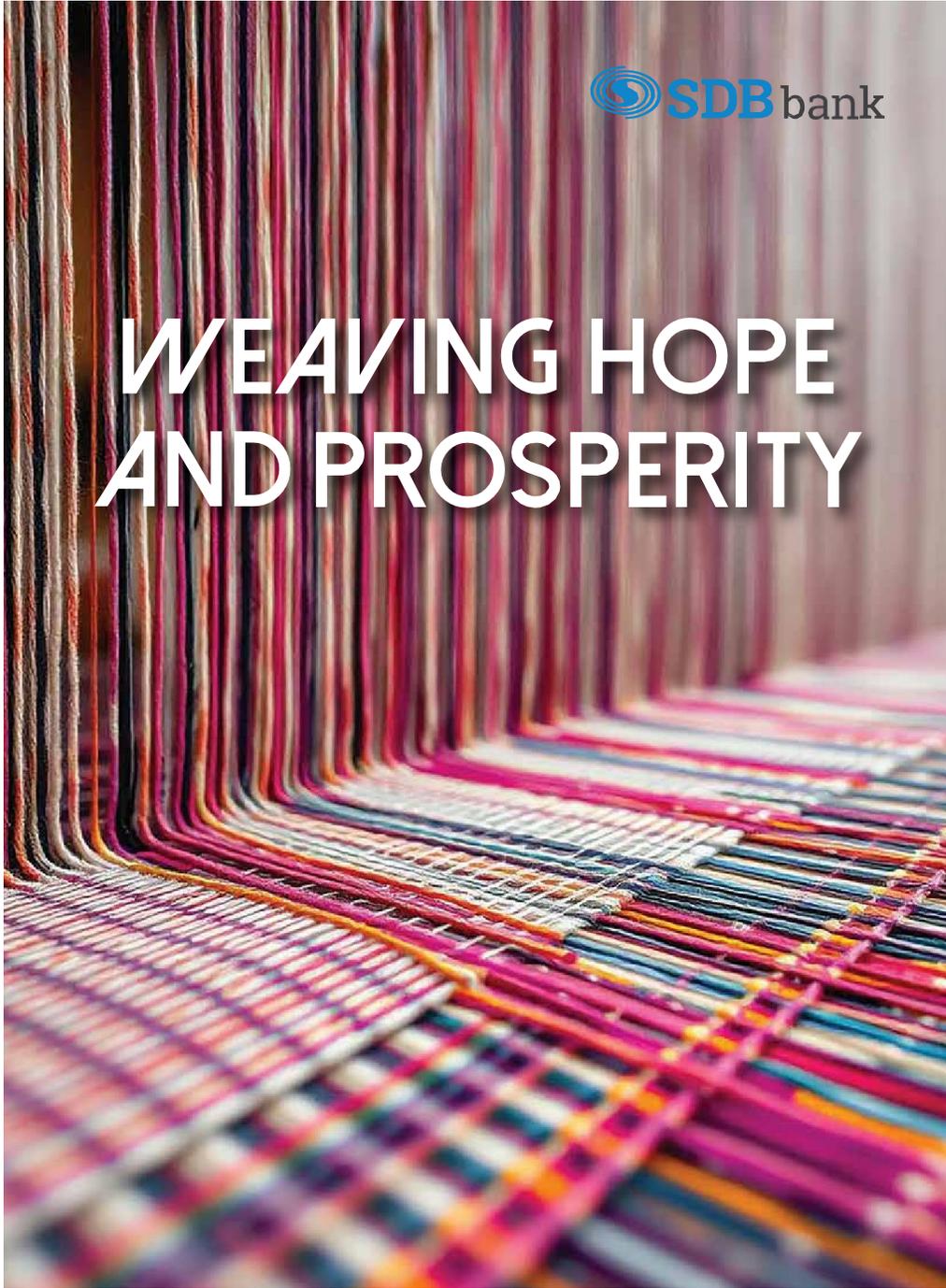


**Disclosures as per Pillar III of Banking Act No. 1 of 2016,
Capital Requirements under Basel III**

As at 31st December 2025



WEAVING HOPE AND PROSPERITY



Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 31 December 2025	As at 31 December 2024
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	13,400,250	13,097,407
Tier 1 capital	13,400,250	13,097,407
Total capital	14,383,215	14,292,684
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (<i>Minimum requirement - 2024: 7.00 2023: 7.00%</i>)	14.21%	15.00%
Tier 1 Capital Ratio (<i>Minimum requirement - 2024: 8.50 2023: 8.50%</i>)	14.21%	15.00%
Total capital ratio (<i>Minimum requirement - 2024: 12.50%, 2023: 12.50%</i>)	15.25%	16.37%
Leverage ratio (%) (<i>Minimum requirement - 3%</i>)	9.14%	9.07%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	Revoked	Revoked
Statutory liquid assets ratio (<i>Minimum requirement - 20%</i>)		
Domestic banking unit (%)		
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	16,670,992	27,708,715
Liquidity coverage ratio (%) (<i>Minimum requirement - 2024: 100%, 2023 - 100%</i>)		
Rupee (%)	151.20	279.07
All currency (%)	151.86	279.65
Net stable funding ratio (%) (<i>Minimum requirement - 100%</i>)	144.82	173.02

