

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

As at 31st December 2024



ENVISIONING
**PROGRESS,
EMPOWERING
COMMUNITIES**



Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 31 December 2024	As at 31 December 2023
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET I) capital	13,097,407	12,978,479
Tier 1 capital	13,097,407	12,978,479
Total capital	14,292,684	14,381,730
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio (<i>Minimum requirement - 2022: 6.50 2021: 6.50%</i>)	15.00%	14.85%
Tier 1 Capital Ratio (<i>Minimum requirement - 2022: 8.00 2021: 8.00%</i>)	15.00%	14.85%
Total capital ratio (<i>Minimum requirement - 2022: 12.00%, 2021: 12.00%</i>)	16.37%	16.45%
Leverage ratio (%) (Minimum requirement - 3%)		
	9.07%	8.29%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	Revoked	39,467,410
Statutory liquid assets ratio (<i>Minimum requirement - 20%</i>)		
Domestic banking unit (%)		38.25
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	27,708,715	35,487,865
Liquidity coverage ratio (%)		
<i>(Minimum requirement - 2022: 100%, 2021 - 90%)</i>		
Rupee (%)	279.07	285.43
All currency (%)	279.65	287.06
Net stable funding ratio (%) (<i>Minimum requirement - 100%</i>)	173.02	192.78

Template 2		
Basel III computation of capital ratios		
Item	As at 31 December 2024	As at 31 December 2023
Common Equity Tier 1 (CET1) capital after adjustments	13,097,407	12,978,479
Common Equity Tier 1 (CET1) capital	14,586,701	14,265,856
Equity capital (stated capital) /assigned capital	11,406,602	11,287,765
Reserve fund	340,572	340,572
Published retained earnings/(accumulated retained losses)	2,408,921	2,275,937
Published accumulated other comprehensive income (OCI)		
General and other disclosed reserves	430,606	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Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	1,489,294	1,287,377
Goodwill (net)	-	-
Intangible assets (net)	747,454	753,566
Deferred tax assets (net)	741,840	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	1,195,277	1,403,251
Tier 2 capital	1,195,277	1,403,251
Qualifying Tier 2 capital instruments	-	412,315
Revaluation gains	-	-
Loan loss provisions	1,195,277	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	13,097,407	12,978,479
Total Tier 1 capital	13,097,407	12,978,479
Total capital	14,292,684	14,381,730
Total risk weighted assets (RWA)	87,336,514	87,421,372
RWAs for credit risk (Template 7 and 8)	76,714,426	77,122,195
RWAs for market risk (Template 9)	236,499	572,290
RWAs for operational risk (Template 10)	10,385,589	9,783,257
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.00	14.85
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	15.00	14.85
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	16.37	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 December 2024	Amount (LKR' 000) As at 31 December 2023
Tier 1 capital	13,097,407	12,978,479
Total exposures	144,421,242	156,484,285
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	143,551,917	155,670,024
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	869,325	814,262
Basel III leverage ratio (%) (Tier 1/total exposure)	9.07	8.29

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 31 December 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)	27,944,531	27,708,714	35,577,512	35,487,865
Total adjusted level 1 assets	25,869,580	25,869,580	34,979,864	34,979,864
Level 1 assets	25,869,580	25,869,580	34,979,864	34,979,864
Total adjusted level 2A assets	2,074,951	1,763,708	597,648	508,001
Level 2A assets	2,074,951	1,763,708	597,648	508,001
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	108,304,900	17,350,825	109,687,627	17,084,700
Deposits	69,196,990	6,919,699	75,637,598	7,563,760
Unsecured wholesale funding	37,926,692	10,081,044	32,546,160	8,799,222
Secured funding transactions	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,181,218	350,082	1,503,869	721,718
Additional requirements	-	-	-	-
Total cash inflows	14,059,525	7,442,426	9,656,146	4,651,523
Maturing secured lending transactions backed by collateral	700,124	-	-	-
Committed facilities	3,850,000	-	2,850,000	-
Other inflows by counterparty which are maturing within 30 days	7,306,003	5,239,028	6,680,115	4,525,491
Operational deposits	-	-	-	-
Other cash inflows	2,203,398	2,203,398	126,031	126,031
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		279.65		285.43

