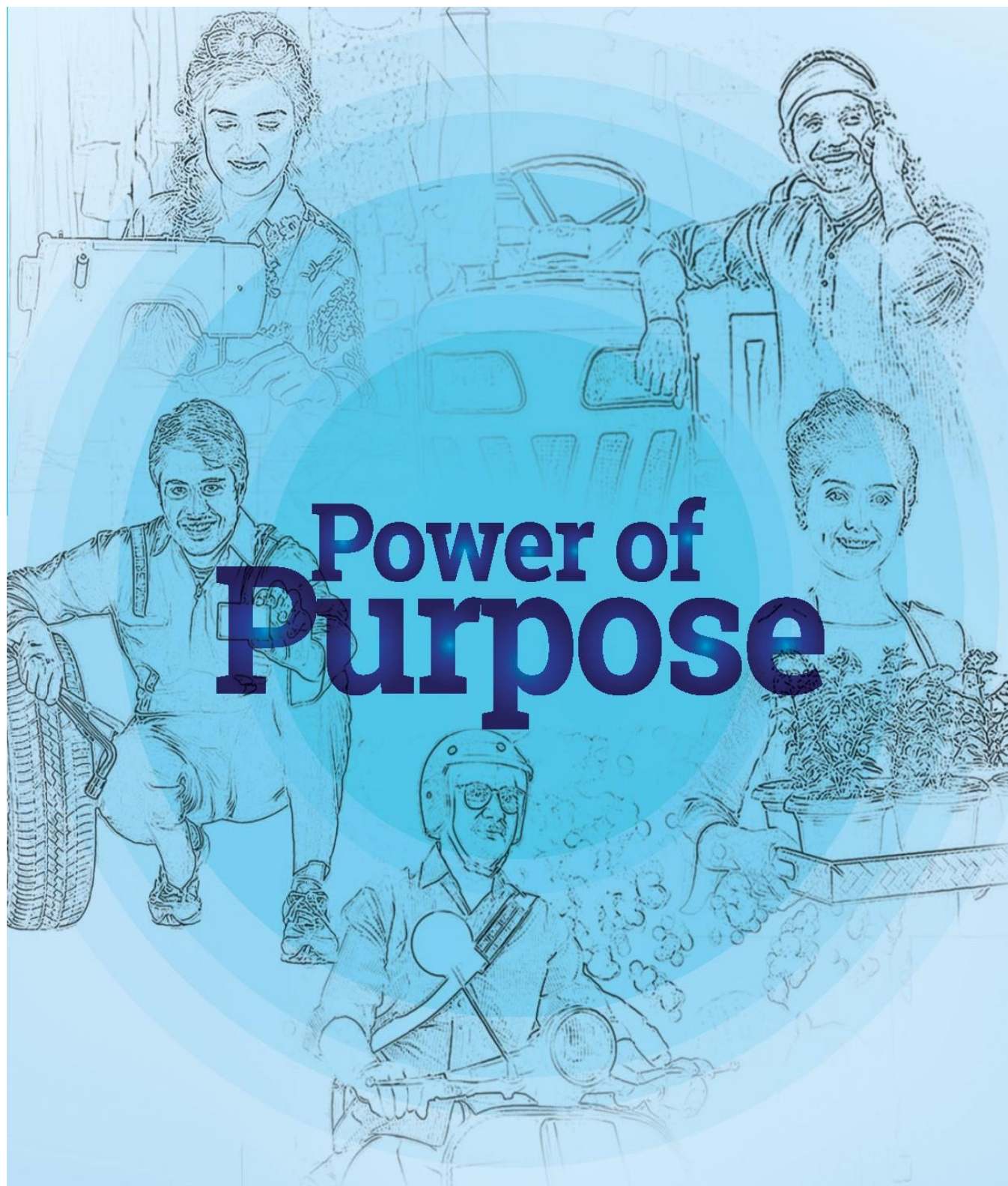


# **Interim Financial Statements**

## **For the Period Ended December 2022**



## **FINANCIAL COMMENTARY FOR THE YEAR ENDED 31ST DECEMBER 2022**

The year under review proved to be an extremely challenging year not only for the Financial services sector which was tested with steep increases in interest but also other economic sectors which were hit by historic inflationary rates, a sharp depreciation of the rupee and interest rates hovering in the 30% range.

### **Performance**

Sanasa Development Bank PLC posted a resilient Q4 2022 to end the Year on a positive note. The Bank managed its Net Interest Income at prior year levels despite the steep increase in market interest rates and improved its fee income, recording a growth of 22%, especially from digital channels compared to the prior year. The total operating expenses expanded by just 8.5% to Rs5.3bn despite the high level of inflation experience during 2022. The bank has taken a prudent stance by augmenting its impairment provisions by more than Rs1.3bn as compared to the preceding year, resulting in a total of Rs1.9bn. Accordingly the bank registered a Rs61Mn Profit After Tax for the year ended 31<sup>st</sup> December 2022. The Capital Ratios of the Bank remains strong with the Tier I ratio at 12.92% (Requirement 8.5%) and the Total CAR at 15.37% (Requirement 12.5%)

Commenting on the results, Chief Executive Officer Priyantha Talwatte said “the bank displayed its resilience in an unprecedented economic crisis. ” He further said, “The bank shielded its customers from the brunt of the economic downturn, with the objective of safeguarding the revival of both the customer and the wider economy. This is a demonstration of the bank's sustainable approach, both from an economic and social perspective. The bank utilized loan moratoriums and restructuring measures as key tools in achieving stability for its customers.”.

