

Interim Reports

June 2018



SANASA Development Bank PLC
Leads the Nation

SANASA DEVELOPMENT BANK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30.06.2018

RS '000

	Bank		
	As at 30.06.2018	As at 31.12.2017 Audited	Change
Assets			
Cash and cash equivalents	2,025,772	1,190,390	70%
Placements with banks	8,478,194	6,014,704	41%
Financial assets fair value through profit or loss	2,104,705	4,473,806	-53%
Other financial assets classified under loans and receivable	2,247,540	1,479,950	52%
Loans and receivables to other customers	72,610,649	66,687,416	9%
Financial investments - Available-for-sale	63,536	63,536	0%
Financial investments - Held-to-maturity	1,027,903	599,551	71%
Asset held for sale	-	37,175	-100%
Property, plant and equipment	712,158	726,472	-2%
Investment properties	22,863	23,391	-2%
Intangible assets	5,938	8,148	-27%
Other assets	1,529,738	1,070,175	43%
Total assets	90,828,997	82,374,713	10%
Liabilities			
Due to other customers	65,236,460	59,904,734	9%
Other borrowings	11,415,061	8,827,610	29%
Debt securities issued	4,195,311	4,189,812	0%
Subordinated debt	1,022,852	1,004,355	2%
Current tax liabilities	178,101	32,153	454%
Deferred tax liabilities	58,000	58,000	0%
Other liabilities	1,346,703	1,026,889	31%
Total liabilities	83,452,488	75,043,553	11%
Equity			
Stated capital/Assigned capital	5,930,140	5,758,689	3%
Statutory reserve fund	197,764	197,764	0%
Retained earnings	1,214,402	1,340,504	-9%
Other reserves	34,203	34,203	0%
Total equity	7,376,508	7,331,160	1%
Total equity and liabilities	90,828,997	82,374,713	10%
Contingent liabilities and commitments	184,577	166,260	11%
Net asset value per share (Rs.)	131	134	-2%
Memorandum information			
Number of employees	1,480	1,363	9%
Number of branches	92	91	1%

Certification:

We, the undersigned, being the Directors, General Manager/CEO and the Chief Financial Officer of the SANASA Development Bank PLC, certify jointly 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
Terrance Kumara
Chief Financial Officer

Sgd
Nimal C. Hapuarachchi
General Manager/ CEO

Sgd
Lakshman Abeysekera
Senior Director
13.08.2018
Colombo

Sgd
Chaaminda Kumarasiri
Director

SANASA DEVELOPMENT BANK PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30.06.2018

RS '000

	Bank					
	For the 6 months ended		Change	For the quarter ended		Change
	30.06.2018	30.06.2017		30.06.2018	30.06.2017	
Interest income	6,187,879	5,119,460	21%	3,233,011	2,674,001	21%
Interest expenses	(4,022,640)	(3,157,427)	27%	(2,081,295)	(1,667,485)	25%
Net interest income	2,165,239	1,962,033	10%	1,151,716	1,006,515	14%
Fee and commission income	120,708	119,388	1%	64,147	62,574	3%
Fee and commission expenses	(1,271)	(2,391)	-47%	(215)	(1,188)	-82%
Net fee and commission income	119,437	116,997	2%	63,932	61,386	4%
Net gain/(loss) from financial instruments at fair value through profit or loss	197,147	6,411	2975%	86,254	5,402	1497%
Other operating income (net)	18,309	37,447	-51%	11,117	22,869	-51%
Total operating income	2,500,131	2,122,888	18%	1,313,019	1,096,172	20%
Impairment for loans and other losses	286,166	154,159	86%	111,014	102,116	9%
Significant impairment	44,371	(20,197)	-320%	(3,360)	(21,838)	-85%
Collective impairment	241,795	174,356	39%	114,374	123,954	-8%
Net operating income	2,213,965	1,968,729	12%	1,202,005	994,056	21%
Personnel expenses	870,226	730,910	19%	478,453	371,841	29%
Depreciation	109,383	92,643	18%	55,846	45,402	23%
Other expenses	713,114	633,150	13%	395,088	325,962	21%
Operating profit/(loss) before value added tax (VAT)	521,242	512,027	2%	272,619	250,850	9%
Value added tax (VAT) on financial services & NBT	(148,723)	(177,120)	-16%	(81,595)	(88,159)	-7%
Operating profit/(loss) after value added tax (VAT)	372,519	334,907	11%	191,024	162,691	17%
Profit/(loss) before tax	372,519	334,907	11%	191,024	162,691	17%
Tax expenses	(145,948)	(135,432)	8%	(81,306)	(73,471)	11%
Profit/(loss) for the period	226,571	199,475	14%	109,718	89,220	23%
Other comprehensive income						
Actuarial gains/(losses) on defined benefit plans	(24,000)	(12,000)	100%	(15,000)	(6,000)	150%
Other comprehensive income for the period net of tax	(24,000)	(12,000)	100%	(15,000)	(6,000)	150%
Total comprehensive income for the period	202,571	187,475	8%	94,718	83,220	14%
Total comprehensive income attributable to:						
Owners of parent	202,571	187,475	8%	94,718	83,220	14%
Non-controlling interests						
Total comprehensive income for the period	202,571	187,475	8%	94,718	83,220	14%

