

# Fueling the Growth



## PROSPECTUS

SANASA DEVELOPMENT BANK PLC

Secondary Public Offering 2021



Financial Advisors and Managers to the Issue







## **SANASA Development Bank PLC**

### **PB 62 PQ**

**Issue of up to Sixty-Eight Million (68,000,000) New Ordinary Voting Shares of SANASA Development Bank PLC (Initial Issue) and to issue up to a further Twenty Million (20,000,000) New Ordinary Voting Shares at the discretion of the Board of Directors of SANASA Development Bank PLC (Further Issue) in the event of an oversubscription of the Initial Issue resulting in a total issuance of up to Eighty-Eight Million (88,000,000) New Ordinary Voting Shares (Total Issue) at LKR 51.50 per share**

**To be listed on the Main Board of the Colombo Stock Exchange along with the already listed Ordinary Voting Shares of SANASA Development Bank PLC**

**Issue opens on 5 August 2021**



**Financial Advisors and Managers to the Issue**



**Supporting SMEs and  
uplifting lives**



**Building the  
powerhouse of possibilities  
with state-of-the-art facilities**



**Staying ahead of  
the curve with digital  
transformation**

## This Prospectus is dated 19 July 2021

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Bank since the date of this Prospectus. If any such material change occurs, the same will be notified by the Bank via a market announcement to the Colombo Stock Exchange (“CSE”).

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard you should consult a lawyer, or any other professional advisor.

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed, or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the shares which is decided solely by SANASA Development Bank PLC.

This Prospectus has been prepared from the information provided by SANASA Development Bank PLC (herein after referred as SDB or SDB bank or the Bank) and its Directors and/or from publicly available sources. SDB bank and its Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading.

Where representations regarding the future performance of SDB bank have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the SDB bank and making assumptions that are considered to be reasonable at the present point in time in their best judgement.

SDB bank accepts responsibility for the information contained in this Prospectus. While SDB bank has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of SDB bank including the risks involved prior to making any investment decision. No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by SDB bank.

All applicants (both resident and non-resident) should indicate their respective National Identity Card (NIC) Number or Company Registration Number, or Passport Number as the case may be in the Application Form. Individual resident applicants should indicate the Passport Number in the Application Form only if they do not have a NIC Number.

As per the directive of the Securities and Exchange Commission (SEC) made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the Central Depository Systems (Private) Limited (CDS) dated 30 November 2010, all New Shares allotted must be directly uploaded to the CDS accounts. As such, all applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted New Shares to their CDS accounts.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares would be credited to the Applicant's CDS account so indicated (subject to SDB bank's ledger shareholders being considered for this Issue). Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any application by new investors which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

Existing Shareholders of SDB bank who wish to apply for the Secondary Public Offering (SPO) and who do not have a CDS account are advised to open CDS accounts, prior to submitting the Application Form to facilitate the uploading of New Shares to their CDS accounts.

You can open a CDS account through any Member/Trading Member of the Colombo Stock Exchange (CSE) as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the "CSE Mobile App". The CSE mobile application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

## Registration of the Prospectus

A copy of this Prospectus has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents were also attached to the copy of the Prospectus delivered to the Registrar General of Companies.

- **The Written Consent of the Financial Advisors and Managers to the Issue**

The Financial Advisors and Managers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Financial Advisors and Managers to the Issue in the form in which it is included in the Prospectus.

- **The Written Consent of the Registrars to the Issue**

The Registrars to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Registrars to the Issue in the Prospectus.

- **The Written Consent of the Auditors and Reporting Accountants to SDB bank and to the Issue**

The Auditors and Reporting Accountants to SDB bank have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Auditors and Reporting Accountants to SDB bank and to the Issue and for the inclusion of their report in the form and context in which it is included in the Prospectus.

- **The Written Consent of the Lawyers to the Issue**

The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Lawyers to the Issue in the Prospectus.

- **The Written Consent of the Bankers to the Issue**

The Bankers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Bankers to the Issue in the Prospectus.

- **The Written Consent of the Company Secretary**

The Company Secretary has given and has not before the delivery of a copy of the Prospectus for registration withdrawn the written consent for the inclusion of the name as Company Secretary in the Prospectus.

- **The Declaration by the Directors**

A declaration made by each of the Directors of SDB bank confirming that each of them have read the provisions of the Companies Act No. 07 of 2007 (as amended) relating to the issue of the Prospectus and that those provisions have been complied with.

### **Registration of the Prospectus in Jurisdictions Outside of Sri Lanka**

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investments.

### **Representation**

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by SDB bank.

### **Forward-Looking Statements**

Any statements included in this Prospectus that are not statements of historical fact constitute "Forward-Looking Statements". These can be identified by the use of forward-looking terms such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward-Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans, and prospects of SDB bank are classified as Forward-Looking Statements.

Such Forward-Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which SDB bank operates and its ability to respond to them, SDB bank's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of SDB bank.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward-Looking Statements herein. Forward-Looking Statements are also based on numerous assumptions regarding SDB bank's present and future business strategies and the environment in which SDB bank will operate in the future.

Given the risks and uncertainties that may cause SDB bank's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward-Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

### **Investment Considerations**

Please read this Prospectus carefully prior to making an investment decision.

### **Presentation of Currency Information and Other Numerical Data**

The financial statements of SDB bank and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to "LKR", "Rupees", and "Rs." are references to the lawful currency of Sri Lanka. Reference to "USD" is with reference to United States Dollars, the official currency of the United States of America.