During the year the bank crossed the Rs100bn threshold in deposits registering a 15% growth. This resulted in the investment portfolios increasing by 65% whilst the placement with bank increased by 20%. The overall balance sheet registered an 8% growth during the period under review. The liquidity ratios of the bank strengthened with the Liquidity Coverage Ratio reaching 191.22% from 134.8% in the prior year and the Net Stable Funding Ratio improving to 241.6% from 137.6% a year ago.

The Net Loan book registered a marginal reduction of 1% due to the highly selective lending undertaken during the year to support the vulnerable customer base. The impairment coverage improved to 4.98% from 3.36% in the prior year.

The Net Interest Margin contracted by 57bps to 4.90% despite the market rates increasing by almost 25%. The cost to income ratio was also contained at 69% reflecting an increase of 3% during the year.

## **Outlook**

The increasing stability in the operating environment and easing of inflation has enabled the economic activity to settle down to a near normal rhythm. However, the lower level of economic activity reflected in the negative GDP growth is expected to impact loan recoveries. The increased level of taxation and increase in utility bills will also reduce the spending power of the general public contributing to lower economic activity. The uncertainties surrounding Domestic Debt Restructuring impacts the decision making in the financial sector. The interest rates are expected come off from the highs witnessed in the latter part of 2022, which will help resume credit demand and reduce the overall cost of funds of the banks.

SDB Bank is strategically positioned to capitalize on the emerging local production-based economy and invigorate the SME sector, which is considered the primary driver of the economy. The bank distinguishes itself by redirecting majority of its depositors' funds toward economic activities through loans to local businesses. The bank has a remarkable track record of supporting women-led businesses, providing mentoring sessions and special products to this segment, and working tirelessly to encourage women's active participation in advancing economic growth. Additionally, the bank incorporates sustainability into all facets of its business

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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 2022, 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 2022 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 J 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 Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sultman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



## 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.

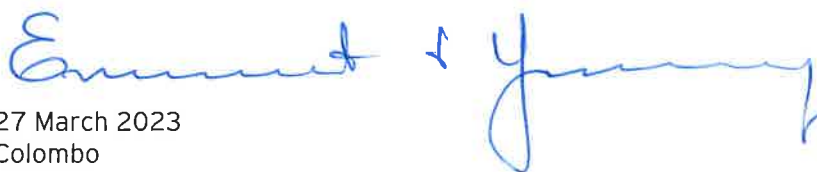
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

27 March 2023  
Colombo



**SANASA DEVELOPMENT BANK PLC**  
**INCOME STATEMENT**

In Rupees Thousands (Rs'000)	Bank					
	For the period ended 31st December		Change	For the quarter ended 31st December		Change
	2022 (Audited)	2021 (Audited)		2022 (Audited)	2021 (Audited)	
Interest income	23,101,048	14,792,068	56%	7,614,700	3,879,535	96%
Interest expenses	(16,261,995)	(8,018,419)	103%	(5,608,942)	(1,987,695)	182%
<b>Net interest income</b>	<b>6,839,054</b>	<b>6,773,649</b>	<b>1%</b>	<b>2,005,757</b>	<b>1,891,840</b>	<b>6%</b>
Fee and commission income	504,650	413,675	22%	69,689	100,975	-31%
Fee and commission expenses	(26,706)	(23,327)	14%	(7,405)	(15,293)	-52%
<b>Net fee and commission income</b>	<b>477,944</b>	<b>390,347</b>	<b>22%</b>	<b>62,285</b>	<b>85,682</b>	<b>-27%</b>
Net gains/(losses) from trading	(1,078)	4,144	-126%	-	1,387	-100%
Net fair value gains/(losses) on financial assets at fair value through profit or loss	166,509	234,934	-29%	93,410	58,525	60%
Net other operating income	263,007	32,775	702%	57,456	(15,161)	-479%
<b>Total operating income</b>	<b>7,745,435</b>	<b>7,435,849</b>	<b>4%</b>	<b>2,218,908</b>	<b>2,022,273</b>	<b>10%</b>
Impairment for loans and other losses	(1,898,476)	(643,708)	195%	(214,051)	(188,783)	13%
<b>Net operating income</b>	<b>5,846,959</b>	<b>6,792,141</b>	<b>-14%</b>	<b>2,004,857</b>	<b>1,833,491</b>	<b>9%</b>
Personnel expenses	(2,940,243)	(2,542,695)	16%	(838,874)	(663,201)	26%
Depreciation and amortization expenses	(488,515)	(528,447)	-8%	(136,619)	(196,406)	-30%
Other expenses	(1,936,942)	(1,848,265)	5%	(652,282)	(579,102)	13%
<b>Total Admin and Other Operational Expenses</b>	<b>(5,365,700)</b>	<b>(4,919,407)</b>	<b>9%</b>	<b>(1,627,774)</b>	<b>(1,438,709)</b>	<b>13%</b>
<b>Operating profit/ (loss) before VAT on financial services</b>	<b>481,259</b>	<b>1,872,734</b>	<b>-74%</b>	<b>377,083</b>	<b>394,782</b>	<b>-4%</b>
Value Added Tax (VAT) on financial services	(366,402)	(542,926)	-33%	(49,060)	(132,164)	-63%
Social Security Contribution Levy	(17,901)	-	-	(17,901)	-	-
<b>Operating profit/(loss) after VAT on financial services &amp; SSCL</b>	<b>96,957</b>	<b>1,329,808</b>	<b>-93%</b>	<b>310,122</b>	<b>262,618</b>	<b>18%</b>
<b>Profit/(loss) before tax</b>	<b>96,957</b>	<b>1,329,808</b>	<b>-93%</b>	<b>310,122</b>	<b>262,618</b>	<b>18%</b>
Income tax expenses	(35,791)	(446,530)	-92%	27,259	(129,401)	-121%
<b>Profit/(loss) for the period</b>	<b>61,166</b>	<b>883,278</b>	<b>-93%</b>	<b>337,381</b>	<b>133,218</b>	<b>153%</b>
<b>Profit/(loss) attributable to:</b>						
Equity holders of the parent	61,166	883,278	-93%	337,381	133,218	153%
Non-controlling interests	-	-	-	-	-	-
	<b>61,166</b>	<b>883,278</b>	<b>-93%</b>	<b>337,381</b>	<b>133,218</b>	<b>153%</b>
<b>Earnings per share on profit</b>						
Basic earnings per ordinary share (Rs.)	0.38	7.63	-95%	2.10	1.15	83%
Diluted earnings per ordinary share (Rs.)	0.38	7.63	-95%	2.10	1.15	83%

