

SPF/TP

**INDEPENDENT AUDITORS' REPORT
TO THE MANAGEMENT OF SANASA DEVELOPMNET BANK PLC**

Opinion

We have audited the special purpose financial statements that comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income (referred as "Interim Financial Statements") for the year then ended of Sanasa Development Bank PLC (the "Bank").

In our opinion, Interim Financial Statements of the Bank as at 31 December 2021 is prepared, in all material aspects, in accordance with the basis of preparation applied as explained in explanatory notes to the Interim Financial Statements.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Our report is provided solely for the purpose of publishing the Bank's accompanying the Interim Financial Statements in the newspapers as required by the Direction No.11 of 2007 issued by Central Bank of Sri Lanka. Our audit work has been undertaken so that we might state to the Management of the Bank, those matters that we are required to state, in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume the responsibility to anyone other than the addressee, for our audit work, for this report, or for the opinion we have formed.

This report should not be used, circulated, quoted or otherwise referred to for any other purpose.

Our opinion is not modified in respect of these matters.

Responsibilities of management and those charged with governance

Management is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with the basis of preparation applied as explained in explanatory notes to the Interim Financial Statements, and for such internal control as management determines is necessary to enable the preparation of Interim Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing Interim Financial Statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

(Contd...2/)

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulanigamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCA FCA

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Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Interim Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

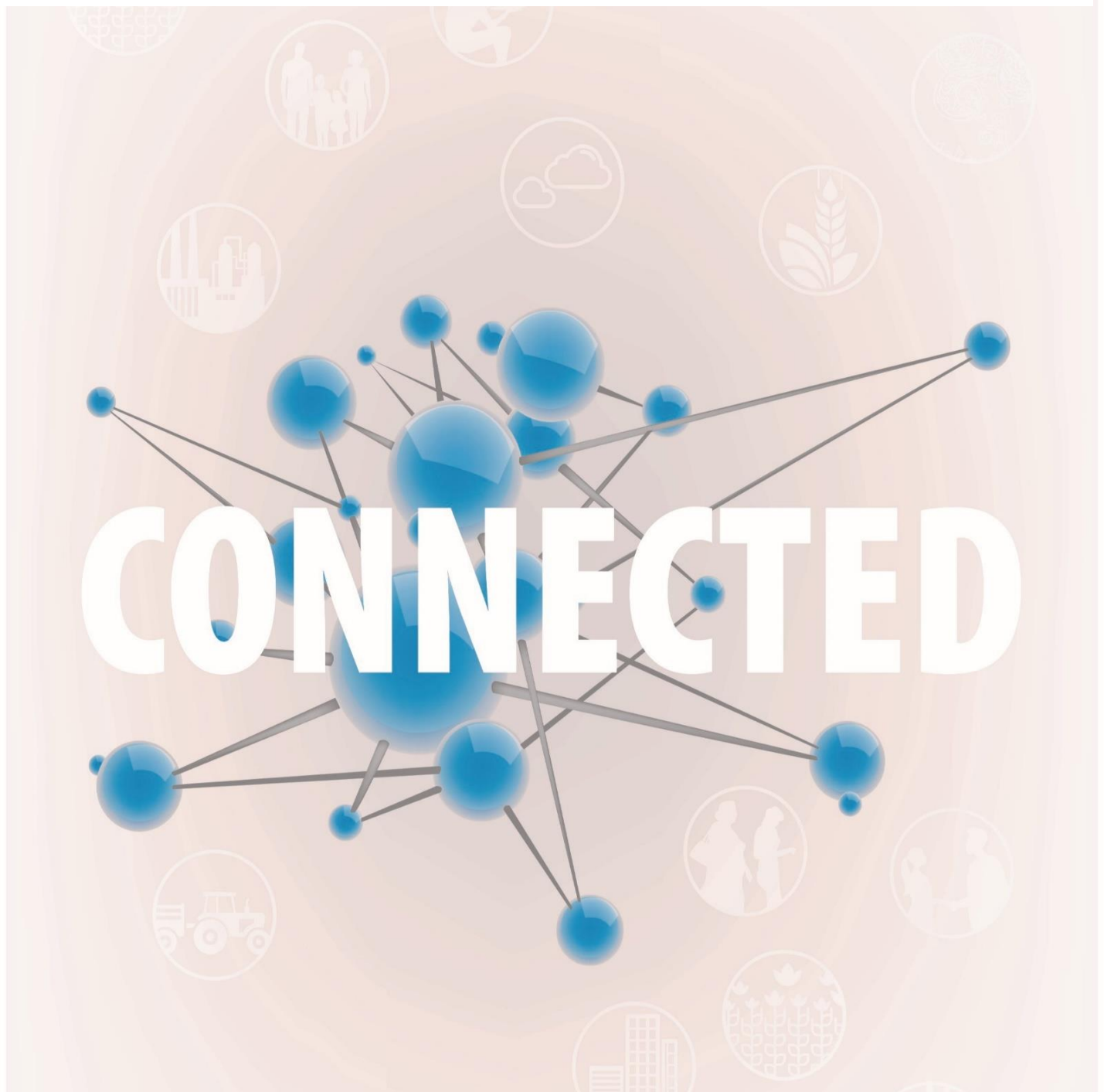
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charge with governance with a statement that we have complied with relevant ethical requirements regarding independence, to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