Certain numerical figures in the Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### **Presentation of Macroeconomic and Industry Data**

Economic and industry data used throughout this Prospectus are derived from the Central Bank of Sri Lanka (CBSL) and various other industry data sources, which SDB bank believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither SDB bank nor the Managers to the Issue make any representation as to the accuracy of that information.

This Prospectus has been prepared in compliance with the Companies Act No. 07 of 2007 (as amended) and the CSE Listing Rules. However, given that SANASA Development Bank PLC is already listed on the CSE and the information is readily available in the public domain, as per the request made by SANASA Development Bank PLC, the CSE in consultation with the Securities and Exchange Commission of Sri Lanka (SEC) has decided to grant a waiver only in respect of the disclosures identified under Annexure A of this Prospectus. The means available for the investors to obtain further information that is waived off are given in Annexure A. Even though SANASA Development Bank PLC has obtained waivers on certain Sections of Rule 3.1 of the CSE Listing Rules, disclosures have been made in respect of same to the extent decided by the Board of Directors of SANASA Development Bank PLC.

## ISSUE AT A GLANCE

<b>Number of Ordinary Voting Shares to be Issued</b>	Initial issue of up to 68,000,000 New Ordinary Voting Shares of SANASA Development Bank PLC at the Share Issue Price (Initial Issue) and in the event of an oversubscription of the Initial Issue to issue up to a further 20,000,000 new Ordinary Voting Shares of SANASA Development Bank PLC at the Share Issue Price at the discretion of the Board of Directors of SANASA Development Bank PLC (Further Issue) resulting in a total issuance of up to 88,000,000 new Ordinary Voting Shares of SANASA Development Bank PLC (Total Issue)
<b>Share Issue Price</b>	LKR 51.50
<b>Amount to be Raised</b>	Up to LKR 3,502,000,000/- via the Initial Issue and in the event of an oversubscription of the Initial Issue to raise LKR 1,030,000,000/- via Further Issue resulting in a total amount of up to LKR 4,532,000,000/- via the Total Issue
<b>Minimum Investment per Application</b>	<p>Minimum investment per Application is 100 New Shares (LKR 5,150/-). Applications exceeding the minimum investment should be in multiples of 100 New Shares.</p> <p>Minimum investment of 100 New Shares will be allotted to each successful applicant</p>
<b>SPO Opening Date</b>	5 August 2021
<b>SPO Closing Date</b>	24 August 2021 or such earlier date as disclosed in Section 4.12 of this Prospectus
<b>Earliest SPO Closing Date</b>	5 August 2021
<b>CSE Listing</b>	To be listed on the Main Board of the CSE along with the already listed Ordinary Voting Shares of SANASA Development Bank PLC on the CSE

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***Corporate  
Information***

<b>The Company/Issuer</b>	SANASA Development Bank PLC
<b>Legal Form of the Company</b>	A public quoted company with limited liability, incorporated under the Companies Act No. 17 of 1982 on 6 August 1997, registered as a Licensed Specialised Bank by the Central Bank of Sri Lanka on 21 August 1997, under the Banking Act No. 30 of 1988 (as amended), re-registered on 30 October 2007 under the Companies Act No. 07 of 2007 (as amended) as a limited company and changed its name from “SANASA Development Bank Limited” to “SANASA Development Bank PLC” on 9 July 2012 under the Companies Act No. 07 of 2007 (as amended), upon the listing of the Bank on the CSE.
<b>Company Registration No.</b>	PB 62 PQ
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Office</b>	<b>SANASA Development Bank PLC</b> No. 12, Edmonton Road Kirulapone Colombo 06  Phone : +94 11 283 2500 Fax : +94 11 251 4256
<b>Company Secretary</b>	<b>Mrs. Tamarika Rodrigo</b> SANASA Development Bank PLC No. 12, Edmonton Road Kirulapone Colombo 06  Phone : +94 11 283 2590 Fax : +94 11 251 4256
<b>Auditors to the Bank</b>	<b>Messrs Ernst &amp; Young</b> Chartered Accountants No. 201, De Saram Place P O Box 101, Colombo 10  Phone : +94 11 246 3500 Fax : +94 11 269 7369

## Board of Directors of SANASA Development Bank PLC

<b>Mr. Lakshman Abeysekera</b>	Chairman – Independent, Non-Executive Director
<b>Prof. Sampath Amaratunge</b>	Independent, Non-Executive Director
<b>Mr. Prabhash Subasinghe</b>	Non-Independent, Non-Executive Director
<b>Mr. S Lionel Thilakarathne</b>	Non-Independent, Non-Executive Director
<b>Mr. Chaaminda Kumarasiri</b>	Independent, Non-Executive Director
<b>Mr. Prasanna Premaratna</b>	Independent, Non-Executive Director
<b>Mr. B R A Bandara</b>	Non-Independent, Non-Executive Director
<b>Ms. Dinithi Ratnayake</b>	Non-Independent, Non-Executive Director
<b>Mr. J A Lalith G Jayasinghe</b>	Non-Independent, Non-Executive Director
<b>Mr. Thusantha Wijemanna</b>	Independent, Non-Executive Director
<b>Mr. S H Sarath Nandasiri*</b>	Non-Independent, Non-Executive Director

\* Note – Mr. S H Sarath Nandasiri has been appointed to the Board of SDB bank w.e.f. 25 June 2021 subject to the approval of CBSL.