**SANASA DEVELOPMENT BANK PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**

In Rupees Thousands (Rs'000)	Bank					
	For the period ended 31st December		Change	For the quarter ended 31st December		Change
	2022 (Audited)	2021 (Audited)		2022 (Audited)	2021	
<b>Profit/(loss) for the period</b>	61,166	883,278	-93%	337,381	133,218	153%
<b>Other comprehensive income/(expenses) not to be reclassified to income statement</b>						
Actuarial gains/(losses) on defined benefit plans	(39,668)	34,301	-216%	(39,668)	34,301	-216%
Deferred tax relating to defined benefit plans	11,645	(8,232)	-241%	11,645	(8,232)	-241%
Gains/(Losses) on re-measuring investments in equity instruments designated at fair value through other	-	-	-	-	-	-
Revaluation Surplus on Property, Plant and Equipment	259,037	-	-	-	-	-
<b>Other comprehensive income/(expenses) for the period net of taxes</b>	<b>231,013</b>	<b>26,069</b>	<b>786%</b>	<b>(28,023)</b>	<b>26,069</b>	<b>-207%</b>
<b>Total comprehensive income/(expenses) for the period</b>	<b>292,180</b>	<b>909,347</b>	<b>-68%</b>	<b>309,357</b>	<b>159,286</b>	<b>94%</b>
<b>Total comprehensive income/(expenses) attributable to:</b>						
Equity holders of the parent	292,180	909,347	-68%	309,357	159,286	94%
Non-controlling interests	-	-	-	-	-	-
<b>Total comprehensive income/(expenses) for the period</b>	<b>292,180</b>	<b>909,347</b>	<b>-68%</b>	<b>309,357</b>	<b>159,286</b>	<b>94%</b>

**SANASA DEVELOPMENT BANK PLC  
STATEMENT OF FINANCIAL POSITION**

In Rupees Thousands (Rs'000)	Bank		
	As at 31.12.2022 (Audited)	As at 31.12.2021 (Audited)	Change
<b>Assets</b>			
Cash and cash equivalents	3,072,845	3,117,485	-1%
Placements with banks	18,205,196	15,108,410	20%
Financial assets fair value through Profit or Loss	1,905,738	727,787	162%
Financial assets at amortised cost			
- loans and receivables from other customers	110,525,450	111,891,256	-1%
- debt and other instruments	19,819,736	12,031,302	65%
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	1,093,191	952,104	15%
Right of use assets	609,201	565,477	8%
Investment properties	-	19,167	-100%
Non-current assets held for sale	43,566	-	0%
Intangible assets	538,831	338,933	59%
Deferred tax assets	600,628	299,448	101%
Other assets	3,043,547	2,704,446	13%
<b>Total assets</b>	<b>159,521,032</b>	<b>147,818,916</b>	<b>8%</b>
<b>Liabilities</b>			
Financial liabilities at amortised cost			
- due to depositors	107,533,002	93,902,939	15%
- due to other borrowers	30,704,548	33,569,838	-9%
Subordinated debt	5,055,590	3,752,578	35%
Retirement benefit obligations	714,077	571,665	25%
Current tax liabilities	182,245	293,250	-38%
Other liabilities	1,672,355	1,598,949	5%
<b>Total liabilities</b>	<b>145,861,817</b>	<b>133,689,220</b>	<b>9%</b>
<b>Equity</b>			
Stated capital/assigned capital	11,287,765	11,287,765	-
Statutory reserve fund	317,231	314,173	-
Retained earnings	1,767,576	2,500,153	-29%
Other reserves	286,642	27,605	-
<b>Total equity</b>	<b>13,659,215</b>	<b>14,129,697</b>	<b>-3%</b>
<b>Total equity and liabilities</b>	<b>159,521,032</b>	<b>147,818,916</b>	<b>8%</b>
<b>Contingent liabilities and commitments</b>	<b>728,285</b>	<b>910,137</b>	<b>-20%</b>
<b>Net asset value per share (Rs.)</b>	<b>85</b>	<b>88</b>	<b>-3%</b>
<b>Memorandum information</b>			
Number of employees	1,381	1,433	-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*

Sanjeeva Jayasinghe  
Head of Finance

*SGD*

Shanka Abeywardene  
DGM-finance & Planning / CFO

We, the undersigned, being the Directors 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 unaudited financial statements of the Bank, unless indicated as audited.