30 March 2022
Colombo

Interim Financial Statements

For the Year Ended 31st December 2021



SANASA DEVELOPMENT BANK PLC
INCOME STATEMENT

In Rupees Thousands (Rs'000)	Bank					
	For the Twelve months ended		Change	For the quarter ended		Change
	31st December	31st December		31st December	31st December	
	2021 Audited	2020 Audited		2021 Audited	2020 Audited	
Interest income	14,792,068	15,442,003	-4%	3,879,535	3,913,691	-1%
Interest expenses	(8,018,419)	(9,314,576)	-14%	(1,987,695)	(2,103,214)	-5%
Net interest income	6,773,649	6,127,426	11%	1,891,840	1,810,476	4%
Fee and commission income	413,675	390,619	6%	100,975	114,891	-12%
Fee and commission expenses	(23,327)	(14,334)	63%	(15,293)	(4,384)	249%
Net fee and commission income	390,347	376,285	4%	85,682	110,507	-22%
Net gains/(losses) from trading	4,144	5,228	-21%	1,387	(209)	-764%
Net fair value gains/(losses) on financial assets at fair value through profit or loss	234,934	268,710	-13%	58,525	79,297	-26%
Net other operating income	32,775	55,227	-41%	(15,161)	18,447	-182%
Total operating income	7,435,849	6,832,877	9%	2,022,273	2,018,518	0.19%
Impairment for loans and other losses	(643,708)	(417,039)	54%	(188,783)	(55,412)	241%
Net operating income	6,792,141	6,415,838	6%	1,833,491	1,963,105	-7%
Personnel expenses	(2,542,695)	(2,576,773)	-1%	(663,201)	(865,531)	-23%
Depreciation and amortization expenses	(528,447)	(454,569)	16%	(196,406)	(134,471)	46%
Other expenses	(1,848,265)	(1,400,539)	32%	(579,102)	(424,190)	37%
Operating profit/ (loss) before VAT on financial services	1,872,734	1,983,957	-6%	394,782	538,914	-27%
Value Added Tax (VAT) on financial services	(542,926)	(571,027)	-5%	(132,164)	(177,192)	-25%
Operating profit/(loss) after VAT on financial services	1,329,808	1,412,930	-6%	262,618	361,722	-27%
Profit/(loss) before tax	1,329,808	1,412,930	-6%	262,618	361,722	-27%
Income tax expenses	(446,530)	(576,643)	-23%	(129,401)	(200,822)	-36%
Profit/(loss) for the period	883,278	836,287	6%	133,218	160,900	-17%
Profit/(loss) attributable to:						
Equity holders of the parent	883,278	836,287	6%	133,218	160,900	-17%
Non-controlling interests	-	-	-	-	-	-
	883,278	836,287	6%	133,218	160,900	-17%
Earnings per share on profit						
Basic earnings per ordinary share (Rs.)	7.63	11.05	-31%	1.15	2.13	-46%
Diluted earnings per ordinary share (Rs.)	7.63	11.05	-31%	1.15	2.13	-46%

SANASA DEVELOPMENT BANK PLC
STATEMENT OF COMPREHENSIVE INCOME

In Rupees Thousands (Rs'000)	Bank					
	For the Twelve months ended		Change	For the quarter ended		Change
	31st December	31st December		31st December	31st December	
	2021 Audited	2020 Audited		2021 Audited	2020 Audited	
Profit/(loss) for the period	883,278	836,287	6%	133,218	160,900	-17%
Other comprehensive income/(expenses) not to be reclassified to income statement						
Actuarial gains/(losses) on defined benefit plans	34,301	(1,855)	-1949%	34,301	93,057	-63%
Deferred tax relating to defined benefit plans	(8,232)	519	-1685%	(8,232)	(22,259)	-63%
Gains/(Losses) on re-measuring investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-
	26,069	(1,336)	-2052%	26,069	70,797	-63%
Other comprehensive income/(expenses) for the period net of taxes						
Total comprehensive income/(expenses) for the period	909,347	834,952	9%	159,286	231,698	-31%
Total comprehensive income/(expenses) attributable to:						
Equity holders of the parent	909,347	834,952	9%	159,286	231,698	-31%
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income/(expenses) for the period	909,347	834,952	9%	159,286	231,698	-31%

SANASA DEVELOPMENT BANK PLC
STATEMENT OF FINANCIAL POSITION

In Rupees Thousands (Rs'000)	Bank		
	As at 31.12.2021 (Audited)	As at 31.12.2020 (Audited)	Change
Assets			
Cash and cash equivalents	3,117,485	9,640,916	-68%
Placements with banks	15,108,410	2,823,628	435%
Financial assets recognized through profit or loss - measured at fair value	727,787	4,600,458	-84%
Financial assets at amortised cost			
- loans and advances	111,891,256	102,662,269	9%
- debt and other instruments	12,031,302	5,244,005	129%
Financial assets measured at fair value through other comprehensive income	56,939	56,939	-
Investment in subsidiary	6,163	6,163	-
Property, plant and equipment	952,104	661,695	44%
Right of use assets	565,477	689,646	-18%
Investment properties	19,167	20,223	-5%
Intangible assets	338,933	395,123	-14%
Deferred tax assets	299,448	231,673	29%
Other assets	2,704,446	2,026,987	33%
Total assets	147,818,916	129,059,724	15%
Liabilities			
Financial liabilities at amortised cost			
- due to depositors	93,902,939	93,271,727	1%
- due to other borrowers	33,569,838	18,090,500	86%
Debt securities issued	-	1,013,899	-100%
Subordinated debt	3,752,578	4,052,630	-7%
Retirement benefit obligations	571,665	571,382	0.05%
Current tax liabilities	293,250	274,215	7%
Other liabilities	1,598,949	1,869,195	-14%
Total liabilities	133,689,220	119,143,548	12%
Equity			
Stated capital/assigned capital	11,287,765	7,727,941	46%
Statutory reserve fund	314,173	270,009	16%
Retained earnings	2,500,153	1,890,621	32%
Other reserves	27,605	27,605	-
Total equity	14,129,697	9,916,176	42%
Total equity and liabilities	147,818,916	129,059,724	15%
Contingent liabilities and commitments	203,139	194,554	4%
Net asset value per share (Rs.)	88	108	-19%
Memorandum information			
Number of employees	1,433	1,486	-4%
Number of branches	94	94	-