*Relevant Parties  
to the Issue*

<b>Financial Advisors and Managers to the Issue</b>	<b>NDB Investment Bank Limited</b> Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04  Tel : +94 11 230 0385-90 Fax : +94 11 230 0393
<b>Lawyers to the Issue</b>	<b>Nithya Partners (Attorneys-at-Law)</b> No. 97A, Galle Road Colombo 03  Tel : +94 11 471 2625-8 Fax : +94 11 232 8817
<b>Auditors and Reporting Accountants to the Issue</b>	<b>Ernst &amp; Young (Chartered Accountants)</b> No. 201, De Saram Place P O Box 101 Colombo 10  Tel : +94 11 246 3500 Fax : +94 11 269 7369
<b>Registrars to the Issue</b>	<b>P W Corporate Secretarial (Private) Limited</b> No. 3/17, Kynsey Road Colombo 08  Tel : +94 11 464 0360 Fax : +94 11 474 0588
<b>Bankers to the Issue</b>	<b>Sampath Bank PLC</b> No. 110, Sir James Pieris Mawatha Colombo 02  Tel : +94 11 235 8358 Fax : +94 11 251 3830



*Definitions/  
Interpretations*

The following definitions/interpretations apply throughout this Prospectus, unless the context otherwise requires:

<b>“ALCO”</b>	Asset and Liability Management Committee
<b>“Applicant/s”</b>	Any investor who submits an Application Form under this Prospectus
<b>“Application”, “Application Form”</b>	The Application Form that constitutes part of this Prospectus through which the investors may apply for the New Shares
<b>“Articles of Association”</b>	Articles of Association of SANASA Development Bank PLC
<b>“Bank”, “SDB”, “Issuer” “SDB bank”</b>	SANASA Development Bank PLC
<b>“BIO”</b>	Belgian Investment Company for Developing Countries NV/SA
<b>“Bn”</b>	Billion
<b>“Board”, “Board of Directors”, “Directors”</b>	The Board of Directors of SANASA Development Bank PLC
<b>“c.”</b>	Circa
<b>“CAGR”</b>	Compounded Annual Growth Rate
<b>“CAR”</b>	Capital Adequacy Ratio
<b>“CBSL”</b>	Central Bank of Sri Lanka
<b>“CDS”</b>	Central Depository Systems (Private) Limited
<b>“CEFT”</b>	Common Electronic Fund Transfer
<b>“CEO”</b>	Chief Executive Officer
<b>“Companies Act”</b>	Companies Act No. 07 of 2007 (as amended)
<b>“Cornerstone Investor”</b>	The investor already identified and invited by the Board of SDB bank to subscribe for the SPO via New Shares resulting in a shareholding of 10% of the issued shares of the Bank (post SPO) to be allocated under the Identified Investor category as disclosed in Section 4.6 of this Prospectus
<b>“EPS”</b>	Earnings Per Share
<b>“Existing Shareholders”</b>	Shareholders holding Ordinary Voting Shares of SDB bank as at the end of trading on 4 August 2021 (i.e. the market day prior to the SPO Opening Date)
<b>“Financial Advisors and Managers to the Issue”, “Managers to the Issue”</b>	NDB Investment Bank Limited (NDBIB)
<b>Further Issue</b>	Issue of further Twenty Million (20,000,000) New Shares of SDB bank at the Share Issue Price in the event of an oversubscription of the Initial Issue at the discretion of the Board of SDB bank
<b>“FY”</b>	Financial Year
<b>“GDP”</b>	Gross Domestic Product of Sri Lanka
<b>“GoSL”</b>	Government of Sri Lanka

<b>"Identified Investors"</b>	Investors identified by the Board of SDB bank as eligible investors for the SPO
<b>"IFC"</b>	International Finance Corporation
<b>"IIA"</b>	Inward Investment Account (previously known as Securities Investment Account/SIA)
<b>"Initial Issue"</b>	Issue of up to Sixty-Eight Million (68,000,000) New Shares of the Bank at the Share Issue Price
<b>"Issue", "SPO" "Total Issue"</b>	Issue of up to Eighty-Eight Million (88,000,000) New Shares comprising Initial Issue and Further Issue as the case may be as detailed in Section 4 of this Prospectus
<b>"Lawyers to the Issue"</b>	Nithya Partners
<b>"LCB"</b>	Licensed Commercial Bank
<b>"LKR", "Rs.", "Rupees"</b>	Sri Lanka Rupees
<b>"LSB"</b>	Licensed Specialised Bank
<b>"Local Time"</b>	Sri Lanka Time
<b>"Market Day"</b>	Any day on which the CSE is open for trading
<b>"Mn"</b>	Million
<b>"NAV"</b>	Net Asset Value
<b>"New Shares"</b>	Up to Eighty Eight Million (88,000,000) new Ordinary Voting Shares of SDB bank to be issued via SPO.  The New Shares would rank equal and <i>pari-passu</i> with the existing Ordinary Voting Shares of SDB bank with regard to the right to participate in any dividend declared and the right to participate in the proceeds of any liquidation of SDB bank and right to vote at a General Meeting of shareholders subject to the shareholding limits set out in the Banking Act No. 30 of 1988 (as amended) (Banking Act)
<b>"NIC"</b>	National Identity Card
<b>"NII"</b>	Net Interest Income
<b>"NIM"</b>	Net Interest Margin
<b>"NPL"</b>	Non-Performing Loan
<b>"Ordinary Voting Shares", "Issued and Paid-up Ordinary Voting Shares"</b>	Ordinary voting shares of SDB bank, with the right to one vote on a poll at a meeting of SDB bank on any resolution, the right to an equal share in dividends paid by SDB bank and the right to an equal share in the distribution of the surplus assets of SDB bank in liquidation.
<b>"Prospectus"</b>	This Prospectus dated 19 July 2021 issued by SDB bank

