

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

As at 31st December 2023



SDB bank
SANASA Development Bank PLC

ENVISIONING
**PROGRESS,
EMPOWERING
COMMUNITIES**

Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 31 December 2023	As at 31 December 2022
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	12,978,479	12,519,755
Tier 1 capital	12,978,479	12,519,755
Total capital	14,381,730	14,895,615
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (Minimum requirement - 2022: 6.50 2021: 6.50%)	14.85%	12.92%
Tier 1 Capital Ratio (Minimum requirement - 2022: 8.00 2021: 8.00%)	14.85%	12.92%
Total capital ratio (Minimum requirement - 2022: 12.00%, 2021: 12.00%)	16.45%	15.37%
Leverage ratio (%) (Minimum requirement - 3%)	8.29%	7.87%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	39,467,410	23,309,484
Statutory liquid assets ratio (Minimum requirement - 20%)		
Domestic banking unit (%)	38.25	23.51
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	35,487,865	20,100,093
Liquidity coverage ratio (%) (Minimum requirement - 2022: 100%, 2021 - 90%)		
Rupee (%)	285.43	191.22
All currency (%)	287.06	191.31
Net stable funding ratio (%) (Minimum requirement - 100%)	192.78	241.61

Template 2		
Basel III computation of capital ratios		
Item	As at 31 December 2023	As at 31 December 2022
Common Equity Tier 1 (CET1) capital after adjustments	12,978,479	12,519,755
Common Equity Tier 1 (CET1) capital	14,265,856	13,659,214
Equity capital (stated capital) /assigned capital	11,287,765	11,287,765
Reserve fund	340,572	317,231
Published retained earnings/(accumulated retained losses)	2,275,937	1,767,576
Published accumulated other comprehensive income (OCI)		
General and other disclosed reserves	361,581	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Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	1,287,377	1,139,459
Goodwill (net)	-	-
Intangible assets (net)	753,566	538,831
Deferred tax assets (net)	533,810	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	1,403,251	2,375,860
Tier 2 capital	1,403,251	2,375,860
Qualifying Tier 2 capital instruments	412,315	1,053,785
Revaluation gains	-	-
Loan loss provisions	990,936	1,322,075
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	12,978,479	12,519,755
Total Tier 1 capital	12,978,479	12,519,755
Total capital	14,381,730	14,895,615
Total risk weighted assets (RWA)	87,421,372	96,919,305
RWAs for credit risk (Template 7 and 8)	77,122,195	87,382,372
RWAs for market risk (Template 9)	572,290	702,570
RWAs for operational risk (Template 10)	9,783,257	8,834,363
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	14.85	12.92
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	14.85	12.92
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	16.45	15.37
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 2023	Amount (LKR' 000) As at 31 December 2022
Tier 1 capital	12,978,479	12,519,755
Total exposures	156,484,285	159,109,857
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	155,670,024	158,381,572
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	814,262	728,285
Basel III leverage ratio (%) (Tier 1/total exposure)	8.29	7.87

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

Item	Amount (LKR' 000)			
	As at 31 December 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)	35,577,512	35,487,865	20,100,093	20,100,093
Total adjusted level 1 assets	34,979,864	34,979,864	20,100,093	20,100,093
Level 1 assets	34,979,864	34,979,864	20,100,093	20,100,093
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	109,687,627	17,084,700	99,635,040	16,144,959
Deposits	75,637,598	7,563,760	70,931,957	7,093,196
Unsecured wholesale funding	32,546,160	8,799,222	26,888,013	7,933,118
Secured funding transactions	-	-	32,592	32,592
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,503,869	721,718	1,782,478	1,086,053
Additional requirements	-	-	-	-
Total cash inflows	9,656,146	4,651,523	16,182,267	5,633,257
Maturing secured lending transactions backed by collateral	-	-	-	-
Committed facilities	2,850,000	-	7,600,000	-
Other inflows by counterparty which are maturing within 30 days	6,680,115	4,525,491	6,707,807	4,696,027
Operational deposits	-	-	-	-
Other cash inflows	126,031	126,031	1,874,460	937,230
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		285.43		191.22