*SGD*

Dinithi Ratnayake  
Chairperson

27 March 2023  
Colombo

*SGD*

Chaaminda Kumarasiri  
Director

*SGD*

Priyantha Talwatte  
Chief Executive Officer

**SANASA DEVELOPMENT BANK PLC**  
**STATEMENT OF CHANGES IN EQUITY**

Bank							
In Rupees Thousands (Rs'000)	Stated capital / Assigned capital	Reserves					Total equity
	Ordinary voting shares	Statutory reserve fund	Retained earnings	Other reserves			
				OCI reserve	Revaluation reserve	General reserves	
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	-	-	-	26,069
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	-	-	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	14,129,697
For the period ended 01.01.2022 (Audited)							
Balance as at 01.01.2022 (Opening balance)	11,287,765	314,173	2,500,153	(19,052)	-	46,657	14,129,697
Total comprehensive income for the period							
Profit/(loss) for the period (net of tax)	-	-	61,166	-		-	61,166
Other comprehensive income (net of tax)	-	-	(28,023)	-	259,037	-	231,013
Total comprehensive income/(expenses) for the period	-	-	33,143	-	259,037	-	292,180
Transfer to statutory reserve fund	-	3,058	(3,058)	-		-	-
Transactions with equity holders, recognized directly in equity							
Share issue	-	-	-	-		-	-
Dividend to equity holders							
Cash dividend - 2021	-	-	(241,048)	-		-	(241,048)
Other transactions - Surcharge Tax	-	-	(521,613)				(521,613)
Total transactions with equity holders	-	3,058	(765,720)	-		-	(762,661)
Balance as at 31.12.2022 (Closing balance) (Audited)	11,287,765	317,231	1,767,576	(19,052)	259,037	46,657	13,659,215

**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	
	01.01.2022 to 31.12.2022 (Audited)	01.01.2021 to 31.12.2021
<b>Cash flows from / (used in) operating activities</b>		
Interest received	20,479,391	14,761,484
Fee and commission received	550,849	395,623
Receipts from other operating activities*	78,098	24,959
Interest payment	(12,674,241)	(8,250,077)
Cash payment to employees	(2,706,852)	(2,486,618)
Payments to suppliers and other operating activities**	(2,011,564)	(1,784,986)
Fee and commission expenses	(26,706)	(23,327)
<b>Operating profit before changes in operating assets</b>	<b>3,688,976</b>	<b>2,637,058</b>
<b>(Increase)/decrease in operating assets</b>		
Funds advanced to customers	1,840,314	(10,042,760)
Net (increase)/ decrease in other short term securities	(1,382)	204,596
Net (increase)/ decrease in other assets*	(465,741)	(851,801)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits from customers	10,207,858	865,404
Net increase/ (decrease) in other liabilities**	229,898	(101,978)
<b>Net cash from operating activities before income tax</b>	<b>15,499,924</b>	<b>(7,289,481)</b>
VAT on financial services paid ***	(420,603)	(569,797)
Income tax paid	(819,455)	(503,498)
<b>Net cash from operating activities</b>	<b>14,259,865</b>	<b>(8,362,777)</b>
<b>Cash flows from / (used in) investing activities</b>		
Dividend received	586	7,816
(Increase)/ decrease in dealing securities	(1,012,521)	4,111,749
(Increase)/ decrease in treasury bonds and other investments	(16,358,572)	(16,411,467)
Proceeds from sale of property, plant and equipment	2,737	413
Purchase of property, plant and equipment	(137,228)	(495,986)
Purchase of intangible assets	(307,824)	(16,917)
<b>Net cash from/ (used in) investing activities</b>	<b>(17,812,822)</b>	<b>(12,804,391)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from Issuance/Allotment of Shares	-	3,510,063
Dividend Paid	(241,048)	(206,046)
Proceeds from Issuance/Allotment of Shares	-	-
Repayment of long term borrowing	(33,299,848)	(27,091,976)
Interest paid on subordinated debt	(566,005)	(356,089)
Increase/(decrease) in borrowing	32,140,526	41,654,949
Funds received/(utilized) during the period	-	(1,956)
Funds received/(utilized) during the period	-	-
<b>Net cash flow from/ (used in) financing activities</b>	<b>(1,966,375)</b>	<b>17,508,945</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(5,519,332)</b>	<b>(3,658,223)</b>
Cash and cash equivalent at the beginning of the period	8,867,677	12,525,900
<b>Cash and cash equivalents at the end of the period</b>	<b>3,348,346</b>	<b>8,867,678</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents	3,072,845	3,117,485
Repurchase agreement	-	500,192
Fixed deposits less than 3 months	275,500	5,250,000
	<b>3,348,345</b>	<b>8,867,677</b>

\*Changes in other assets classified under receipts from other operating activities has been reclassified to net (increase)/ decrease in other assets and comparative figure in these Financial Statements is amended.