<b>"Registrars to the Issue"</b>	P W Corporate Secretarial (Private) Limited
<b>"Retail Individual Investor"</b>	An individual investor who subscribes for a maximum of Three Thousand Eight Hundred (3,800) New Shares or a value of not more than Sri Lanka Rupees Two Hundred Thousand (LKR 200,000/-)
<b>"ROE"</b>	Return on Equity
<b>"RTGS"</b>	Real Time Gross Settlement
<b>"SEC"</b>	The Securities and Exchange Commission of Sri Lanka
<b>"Share Issue Price", "Issue Price"</b>	The price at which the New Shares will be issued via SPO as detailed in this Prospectus, i.e. LKR 51.50 per Ordinary Voting Share
<b>"SME"</b>	Small and Medium Scale Enterprises
<b>"SOE"</b>	State-Owned Entity
<b>"SPO"</b>	Secondary Public Offering
<b>"SPO Opening Date", "Earliest SPO Closing Date" or "SPO Closing Date"</b>	The dates of opening and closing of the subscription list as set out in Section 4.12 of this Prospectus
<b>"Unit Holder"</b>	An individual who has made an investment in units not exceeding the value of LKR 10,000,000/- in a particular Unit Trust Fund that subscribes for Shares, as per SEC Directive dated 6 June 2011 (Ref: SEC/Leg/11/06/01)
<b>"Unit Trust Investor Category", "Unit Trust"</b>	Growth and Balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprise not less than 500 Unit Holders resident in Sri Lanka who together hold at least 50% of that Unit Trust, as per SEC Directive dated 6 June 2011 (Ref: SEC/Leg/11/06/01)



*Details of the  
Issue*

*All financial information and figures pertaining to FY21 in this section are based on the Unaudited Financial Statements of SDB bank.*

## **4.1 The Issue/Secondary Public Offering (SPO)**

The Issue contemplated herein shall constitute an invitation to the general public to subscribe up to Sixty-Eight Million (68,000,000) new Ordinary Voting Shares of SDB bank (Initial Issue) and in the event of an oversubscription of the Initial Issue to issue up to a further Twenty Million (20,000,000) new Ordinary Voting Shares of SDB bank at the discretion of the Board of Directors of SDB bank (Further Issue) resulting in a total issuance of up to Eighty-Eight Million (88,000,000) new Ordinary Voting Shares of SDB bank (Total Issue).

An application was made to the CSE as per Rule 5.5 of the CSE Listing Rules seeking approval for the issue and the listing of the new Ordinary Voting Shares under the SPO by way of a Prospectus and the CSE has given its in-principle approval for the listing of the said New Shares via the SPO. SDB bank has already obtained requisite approval from its shareholders at the Extraordinary General Meeting (EGM) held on 28 May 2021 for this purpose.

## **4.2 Share Issue Price**

The Share Issue Price amounts to Sri Lanka Rupees Fifty One and Fifty Cents (LKR 51.50) per New Share.

The Share Issue Price was determined as at 20 May 2021 based on the one (01) month Volume Weighted Average Price (“VWAP”) of SDB share as at such date in consultation with the Financial Advisors and Managers to the Issue, NDB Investment Bank Limited.

As required by the Companies Act, the Board of Directors of SDB bank also resolved that in its opinion, the Share Issue Price is fair and reasonable to SDB bank and all its Existing Shareholders. SDB bank has obtained the requisite approval from the shareholders for the SPO at the Extraordinary General Meeting held on 28 May 2021.

The rationale for SDB bank to adopt the above-mentioned mechanism to determine the Share Issue Price was based on the intention of the Board of Directors to price the SPO around the market price closer to the EGM, taking into consideration the time period between the initial announcement pertaining to the SPO by SDB bank (i.e. 5 April 2021) and the requisite approvals from the shareholders for the SPO at the date of EGM (i.e. 28 May 2021) and the possible volatility in the market price of the shares of SDB bank in the Colombo bourse during this period.

It should be noted that given the availability of an active market for the shares of SDB bank as an entity listed on the CSE and the fact that adequate information about SDB bank is in the public domain, as per the request made by SDB bank, the CSE in consultation with the SEC has decided to grant a waiver of the requirement to incorporate a valuation/research report issued by an independent valuer/managers to the issue in line with the CSE Listing Rule 3.1.4 (c) in the Prospectus to be issued in connection with the SPO and to proceed with the public subscription without a valuation/research report to justify the Share Issue Price.