Basic earnings per ordinary share Rs.	4.02	3.64	10%	1.95	1.63	20%
Diluted earnings per ordinary share Rs.	3.88	3.55	9%	1.88	1.59	18%

No Circumstances have arisen since the Balance Sheet date, which require adjustment to or disclosure in the financial statements.

There are no changes to the accounting policies and methods of computation of the Annual Report for the year ended 2017.

SANASA DEVELOPMENT BANK PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30.06.2018

RS '000

	Bank	
	01.01.2018 to 30.06.2018	01.01.2017 to 30.06.2017
Cash Flows From / (Used in) Operating Activities		
Interest Received	6,059,922	5,030,097
Fee and Commission Received	117,439	119,388
Receipts from other Operating Activities	(314,452)	325,454
Interest Payment	(4,114,604)	(3,206,945)
Cash Payment to Employees	(873,700)	(742,910)
Payments to Suppliers and Other Operating Activities	(427,484)	(958,938)
Fee and Commission Expenses	(1,271)	(2,391)
Operating Profit before Changes in Operating Assets	445,848	563,756
(Increase)/Decrease in Operating Assets		
Funds Advanced to Customers	(6,209,400)	(7,193,805)
Other Short Term Securities	1,285,540	7,892,953
Increase/(Decrease) in Operating Liabilities		
Deposits from Customers	5,331,726	5,152,933
Net Cash from Operating Activities Before Income Tax	853,714	6,415,836
Tax Paid	(40,063)	(103,739)
Net Cash from Operating Activities	813,652	6,312,098
Cash Flows from / (Used in) Investing Activities		
Dividend Received	270	200
(Increase)/ Decrease in Non Dealing Securities	-	(1,283,469)
(Increase)/ Decrease in Dealing Securities	2,566,248	190,336
(Increase)/ Decrease in Treasury Bonds and other Investments	(428,352)	(441,707)
Proceeds from sale of Property, Plant and Equipment	56,698	27,381
Purchase of Property, Plant and Equipment	(107,700)	(125,950)
Net Cash from/ (used in) Investing Activities	2,087,163	(1,633,209)
Cash Flows from (Used in) Financing Activities		
Proceeds from Issuance/Allotment of Shares	-	1,461,340
Net Increase/(Decrease) in Borrowing	2,611,448	1,080,056
Funds Received/(Utilized) During the period	(3,038)	(13,038)
Dividend Paid	(157,223)	(159,360)
Net Cash Flow from/ (used in) Financing Activities	2,451,188	2,368,998
Net Increase/ (Decrease) in Cash and Cash Equivalents	5,352,002	7,047,887
Cash and Cash Equivalent at the beginning of the year	6,586,896	1,044,725
Cash and Cash Equivalents at the end of the period	11,938,898	8,092,612
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	2,025,772	1,116,461
Repurchase Agreement	1,560,626	1,181,596
Fixed Deposits less than 3 months	8,352,500	5,794,555
	11,938,898	8,092,612

