

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

As at 30th June 2024



| |
|--|
| Template 1 |
| Key regulatory ratios - capital and liquidity |

| Item | As at 30 June 2024 | As at 31 March 2024 |
|---|--------------------|------------------------|
| Regulatory capital (LKR'000) | | |
| Common Equity Tier 1 (CET I) capital | 12,969,001 | 12,979,271 |
| Tier 1 capital | 12,969,001 | 12,979,271 |
| Total capital | 14,264,346 | 14,283,670 |
| | | |
| Regulatory capital ratio (%) | | |
| Common Equity Tier 1 capital ratio (<i>Minimum requirement - 2022: 6.50 2021: 6.50%</i>) | 15.03% | 14.93% |
| Tier 1 Capital Ratio (<i>Minimum requirement - 2022: 8.00 2021: 8.00%</i>) | 15.03% | 14.93% |
| Total capital ratio (<i>Minimum requirement - 2022: 12.00%, 2021: 12.00%</i>) | 16.53% | 16.42% |
| | | |
| Leverage ratio (%) (<i>Minimum requirement - 3%</i>) | 8.64% | 8.48% |
| | | |
| Regulatory liquidity | | |
| Statutory liquid assets (LKR' 000) | 34,959,150 | 36,992,256 |
| Statutory liquid assets ratio (<i>Minimum requirement - 20%</i>) | | |
| Domestic banking unit (%) | 33.06 | 35.72 |
| Off-shore banking unit (%) | - | - |
| Total stock of high-quality liquid assets (LKR' 000) | 28,778,852 | 32,489,495 |
| Liquidity coverage ratio (%) (<i>Minimum requirement - 2022: 100%, 2021 - 90%</i>) | | |
| Rupee (%) | 249.61 | 285.54 |
| All currency (%) | 306.77 | 287.15 |
| Net stable funding ratio (%) (<i>Minimum requirement - 100%</i>) | 183.98 | 204.68 |

| Template 2 | | |
|--|-----------------------|------------------------|
| Basel III computation of capital ratios | | |
| Item | As at 30 June 2024 | As at 31 March 2024 |
| Common Equity Tier 1 (CET1) capital after adjustments | 12,969,001 | 12,979,271 |
| 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| Unpublished current year's profit/(losses) and gains reflected in OCI | - | - |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 | 1,296,854 | 1,286,584 |
| Goodwill (net) | - | - |
| Intangible assets (net) | 763,044 | 752,774 |
| 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 | 1,295,345 | 1,304,399 |
| Tier 2 capital | 1,295,345 | 1,304,399 |
| Qualifying Tier 2 capital instruments | 120,863 | 251,947 |
| Revaluation gains | - | - |
| Loan loss provisions | 1,174,482 | 1,052,452 |
| 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 | 12,969,001 | 12,979,271 |
| Total Tier 1 capital | 12,969,001 | 12,979,271 |
| Total capital | 14,264,346 | 14,283,670 |
| | | |
| Total risk weighted assets (RWA) | 86,278,811 | 86,963,243 |
| RWAs for credit risk (Template 7 and 8) | 75,402,116 | 76,252,845 |
| RWAs for market risk (Template 9) | 617,462 | 748,831 |
| RWAs for operational risk (Template 10) | 10,259,233 | 9,961,567 |
| | | |
| CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%) | 15.03 | 14.93 |
| of which: capital conservation buffer (%) | - | - |
| of which: countercyclical buffer (%) | - | - |
| of which: capital surcharge on D-SIBs (%) | - | - |
| Total Tier 1 capital ratio (%) | 15.03 | 14.93 |
| Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%) | 16.53 | 16.42 |
| 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 June 2024 | Amount (LKR' 000) As at 31 March 2024 |
|--|---|--|
| Tier 1 capital | 12,969,001 | 12,979,271 |
| Total exposures | 150,124,779 | 153,132,777 |
| On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral) | 149,353,247 | 152,245,649 |
| Derivative exposures | - | - |
| Securities financing transaction exposures | - | - |
| Other off-balance sheet exposures | 771,532 | 887,128 |
| Basel III leverage ratio (%) (Tier 1/total exposure) | 8.64 | 8.48 |