## 4.2.1 Quantitative Factors in Relation to the Share Issue Price

Investors should read the following summary with the risks associated with business operations of SDB bank and financial statements referred in the Annual Report of SDB bank 2020 ([https://cdn.cse.lk/cmt/upload\\_report\\_file/1182\\_1620033995932.pdf](https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf)) and unaudited financial statements for the period ended 31 March 2021 ([https://cdn.cse.lk/cmt/upload\\_report\\_file/1182\\_1620379021546.03.2021.pdf](https://cdn.cse.lk/cmt/upload_report_file/1182_1620379021546.03.2021.pdf))

### 4.2.1.1 Net Asset Value (NAV) per Share and the Price to Book Value (P/BV)

The Net Asset Value (NAV) per share and the Price to Book Value (P/BV) at the Share Issue Price are as follows:

As at	Net Asset Value (LKR Mn)	Net Assets Value per Share (LKR)	P/BV at Share Issue Price (x)
31 December 2020	9,916.2	108.28	0.48
31 March 2021	10,218.4	111.58	0.46

- Based on NAV per share of LKR 111.58 as per the latest unaudited financial statements as at 31 March 2021, P/BV of SDB bank is 0.46 times.
- Based on NAV per share of LKR 108.28 as per the latest audited financial statements as at 31 December 2020, P/BV of SDB bank is 0.48 times.
- The post-SPO NAV per share amounts to LKR 82.14 based on the adjusted NAV as at 31 March 2021 and number of ordinary shares in issue assuming full subscription of the New Shares.

Industry (Banks industry group as per GICS classification on the CSE) P/BV details are given below:

Particulars	Name of the Peer Entity	P/BV (x)
Lowest	National Development Bank PLC	0.37
Highest	Union Bank of Colombo PLC	0.74
	<b>Industry Average</b>	<b>0.51</b>

Source: Colombo Stock Exchange, S&P Capital IQ

Market capitalisation as at 8 July 2021 and book values are as at the last published quarter on 8 July 2021.

#### 4.2.1.2 Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Historical Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings ratio (P/E) are given below:

**Table 4-2 EPS, ROE and P/E**

Period Ended	Basic EPS (LKR)*	Diluted EPS (LKR)*	ROE (%)**	P/E (x)***
31 December 2020	11.05	11.05	9.51	4.66
31 December 2019	4.50	4.50	3.35	11.44
31 December 2018	6.34	6.34	4.83	8.12
<b>Average</b>	<b>7.30</b>	<b>7.30</b>	<b>5.90</b>	<b>7.06</b>
<b>Three months ended 31 March 2021 (unaudited, not annualised)</b>	<b>3.30</b>	<b>3.30</b>	<b>3.00</b>	<b>15.61</b>
<b>Three months ended 31 March 2021 (unaudited, annualised)</b>	<b>13.20</b>	<b>13.20</b>	<b>12.00</b>	<b>3.90</b>

Source: SDB bank Audited and Interim Financial Statements

\* Based on weighted number of shares outstanding during the year.

\*\* ROE = Profit After Tax/Average Net Assets.

\*\*\* P/E ratio is calculated based on the Share Issue Price of LKR 51.50. The average P/E of 7.06 times is calculated based on the average basic EPS of LKR 7.30.

Note: Convertible debt resulted in an anti-diluted EPS in FY18, FY19 and FY20, resulting in no difference between basic and Diluted EPS.

- Based on basic EPS of LKR 3.30 for the three months ended 31 March 2021, the P/E is 3.90 times (annualised earnings).
- Based on basic and diluted EPS of LKR 11.05 for the year ended 31 December 2020, the P/E is 4.66 times.
- Based on the three year average (FY18 – FY20) basic and diluted EPS of LKR 7.30, the P/E is 7.06 times.

Industry (Banks industry group as per GICS classification on the CSE) P/E details are given below:

Particulars	Name of the Peer Entity	P/E (x)
Lowest	National Development Bank PLC	2.93
Highest	Amāna Bank PLC	17.39
	<b>Industry Average</b>	<b>7.00</b>

Source: Colombo Stock Exchange, S&P Capital IQ

Market capitalisation as at 8 July 2021 and earnings are on a trailing twelve month basis as at the last published quarter on 8 July 2021.

#### 4.2.1.3 Comparison of Accounting Ratios of Peer Entities

The comparable ratios of entities that are to some extent similar in business are given below (as per 31 March 2021 interim financial statements). The peer group for SDB bank was selected based on the Banks listed under the Banks industry group, GICS classification on the CSE.

**Table 4-3 Comparison of Key Ratios Across Peers**

Peer Entity	NAV per Share (LKR)	EPS (LKR)	P/E (x)	P/BV (x)	ROE (%)
Commercial Bank of Ceylon PLC	135.49	17.45	4.96	0.65	13.30
Hatton National Bank PLC	299.40	28.13	4.66	0.44	9.60
Sampath Bank PLC	101.76	9.50	5.55	0.52	9.40
National Development Bank PLC	213.73	26.81	2.93	0.37	13.20
Seylan Bank PLC	95.23	5.80	8.44	0.52	6.30
DFCC Bank PLC	165.22	10.38	5.81	0.38	6.60
Nations Trust Bank PLC	126.31	17.24	3.26	0.46	14.40
Pan Asia Banking Corporation PLC	36.58	5.39	2.97	0.47	15.90
Union Bank of Colombo PLC	16.60	0.67	16.53	0.74	4.10
Amana Bank PLC	4.80	0.18	17.39	0.66	3.80
Housing Development Finance Corporation Bank of Sri Lanka	89.89	8.20	4.48	0.42	9.30

Source: Colombo Stock Exchange, S&P Capital IQ

Earnings based metrics are on a trailing twelve month basis as at the last published quarter on 8 July 2021.

All balance sheet information of the respective peers are as at the last published quarter on 8 July 2021.

Market capitalisation as at 8 July 2021.