SANASA DEVELOPMENT BANK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30.06.2018

Bank						Rs '000
	Stated Capital / Assigned Capital	Reserves				Total Equity
	Ordinary Voting Shares	Statutory Reserve Fund	Retained Earnings	Available For Sale Reserve	General Reserves	
For the Period ended 30.06.2017						
Balance as at 01.01.2017 (Opening balance)	4,062,962	172,373	1,249,742	(12,454)	46,657	5,519,280
Total comprehensive income for the period						
Profit/(loss) for the period	-	-	199,475	-	-	199,475
Other comprehensive income (net of tax)	-	-	(12,000)	-	-	(12,000)
Total comprehensive income for the period	-	-	187,475	-	-	187,475
Transactions with equity holders, recognized directly in equity						
Share issue	1,461,340	-	-	-	-	1,461,340
Cash dividend for 2016	-	-	(131,249)	-	-	(131,249)
Scrip dividend for 2016	234,387	-	(262,499)	-	-	(28,111)
Total transactions with equity holders	1,695,727	-	(393,748)	-	-	1,301,980
Balance as at 30.06.2017 (Closing balance)	5,758,689	172,373	1,043,469	(12,454)	46,657	7,008,734

For the period ended 30.06.2018

Balance as at 01.01.2018 (Opening balance)	5,758,689	197,764	1,340,504	(12,454)	46,657	7,331,160
Total comprehensive income for the period						
Profit/(loss) for the period	-	-	226,571	-	-	226,571
Other comprehensive income (net of tax)	-	-	(24,000)	-	-	(24,000)
Total comprehensive income for the period	-	-	202,571	-	-	202,571
Transactions with equity holders, recognized directly in equity						
Cash dividend for 2017	-	-	(136,947)	-	-	(136,947)
Scrip dividend for 2017	171,451	-	(191,726)	-	-	(20,275)
Total transactions with equity holders	171,451	-	(328,673)	-	-	(157,223)
Balance as at 30.06.2018 (Closing balance)	5,930,140	197,764	1,214,402	(12,454)	46,657	7,376,508

SANASA DEVELOPMENT BANK PLC
ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS
AS AT 30.06.2018

Bank	Rs' 000				
As at 31st December 2017	Fair value through Profit or Loss	HTM	AFS	Amortized cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents	-	-	-	1,190,390	1,190,390
Placements with banks	-	-	-	6,014,704	6,014,704
Other financial assets at fair value through profit or loss	4,473,805	-	-	-	4,473,805
Financial investments - Available-for-sale	-	-	63,536	-	63,536
Financial investments - Held-to-maturity	-	599,551	-	-	599,551
Loans and receivables to other customers	-	-	-	66,687,415	66,687,415
Other Financial Asset Classified under Loans and receivable	-	-	-	1,479,950	1,479,950
Total financial assets	4,473,805	599,551	63,536	75,372,459	80,509,351
FINANCIAL LIABILITIES					
Due to other customers	-	-	-	59,904,734	59,904,734
Other borrowings	-	-	-	8,827,610	8,827,610
Debt securities issued	-	-	-	4,189,812	4,189,812
Subordinated term debts	-	-	-	1,004,355	1,004,355
Total financial liabilities	-	-	-	73,926,511	73,926,511
As at 30th June 2018	Fair value through Profit or Loss	HTM	AFS	Amortized cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents	-	-	-	2,025,772	2,025,772
Placements with banks	-	-	-	8,478,194	8,478,194
Other financial assets at fair value through profit or loss	2,104,705	-	-	-	2,104,705
Financial investments - Available-for-sale	-	-	63,536	-	63,536
Financial investments - Held-to-maturity	-	1,027,903	-	-	1,027,903
Loans and receivables to other customers	-	-	-	72,610,649	72,610,649
Other Financial Asset Classified under Loans and receivable	-	-	-	2,247,540	2,247,540
Total financial assets	2,104,705	1,027,903	63,536	85,362,155	88,558,299
FINANCIAL LIABILITIES					
Due to other customers	-	-	-	65,236,460	65,236,460
Other borrowings	-	-	-	11,415,061	11,415,061
Debt securities issued	-	-	-	4,195,311	4,195,311
Subordinated debt	-	-	-	1,022,852	1,022,852
Total financial liabilities	-	-	-	81,869,684	81,869,684