Template 2		
Basel III computation of capital ratios		
Item	As at 31 December 2025	As at 31 December 2024
Common Equity Tier 1 (CET1) capital after adjustments	13,400,250	13,097,407
Common Equity Tier 1 (CET1) capital	14,944,896	14,586,701
Equity capital (stated capital) /assigned capital	11,406,602	11,406,602
Reserve fund	381,277	340,572
Published retained earnings/(accumulated retained losses)	2,698,036	2,408,921
Published accumulated other comprehensive income (OCI)		
General and other disclosed reserves	458,981	430,606
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	1,544,646	1,489,294
Goodwill (net)	-	-
Intangible assets (net)	659,061	747,454
Deferred tax assets (net)	885,585	741,840
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	982,965	1,195,277
Tier 2 capital	1,033,535	1,195,277
Qualifying Tier 2 capital instruments	-	-
Revaluation gains	-	-
Loan loss provisions	1,033,535	1,195,277
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-
Total adjustments to Tier 2	50,570	-
Investment in own shares	-	-
Investments in the capital of banking and financial institutions	50,570	-
CET 1 capital	13,400,250	13,097,407
Total Tier 1 capital	13,400,250	13,097,407
Total capital	14,383,215	14,292,684
Total risk weighted assets (RWA)	94,290,364	87,336,514
RWAs for credit risk (Template 7 and 8)	82,682,826	76,714,426
RWAs for market risk (Template 9)	558,925	236,499
RWAs for operational risk (Template 10)	11,048,613	10,385,589
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	14.21	15.00
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	14.21	15.00
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.25	16.37
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 December 2025	Amount (LKR' 000) As at 31 December 2024
Tier 1 capital	13,400,250	13,097,407
Total exposures	146,587,205	144,421,242
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	145,554,312	143,551,917
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	1,032,893	869,325
Basel III leverage ratio (%) (Tier 1/total exposure)	9.14	9.07

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 31 December 2025		As at 31 December 2024	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	16,670,992	16,670,992	27,944,531	27,708,714
Total adjusted level 1 assets	16,670,992	16,670,992	25,869,580	25,869,580
Level 1 assets	16,670,992	16,670,992	25,869,580	25,869,580
Total adjusted level 2A assets	-	-	2,074,951	1,763,708
Level 2A assets	-	-	2,074,951	1,763,708
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	110,213,306	21,359,909	108,304,900	17,350,825
Deposits	67,103,367	6,710,337	69,196,990	6,919,699
Unsecured wholesale funding	38,804,221	11,335,806	37,926,692	10,081,044
Secured funding transactions	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	4,305,718	3,313,766	1,181,218	350,082
Additional requirements	-	-	-	-
Total cash inflows	13,875,302	10,381,845	14,059,525	7,442,426
Maturing secured lending transactions backed by collateral		-	700,124	-
Committed facilities		-	3,850,000	-
Other inflows by counterparty which are maturing within 30 days	13,875,302	10,381,845	7,306,003	5,239,028
Operational deposits	-	-	-	-
Other cash inflows		-	2,203,398	2,203,398
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		151.86		279.65

Template 5	
Main features of regulatory capital instruments	
Description of the capital instrument	Stated capital
Issuer	Sanasa Development Bank PLC
Unique identifier	LK0412N00003
Governing Law of the instrument	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations
Original date of issuance (agreement signed date for subordinated term debts)	May 2012
Par value of instrument (LKR)	100
Perpetual or dated	Perpetual
Original maturity date, if applicable	N/A
Amount recognised in regulatory capital (in LKR '000 as at 31st December 2025)	11,406,602
Accounting classification (equity/liability)	Equity
Issuer call subject to prior supervisory approval	
Optional call date, contingent call dates and redemption amount (LKR '000)	N/A
Subsequent call dates, if applicable	N/A
Coupons/Dividends	
Fixed or floating dividend/coupon	Floating dividend
Coupon rate and any related index (%)	N/A
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger(s)	N/A
If convertible, fully or partially	N/A
If convertible, mandatory or optional	N/A
If convertible, conversion rate	N/A

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.

