a trigger event	Mandatory upon the occurrence of a trigger event
If convertible, conversion rate	N/A	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

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 business activities or using risk mitigation techniques

Template 7
Credit risk under standardized approach - credit risk exposures and credit risk mitigation (CRM) effects

Asset class	Amount (LKR' 000) as at 31st March 2024					
	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	31,366,584	-	31,366,584	-	-	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	16,786,899	-	16,786,899	-	7,487,187	45%
Claims on financial institutions	155,426	-	155,426	-	77,713	-
Claims on corporates	4,466,666	-	4,466,666	-	2,022,597	45%
Retail claims	87,728,177	-	87,728,177	-	54,889,738	63%
Claims secured by residential property	2,772,442	-	2,772,442	-	1,091,949	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	6,772,662	-	6,772,662	-	6,828,009	101%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	4,091,182	887,128	4,091,182	356,371	3,855,654	87%
Total	154,140,039	887,128	154,140,039	356,371	76,252,845	49%

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 31st March 2024 (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		31,366,584	-	-	-	-	-	-	-	-	31,366,584
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		-	3,020,876	-	13,766,024	-	-	-	-	-	16,786,899
Claims on financial institutions		-	-	-	155,426	-	-	-	-	-	155,426
Claims on corporates		-	2,740,115	-	503,955	-	-	1,222,596	-	-	4,466,666
Retail claims		3,330,968	3,380,340	-	-	822,593	71,543,840	62,234	-	-	79,139,974
Claims secured by residential property		-	-	2,585,375	-	-	-	187,067	-	-	2,772,442
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	321,138	-	-	6,019,692	431,832	-	6,772,662
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		591,900	-	-	-	-	-	3,855,654	-	-	4,447,553
Total		35,289,452	9,141,330	2,585,375	14,746,543	822,593	71,543,840	11,347,243	431,832	-	145,908,208

Template 9	
Market risk under standardised measurement method	
Item	RWA amount (LKR' 000) As at 31st March 2024
(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	93,604
Capital charge for market risk $\{(a) + (b) + (c)\} * CAR$	748,831

Template 10					
Operational risk under basic indicator approach					
Business lines	Capital charge factor	Gross income (LKR' 000) as at 31			Amount (LKR' 000)
		1st Year	2nd Year	3rd Year	
The basic indicator approach	15%	9,412,081	7,670,196	7,821,639	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,245,196
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					9,961,567

Template 11					
Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories					
Item	Amount (LKR '000 as at 31st March 2024)				
	a	b	c	d	e
	Carrying values as	Carrying values	Subject to	Subject to	Not subject to
Assets					
Cash and cash equivalents	3,389,206	3,389,206	3,389,206	-	-
Placements with banks	13,766,024	13,766,024	13,766,024		-
Financial assets fair value through profit or loss	3,983,934	3,983,934	3,983,934	1,243,819	
Financial assets at amortised cost					
- Loans and receivables to other customers	96,787,561	96,787,561	97,840,013	-	1,052,452
- Debt and other instruments	30,749,875	30,749,875	30,749,875	-	-
Financial assets measured at fair value through	57,002	57,002	57,002	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	899,802	899,802	899,802	-	-
Right of use assets	728,058	728,058	728,058	-	-
Investment properties	-	-	-	-	-
Intangible assets	752,774	752,774	-		752,774
Differed tax assets	540,412	540,412	-	-	540,412
Other assets	1,871,423	1,871,423	1,871,423	-	
Total assets	153,532,234	153,532,234	153,291,500	1,243,819	2,345,637
Liabilities					
Due to banks					
Due to other customers	110,344,532	110,344,532	-	-	-
Other borrowings	20,660,184	20,660,184	-	-	-
Subordinated term debts	4,290,312	4,290,312	-	-	-
Retirement benefit obligations	797,501	797,501	-	-	-
Current tax liabilities	426,890	426,890	-	-	-
Other liabilities	2,633,063	2,633,063	-	-	-
Total liabilities	139,152,481	139,152,481	-	-	-

			-	-	-
Off-balance sheet liabilities					
Guarantees	290,642	290,642	290,642		
Undrawn loan commitments	-	596,486	596,486	-	-
	-			-	-
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	2,389,834	2,389,834	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	721,205	702,154	-	-	-
Total shareholders' equity	14,379,753	14,379,753	-	-	-
			-	-	-