SANASA DEVELOPMENT BANK PLC
SEGMENT REPORTING
FOR THE PERIOD ENDED 30.06.2018

Bank	Rs '000									
	Banking		Leasing & HP		Treasury		Pawning		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
For the period ended 30th June										
Interest income	5,053,239	4,094,891	373,131	350,013	687,429	619,931	74,080	54,626	6,187,879	5,119,460
Interest expenses	(3,117,479)	(2,392,960)	(208,832)	(213,141)	(647,187)	(517,078)	(49,143)	(34,248)	(4,022,640)	(3,157,427)
Net interest income	1,935,760	1,701,930	164,299	136,872	40,242	102,852	24,938	20,378	2,165,239	1,962,033
Fee and commission income	109,935	115,912	10,773	3,476	-	-	-	-	120,708	119,388
Fee and commission expenses	(1,191)	(2,391)	(80)	-	-	-	-	-	(1,271)	(2,391)
Net fee and commission income	108,744	113,521	10,694	3,476	-	-	-	-	119,437	116,997
Net gain/loss from financial instruments at fair value through profit or loss					197,147	6,411	-	-	197,147	6,411
Other operating income (net)	18,039	35,108	-	-	270	2,339	-	-	18,309	37,447
Total operating income	2,062,542	1,850,559	174,993	140,348	237,659	111,602	24,938	20,378	2,500,131	2,122,888
Impairment for loans and other losses	(286,804)	(150,147)	(12,430)	432	-	-	13,068	(4,443)	(286,166)	(154,159)
Net operating income	1,775,738	1,700,412	162,563	140,780	237,659	111,602	38,005	15,934	2,213,965	1,968,729
Depreciation and amortization	(100,970)	(84,964)	(6,764)	(6,506)	(58)	(127)	(1,592)	(1,045)	(109,383)	(92,643)
Segment Result	1,674,768	1,615,449	155,799	134,274	237,601	111,475	36,414	14,889	2,104,582	1,876,086
Un-allocated expenses									(1,583,340)	(1,364,059)
Value added tax (VAT) on financial services									(148,723)	(177,120)
Profit before tax									372,519	334,907
Tax expenses									(145,948)	(135,432)
Profit for the year									226,571	199,475
Other Comprehensive Income									(24,000)	(12,000)
Other Comprehensive Income for the year net of tax										
Total Comprehensive Income for the year									202,571	187,475
As at 30th June										
Segment Assets	67,061,263	55,720,150	4,492,262	4,266,756	13,921,878	10,351,130	1,057,123	685,592	86,532,527	71,023,628
Un allocated assets	-	-	-	-	-	-	-	-	4,296,470	2,971,941
Total Assets	67,061,263	55,720,150	4,492,262	4,266,756	13,921,878	10,351,130	1,057,123	685,592	90,828,997	73,995,569
Segment Liabilities	64,674,285	52,553,167	4,332,365	4,024,245	13,426,343	9,762,799	1,019,496	646,625	83,452,488	66,986,835
Total Equity	-	-	-	-	-	-	-	-	7,376,508	7,008,734
Total Equity & Liabilities	64,674,285	52,553,167	4,332,365	4,024,245	13,426,343	9,762,799	1,019,496	646,625	90,828,997	73,995,569
For the period ended 30th June										
Additions to non-current assets	99,469	115,669	6,663	8,857	-	-	1,568	1,423	107,700	125,950

**SANASA DEVELOPMENT BANK PLC
LISTED DEBENTURE INFORMATION
AS AT 30.06.2018**

Types of debentures (Fixed)

