

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

As at 30th September 2023



SANASA Development Bank PLC



Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 30 September 2023	As at 30 June 2023
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	12,072,961	12,280,947
Tier 1 capital	12,072,961	12,280,947
Total capital	14,058,299	14,449,499
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (Minimum requirement - 2022: 6.50 2021: 6.50%)	13.10%	12.88%
Tier 1 Capital Ratio (Minimum requirement - 2022: 8.00 2021: 8.00%)	13.10%	12.88%
Total capital ratio (Minimum requirement - 2022: 12.00%, 2021: 12.00%)	15.26%	15.16%
Leverage ratio (%) (Minimum requirement - 3%)	7.77%	7.78%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	35,509,594	33,671,705
Statutory liquid assets ratio (Minimum requirement - 20%)		
Domestic banking unit (%)	34.71	32.45
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	31,099,143	27,797,874
Liquidity coverage ratio (%) (Minimum requirement - 2022: 100%, 2021 - 90%)		
Rupee (%)	258.73	222.81
All currency (%)	260.31	222.93
Net stable funding ratio (%) (Minimum requirement - 100%)	195.56	186.23

Template 2		
Basel III computation of capital ratios		
Item	As at 30 September 2023	As at 30 June 2023
Common Equity Tier 1 (CET1) capital after adjustments	12,072,961	12,280,947
Common Equity Tier 1 (CET1) capital	13,659,215	13,659,215
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Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	-	-
Total adjustments to CET1 capital	1,586,254	1,378,267
Goodwill (net)	-	-
Intangible assets (net)	732,392	777,639
Deferred tax assets (net)	853,861	600,628
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	1,985,338	2,168,552
Tier 2 capital	1,985,338	2,168,552
Qualifying Tier 2 capital instruments	572,682	733,050
Revaluation gains	-	-
Loan loss provisions	1,412,656	1,435,502
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	12,072,961	12,280,947
Total Tier 1 capital	12,072,961	12,280,947
Total capital	14,058,299	14,449,499
Total risk weighted assets (RWA)	92,152,414	95,328,731
RWAs for credit risk (Template 7 and 8)	82,032,225	85,560,080
RWAs for market risk (Template 9)	556,378	493,335
RWAs for operational risk (Template 10)	9,563,811	9,275,317
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	13.10	12.88
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	13.10	12.88
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.26	15.16
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 September 2023	Amount (LKR' 000) As at 30 June 2023
Tier 1 capital	12,072,961	12,280,947
Total exposures	155,421,177	157,811,480
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	154,644,996	156,851,026
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	776,181	960,454
Basel III leverage ratio (%) (Tier 1/total exposure)	7.77	7.78

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 30 September 2023		As at 30 June 2023	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	31,196,929	31,099,143	27,868,239	27,797,875
Total adjusted level 1 assets	30,545,019	30,545,019	27,030,635	27,030,635
Level 1 assets	30,545,019	30,545,019	27,030,635	27,030,635
Total adjusted level 2A assets	651,911	554,124	837,605	711,964
Level 2A assets	651,911	554,124	837,605	711,964
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	108,596,292	16,916,733	111,272,066	17,678,343
Deposits	76,420,085	7,642,009	75,101,972	7,510,197
Unsecured wholesale funding	31,659,063	8,485,512	34,230,981	9,140,314
Secured funding transactions	-	-	28,964	28,964
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	517,144	789,212	1,910,150	998,868
Additional requirements	-	-	-	-
Total cash inflows	14,344,548	4,896,700	15,958,868	5,208,903
Maturing secured lending transactions backed by collateral	-	-	654,996	-
Committed facilities	6,850,000	-	7,350,000	-
Other inflows by counterparty which are maturing within 30 days	7,263,943	4,781,397	7,164,155	4,814,045
Operational deposits	-	-	-	-
Other cash inflows	230,605	115,303	789,718	394,859
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		258.73		222.93

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 September 2023)	11,287,765		234,267	338,415
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