The Share Issue Price was determined as at 20 May 2021 based on the one (01) month Volume Weighted Average Price ("VWAP") of SDB bank share as at such date and hence no qualitative factors were considered in determination of the Share Issue Price.

#### 4.3 Nature of the New Shares

The New Shares to be issued through the SPO, once allotted, shall rank equal and *pari passu* in all respects with the existing ordinary voting shares of SDB bank, including the right to one vote on a poll at a Meeting of SDB bank on any resolution, right to participate in any dividend declared by SDB bank and right to participate in the distribution of the surplus assets of SDB bank in a liquidation subject to the shareholding limits set out in the Banking Act.

#### 4.4 Size of the Issue

The proposed capital raising of SDB bank if fully subscribed would facilitate SDB bank to raise up to LKR 3,502,000,000/- through the Initial Issue and LKR 1,030,000,000/- through the Further Issue in the event of an oversubscription of the Initial Issue amounting to a total of up to LKR 4,532,000,000/- via the SPO.

## 4.5 Proposed Allocation of Shares under the SPO

Since SDB bank is an entity listed on the CSE and as investors have access to a readily available market to purchase the Ordinary Voting Shares of SDB bank, as per the request made by SDB bank, the CSE in consultation with the SEC has decided to grant a waiver of Rule 2.1.1 (g) of the CSE Listing Rules to SDB bank, provided twenty per centum (20%) of the shares on offer are made available to Retail Individual Investors as defined in the CSE Listing Rules (applicable where the value of the public subscription is below LKR 3 Bn).

Considering the size of the SPO (i.e. > LKR 3 Bn) and in accordance with the above waiver, the Board of Directors of SDB bank has reserved the right to allot the New Shares under the SPO in the following manner in case of an oversubscription of the Issue.

**Table 4-4 Proposed Allocation of New Shares**

Investor Category	Allocation of SPO (%)
Identified investors as decided by the Board of Directors of SDB bank	50.0
Existing Shareholders of SDB bank*	37.5
Other investors*	12.5
	<b>100.0</b>

*\* The 20% of the New Shares of the SPO that are to be made available to Retail Individual Investors, would be from the Existing Shareholders of SDB and the other investor categories. In this instance, an individual investor who subscribes for a maximum of Three Thousand Eight Hundred (3,800) shares or a value of not more than Sri Lanka Rupees Two Hundred Thousand (LKR 200,000/-) will be deemed as Retail Individual Investors for share allotment purposes.*

*In the event of an undersubscription by the Retail Individual Investors, SDB bank will allot the unsubscribed New Shares to other Applicants who are not categorised as Retail Individual Investors.*

Further, the Board of Directors of SDB bank with the intention of securing the requisite subscriptions for the SPO under the Identified Investor category has invited a Cornerstone Investor to participate via the SPO and subscribe in the New Shares as more fully set out in Section 4.6 below.

The allotment of New Shares under the SPO will be made to the investors subject to the shareholding restrictions in the Banking Act.

## 4.6 Cornerstone Investor

The Board of Directors of SDB bank, noting an interest expressed by Belgian Investment Company for Developing Countries NV/SA ("BIO") in acquiring a shareholding of 10% of the issued shares of SDB bank (post SPO) has decided to afford an opportunity for BIO to participate in the SPO as a Cornerstone Investor to invest in SDB bank under the Identified Investor category as mentioned in Section 4.5 above.

Accordingly, BIO and SDB bank have entered into an Investment Agreement on 9 July 2021 pursuant to which BIO will subscribe to 17,957,700 New Shares in the SPO at the Share Issue Price to an investment value of LKR 924,821,550/- assuming a full subscription of the Total Issue, subject to fulfilment of the conditions precedent set out in the Investment Agreement. SDB bank has agreed to ensure that the Basis of Allotment decided by the Board of Directors (as described in Section 5.5) shall be subject to BIO being allotted New Shares under the SPO amounting to a shareholding of 10% of the issued shares of the Bank. The proposed investment by BIO would, if completed, result in the subscription of 20.4% of the New Shares issued under the SPO, assuming full subscription of the Total Issue.

BIO is a company limited by shares, incorporated on 8 December 2001 under the Laws of the Kingdom of Belgium, with its registered office at – until 30 June 2021 – Rue des Petits Carmes 24A, 1000 Brussels, Belgium and – as from 1 July 2021 – Boulevard Bischoffsheimlaan 15 1000 Brussels and registered with the Legal Entities Register under enterprise number BCE 476 286 331. BIO is a development financing institution fully owned and funded by the Belgian State. BIO supports the private sector in developing countries to contribute to their economic and social prosperity and reduce poverty. It invests directly and indirectly in SMEs in emerging and developing countries, in the form of long-term financing (equity, quasi-equity, loans and guarantees). It also provides grants for feasibility studies and technical assistance. BIO operates as an additional partner (*vis-à-vis* local financial institutions) and supports projects demonstrating a balance between financial performance and development impact. BIO is a member of EDFI (European Development Finance Institutions). For more information on BIO, please visit, "<http://www.bio-invest.be>"

In accordance with the above mentioned Investment Agreement and the Articles of Association of SDB bank, if BIO acquires a 10% shareholding in SDB bank, it will be entitled to appoint a director to SDB bank subject to SDB bank obtaining necessary approvals from the CBSL.