\*\*Changes in other liabilities classified under payments on other operating activities has been reclassified to net increase/ (decrease) in other liabilities and comparative figure in these Financial Statements is amended.

\*\*\* VAT on FS paid presented under cash flows from operating activities has been reclassified and presented under tax paid and comparative figure in these Financial Statements is amended.

**SANASA DEVELOPMENT BANK PLC**  
**ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS**

<b>Bank - As at 31st December 2022 (Audited)</b>				
<b>In Rupees Thousands (Rs'000)</b>	<b>AC</b>	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	3,072,845	-	-	3,072,845
Placements with banks	18,205,196	-	-	18,205,196
Financial assets fair value through Profit or Loss	-	1,905,738	-	1,905,738
Financial assets at amortised cost				
- loans and receivables from other customers	110,525,450	-	-	110,525,450
- debt and other instruments	19,819,736	-	-	19,819,736
Financial assets measured at fair value through other comprehensive income	-	-	56,939	56,939
<b>Total financial assets</b>	<b>151,623,227</b>	<b>1,905,738</b>	<b>56,939</b>	<b>153,585,904</b>
<b>In Rupees Thousands (Rs'000)</b>	<b>AC</b>	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities at amortised cost				
- due to depositors		107,533,002	-	107,533,002
- due to other borrowers		30,704,548	-	30,704,548
Subordinated debt		5,055,590	-	5,055,590
<b>Total financial liabilities</b>		<b>143,293,140</b>	<b>-</b>	<b>143,293,140</b>
<b>Bank - As at 31st December 2021 (Audited)</b>				
<b>In Rupees Thousands (Rs'000)</b>	<b>AC</b>	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>FINANCIAL ASSETS</b>				
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
<b>Total financial assets</b>	<b>142,148,453</b>	<b>727,787</b>	<b>56,939</b>	<b>142,933,178</b>
<b>In Rupees Thousands (Rs'000)</b>	<b>AC</b>	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>FINANCIAL LIABILITIES</b>				
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
<b>Total financial liabilities</b>		<b>131,225,356</b>	<b>-</b>	<b>131,225,356</b>

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 2021. 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 2022.

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

	As at 31st December 2022 (Audited)			Total LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	
<b>Financial assets fair value through profit or loss</b>				
Sri Lanka Government securities- Treasury bills and bonds	-	-	-	-
Unit trusts	-	1,905,738	-	1,905,738
Quoted Equities	-	-	-	-
<b>Fair Value through other comprehensive income</b>				
Unquoted equity securities	-	-	56,939	56,939
	<u>-</u>	<u>1,905,738</u>	<u>56,939</u>	<u>1,962,677</u>
	As at 31 December 2021 (Audited)			Total LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	
<b>Financial assets fair value through profit or loss</b>				
Sri Lanka Government securities- Treasury bonds	-	199,369	-	199,369
Unit trusts	-	511,472	-	511,472
Quoted Equities	16,946	-	-	16,946
<b>Fair Value through other comprehensive income</b>				
Unquoted equity securities	-	-	56,939	56,939
	<u>16,946</u>	<u>710,841</u>	<u>56,939</u>	<u>784,725</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 2022 (Audited)	
		Carrying value LKR	Fair value LKR
<b>Financial assets</b>			
Cash and cash equivalents	Note*	3,072,845	3,072,845
Placements with banks	Note*	18,205,196	18,205,196
Financial assets at amortised cost			
- Loans and receivables to other customers	2	110,525,450	110,233,997
- Debt and other instruments	Note*	19,819,736	19,819,736
<b>Total financial assets</b>		<u>151,623,227</u>	<u>151,331,774</u>
<b>Financial liabilities</b>			
Due to other customers	2	107,533,002	107,391,059
Other borrowings	2	30,704,548	30,774,489
Subordinated term debts	Note*	5,055,590	5,055,590
<b>Total financial liabilities</b>		<u>143,293,140</u>	<u>143,221,138</u>
		As at 31st December 2021 (Audited)	
		Carrying value LKR	Fair value LKR
<b>Financial assets</b>			
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
<b>Total financial assets</b>		<u>142,148,453</u>	<u>142,215,059</u>
<b>Financial liabilities</b>			
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
<b>Total financial liabilities</b>		<u>131,225,356</u>	<u>132,135,561</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 31.12.2022 (Audited)	As at 31.12.2021 (Audited)
<b>Product-wise gross loans and advances</b>		
<b>By product: LKR</b>		
Pawning	5,820,218	3,016,066
Cash margin	11,770,371	5,463,782
Staff loans	2,046,486	1,849,080
Lease rentals receivable	8,236,392	10,337,717
<i>Term loans</i>		
Business loans	3,247,585	3,106,067
SME loans	14,400,557	16,176,787
Co-operative loans	2,074,009	2,921,501
Housing loans	2,788,477	3,240,516
Fixed and floating personal loans	26,549,542	28,570,581
Upahara loans	38,581,285	40,175,189
Other personal loans	804,843	929,695
<b>Total</b>	<b>116,319,764</b>	<b>115,786,982</b>
<b>Product-wise commitments and contingencies</b>		
<b>By product: LKR</b>		
Guarantees	249,175	203,139
Undrawn Credit Lines	479,110	706,998
<b>Total</b>	<b>728,285</b>	<b>910,137</b>
<b>Total loans and advances, commitments and contingencies</b>	<b>117,048,049</b>	<b>116,697,119</b>
<b>Stage-wise impairment on loans and advances, commitments and contingencies</b>		
<b>Gross loans and advances, commitments and contingencies</b>	<b>117,048,049</b>	<b>116,697,119</b>
Less: Accumulated impairment under stage 1	(837,536)	(684,544)
Accumulated impairment under stage 2	(969,078)	(468,754)
Accumulated impairment under stage 3	(3,987,699)	(2,742,429)
<b>Net loans and advances, commitments and contingencies</b>	<b>111,253,735</b>	<b>112,801,393</b>
<b>Movement of impairment during the period</b>		
<b>Under Stage 1</b>		
Opening balance	684,544	662,090
Charges / (Write back) to income statement	152,992	22,454
Other movements	-	-
Closing balance	837,536	684,544
<b>Under Stage 2</b>		
Opening balance	468,754	154,079
Charges / (Write back) to income statement	500,325	314,675
Other movements	-	-
Closing balance	969,078	468,754
<b>Under Stage 3</b>		
Opening balance	2,742,429	2,496,846
Charges / (Write back) to income statement	1,246,353	309,690
Write - off during the year	(1,083)	(64,107)
Other movements	-	-
Closing balance	3,987,699	2,742,429
<b>Total impairment</b>	<b>5,794,314</b>	<b>3,895,727</b>
<b>SANASA DEVELOPMENT BANK PLC</b>		
<b>ANALYSIS OF DEPOSITS</b>		
In Rupees Thousands (Rs'000)	Bank	
	As at 31.12.2022 (Audited)	As at 31.12.2021 (Audited)
<b>By product: Rs.</b>		
Savings deposits	14,542,774	22,338,016
Fixed deposits	92,990,228	71,564,923
<b>Total deposits</b>	<b>107,533,002</b>	<b>93,902,939</b>