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 2024)	11,287,765
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	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

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 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	25,901,501	-	25,901,501	-	-	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	10,980,196	-	10,980,196	-	2,196,039	20%
Claims on financial institutions	732,961	-	732,961	-	732,961	100%
Claims on corporates	9,354,371	-	9,354,371	-	8,915,073	95%
Retail claims	85,834,415	-	85,834,415	-	54,347,583	63%
Exposure Guranteed by the NCGIL	151,145	-	151,145	-	30,229	20%
Claims secured by residential property	2,850,695	-	2,850,695	-	1,111,283	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	5,825,499	-	5,825,499	-	5,765,815	99%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	3,819,911	869,325	3,819,911	349,435	3,615,443	87%
Total	145,450,694.90	869,325	145,450,695	349,435	76,714,426	53%

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 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		31,574,505	-	-	-	-	-	-	-	-	31,574,505
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		-	1,492,812	-	12,782,792	-	-	-	-	-	14,275,605
Claims on financial institutions		-	-	-	359,764	-	-	-	-	-	359,764
Claims on corporates		-	2,798,092	-	878,164	-	-	1,762,745	-	-	5,439,001
Retail claims		6,802,811	23,938	-	-	322,370	70,100,586	1,441,974	-	-	78,691,679
Claims secured by residential property		-	-	2,657,271	-	-	-	178,180	-	-	2,835,451
Claims secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Exposure Guranteed by the NCGIL		-	151,145	-	-	-	-	-	-	-	151,145
Non-performing assets (NPAs)		-	-	-	336,545	-	-	5,725,501	232,573	-	6,294,619
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Cash items and other assets		699,280	-	-	-	-	-	2,984,711	-	-	3,683,991
Total		39,076,597	4,465,987	2,657,271	14,357,266	322,370	70,100,586	12,093,111	232,573	-	143,305,760

Template 9	
Market risk under standardised measurement method	
Item	RWA amount (LKR' 000) As at 31 December 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	29,562
Capital charge for market risk $\{(a) + (b) + (c)\} * CAR$	236,499

Template 10					
Operational risk under basic indicator approach					
Business lines	Capital charge factor	Gross income (LKR' 000) as at 31 December 2024			Amount (LKR' 000)
		1st Year	2nd Year	3rd Year	
The basic indicator approach	15%	8,888,915	9,217,863	7,781,388	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,294,408
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					10,355,266

Template 11					
Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories					
Item	Amount (LKR '000 as at 31 December 2024)				
	a	b	c	d	e
	Carrying values as	Carrying values	Subject to	Subject to	Not subject to
Assets					
Cash and cash equivalents	2,444,474	2,444,474	2,444,474	-	-
Placements with banks	9,083,958	9,083,958	9,083,958		-
Financial assets fair value through profit or loss	6,739,733	6,739,733	6,739,733	257,986	
Financial assets at amortised cost					
- Loans and receivables to other customers	95,123,359	95,123,359	96,457,701	-	1,334,342
- Debt and other instruments	26,623,135	26,623,135	26,623,135	-	-
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	1,115,087	1,115,087	1,115,087	-	-
Right of use assets	699,986	699,986	699,986	-	-
Investment properties	-	-	-	-	-
Intangible assets	747,454	747,454	-		747,454
Differed tax assets	741,840	741,840	-	-	741,840
Other assets	1,507,876	1,507,876	1,507,876	-	
Total assets	145,041,212	145,041,212	144,886,259	257,986	2,823,636
Liabilities					
Due to banks					
Due to other customers	106,989,900	106,989,900	-	-	-
Other borrowings	19,075,132	19,075,132	-	-	-
Subordinated term debts	-	-	-	-	-
Retirement benefit obligations	1,041,382	1,041,382	-	-	-
Current tax liabilities	698,296	698,296	-	-	-
Other liabilities	2,649,801	2,649,801	-	-	-
Total liabilities	130,454,510	130,454,510	-	-	-

			-	-	-
Off-balance sheet liabilities					
Guarantees	298,014	298,014	298,014		
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	2,408,921	2,408,921	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	790,230	771,179	-	-	-
Total shareholders' equity	14,586,702	14,586,702	-	-	-
			-	-	-