## 4.7 Objectives of the Issue

SDB intends to utilise the proceeds of the Issue for the following objectives:

### **Objective 1: Further Strengthen the Equity Base of the Bank and thereby Improve Tier 1 Capital Adequacy Requirements stipulated Under Basel III Guidelines of the Central Bank of Sri Lanka (CBSL)**

In 29 December 2016, the CBSL issued Banking Act Direction No. 1 of 2016 revising the minimum capital requirement for licensed banks with effect from 1 July 2017. According to the said Direction the minimum capital requirement applicable for SDB bank as a Non-Domestic Systemically Important Bank (Non D-SIB) with effective from 1 January 2019 is disclosed in Table 4-5 below.

However, as per the CBSL letter dated 27 March 2020, all licensed banks, both Domestic Systemically Important Banks (D-SIBS) and Non-Domestic Systemically Important Banks (Non D-SIBS) are permitted to drawdown their Capital Conservation Buffer by 100 bps and 50 bps respectively as an immediate extraordinary regulatory measure to provide flexibility to licensed banks to support businesses and individuals affected by the outbreak of COVID-19.

Accordingly, the revised regulatory minimum Capital Adequacy Ratios which are applicable for SDB bank as a Non D-SIB at present are disclosed in Column 2 of Table 4-5 given below.

**Table 4-5 Capital Adequacy Position of SDB**

Components Of Capital	Capital Adequacy Requirements		Capital Adequacy Levels of SDB		
	Minimum Regulatory Requirement (As per the Banking Act Direction No. 1 of 2016 Dated 29 December 2016) %	Revised Regulatory Minimum (As per CBSL Letter Dated 27 March 2020) %	Capital Adequacy Level as at 31 March 2021 %	Capital Adequacy Level Post Initial Issue (i.e., Assuming Full Subscription of the Initial Issue) %	Capital Adequacy Level Post Total Issue (i.e. Assuming Full Subscription of Total Issue) %
Common Equity Tier I Capital with Capital Conservation Buffer	7.00	6.50	9.44	13.00	14.04
Total Tier I Capital with Capital Conservation Buffer	8.50	8.00	9.44	13.00	14.04
Total Capital Ratio with Capital Conservation Buffer	12.50	12.00	12.71	16.26	17.31

The proposed capital enhancement through the Issue would facilitate SDB bank to increase its total capital up to LKR 17,066,707,599/- from the total capital of LKR 12,534,707,599/- as at 31 March 2021.

The capital adequacy position of SDB bank subsequent to the full subscription of the Initial Issue and Total Issue is disclosed in Table 4-5 above. The ultimate capital adequacy position of SDB bank would depend on the number of New Shares to be allotted via the SPO.

**Objective 2: Part Finance the Growth in the Loan Portfolio of SDB bank**

The funds raised via this Issue would be utilised to meet the planned credit growth of SDB bank during FY 2021 and FY 2022 including provision of short- and medium-term financial assistance primarily targeting retail and SME sector customers including co-operatives. As at 31 December 2020, gross loans and receivables stood at LKR 106.0 Bn which is an increase of 19.45% over the loans and receivables as at 31 December 2019. The monthly average disbursement of loans and advances for the quarter ended 31 March 2021 was LKR 7.335 Bn. The impact of COVID-19 pandemic to SDB bank and its operations which may have an impact on the growth of the loan portfolio has been disclosed in Note 6 of the Explanatory Notes to the Interim Financial Statements for the period ended 31 March 2021.

SDB bank expects to meet Objective 1 mentioned above, upon the allotment of New Shares through the SPO. Further, SDB bank intends to utilise the proceeds of the Issue gradually to meet Objective 2 and complete the utilisation of the same before the end of FY 2022 based on the anticipated demand for credit. SDB bank will obtain the approval from the Investment Committee of SDB bank to invest any unutilised proceeds in Government Securities at zero default risk and in fixed deposits in LCBs and money market funds generating a minimum return equivalent to the prevailing overnight REPO rate until such proceeds are utilised for Objective 2 identified above. The Investment Committee which is a subcommittee of the ALCO comprises of eight members including Chief Executive Officer, Deputy Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Head of Treasury, Head of Credit, Head of Marketing, and Head of Finance.

SDB bank, as at the date of this Prospectus, has not recognised any related parties for the lending of the proceeds from the fundraisings and as such, SDB bank will disburse the proceeds in the ordinary course of business. In the event SDB bank decides to disburse part of the proceeds of the Issue to any related party, such disbursements would be carried out in compliance with the Banking Act, its Directions and Section 9 of the Listing Rules of the CSE, as applicable.

The objectives of the Issue do not amount to a major transaction as per the Companies Act.

Audited Financial Statements and composition of Board Related Party Transactions Review Committee are available under "Annual Report –2020" on the web link of SDB bank <https://www.sdb.lk/en/investor-relations/annual-reports> and the web link of the CSE, <https://www.cse.lk/home/company-info/SDB.N0000/financial>.

#### **4.7.1 Benefits to the Shareholders and SPO Investors from the Objectives of the Issue**

It is expected that the improvement in capital adequacy levels emanating from a successful SPO would strengthen the Tier I capital base of SDB bank and thereby support the anticipated asset growth of SDB bank during the next three to four financial years. This would further enhance the stability of the business operations of SDB bank and extend an opportunity for the shareholders and new investors to be part of the growth of SDB bank and benefit from returns in the future through improvement in expected profitability.

The strengthening of the capital base would enable SDB bank to maintain healthy capital adequacy levels and may lead to an improvement of the credit rating of SDB bank which would enable SDB bank to access a wider array of funding options which could be less costly and thereby enhance the loan portfolio and profitability of SDB bank.