Certification:

We certify that the above Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

Sgd
Champa Perera
Head of Finance

Sgd
Terrance Kumara
Chief Financial Officer

We, the undersigned, being the Chairman, Director and Acting Chief Executive Officer of the SANASA Development Bank PLC, jointly certify that :-

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka: and

(b) the information contained in these statements have been extracted from the audited special purpose financial statements of the Bank.

Sgd
Lakshman Abeysekera
Chairman
30 March 2022
Colombo

Sgd
Chaaminda Kumarasiri
Director

Sgd
Niranjana Thangarajah
Acting Chief Executive Officer

SANASA DEVELOPMENT BANK PLC
STATEMENT OF CHANGES IN EQUITY

In Rupees Thousands (Rs'000)	Bank					
	Stated capital / Assigned capital	Reserves				Total equity
		Ordinary voting shares	Statutory reserve fund	Retained earnings	Other reserves	
OCI reserve	General reserves					
For the period ended 31.12.2020 (Audited)						
Balance as at 01.01.2020 (Opening balance)	5,921,538	228,282	1,491,554	(19,052)	46,657	7,668,979
Total comprehensive income for the period						
Profit/(loss) for the period (net of tax)	-	-	836,287	-	-	836,287
Other comprehensive income (net of tax)	-	-	(1,336)	-	-	(1,336)
Total comprehensive income/(expenses) for the period	-	-	834,952	-	-	834,952
Transfer to statutory reserve fund	-	41,727	(41,727)	-	-	-
Transactions with equity holders, recognized directly in equity						
Rights issue	1,526,267					1,526,267
Dividend to equity holders						
Dividend to equity holders	280,136	-	(280,136)	-	-	-
Cash dividend - 2019	-	-	(114,022)	-	-	(114,022)
Other	-	-	-	-	-	-
Total transactions with equity holders	1,806,403	41,727	(435,885)	-	-	1,412,245
Balance as at 31.12.2020 (Closing balance)	7,727,941	270,009	1,890,621	(19,052)	46,657	9,916,176
For the period ended 31.12.2021 (Audited)						
Balance as at 01.01.2021 (Opening balance)	7,727,941	270,009	1,890,621	(19,052)	46,657	9,916,176
Total comprehensive income for the period						
Profit/(loss) for the period (net of tax)	-	-	883,278	-	-	883,278
Other comprehensive income (net of tax)	-	-	26,069	-	-	26,068.55
Total comprehensive income/(expenses) for the period	-	-	909,347	-	-	909,347
Transfer to statutory reserve fund	-	44,164	(44,164)	-	-	-
Transactions with equity holders, recognized directly in equity						
Share issue	3,559,824	-	-	-	-	3,559,824
Dividend to equity holders						
Cash dividend - 2020	-	-	(206,046)	-	-	(206,046)
Other transactions - SPO issue cost	-	-	(49,761)	-	-	(49,761)
Other transactions	-	-	157			157
Total transactions with equity holders	3,559,824	44,164	(299,814)	-	-	3,304,174
Balance as at 31.12.2021 (Closing balance)	11,287,765	314,173	2,500,153	(19,052)	46,657	14,129,699

Statutory Reserve Fund

Every Licensed Specialised Bank has to make a Provision not less than 5% out of profit after tax to the Statutory Reserve Fund. Such provision should be made annually as stipulated by the Banking Act No. 30 of 1988 as amended by Banking (Amendment) Act No. 33 of 1995 until the said Reserve Fund is equal to 50% of the Equity Capital of the Bank. Thereafter, the Bank has to make a provision not less than 2% out of profit after tax to the Statutory Reserve Fund until the said Fund is equal to the Equity Capital of the Bank.

General Reserve

The General Reserve is created after provisioning for a Statutory Reserve Fund and Interim Dividend payments for the respective shareholders, this reserve will be used by the Bank for the future capitalisation purposes of the Bank.

Fair value through OCI/Available For Sale Reserve

The available for sale reserve is consisted of fair value adjustment made to unquoted equity investment.