**SANASA DEVELOPMENT BANK PLC**  
**SEGMENT REPORTING**

Bank	In Rupees Thousands (Rs'000)									
	Banking		Leasing & HP		Treasury		Pawning		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>For the period ended 31.12.2022 (Audited)</b>										
Interest income	16,257,211	11,624,103	1,515,873	1,704,446	4,673,206	1,190,961	654,758	272,559	23,101,048	14,792,068
Add: Inter-segment interest income	1,895,804	860,377	-	-	4,891,262	2,975,359	-	-	6,787,066	3,835,736
<b>Total interest income</b>	<b>18,153,015</b>	<b>12,484,479</b>	<b>1,515,873</b>	<b>1,704,446</b>	<b>9,564,468</b>	<b>4,166,320</b>	<b>654,758</b>	<b>272,559</b>	<b>29,888,114</b>	<b>18,627,804</b>
Interest expenses	(9,564,467)	(5,144,470)	(728,555)	(502,458)	(5,398,578)	(2,215,350)	(570,395)	(156,141)	(16,261,995)	(8,018,419)
Add: Inter-segment interest expense	(4,891,262)	(2,975,359)	-	-	(1,895,804)	(860,377)	-	-	(6,787,066)	(3,835,736)
<b>Net interest income</b>	<b>3,697,286</b>	<b>4,364,651</b>	<b>787,319</b>	<b>1,201,988</b>	<b>2,270,086</b>	<b>1,090,592</b>	<b>84,364</b>	<b>116,418</b>	<b>6,839,054</b>	<b>6,773,649</b>
Fee and commission income	488,625	390,577	16,026	23,098	-	-	-	-	504,650	413,675
Fee and commission expenses	(24,816)	(21,252)	(1,890)	(2,076)	-	-	-	-	(26,706)	(23,327)
<b>Net fee and commission income</b>	<b>463,809</b>	<b>369,325</b>	<b>14,136</b>	<b>21,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477,944</b>	<b>390,347</b>
Net gains/(losses) from trading	-	-	-	-	(1,078)	4,144	-	-	(1,078)	4,144
Net fair value gains/(losses) from financial assets at fair value through profit or loss	-	-	-	-	166,509	234,934	-	-	166,509	234,934
Other operating income (net)	262,421	24,959	-	-	586	7,816	-	-	263,007	32,775
<b>Total operating income</b>	<b>4,423,515</b>	<b>4,758,935</b>	<b>801,454</b>	<b>1,223,009</b>	<b>2,436,102</b>	<b>1,337,486</b>	<b>84,364</b>	<b>116,418</b>	<b>7,745,435</b>	<b>7,435,849</b>
Impairment for loans and other losses	(1,802,361)	(495,374)	(89,678)	(149,075)	1,194	3,110	(7,631)	(2,369)	(1,898,476)	(643,708)
<b>Net operating income</b>	<b>2,621,154</b>	<b>4,263,560</b>	<b>711,776</b>	<b>1,073,934</b>	<b>2,437,296</b>	<b>1,340,596</b>	<b>76,733</b>	<b>114,049</b>	<b>5,846,959</b>	<b>6,792,141</b>
Depreciation and amortization	(429,878)	(468,251)	(32,745)	(45,734)	(255)	(250)	(25,637)	(14,212)	(488,515)	(528,447)
<b>Segment Result</b>	<b>2,191,275</b>	<b>3,795,309</b>	<b>679,031</b>	<b>1,028,200</b>	<b>2,437,041</b>	<b>1,340,347</b>	<b>51,097</b>	<b>99,838</b>	<b>5,358,444</b>	<b>6,263,694</b>
Un-allocated expenses									(4,877,185)	(4,390,961)
Value Added Tax (VAT) on financial services and SSCL									(384,302)	(542,926)
<b>Profit before tax</b>									<b>96,957</b>	<b>1,329,808</b>
Tax expenses									(35,791)	(446,530)
<b>Profit for the period</b>									<b>61,166</b>	<b>883,278</b>