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,

Template 7

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

Asset class	Amount (LKR' 000) as at 30th September 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	26,297,068	-	26,297,068	-	-	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	19,570,891	-	19,570,891	-	8,496,894	43%
Claims on financial institutions	253,749	-	253,749	-	126,874	50%
Claims on corporates	2,126,427	-	2,126,427	-	1,420,414	67%
Retail claims	92,485,043	-	83,944,881	-	58,889,123	70%
Claims secured by residential property	3,008,529	-	3,008,529	-	1,173,200	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	6,897,223	-	6,897,223	-	7,004,715	102%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	5,402,039	776,181	5,402,039	310,379	4,921,005	86%
Total	156,040,968	776,181	147,500,805	310,379	82,032,225	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 30th September 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		26,297,068	-	-	-	-	-	-	-	-	26,297,068
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		-	4,295,172	-	15,275,720	-	-	-	-	-	19,570,891
Claims on financial institutions		-	-	-	253,749	-	-	-	-	-	253,749
Claims on corporates		-	882,516	-	-	-	-	1,243,910	-	-	2,126,427
Retail claims		1,601,405	5,375,308	-	-	240,020	76,232,395	495,753	-	-	83,944,881
Claims secured by residential property		-	-	2,823,582	-	-	-	184,947	-	-	3,008,529
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	308,197	-	-	6,065,846	523,180	-	6,897,223
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		755,979	44,293	-	-	-	-	4,912,146	-	-	5,712,418
Total		28,654,452	10,597,288	2,823,582	15,837,665	240,020	76,232,395	12,902,603	523,180	-	147,811,185

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Template 9
Market risk under standardised measurement method

Item	RWA amount (LKR' 000) As at 30th September 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	10,021
(i) General equity risk	10,021
(ii) Specific equity risk	-
(c) RWA for foreign exchange and gold	59,526
Capital charge for market risk {(a) +(b) + (c) } * CAR	556,378

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%	8,874,007	7,592,589	7,442,932	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,195,476
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					9,563,811

Template 11					
Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories					
Item	Amount (LKR '000 as at 30th September 2023)				
	a	b	c	d	e
	Carrying values as	Carrying values	Subject to	Subject to market	Not subject to capital
Assets					
Cash and cash equivalents	3,039,925	3,039,925	3,039,925	-	-
Placements with banks	15,825,191	15,825,191	15,825,191		-
Financial assets fair value through profit or loss	3,532,570	3,532,570	3,532,570	2,211,420	
Financial assets at amortised cost					
- Loans and receivables to other customers	101,178,683	101,178,683	102,591,338	-	1,412,656
- Debt and other instruments	26,403,758	26,403,758	26,403,758	-	-
Financial assets measured at fair value through	56,940	56,940	56,940	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	786,681	786,681	786,681	-	-
Right of use assets	642,737	642,737	642,737	-	-
Investment properties	-	-	-	-	-
Intangible assets	732,392	732,392	-		732,392
Differed tax assets	853,861	853,861	-	-	853,861
Other assets	3,172,349	3,172,349	3,172,349	-	
Total assets	156,231,249	156,231,249	156,057,651	2,211,420	2,998,909
Liabilities					
Due to banks					
Due to other customers	108,024,410	108,024,410	-	-	-
Other borrowings	26,080,083	26,080,083	-	-	-
Subordinated term debts	4,511,836	4,511,836	-	-	-
Retirement benefit obligations	803,068	803,068	-	-	-
Current tax liabilities	499,816	499,816	-	-	-
Other liabilities	2,469,962	2,469,962	-	-	-
Total liabilities	142,389,175	142,389,175	-	-	-

			-	-	-
Off-balance sheet liabilities					
Guarantees	237,731	237,731	237,731		
Undrawn loan commitments	-	517,144	517,144	-	-
	-			-	-
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	1,950,435	1,950,435	-	-	-
Accumulated other comprehensive income		-	-	-	-
Other reserves	603,874	603,874	-	-	-
Total shareholders' equity	13,842,074	13,842,074	-	-	-