Template 4**Basel III computation of liquidity coverage ratio**

| Item | Amount (LKR' 000) | | | |
|--|-------------------------|----------------------|-------------------------|----------------------|
| | As at 30 June 2024 | | As at 31 March 2024 | |
| | Total un-weighted value | Total weighted value | Total un-weighted value | Total weighted value |
| Total stock of high-quality liquid assets (HQLA) | 28,778,852 | 28,778,852 | 32,489,496 | 32,489,496 |
| Total adjusted level 1 assets | 28,778,852 | 28,778,852 | 32,489,496 | 32,489,496 |
| Level 1 assets | 28,778,852 | 28,778,852 | 32,489,496 | 32,489,496 |
| Total adjusted level 2A assets | - | - | - | - |
| Level 2A assets | - | - | - | - |
| Total adjusted level 2B assets | - | - | - | - |
| Level 2B assets | - | - | - | - |
| | | | | |
| Total cash outflows | 110,658,469 | 17,565,245 | 111,743,710 | 17,465,551 |
| Deposits | 72,322,169 | 7,232,217 | 74,921,390 | 7,492,139 |
| Unsecured wholesale funding | 37,167,341 | 9,908,816 | 35,487,576 | 9,491,396 |
| Secured funding transactions | - | - | - | - |
| Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations | 1,168,959 | 424,212 | 1,334,744 | 482,016 |
| Additional requirements | - | - | - | - |
| | | | | |
| Total cash inflows | 14,149,737 | 8,183,932 | 12,132,448 | 6,087,415 |
| Maturing secured lending transactions backed by collateral | 2,000,000 | - | - | - |
| Committed facilities | 1,850,000 | - | 3,850,000 | - |
| Other inflows by counterparty which are maturing within 30 days | 8,311,669 | 6,195,864 | 7,263,374 | 5,068,341 |
| Operational deposits | - | - | - | - |
| Other cash inflows | 1,988,068 | 1,988,068 | 1,019,074 | 1,019,074 |
| | | | | |
| Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100 | | 306.77 | | 285.54 |

| 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 30th June 2024) | 11,287,765 | - | 120,863 |
| 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 30th June 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 | 28,246,927 | - | 28,246,927 | - | - | 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 | 15,427,380 | - | 15,427,380 | - | 7,129,817 | 46% |
| Claims on financial institutions | 111,354 | - | 111,354 | - | 55,677 | - |
| Claims on corporates | 8,499,246 | - | 8,499,246 | - | 3,277,317 | 39% |
| Retail claims | 84,567,817 | - | 84,567,817 | - | 53,557,214 | 63% |
| Claims secured by residential property | 2,696,668 | - | 2,696,668 | - | 1,067,387 | 40% |
| Claims secured by commercial real estate | - | - | - | - | - | - |
| Non-performing assets (NPAs) | 6,562,452 | - | 6,562,452 | - | 6,540,688 | 100% |
| Higher-risk categories | - | - | - | - | - | - |
| Cash items and other assets | 4,091,686 | 771,532 | 4,091,686 | 60,075 | 3,774,015 | 91% |
| Total | 150,203,530 | 771,532 | 150,203,530 | 60,075 | 75,402,116 | 50% |

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 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 | | 28,246,927 | - | - | - | - | - | - | - | - | 28,246,927 |
| 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 | | - | 1,946,244 | - | 13,481,136 | - | - | - | - | - | 15,427,380 |
| Claims on financial institutions | | - | - | - | 111,354 | - | - | - | - | - | 111,354 |
| Claims on corporates | | - | 5,978,394 | - | 878,428 | - | - | 1,642,424 | - | - | 8,499,246 |
| Retail claims | | 4,966,376 | 1,773,413 | - | - | 285,976 | 68,991,048 | 1,287,660 | - | - | 77,304,473 |
| Claims secured by residential property | | - | - | 2,506,586 | - | - | - | 190,082 | - | - | 2,696,668 |
| Claims secured by commercial real estate | | - | - | - | - | - | - | - | - | - | - |
| Exposure Guranteed by the NCGIL | | - | 151,145 | - | - | - | - | - | - | - | 151,145 |
| Non-performing assets (NPAs) | | - | - | - | 333,920 | - | - | 5,938,139 | 290,393 | - | 6,562,452 |
| Higher-risk categories | | - | - | - | - | - | - | - | - | - | - |
| Cash items and other assets | | 613,325 | - | - | - | - | - | 3,478,361 | - | - | 4,091,686 |
| Total | | 33,826,628 | 9,849,195 | 2,506,586 | 14,804,839 | 285,976 | 68,991,048 | 12,536,666 | 290,393 | - | 143,091,331 |