Rs. '000

i) Rated Guaranteed Redeemable Debentures of Rs.100 each - Guaranteed by Sampath Bank PLC. The debentures are quoted on the Colombo Stock Exchange. (Rated (SL)A+ (SO) with a Stable Outlook by ICRA Lanka Limited)

Type	Interest Payable Frequency	Issue Date	Maturity Date	Annual Effective Rate (AER) %	Face Value	Interest Payable	Balance
A	Semi Annually	31-Dec-15	31-Dec-18	9.83	1,597,390	76,045	1,673,435
B	Semi Annually	31-Dec-15	31-Dec-20	10.25	402,610	19,965	422,575
ii) Rated Guaranteed Redeemable Debentures of Rs.100 each - Guaranteed by Seylan Bank PLC. The debentures are quoted on the Colombo Stock Exchange. (Rated (SL)A- (SO) with a Stable Outlook by ICRA Lanka Limited)							
Type	Interest Payable Frequency	Issue Date	Maturity Date	Annual Effective Rate (AER) %	Face Value	Interest Payable	Balance
C	Semi Annually	31-Dec-15	31-Dec-18	10.15	1,438,050	70,598	1,508,648
D	Semi Annually	31-Dec-15	31-Dec-20	10.57	561,950	28,703	590,653
					4,000,000	195,311	4,195,311

Utilization of Funds Raised through Debenture Issue

Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus in Rs.	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in Rs.	% of total proceeds	Amounts utilized in Rs.	% of total proceeds
1	To raise medium term funds to manage assets and liability mismatch and to minimize the interest rate risk.	-	-	-	-	-	-
2	To finance the budgeted lending portfolio (approximately 90% as loans and the balance as leasing) and to minimize the mismatch in funding exposure.	4,000,000,000	In the ordinary course of business within the next 12 months from the date of allotment.	3,600,000,000 for loans and 400,000,000 for leasing	100	4,000,000,000	100

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

Item	Bank	
	As at 30.06.2018	As at 31.12.2017 Audited
Regulatory Capital Adequacy		
Regulatory Capital (Rs. Mn)		
Common Equity Tier 1	7,139	7,294
Tier 1 Capital	7,139	7,294
Total Capital	8,435	8,564
Risk Weighted Assets	61,038	58,718
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.375%)	11.70	12.42
Tier 1 Capital Ratio (Minimum Requirement - 7.875%)	11.70	12.42
Total Capital Ratio (Minimum Requirement - 11.875%)	13.82	14.59
Assets Quality (Quality of Loan Portfolio)		
Gross Non-performing Advances Ratio, % (net of Interest in Suspense)	2.46	2.07
Net Non-performing Advances Ratio, % (net of Interest in Suspense & Provisions)	0.17	1.02
Profitability		
Interest Margin, %	5.33	5.57
Return on Assets (Before Taxes), %	0.86	1.01
Return on Equity(After Taxes) , %	6.16	7.90
Regulatory Liquidity		
Statutory Liquid Assets (Rs.'000)	12,991,250	11,829,936
Statutory Liquid Asset Ratio, % (Minimum Requirement, 20%)	21.15	21.34
Liquidity Coverage Ratio, % (Minimum Requirement - 2018- 90%, 2017 - 80%)	126.49	94.09
Share Information		
	30.06.2018	30.06.2017
Market value per share (Rs.)	94.00	103.00
Highest price per share for the period (Rs.)	110.00	122.56
Lowest price per share for the period (Rs.)	88.00	98.00
Debenture Information		
	30.06.2018	31.12.2017
Debt to Equity Ratio (Times)	11.10	10.08
Interest Cover (Times)	1.09	1.11
Quick Asset Ratio (Times)	0.70	0.63
Interest Rate for Comparable Government Security (%)		
Type A	9.94	9.93
Type B	10.32	10.25
Type C	9.94	9.93
Type D	10.32	10.25
Interest yield as at date of last trade	N/T	N/T
Yield to Maturity of Trade Done on	N/T	N/T
The Market Prices during the year (Ex Interest)		
- Highest Price	N/T	N/T
- Lowest Price	N/T	N/T
- Last Trade Price	N/T	N/T