SANASA DEVELOPMENT BANK PLC
STATEMENT OF CASH FLOWS

In Rupees Thousands (Rs'000)	Bank	
	01.01.2021 to 31.12.2021 (Audited)	01.01.2020 to 31.12.2020 (Audited)
Cash flows from / (used in) operating activities		
Interest received	14,761,484	13,826,070
Fee and commission received	395,623	371,106
Receipts from other operating activities*	24,959	54,907
Interest payment	(8,250,077)	(9,374,607)
Cash payment to employees	(2,486,618)	(2,356,033)
Payments on other operating activities**	(1,784,986)	(1,031,027)
Fee and commission expenses	(23,327)	(14,334)
VAT on financial services	(569,797)	(571,027)
Operating profit before changes in operating assets	2,067,261	905,054
(Increase)/decrease in operating assets		
Funds advanced to customers	(10,042,760)	(15,761,587)
Other short term securities	204,596	588,711
Other assets*	(851,801)	(592,843)
Increase/(decrease) in operating liabilities		
Deposits from customers	865,404	20,724,939
Other liabilities**	(101,978)	(96,060)
Net cash from operating activities before income tax	(7,859,279)	5,768,213
Income tax paid	(503,498)	(582,398)
Net cash from operating activities	(8,362,777)	5,185,815
Cash flows from / (used in) investing activities		
Dividend received	7,816	320
(Increase)/ decrease in dealing securities	4,111,749	(799,210)
(Increase)/ decrease in treasury bonds and other investments	(16,411,467)	(1,629,229)
Proceeds from sale of property, plant and equipment	413	8,178
Purchase of property, plant and equipment	(495,986)	(214,732)
Purchase of intangible assets	(16,917)	(153,653)
Net cash flow from acquisition of investment in subsidiary	-	(6,163)
Net cash from/ (used in) investing activities	(12,804,391)	(2,794,488)
Cash flows from (used in) financing activities		
Proceeds from issuance/allotment of shares	3,510,063	1,526,267
Dividend paid	(206,046)	(114,022)
Repayment of long term borrowing	(27,091,976)	(20,270,734)
Interest paid on subordinated debt	(356,089)	(455,971)
Increase/(decrease) in borrowing	41,654,949	18,534,312
Funds received/(utilized) during the period	(1,956)	42
Net cash flow from/ (used in) financing activities	17,508,945	(780,106)
Net increase/ (decrease) in cash and cash equivalents	(3,658,223)	1,611,221
Cash and cash equivalent at the beginning of the period	12,525,900	10,914,679
Cash and cash equivalents at the end of the period	8,867,678	12,525,900
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	3,117,485	9,640,916
Repurchase agreement	500,192	1,678,514
Fixed deposits less than 3 months	5,250,000	1,206,470
	8,867,678	12,525,900

*Changes in other assets classified under receipts from other operating activities in 31 December 2020 has been reclassified to changes in other assets and comparative figure in this Financial Statements is amended.

**Changes in other liabilities classified under payments on other operating activities in 31 December 2020 has been reclassified to changes in other liabilities and comparative figure in this Financial Statements is amended.

SANASA DEVELOPMENT BANK PLC
ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Bank - As at 31st December 2021 (Audited)				
In Rupees Thousands (Rs'000)	AC	FVPL	FVOCI	Total
FINANCIAL ASSETS				
Cash and cash equivalents	3,117,485	-	-	3,117,485
Placements with banks	15,108,410	-	-	15,108,410
Financial assets recognized through profit or loss - measured at fair value	-	727,787	-	727,787
Financial assets at amortised cost				
- loans and advances	111,891,256	-	-	111,891,256
- debt and other instruments	12,031,302	-	-	12,031,302
Financial assets measured at fair value through other comprehensive income	-	-	56,939	56,939
Total financial assets	142,148,453	727,787	56,939	142,933,178
In Rupees Thousands (Rs'000)	AC	FVPL	Total	
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
- due to depositors		93,902,939	-	93,902,939
- due to other borrowers		33,569,838	-	33,569,838
Subordinated debt		3,752,578	-	3,752,578
Total financial liabilities		131,225,356	-	131,225,356
Bank - As at 31st December 2020 (Audited)				
In Rupees Thousands (Rs'000)	AC	FVPL	FVOCI	Total
FINANCIAL ASSETS				
Cash and cash equivalents	9,640,916	-	-	9,640,916
Placements with banks	2,823,628	-	-	2,823,628
Financial assets recognized through profit or loss - measured at fair value	-	4,600,458	-	4,600,458
Financial assets at amortised cost				
- loans and advances	102,662,269	-	-	102,662,269
- debt and other instruments	5,244,005	-	-	5,244,005
Financial assets measured at fair value through other comprehensive income	-	-	56,939	56,939
Total financial assets	120,370,818	4,600,458	56,939	125,028,215
In Rupees Thousands (Rs'000)	AC	FVPL	Total	
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
- due to depositors		93,271,727	-	93,271,727
- due to other borrowers		18,090,500	-	18,090,500
Debt securities issued		1,013,899	-	1,013,899
Subordinated debt		4,052,630	-	4,052,630
Total financial liabilities		116,428,756	-	116,428,756

AC - Amortised Cost

FVPL - Financial assets recognized through Profit or Loss - measured at Fair Value

FVOCI - Financial assets measured at Fair Value through Other Comprehensive Income

SANASA DEVELOPMENT BANK PLC
FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described below:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

There are no material changes in the fair value of financial assets categorised under Level 3 compared to the values reported as at 31st December 2020. The Bank has not changed the valuation models and assumptions used to measure the fair values of Level 3 financial instruments during the period ended 31st December 2021.