| |
|--|
| Template 9 |
| Market risk under standardised measurement method |

| Item | RWA amount (LKR' 000) As at 30th June 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 | 4,678 |
| (i) General equity risk | 4,678 |
| (ii) Specific equity risk | - |
| (c) RWA for foreign exchange and gold | 72,505 |
| Capital charge for market risk {(a) +(b) + (c) } * CAR | 617,462 |

| 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% | 9,642,961 | 8,252,890 | 7,752,233 | |
| Capital charges for operational risk (LKR' 000) | | | | | |
| The basic indicator approach | | | | | 1,282,404 |
| Risk-weighted amount for operational risk (LKR' 000) | | | | | |
| The basic indicator approach | | | | | 10,259,233 |

| 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 June 2024) | | | | |
| | a | b | c | d | e |
| | Carrying values as | Carrying values | Subject to | Subject to | Not subject to |
| Assets | | | | | |
| Cash and cash equivalents | 2,383,404 | 2,383,404 | 2,383,404 | - | - |
| Placements with banks | 13,481,146 | 13,481,146 | 13,481,146 | | - |
| Financial assets fair value through profit or loss | 7,667,571 | 7,667,571 | 7,667,571 | 1,689,178 | |
| Financial assets at amortised cost | | | | | |
| - Loans and receivables to other customers | 94,591,138 | 94,591,138 | 95,765,620 | - | 1,174,482 |
| - Debt and other instruments | 27,537,317 | 27,537,317 | 27,537,317 | - | - |
| 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 | 1,118,053 | 1,118,053 | 1,118,053 | - | - |
| Right of use assets | 756,391 | 756,391 | 756,391 | - | - |
| Investment properties | - | - | - | - | - |
| Intangible assets | 763,044 | 763,044 | - | | 763,044 |
| Differed tax assets | 533,810 | 533,810 | - | - | 533,810 |
| Other assets | 1,603,917 | 1,603,917 | 1,603,917 | - | |
| Total assets | 150,650,101 | 150,650,101 | 150,527,729 | 1,689,178 | 2,471,336 |
| | | | | | |
| Liabilities | | | | | |
| Due to banks | | | | | |
| Due to other customers | 109,413,980 | 109,413,980 | - | - | - |
| Other borrowings | 20,333,547 | 20,333,547 | - | - | - |
| Subordinated term debts | 2,532,304 | 2,532,304 | - | - | - |
| Retirement benefit obligations | 824,956 | 824,956 | - | - | - |
| Current tax liabilities | 476,879 | 476,879 | - | - | - |
| Other liabilities | 2,581,096 | 2,581,096 | - | - | - |
| Total liabilities | 136,162,762 | 136,162,762 | - | - | - |

| | | | | | |
|---|-------------------|-------------------|---------|---|---|
| | | | - | - | - |
| Off-balance sheet liabilities | | | | | |
| Guarantees | 290,642 | 290,642 | 290,642 | | |
| Undrawn loan commitments | - | 471,160 | 471,160 | - | - |
| | - | | | - | - |
| 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 | 2,378,584 | 2,378,584 | - | - | - |
| Accumulated other comprehensive income | (19,052) | - | - | - | - |
| Other reserves | 721,205 | 702,154 | - | - | - |
| Total shareholders' equity | 14,487,340 | 14,487,340 | - | - | - |
| | | | - | - | - |