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	146,417	265,898
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 December 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	31,829,248	-	31,829,248	-	-	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	17,198,588	-	17,198,588	-	7,874,633	46%
Claims on financial institutions	200,478	-	200,478	-	100,239	-
Claims on corporates	2,606,027	-	2,606,027	-	1,673,381	64%
Retail claims	90,226,801	-	81,638,599	-	56,712,653	69%
Claims secured by residential property	2,925,382	-	2,925,382	-	1,147,885	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	6,686,043	-	6,686,043	-	6,095,695	91%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	3,863,214	814,262	3,863,214	327,708	3,517,709	84%
Total	155,535,781	814,262	146,947,579	327,708	77,122,195	52%

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 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		31,829,248	-	-	-	-	-	-	-	-	31,829,248
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		-	2,415,536	-	14,783,052	-	-	-	-	-	17,198,588
Claims on financial institutions		-	-	-	200,478	-	-	-	-	-	200,478
Claims on corporates		-	849,711	-	505,753	-	-	1,250,562	-	-	2,606,027
Retail claims		4,923,191	1,519,402	-	-	816,318	73,842,821	536,867	-	-	81,638,599
Claims secured by residential property		-	-	2,734,612	-	-	-	190,771	-	-	2,925,382
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)		-	-	-	1,461,085	-	-	4,944,569	280,389	-	6,686,043
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		642,670	38,179	-	-	-	-	3,510,073	-	-	4,190,922
Total		37,395,109	4,822,829	2,734,612	16,950,368	816,318	73,842,821	10,432,841	280,389	-	147,275,287

Template 9
Market risk under standardised measurement method

Item	RWA amount (LKR' 000) As at 31st December 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	379
(i) General equity risk	379
(ii) Specific equity risk	-
(c) RWA for foreign exchange and gold	71,157
Capital charge for market risk {(a) +(b) + (c) } * CAR	572,290

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%	9,217,863	7,781,388	7,458,891	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,222,907
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					9,783,257

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 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	2,916,329	2,916,329	2,916,329	-	-
Placements with banks	15,387,770	15,387,770	15,387,770		-
Financial assets fair value through profit or loss	2,815,221	2,815,221	2,815,221	1,421,662	
Financial assets at amortised cost					
- Loans and receivables to other customers	98,868,896	98,868,896	99,859,832	-	990,936
- Debt and other instruments	32,436,341	32,436,341	32,436,341	-	-
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	845,329	845,329	845,329	-	-
Right of use assets	680,305	680,305	680,305	-	-
Investment properties	-	-	-	-	-
Intangible assets	753,566	753,566	-		753,566
Differed tax assets	533,810	533,810	-	-	533,810
Other assets	1,656,730	1,656,730	1,656,730	-	
Total assets	156,957,400	156,957,400	156,660,960	1,421,662	2,278,313
Liabilities					
Due to banks					
Due to other customers	108,118,122	108,118,122	-	-	-
Other borrowings	26,593,632	26,593,632	-	-	-
Subordinated term debts	4,460,248	4,460,248	-	-	-
Retirement benefit obligations	766,115	766,115	-	-	-
Current tax liabilities	375,862	375,862	-	-	-
Other liabilities	2,377,566	2,377,566	-	-	-
Total liabilities	142,691,544	142,691,544	-	-	-

			-	-	-
Off-balance sheet liabilities					
Guarantees	264,742	264,742	264,742		
Undrawn loan commitments	-	549,520	549,520	-	-
	-			-	-
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	2,275,937	2,275,937	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	721,205	702,154	-	-	-
Total shareholders' equity	14,265,856	14,265,856	-	-	-
			-	-	-