Financial Assets & Liabilities Measured at Fair Value - Fair Value Hierarchy - In Rupees Thousands (Rs'000)

	As at 31 December 2021 (Audited)			Total LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bills and bonds	-	199,369	-	199,369
Unit trusts	-	511,472	-	511,472
Quoted Equities	16,946	-	-	16,946
Fair Value through other comprehensive income				
Unquoted equity securities	-	-	56,939	56,939
	<u>16,946</u>	<u>710,841</u>	<u>56,939</u>	<u>784,725</u>
	As at 31 December 2020 (Audited)			Total LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bonds	-	7,629	-	7,629
Unit trusts	-	4,586,196	-	4,586,196
Quoted Equities	6,633	-	-	6,633
Fair Value through other comprehensive income				
Unquoted equity securities	-	-	56,939	56,939
	<u>6,633</u>	<u>4,593,825</u>	<u>56,939</u>	<u>4,657,396</u>

SANASA DEVELOPMENT BANK PLC
FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities not carried at fair value - In Rupees Thousands (Rs'000)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Level	As at 31st December 2021 (Audited)	
		Carrying value LKR	Fair value LKR
Financial assets			
Cash and cash equivalents	Note*	3,117,485	3,117,485
Placements with banks	Note*	15,108,410	15,108,410
Financial assets at amortised cost			
- Loans and receivables to other customers	2	111,891,256	111,957,861
- Debt and other instruments	Note*	12,031,302	12,031,302
Total financial assets		<u>142,148,453</u>	<u>142,215,059</u>
Financial liabilities			
Due to other customers	2	93,902,939	94,665,950
Other borrowings	2	33,569,838	33,717,033
Subordinated term debts	Note*	3,752,578	3,752,578
Total financial liabilities		<u>131,225,356</u>	<u>132,135,561</u>

		As at 31 December 2020 (Audited)	
		Carrying value LKR	Fair value LKR
Financial assets			
Cash and cash equivalents	Note*	9,640,916	9,640,916
Placements with banks	Note*	2,823,628	2,823,628
Financial assets at amortised cost			
- Loans and receivables to other customers	2	102,662,269	105,094,237
- Debt and other instruments	Note*	5,244,005	5,244,005
Total financial assets		<u>120,370,818</u>	<u>122,802,787</u>
Financial liabilities			
Due to other customers	2	93,271,727	87,925,864
Other borrowings	2	18,090,500	19,001,914
Debt securities issued	Note*	1,013,899	1,013,899
Subordinated term debts	Note*	4,052,630	4,052,630
Total financial liabilities		<u>116,428,756</u>	<u>111,994,307</u>

Note*

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements:

For financial assets and financial liabilities that have a short term maturity (less than a year), it is assumed that the carrying amounts approximate to their fair value. This assumption is applied to savings deposits without a specific maturity. Loans and advances to customers with a variable rate also considered to be carried at fair value.

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing interest rates of the Bank.

SANASA DEVELOPMENT BANK PLC
ANALYSIS OF LOANS AND ADVANCES, COMMITMENTS, CONTINGENCIES AND IMPAIRMENT

In Rupees Thousands (Rs'000)	Bank	
	As at 31.12.2021 (Audited)	As at 31.12.2020 (Audited)
Product-wise gross loans and advances		
By product: LKR		
Pawning	3,016,066	2,391,839
Cash margin	5,463,782	4,803,642
Staff loans	1,849,080	1,371,062
Lease rentals receivable	10,337,717	9,232,112
<i>Term loans</i>		
Business loans	3,106,067	2,370,290
SME loans	16,176,787	14,775,622
Co-operative loans	2,921,501	3,456,890
Housing loans	3,240,516	3,459,463
Fixed and floating personal loans	28,570,581	27,716,930
Upahara loans	40,175,189	24,418,811
Other personal loans	929,695	11,978,622
Total	115,786,982	105,975,283
Product-wise commitments and contingencies		
By product: LKR		
Guarantees	203,139	194,554
Total	203,139	194,554
Total loans and advances, commitments and contingencies	115,990,122	106,169,837
Stage-wise impairment on loans and advances, commitments and contingencies		
Gross loans and advances, commitments and contingencies	115,990,122	106,169,837
Less: Accumulated impairment under stage 1	(684,544)	(662,090)
Accumulated impairment under stage 2	(468,754)	(154,079)
Accumulated impairment under stage 3	(2,742,429)	(2,496,846)
Net loans and advances, commitments and contingencies	112,094,395	102,856,822
Movement of impairment during the period		
Under Stage 1		
Opening balance	662,090	550,264
Charges / (Write back) to income statement	22,454	111,825
Other movements	-	-
Closing balance	684,544	662,090
Under Stage 2		
Opening balance	154,079	163,954
Charges / (Write back) to income statement	314,675	(9,875)
Other movements	-	-
Closing balance	468,754	154,079
Under Stage 3		
Opening balance	2,496,846	2,183,248
Charges / (Write back) to income statement	309,690	313,598
Write - off during the year	(64,107)	-
Other movements	-	-
Closing balance	2,742,429	2,496,846
Total impairment	3,895,727	3,313,015
SANASA DEVELOPMENT BANK PLC		
ANALYSIS OF DEPOSITS		
In Rupees Thousands (Rs'000)	Bank	
	As at 31.12.2021 (Audited)	As at 31.12.2020 (Audited)
By product: Rs.		
Savings deposits	22,338,016	21,159,867
Fixed deposits	71,564,923	72,111,860
Total deposits	93,902,939	93,271,727