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 Decemebr 2025					
	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	16,219,535	-	16,219,535	-	-	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	14,501,105	-	14,501,105	-	2,900,221	20%
Claims on financial institutions	4,781,716	-	4,781,716	-	4,781,716	100%
Claims on corporates	4,400,158	-	4,400,158	-	4,400,158	100%
Retail claims	95,661,353	-	95,661,353	-	60,512,774	63%
Exposure Guranteed by the NCGIL	151,145	-	151,145	-	30,229	20%
Claims secured by residential property	3,066,056	-	3,066,056	-	1,218,323	40%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	4,473,193	-	4,473,193	-	4,451,549	100%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	4,392,736	1,032,893	4,392,736	399,584	4,387,856	92%
Total	147,646,998.37	1,032,893	147,646,998	399,584	82,682,826	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 31st December 2025 (Post CCF & CRM)										
	Risk weight	0%	20%	35%	50%	60%	75%	100%	150%	>150%	Total credit exposures amount
Claims on Central Government and CBSL		16,219,535	-	-	-	-	-	-	-	-	16,219,535
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		-	14,501,105	-	-	-	-	-	-	-	14,501,105
Claims on financial institutions		-	-	-	-	-	-	4,781,716	-	-	4,781,716
Claims on corporates		-	-	-	-	-	-	4,400,158	-	-	4,400,158
Retail claims		11,278,869	655	-	-	696,959	68,767,707	8,518,687	-	-	89,262,877
Claims secured by residential property		-	-	2,842,666	-	-	-	223,390	-	-	3,066,056
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Exposure Guaranteed by the NCGIL		-	151,145	-	-	-	-	-	-	-	151,145
Non-performing assets (NPAs)		-	-	-	236,415	-	-	4,043,654	193,125	-	4,473,193
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		404,464	-	-	-	-	-	4,387,856	-	-	4,792,321
Total		27,902,869	14,652,905	2,842,666	236,415	696,959	68,767,707	26,355,462	193,125	-	141,648,107

139,007,178

2,640,929.12

Template 9
Market risk under standardised measurement method

Item	RWA amount (LKR' 000) As at 31 December 2025
(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	69,866
Capital charge for market risk {(a) +(b) + (c) } * CAR	558,925

Template 10
Operational risk under basic indicator approach

Business lines	Capital charge factor	Gross income (LKR' 000) as at 31 December 2025			Amount (LKR' 000)
		1 st Year	2 nd Year	3 rd Year	
The basic indicator approach	15%	9,525,772	8,877,897	9,217,863	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,381,077
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					11,048,613

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 December 2025)				
	a	b	c	d	e
	Carrying values as	Carrying values	Subject to	Subject to	Not subject to
Assets					
Cash and cash equivalents	7,104,306	7,104,306	7,104,306	-	-
Placements with banks	7,801,227	7,801,227	7,801,227		-
Financial assets fair value through profit or loss	-	-	-	-	
Financial assets at amortised cost					
- Loans and receivables to other customers	109,840,876	109,840,876	111,163,899	-	1,323,023
- Debt and other instruments	16,605,323	16,605,323	16,605,323	-	-
Financial assets measured at fair value through	208,146	208,146	208,146	-	-
Investment in subsidiaries	6,163	6,163	6,163	-	-
Property, plant and equipment	970,551	970,551	970,551	-	-
Right of use assets	1,358,411	1,358,411	1,358,411	-	-
Investment properties	-	-	-	-	-
Intangible assets	659,061	659,061	-		659,061
Differed tax assets	885,585	885,585	-	-	885,585
Other assets	1,659,310	1,659,310	1,659,310	-	
Total assets	147,098,958	147,098,958	146,877,335	-	2,867,668
Liabilities					
Due to banks					
Due to other customers	105,680,974	105,680,974	-	-	-
Other borrowings	20,616,321	20,616,321	-	-	-
Subordinated term debts	-	-	-	-	-
Retirement benefit obligations	1,286,496	1,286,496	-	-	-
Current tax liabilities	892,681	892,681	-	-	-
Other liabilities	3,677,590	3,677,590	-	-	-
Total liabilities	132,154,062	132,154,062	-	-	-

			-	-	-
Off-balance sheet liabilities					
Guarantees	381,277	381,277	381,277		
Undrawn loan commitments	-	725,588	725,588	-	-
	-			-	-
Shareholders' equity					
Equity capital (stated capital)/ assigned capital	11,406,602	11,406,602			
of which amount eligible for CET 1	11,406,602	11,406,602	-	-	-
of which amount eligible for AT 1	-	-	-	-	-
Retained earnings	2,698,036	2,698,036	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	859,309	840,258	-	-	-
Total shareholders' equity	14,944,896	14,944,896	-	-	-