

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

As at 30th September 2024



ENVISIONING **PROGRESS, EMPOWERING COMMUNITIES**



Template 1		
Key regulatory ratios - capital and liquidity		
Item	As at 30 September 2024	As at 30 June 2024
Regulatory capital (LKR'000)		
Common Equity Tier 1 (CET 1) capital	12,942,865	12,969,001
Tier 1 capital	12,942,865	12,969,001
Total capital	14,165,692	14,264,346
Regulatory capital ratio (%)		
Common Equity Tier 1 capital ratio <i>(Minimum requirement - 2022: 6.50 2021: 6.50%)</i>	15.14%	15.03%
Tier 1 Capital Ratio <i>(Minimum requirement - 2022: 8.00 2021: 8.00%)</i>	15.14%	15.03%
Total capital ratio <i>(Minimum requirement - 2022: 12.00%, 2021: 12.00%)</i>	16.57%	16.53%
Leverage ratio (%) (Minimum requirement - 3%)		
	8.68%	8.64%
Regulatory liquidity		
Statutory liquid assets (LKR' 000)	Revoked	34,959,150
Statutory liquid assets ratio <i>(Minimum requirement - 20%)</i>		
Domestic banking unit (%)		33.06
Off-shore banking unit (%)	-	-
Total stock of high-quality liquid assets (LKR' 000)	32,453,583	28,778,852
Liquidity coverage ratio (%)		
<i>(Minimum requirement - 2022: 100%, 2021 - 90%)</i>		
Rupee (%)	254.42	249.61
All currency (%)	291.57	306.77
Net stable funding ratio (%) <i>(Minimum requirement - 100%)</i>	185.23	183.98

Template 2		
Basel III computation of capital ratios		
Item	As at 30 September 2024	As at 30 June 2024
Common Equity Tier 1 (CET1) capital after adjustments	12,942,865	12,969,001
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Unpublished current year's profit/(losses) and gains reflected in OCI	-	-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	1,322,991	1,296,854
Goodwill (net)	-	-
Intangible assets (net)	789,181	763,044
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	1,222,827	1,295,345
Tier 2 capital	1,222,827	1,295,345
Qualifying Tier 2 capital instruments	48,345	120,863
Revaluation gains	-	-
Loan loss provisions	1,174,482	1,174,482
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	12,942,865	12,969,001
Total Tier 1 capital	12,942,865	12,969,001
Total capital	14,165,692	14,264,346
Total risk weighted assets (RWA)	85,467,382	86,278,811
RWAs for credit risk (Template 7 and 8)	74,182,477	75,402,116
RWAs for market risk (Template 9)	782,268	617,462
RWAs for operational risk (Template 10)	10,502,637	10,259,233
CET 1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.14	15.03
of which: capital conservation buffer (%)	-	-
of which: countercyclical buffer (%)	-	-
of which: capital surcharge on D-SIBs (%)	-	-
Total Tier 1 capital ratio (%)	15.14	15.03
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	16.57	16.53
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 2024	Amount (LKR' 000) As at 30 June 2024
Tier 1 capital	12,942,865	12,969,001
Total exposures	149,110,337	150,124,779
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	148,201,916	149,353,247
Derivative exposures	-	-
Securities financing transaction exposures	-	-
Other off-balance sheet exposures	908,421	771,532
Basel III leverage ratio (%) (Tier 1/total exposure)	8.68	8.64

Template 4
Basel III computation of liquidity coverage ratio

Item	Amount (LKR' 000)			
	As at 30 September 2024		As at 30 June 2024	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of high-quality liquid assets (HQLA)	32,453,583	32,453,583	28,778,852	28,778,852
Total adjusted level 1 assets	32,453,583	32,453,583	28,778,852	28,778,852
Level 1 assets	32,453,583	32,453,583	28,778,852	28,778,852
Total adjusted level 2A assets	-	-	-	-
Level 2A assets	-	-	-	-
Total adjusted level 2B assets	-	-	-	-
Level 2B assets	-	-	-	-
Total cash outflows	110,147,532	17,881,289	110,658,469	17,565,245
Deposits	70,848,147	7,084,815	72,322,169	7,232,217
Unsecured wholesale funding	38,097,208	10,165,033	37,167,341	9,908,816
Secured funding transactions	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	1,202,177	631,441	1,168,959	424,212
Additional requirements	-	-	-	-
Total cash inflows	11,388,150	6,750,761	14,149,737	8,183,932
Maturing secured lending transactions backed by collateral	-	-	2,000,000	-
Committed facilities	2,350,000	-	1,850,000	-
Other inflows by counterparty which are maturing within 30 days	7,639,104	5,351,716	8,311,669	6,195,864
Operational deposits	-	-	-	-
Other cash inflows	1,399,046	1,399,046	1,988,068	1,988,068
Liquidity coverage ratio (%) (stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) * 100		291.57		306.77