N/T - Not Traded

SANASA DEVELOPMENT BANK PLC
SHAREHOLDER INFORMATION
AS AT 30.06.2018

Twenty Largest Shareholders as at 30.06.2018

No.	Name of The Shareholder	Number of Shares	%
1	Ayenka Holdings Private Limited	6,779,840	12.0406%
2	Seylan Bank PLC /Dr. Thirugnanasambandar Senthilverl	6,355,883	11.2877%
3	SBI FMO Emerging Asia Financial Sector Fund PTE. LTD	5,045,636	8.9607%
4	CB NY S/A International Finance Corporation	4,991,644	8.8649%
5	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	2,242,504	3.9825%
6	People's Leasing & Finance PLC	2,094,012	3.7188%
7	Seemasahitha SANASA Rakshana Samagama (General)	1,162,630	2.0648%
8	Kegalle SANASA Share Holders Trust Company Limited	1,039,330	1.8458%
9	Seemasahitha SANASA Rakshana Samagama (Life)	910,708	1.6174%
10	Sampath Bank PLC/ Dr. T.Senthilverl	871,885	1.5484%
11	Sanasa Federation Limited	720,024	1.2787%
12	Dr. T.Senthilverl	557,428	0.9900%
13	Warakapola SANASA Share Holders Trust Company Limited	525,709	0.9336%
14	Hambanthota DTCCS Union Ltd	384,257	0.6824%
15	Polgahawela Sanasa Societies Union Ltd	382,314	0.6790%
16	Polpithigama SANASA Share Holders Trust Company Limited	288,447	0.5123%
17	Kollonnawa SANASA Share Holders Trust Company Limited	257,370	0.4571%
18	Mr. D.P. Pieris	257,067	0.4565%
19	Polgahawela SANASA Share Holders Trust Company Limited	238,667	0.4239%
20	Dr. S. Yaddehige	205,653	0.3652%
Sub total		35,311,008	62.71%
Shares held by other shareholders		20,997,244	37.29%
Total		56,308,252	100.00%

Percentage of public holding as at 30.06.2018

99.87%

(Total No. of Shares 56,308,252)

Number of public shareholders

37,999

Directors' Shareholding as at 30.06.2018

No.	Name of Director	No. of Shares
1	Ms. M.S. Kiriwandeniya	5,785
2	Mr. L.Abeyskera	-
3	Mr.D.J.K.Newunhella	-
4	Prof.S.Amaratunge	-
5	Mr. P.Subasinghe	69,341
6	Mr. S.Lionel Thilakarathne	-
7	Mr. N.Liyanaarachchi	-
8	Mr. Arnoldus de. Vette	-
9	Mr. K.G Wijerathne	117
10	Mr. Chaaminda Kumarasiri	-

SANASA DEVELOPMENT BANK PLC
EXPLANATORY NOTES

SLFRS - 9

The Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments) is effective for annual periods beginning on or after 01st January 2018. However, CA Sri Lanka has granted the option, via the Statement of Alternative Treatment (SoAT) to prepare the interim financial statements continuing the application of LKAS 39 (Financial Instruments: Recognition and Measurement), with disclosures on impact to the Statement of Comprehensive Income for the period, if SLFRS 9 has been applied. As permitted by the above SoAT, the Bank prepared Interim Financial Statements based on LKAS 39, with disclosure on impact to the Statement of Comprehensive Income and Net Assets.

Impact on Net Assets and Statement of Comprehensive Income

With the transition from LKAS 39 incurred loss method to SLFRS 9 expected credit loss method, it is expected 25% - 30% increase in overall impairment provision. The increase in impairment provision under SLFRS 09, had it been effective as at 30th June 2018, would have reduced the Bank's net assets by approximately 2% - 3% and the Total Capital Adequacy ratio by 20 to 35 basis points. The Comprehensive Income for the period would be reduced by 6% to 8%.