<b>Other comprehensive income</b>										
Other comprehensive income for the period net of tax									231,013	26,069
<b>Total comprehensive income for the period</b>									<b>292,180</b>	<b>909,347</b>
<b>As at 30th September</b>										
<b>Segment assets</b>	<b>97,309,815</b>	<b>99,192,543</b>	<b>7,412,385</b>	<b>9,688,098</b>	<b>43,060,454</b>	<b>31,041,923</b>	<b>5,803,250</b>	<b>3,010,614</b>	<b>153,585,904</b>	<b>142,933,178</b>
Un allocated assets	-	-	-	-	-	-	-	-	5,935,128	4,885,738
<b>Total assets</b>	<b>97,309,815</b>	<b>99,192,543</b>	<b>7,412,385</b>	<b>9,688,098</b>	<b>43,060,454</b>	<b>31,041,923</b>	<b>5,803,250</b>	<b>3,010,614</b>	<b>159,521,032</b>	<b>147,818,916</b>
<b>Segment liabilities</b>	<b>96,254,846</b>	<b>83,669,702</b>	<b>7,332,025</b>	<b>8,171,988</b>	<b>36,534,611</b>	<b>39,308,052</b>	<b>5,740,335</b>	<b>2,539,477</b>	<b>145,861,817</b>	<b>133,689,220</b>
Total equity	-	-	-	-	-	-	-	-	13,659,215	14,129,697
<b>Total equity &amp; liabilities</b>	<b>96,254,846</b>	<b>83,669,702</b>	<b>7,332,025</b>	<b>8,171,988</b>	<b>36,534,611</b>	<b>39,308,052</b>	<b>5,740,335</b>	<b>2,539,477</b>	<b>159,521,032</b>	<b>147,818,916</b>
<b>For the period ended 31.12.2022 (Audited)</b>										
Additions to non-current assets	391,836	454,693	29,847	44,410	-	-	23,368	13,800	445,052	512,903

**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 31.12.2022 (Audited)	As at 31.12.2021 (Audited)
<b>Regulatory Capital Adequacy (LKR in Millions)</b>		
Common Equity Tier 1	12,519	13,491
Core (Tier 1) Capital	12,519	13,491
Total Capital Base	14,895	16,174
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio (%) - (Minimum Requirement - 2022-6.50%, 2021-6.50%)	12.92	13.16
Tier 1 Capital Ratio (%) - (Minimum Requirement - 2022-8.5%, 2021-8.00%)	12.92	13.16
Total Capital Ratio (%) - (Minimum Requirement - 2022-12.5%, 2021- 12.00%)	15.37	15.78
<b>Leverage Ratio (Minimum Requirement - 3%)</b>	7.87	9.11
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR in Millions)	23,309	20,695
Statutory Liquid Asset Ratio (%) - (Minimum Requirement, 20%)	23.51	22.37
Total Stock of High-Quality Liquid Assets (LKR in Millions)	20,100	12,783
Liquidity Coverage Ratio (%) - (Minimum Requirement - 2022-100%, 2021-90%)	191.22	134.82
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	241.61	137.61
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Impaired Loans (Stage 3) Ratio (%)	7.57%	4.13
Impairment (Stage 3) to Stage 3 Loans Ratio (%)	31.93%	36.98
<b>Profitability</b>		
Interest Margin (%)	4.90%	5.47
Return on Assets ( before Taxes ) (%)	0.06%	0.96
Return on Equity (%)	0.44%	7.35

Share Information	31.12.2022	31.12.2021
Market value per share (Rs.)	22.00	43.00
Highest price per share for the period (Rs.)	28.90	55.80
Lowest price per share for the period (Rs.)	20.20	42.00