SANASA DEVELOPMENT BANK PLC
SEGMENT REPORTING

Bank	In Rupees Thousands (Rs'000)									
	Banking		Leasing & HP		Treasury		Pawning		Total	
	2021	2020*	2021	2020	2021	2020*	2021	2020	2021	2020*
For the period ended 31st December										
Interest income	11,624,103	12,942,523	1,704,446	1,252,833	1,190,961	956,610	272,559	290,036	14,792,068	15,442,003
Add: Inter-segment interest income	860,377	1,294,664	-	-	2,975,359	2,904,303	-	-	3,835,736	4,198,967
Total interest income	12,484,479	14,237,188	1,704,446	1,252,833	4,166,320	3,860,913	272,559	290,036	18,627,804	19,640,970
Interest expenses	(5,144,470)	(6,011,923)	(502,458)	(573,436)	(2,215,350)	(2,572,352)	(156,141)	(156,866)	(8,018,419)	(9,314,576)
Add: Inter-segment interest expense	(2,975,359)	(2,904,303)	-	-	(860,377)	(1,294,664)	-	-	(3,835,736)	(4,198,967)
Net interest income	4,364,651	5,320,962	1,201,988	679,397	1,090,592	(6,103)	116,418	133,170	6,773,649	6,127,426
Fee and commission income	390,577	373,272	23,098	17,347	-	-	-	-	413,675	390,619
Fee and commission expenses	(21,252)	(13,086)	(2,076)	(1,248)	-	-	-	-	(23,327)	(14,334)
Net fee and commission income	369,325	360,186	21,022	16,099	-	-	-	-	390,347	376,285
Net gains/(losses) from trading	-	-	-	-	4,144	5,228	-	-	4,144	5,228
Net fair value gains/(losses) from financial assets at fair value through profit or loss	-	-	-	-	234,934	268,710	-	-	234,934	268,710
Other operating income (net)	24,959	54,907	-	-	7,816	320	-	-	32,775	55,227
Total operating income	4,758,935	5,736,056	1,223,009	695,496	1,337,486	268,155	116,418	133,170	7,435,849	6,832,877
Impairment for loans and other losses	(495,374)	(265,963)	(149,075)	(152,532)	3,110	(1,490)	(2,369)	2,946	(643,708)	(417,039)
Net operating income	4,263,560	5,470,093	1,073,934	542,964	1,340,596	266,665	114,049	136,116	6,792,141	6,415,838
Depreciation and amortization	(468,251)	(405,188)	(45,734)	(38,648)	(250)	(161)	(14,212)	(10,572)	(528,447)	(454,569)
Segment Result	3,795,309	5,064,905	1,028,200	504,316	1,340,347	266,504	99,838	125,544	6,263,694	5,961,269
Un-allocated expenses									(4,390,961)	(3,977,312)
Value Added Tax (VAT) on financial services									(542,926)	(571,027)
Profit before tax									1,329,808	1,412,930
Tax expenses									(446,530)	(576,643)
Profit for the period									883,278	836,287
Other comprehensive income										
Other comprehensive income for the period net of tax									26,069	(1,336)
Total comprehensive income for the period									909,347	834,952
As at 31st December										
Segment assets	99,192,543	91,542,139	9,688,098	8,731,569	31,041,923	22,365,946	3,010,614	2,388,561	142,933,178	125,028,215
Un allocated assets	-	-	-	-	-	-	-	-	4,885,738	4,031,509
Total assets	99,192,543	91,542,139	9,688,098	8,731,569	31,041,923	22,365,946	3,010,614	2,388,561	147,818,916	129,059,724
Segment liabilities	83,669,702	87,233,552	8,171,988	8,320,603	39,308,052	21,313,255	2,539,477	2,276,139	133,689,220	119,143,548
Total equity	-	-	-	-	-	-	-	-	14,129,697	9,916,176
Total equity & liabilities	83,669,702	87,233,552	8,171,988	8,320,603	39,308,052	21,313,255	2,539,477	2,276,139	147,818,916	129,059,724
For the period ended 31st December										
Additions to non-current assets	454,693	328,482	44,410	31,332	-	-	13,800	8,571	512,903	368,384

* Inter segment interest income and interest expense have been adjusted to net interest income in Treasury and Banking segments for the period ended 31st December 2021 and comparative figure in this Financial Statements is amended.

SANASA DEVELOPMENT BANK PLC
INFORMATION OF RIGHTS ISSUE AND SECONDARY PUBLIC OFFER OF ORDINARY VOTING SHARES

Rights Issue December 2020

Rights Issue/Secondary Public Offer	Date of allotment	No. of shares provisionally allotted	Consideration per share (LKR)	Final allotment (No. of shares)	Amount raised (LKR)	Proportion	Date issued/listed
				no. of shares			
					LKR		
Rights Issue	30 November 2020	30,525,344	50.00	30,525,344	1,526,267,200	1:2	04 December 2020

Utilization of funds raised through Rights issue in December 2020

Objective No.	Objective as per Circular	Amount allocated as per Circular in LKR	Proposed date of utilization as per Circular	Amount allocated from proceeds in LKR	% of total proceeds	Amounts utilized in LKR	% utilization against allocation
1	To further strengthen the equity base of the Bank and thereby improve the Capital Adequacy	1,526,267,200	-	1,526,267,200	100	1,526,267,200	100
2	To part finance the growth in the loan portfolio of the Bank	1,526,267,200	Before the end of Second Quarter of Financial Year 2021	1,526,267,200	100	1,526,267,200	100

Secondary Public Offer (SPO) of Ordinary Shares in August 2021

Rights Issue/Secondary Public Offer	Consideration per share (LKR)	Final allotment (No. of shares)	Amount raised (LKR)	Date listed
SPO	51.50	69,122,800	3,559,824,200	25 August 2021

Utilization of funds raised through Secondary Public Offer (SPO) of Ordinary Shares in August 2021

Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR	% of total proceeds	Amounts utilized in LKR	% utilization against allocation
1	Further strengthen the Equity Base of the Bank and thereby improve Tier I Capital Adequacy requirements stipulated under Basel III guidelines of the Central Bank of Sri Lanka (CBSL).	4,532,000,000	Upon the allotment of new shares	3,559,824,200	100	3,559,824,200	100
2	Part finance the growth in the loan portfolio of the Bank.	4,532,000,000	Before the end of FY 2022 based on the anticipated demand for credit.	3,559,824,200	100	3,559,824,200	100

SANASA DEVELOPMENT BANK PLC
SELECTED PERFORMANCE INDICATORS (AS PER REGULATORY REPORTING)

Item	Bank	
	As at 31.12.2021 (Audited)	As at 31.12.2020 (Audited)
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tier 1	13,491	9,295
Core (Tier 1) Capital	13,491	9,295
Total Capital Base	16,174	12,634
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (%) - (Minimum Requirement - 2021-6.50%, 2020-6.50%)	13.16	9.85
Tier 1 Capital Ratio (%) - (Minimum Requirement - 2021-8.00%, 2020-8.00%)	13.16	9.85
Total Capital Ratio (%) - (Minimum Requirement - 2021-12.00%, 2020- 12.00%)	15.78	13.38
Leverage Ratio (Minimum Requirement - 3%)	9.11	7.17
Regulatory Liquidity		
Statutory Liquid Assets (LKR in Millions)	20,695	18,886
Statutory Liquid Asset Ratio (%) - (Minimum Requirement, 20%)	22.37	21.57
Total Stock of High-Quality Liquid Assets (LKR in Millions)	12,783	6,796
Liquidity Coverage Ratio (%) - (Minimum Requirement - 2021-100%, 2020-90%)	134.82	125.21
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	137.61	127.33
Assets Quality (Quality of Loan Portfolio)		
Gross Non-performing Advances Ratio (%) (net of interest in suspense)	4.42	4.54
Net Non-performing Advances Ratio (%) (net of interest in suspense and provision)	1.49	1.79
Impaired Loans (Stage 3) Ratio (%)	4.13	4.15
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	36.98	36.79
Profitability		
Interest Margin (%)	5.47	5.89
Return on Assets (before Taxes) (%)	0.96	1.19
Return on Equity (%)	7.35	9.51

Share Information	31.12.2021	31.12.2020
Market value per share (Rs.)	43.00	58.10
Highest price per share for the period (Rs.)	55.80	65.00
Lowest price per share for the period (Rs.)	42.00	50.50

SANASA DEVELOPMENT BANK PLC
SHAREHOLDER INFORMATION

Twenty Largest Shareholders as at 31.12.2021			
No.	Name of the Shareholder	Number of Shares	Holding (%)
1	Iconic Property Twenty Three (Private) Limited	24,104,800	15.0000%
2	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	17,609,503	10.9581%
3	Ayenka Holdings Private Limited	17,604,953	10.9553%
4	Belgian Investment Company for Developing Countries SA/NV	16,069,800	9.9999%
5	Senthilverl Holdings (Pvt) Ltd	14,413,060	8.9690%
6	SANASA Life Insurance Company Ltd	4,624,426	2.8777%
7	Alliance Finance Company PLC	3,516,310	2.1881%
8	SBI Emerging Asia Financial Sector Fund PTE. LTD	2,885,618	1.7957%
9	Peoples Leasing & Finance PLC/L.P.Hapangama	2,627,722	1.6352%
10	People's Leasing & Finance PLC	2,271,260	1.4134%
11	Dr. T.Senthilverl	1,793,823	1.1163%
12	Bank of Ceylon A/C Ceybank Unit Trust	1,539,241	0.9578%
13	Phoenix Ventures Private Limited	1,509,200	0.9391%
14	Kegalle SANASA Shareholders Trust Company Limited	1,260,246	0.7842%
15	SANASA General Insurance Company Ltd	1,124,418	0.6997%
16	Polgahawela Sanasa Societies Union Ltd	1,014,098	0.6311%
17	Nikawaratiya Thrift and Credit Co-operative Society Union Limited	992,849	0.6178%
18	Bingiriya Multi Purpose Co-operative Society Ltd	970,900	0.6042%
19	DFCC Bank PLC/ J. N Lanka Holdings Company (Pvt) Ltd.	959,788	0.5973%
20	Sanasa Federation Limited	811,816	0.5052%
Sub total		117,703,831	73.2451%
Shares held by other shareholders		42,995,001	26.7549%
Total		160,698,832	100.0000%

Note -In compliance with the Section 7.6 (iii) of CSE Listing Rules, the bank has disclosed top 20 shareholders after amalgamating several CDS accounts in to one group belonging to the same shareholder in this financial statements.