Template 5		
Main features of regulatory capital instruments		
Description of the capital instrument	Stated capital	Subordinated term debt (2019)
Issuer	Sanasa Development Bank PLC	Belgian Investment Company for Developing Countries NV/SA - (BIO)
Unique identifier	LK0412N00003	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
Original date of issuance (agreement signed date for subordinated term debts)	May 2012	September 2019
Par value of instrument (LKR)	100	N/A
Perpetual or dated	Perpetual	Dated
Original maturity date, if applicable	N/A	September 2024
Amount recognised in regulatory capital (in LKR '000 as at 30th September 2024)	11,287,765	48,345
Accounting classification (equity/liability)	Equity	Liability
Issuer call subject to prior supervisory approval		
Optional call date, contingent call dates and redemption amount (LKR '000)	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/Dividends		
Fixed or floating dividend/coupon	Floating dividend	Floating coupon
Coupon rate and any related index (%)	N/A	6 months LIBOR + 550bps
Non-cumulative or cumulative	Non-cumulative	Cumulative
Convertible or non-convertible	Non-convertible	Convertible
If convertible, conversion trigger(s)	N/A	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
If convertible, mandatory or optional	N/A	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

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 September 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	31,574,505	-	31,574,505	-	-	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	14,275,605	-	14,275,605	-	6,689,959	47%
Claims on financial institutions	359,764	-	359,764	-	179,882	-
Claims on corporates	5,439,001	-	5,439,001	-	2,761,445	51%
Retail claims	85,474,617	-	85,474,617	-	54,215,623	63%
Exposure Guranteed by the NCGIL	151,145	-	151,145	-	30,229	20%
Claims secured by residential property	2,835,451	-	2,835,451	-	1,108,225	39%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-performing assets (NPAs)	6,294,619	-	6,294,619	-	6,242,633	99%
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	3,319,185	908,421	3,319,185	364,806	2,984,711	81%
Total	149,723,891	908,421	149,723,891	364,806	74,212,706	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 September 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 30th September 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	3,458
(i) General equity risk	3,458
(ii) Specific equity risk	-
(c) RWA for foreign exchange and gold	94,325
Capital charge for market risk $\{(a) + (b) + (c)\} * CAR$	782,268

Template 10					
Operational risk under basic indicator approach					
Business lines	Capital charge factor	Gross income (LKR' 000) as at 31			Amount (LKR' 000)
		1st Year	2nd Year	3rd Year	
The basic indicator approach	15%	9,789,996	8,874,007	7,592,589	
Capital charges for operational risk (LKR' 000)					
The basic indicator approach					1,312,830
Risk-weighted amount for operational risk (LKR' 000)					
The basic indicator approach					10,502,637

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 2024)				
	a	b	c	d	e
	Carrying values as	Carrying values	Subject to	Subject to	Not subject to
Assets					
Cash and cash equivalents	2,054,573	2,054,573	2,054,573	-	-
Placements with banks	12,782,802	12,782,802	12,782,802		-
Financial assets fair value through profit or loss	4,472,976	4,472,976	4,472,976	1,674,884	
Financial assets at amortised cost					
- Loans and receivables to other customers	94,458,936	94,458,936	95,648,056	-	1,189,119
- Debt and other instruments	30,881,461	30,881,461	30,881,461	-	-
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	1,078,865	1,078,865	1,078,865	-	-
Right of use assets	716,955	716,955	716,955	-	-
Investment properties	-	-	-	-	-
Intangible assets	789,181	789,181	-		789,181
Differed tax assets	533,810	533,810	-	-	533,810
Other assets	1,541,040	1,541,040	1,541,040	-	
Total assets	149,524,907	149,524,907	149,391,035	1,674,884	2,512,110
Liabilities					
Due to banks					
Due to other customers	108,843,791	108,843,791	-	-	-
Other borrowings	19,205,148	19,205,148	-	-	-
Subordinated term debts	2,414,336	2,414,336	-	-	-
Retirement benefit obligations	834,647	834,647	-	-	-
Current tax liabilities	527,190	527,190	-	-	-
Other liabilities	3,050,591	3,050,591	-	-	-
Total liabilities	134,875,702	134,875,702	-	-	-

			-	-	-
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	2,540,449	2,540,449	-	-	-
Accumulated other comprehensive income	(19,052)	-	-	-	-
Other reserves	721,205	702,154	-	-	-
Total shareholders' equity	14,649,205	14,649,205	-	-	-
			-	-	-