**SANASA DEVELOPMENT BANK PLC**  
**SHAREHOLDER INFORMATION**

<b>Twenty Largest Shareholders as at 31.12.2022</b>			
<b>No.</b>	<b>Name of the Shareholder</b>	<b>Number of Shares</b>	<b>Holding (%)</b>
1	ICONIC Property Twenty Three (Private) Limited	24,104,800	15.00%
2	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	17,609,503	10.96%
3	Ayenka Holdings Private Limited	17,604,953	10.96%
4	Senthilverl Holdings (Pvt) Ltd	16,458,256	10.24%
5	Belgian Investment Company for Developing Countries SA/NV	16,069,800	10.00%
6	SANASA Life Insurance Company Ltd (Life & General)	4,715,996	2.93%
7	Alliance Finance Company PLC	3,516,310	2.19%
8	Dr. T.Senthilverl	3,484,112	2.17%
9	SBI Emerging Asia Financial Sector Fund PTE. LTD	2,885,618	1.80%
10	Peoples Leasing & Finance PLC/L.P.Hapangama	2,627,722	1.64%
11	People's Leasing & Finance PLC	2,271,260	1.41%
12	Bank of Ceylon A/C Ceybank Unit Trust	1,539,241	0.96%
13	Hatton National Bank PLC/Sarrvanan Neelakandan	1,440,010	0.90%
14	Kegalle SANASA Shareholders Trust Company Limited	1,260,246	0.78%
15	SANASA General Insurance Company Ltd	1,124,418	0.70%
16	Polgahawela Sanasa Societies Union Ltd	1,014,098	0.63%
17	Nikawaratiya Thrift and Credit Co-operative Society Union Limited	992,849	0.62%
18	DFCC Bank PLC/ J. N Lanka Holdings Company (Pvt) Ltd.	982,521	0.61%
19	Bingiriya Multi Purpose Co-operative Society Ltd	970,900	0.60%
20	Sanasa Ferderation Limited	811,816	0.51%
Sub total		121,484,429	75.60%
Shares held by other shareholders		39,214,403	24.40%
<b>Total</b>		<b>160,698,832</b>	<b>100.00%</b>

*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 31.12.2022**

Total number of shares	160,698,832
Number of shares in public holding	95,300,436
Number of public shareholders	38,971
Percentage of public holding	59.30%
Market capitalisation	3,535,374,304
Float adjusted market capitalisation	2,096,609,539
Required minimum public holding percentage under option 4 of rule 7.13.1 (a) of the Listing Rules of Colombo Stock Exchange	10%

**Directors' Shareholding as at 31.12.2022**

<b>No.</b>	<b>Name</b>	<b>No. of Shares</b>
1	Ms.Dinithi Ratnayake (Chairperson)	-
2	Prof.S.Amaratunge	-
3	Mr.Prabhash Subasinghe (resigned from the Board of Directors w.e.f. 31.12.2022)	112,815
4	Mr.Chaaminda Kumarasiri	-
5	Mr.Prasanna Premaratna	1,500
6	Mr.B.R.A.Bandara	11,000
7	Mr.Thusantha Wijemanna	-
8	Mr.S.H.Sarath Nandasiri	-
9	Mr.Conrad Dias	-
10	Mr.Naveendra Sooriyarachchi	-
11	Mr.Romani De Silva	104,650
12	Mr.S.Senthi Aathavan	-
13	Mr.Chandana Dissanayake	-

**SANASA DEVELOPMENT BANK PLC**  
**EXPLANATORY NOTES**

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 2021 except following.

- Subsequent measurement of Investment Properties has been changed from Cost model to Fair Value model for the most appropriate presentation purpose.
- Asset held in investment property and Property Plant & Equipment transferred to Non current asset held for sale due to satisfying all the criteria given by the SLFRS 05 and purpose of Better presentation.
- Asset class of Lands has been recorded at revaluation model and recorded a revaluation gain of Rs. 259,036,913.55 in Other Comprehensive Income.

3 There are no material changes in the composition of assets, liabilities, contingent liabilities and use of funds raised through issue of shares 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.

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.

**6 ECL Assessment and computation**

The Bank reassessed the Impairment Model in terms of the Loss given Default (LGD) on the collateralized portfolio, where the bank moved into an asset class-based approach during Q4/2022 to better reflect the market values of different asset classes and their recoverability. This revised LGD were used in the Collective impairments in the Leasing Portfolio and Loans & Advances portfolio. Stage assessment was carried out after stress testing to address potential significant increase in credit risk (SICR) based on the conditions which are prevalent in the economy. 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 management overlays in respect of exposures to specific industries where an elevated level of risk was identified. Bank has made adequate provisions for expected credit losses in the financial statements as at 31st December 2022 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 Corporate income tax rate**

The Inland Revenue (Amendment) Act, No. 45 of 2022 was certified on 19th December 2022. Accordingly, the income tax rate has increased from 24% to 30% with effect from 01.10.2022. As per the Amendment Act, the taxable income of a company for a current year of assessment shall be taxed at the rate of 24% for first six months of the year of assessment and for second six months of the same year of assessment at the rate of 30%. Accordingly, the Bank used income tax rate of 24% for calculating the income tax liability for first six months and amended tax rate of 30% in calculating the income tax liability for second six months of the year. The deferred tax liability /asset as at 31 December 2022 has been calculated at the rate of 30%.

**9 Surcharge Tax**

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a Surcharge Tax, at the rate of 25% to be imposed on companies that have earned a taxable income in excess of LKR Rs. 2,000 million for the year of assessment 2020/2021. The tax was imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on April 7, 2022. The Bank paid the 1st installment out of two equal installments amounting to Rs. 260.8 Mn. on April 20, 2022, and second installment amounting Rs.260.8 Mn. paid on 20th July 2022.