As at 31.12.2021

Total number of shares	160,698,832
Number of shares in public holding	142,508,130
Number of public shareholders	38,978
Percentage of public holding	88.68%
Market capitalisation	6,910,049,776
Float adjusted market capitalisation	6,127,849,590
Required minimum public holding percentage under option 4 of rule 7.13.1 (a) of the Listing Rules of Colombo Stock Exchange	7.5%

Directors' and Chief Executive Officer's Shareholding as at 31.12.2021

No.	Name	No. of Shares
1	Mr. L. Abeysekera (Chairman)	-
2	Prof. S. Amaratunge	-
3	Mr. P. Subasinghe	112,815
4	Mr. S. Lionel Thilakarathne	-
5	Mr. Chaaminda Kumarasiri	-
6	Mr. Prasanna Premaratna	1,500
7	Mr. B.R.A.Bandara	11,000
8	Ms. Dinithi Ratnayake	-
9	Mr.J.A.L.G.Jayasinghe	2,038
10	Mr.Thusantha Wijemanna	-
11	Mr.S.H.Sarath Nandasiri	-
12	Mr.Conrad Dias	-
13	Mr.Naveendra Sooriyarachchi	-
14	Mr. Thilak Piyadigama (Chief Executive Officer)	458,396

1 These Interim Financial Statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting and present information required by Listing Rule of 7.4 of Colombo Stock Exchange. These Financial Statements are drawn up from the audited special purpose Financial Statements of the Bank.

2 There are no significant changes in accounting policies and methods of computation since the publication of Audited Financial Statements for the year 2020 other than stated below:

After experiencing and evaluating the useful lives of the existing computer and digital equipment and the Bank's replacement cycle, the Bank changed its estimated useful lives of computer and Digital Equipment to 5 years with effect from June 2021 in line with *LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*. The effect of the change in this estimate has recognized prospectively. As per LKAS 8, Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate.

3 There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of shares and debentures other than stated below:

Bank raised Rs. 3,559,824,200/- through Secondary Public Offer (SPO) of Ordinary Shares on 25th August 2021 and utilization of the funds is disclosed under the Rights Issue and Secondary Public Offer information. The funds raised through Secondary Public Offer were utilized for the objectives mentioned in the Prospectus.

Bank raised Rs. 1,526,267,200/- through Rights Issue on 4th December 2020 and utilization of the funds is disclosed under the Rights Issue information. The funds raised through rights issue were fully utilized for the objectives mentioned in the circular.

The debenture value presented as at 31st December 2020 was matured and fully paid off on 3rd January 2021. The total payment amount was Rs. 1,013,899,072/-.

4 The presentation and classification of previous period have been amended for better presentation and to be comparable with those of the current period.

5 No material events have been taken place subsequent to the reporting period that require disclosures or/ and adjustment in the Financial Statements other than stated below:

Surcharge Tax

The Government of Sri Lanka in its Budget proposals 2022 has proposed a one-time tax, to be called as 'Surcharge Tax' at the rate of 25% to be imposed on companies earned a taxable income in excess of Rs 2,000 Mn for the Year of Assessment 2020/2021. If the aggregate taxable income of a group of companies exceeds Rs 2,000 Mn, each company of the group of companies will be liable for surcharge tax. The proposed tax shall be deemed to be an expenditure in the Financial Statements of 2020. The Bill introducing the proposed tax was published on 7th February 2022. Accordingly, the proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the Financial Statements have not been adjusted to reflect the consequences of this proposal.

6 Impact due to the COVID – 19

The Covid 19 outbreak in March 2020 followed by the second and the third waves continued to pose challenges to businesses and industries both locally and globally due to uncertainties, restrictions and limitations associated with the pandemic. This in turn continued to impact the operations of the Bank.

ECL Assessment and computation

The Bank reassessed the Probabilities of Default (PD), Loss given Default and Economic factor adjustment used in collective impairment assessment as at December 2021. Stage assessment was carried out after stress testing to address potential significant increase in credit risk (SICR) based on the conditions which prevailed prior to granting of moratoriums unless specific information were available indicating subsequent increase in credit risk. The Bank continued to make additional provisions for impairment of Loans and Advances, outside the Expected Credit Loss model in these financial statements, by using stress testing techniques to address the potential implications due to COVID 19 and resultant moratorium schemes. Substantial management overlays were recognised in respect of exposures to specific industries where an elevated level of risk was identified and the exposures which have been enjoying moratoriums for an extended period of time. Bank has made adequate provisions for expected credit losses in the financial statements as at 31st December 2021 to ensure that the potential impact to its loan portfolio is adequately covered.

7 Investment in Subsidiary

Investment in Subsidiary includes the investment made by the Bank in Payment Services (Private) Limited, amounting to Rs.6,163,100/-. Payment Services (Private) Limited is a fully-owned subsidiary of the Bank, that was acquired on 26th May 2020. It was engaged in the business of providing online payment solutions on the web and mobile platforms under the brand name "Upay". The subsidiary's assets, liabilities, equity, income, expenses and cash flows does not have a material effect on the consolidated financial statements of the Group. Therefore, the subsidiary has been deemed immaterial and has not been consolidated when preparing and presenting the financial statements of the Group.

8 Computation of Income Tax and Deferred Tax

The Bank accounted for current tax and deferred tax as at 31st December 2021 in accordance with the guideline issued by CA Sri Lanka on the "Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12" dated 23rd April 2021.

9 New Circulars issued by the Central Bank on the Classification, Recognition and Measurement of Financial Assets

The Central Bank issued two new circulars on Classification, Recognition and Measurement of Credit Facilities (Circular No.13 of 2021) and Classification, Recognition and Measurement of Financial Assets other than Credit Facilities (Circular No.14 of 2021) in Licensed Banks which shall be effective from 1 January 2022. However, the Central Bank has requested the Banks to publish, Impaired Loans (Stage 3) Ratio (%) and Impairment (Stage 3) to Stage 3 Loans Ratio (%) in terms of the Circular No. 02 of 2019 effective from 30 September 2021, which have been disclosed in these financial statements under Selected Performance Indicators.