## 4.7.2 Specific Risks Relating to the Objectives of the Issue

The proposed amount to be raised through the SPO would strengthen the Capital Adequacy Ratios (post Issue) of SDB bank and fulfil Objective 1. Certain key shareholders of SDB bank and external investors have indicated their in-principle interest to subscribe for the Issue. In the event the Issue is not fully subscribed; SDB bank would resort to alternate options of raising capital with the participation of external investors via private placements (as appropriate) and BASEL III Compliant Debt Instruments subject to obtaining relevant regulatory and shareholder approvals. Further, in the event SDB bank contemplates on any of the aforesaid alternate options of raising capital, SDB bank will make necessary market disclosures to the shareholders in accordance with the CSE Listing Rules as appropriate.

Given the nature of the business and considering the current demand for credit, SDB bank does not foresee any deviations from its objectives or delays in deploying the funds raised via the Issue as mentioned above during the time frames stipulated. However, if the funds raised via the SPO is utilised for any purpose, other than the purposes mentioned above or any deviation from the stipulated time frame to achieve such objectives or any deviation from amount allocated for such objectives, SDB bank will make necessary disclosures to the shareholders via the CSE and include relevant disclosures in the Interim Financial Statements and Annual Report as appropriate. Further, SDB bank will take necessary steps to obtain the approvals of the relevant parties including the shareholders as appropriate at that point in time and make necessary disclosures as appropriate.

SDB bank will disclose the information pertaining to the utilisation of funds raised through the Issue in the Annual Report and Interim Financial Statements from the date of raising funds until the objectives are achieved, and funds are fully utilised as per the template referred to below.

Issue proceeds utilisations as at dd-mm-yyyy

Objective Number	Objective of the Issue	Amount Allocated (LKR Mn)	Proposed Date of Utilisation of Issue Proceeds	Amount Allocated From Proceeds (LKR Mn) (A)	Percentage of Total Proceeds	Amounts Utilised (LKR Mn) (B)	Percentage of Utilisation Against Allocation (B/A)	Clarification if Not Fully Utilised Including Where the Funds are Invested (E.g. whether Lent to Related Parties etc.)
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In the event the proceeds raised through the SPO have been fully utilised by SDB bank as disclosed in the Prospectus between two financial periods, SDB bank would disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first subsequent to the utilisation in its entirety as per the above template.

## 4.8 Listing

An application was made to the CSE as per Rule 5.5 of the CSE Listing Rules and has been approved in-principle for the issue and the listing of the New Shares under the SPO on the “Main Board” of the CSE along with its Ordinary Voting Shares already listed.

However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

## 4.9 Cost of the Issue

The total costs associated with the Issue are estimated to be c. LKR 57 Mn amounting to c. 1.25% of the Total Issue. These include all direct costs and expenses associated with the Issue, inclusive of but not limited to the additional listing fees to the CSE, management/advisory fees payable to the Financial Advisors and Managers to the Issue, brokerage commission, fees for the registrar function, legal, consultancy and accountancy fees, advertising and promotional costs and printing costs. The costs will be recovered from the internally generated funds of SDB bank.

## 4.10 Brokerage

Brokerage at the rate of zero decimal five per centum (0.5%) of the value of the New Shares will be paid in respect of the number of New Shares allotted on Applications to any member/trading member of the CSE or NDB Investment Bank Limited or any other intermediary appointed by SDB bank and Managers to the Issue who is involved in canvassing subscriptions of New Shares from potential investors for the SPO. The identification of such parties who would be entitled to the brokerage fees would be based on the name of the party indicated by the Applicant in the relevant field incorporated for this purpose in the “Registration and Submission” section in the SDB SPO web portal designed for digital/online Applications under the SDB SPO.

## 4.11 Minimum Subscription and Underwriting

There is no minimum amount required to be raised under this Issue. SDB bank has not entered into any formal underwriting arrangements with regards to this Issue.

However, certain key shareholders of SDB bank and external investors have indicated their in-principle interest to subscribe for the Issue.

In the case of an undersubscription of the issue, the subscribers will be allotted the New Shares they have applied for and SDB bank will evaluate alternative financing options to enhance the capital base to finance the envisaged lending portfolio growth as stipulated in Section 4.7 of this Prospectus.

## 4.12 SPO Opening and Closing Dates

The subscription list for the New Shares under the SPO will open at 9.00a.m. on 5 August 2021 and shall, subject to the occurrence of the events in the following paragraph, remain open for fourteen (14) Market Days (including the date of opening) until closure at 4.30p.m. on 24 August 2021.

However, the subscription list will be closed on an earlier date at 4.30p.m. with notification to the CSE on the occurrence of the following. Accordingly the Earliest SPO Closing Date of the Issue shall be SPO Opening Date (i.e. 5 August 2021): -

- The maximum of Total Issue amounting to 88,000,000 New Shares being fully subscribed;
- The Board of Directors of SDB bank decides to close the Issue upon the Initial Issue of 68,000,000 New Shares becoming fully subscribed.
- In the event of an oversubscription of the Initial Issue, if the Board of Directors of the Bank decides to exercise the Further Issue (having subscribed the Initial Issue of 68,000,000 New Shares) but subsequently decides to close the subscription list upon partial satisfaction of subscription under Further Issue, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30p.m.
- In the event the Board of Directors of SDB bank decides to close the Issue without the full subscription of the Initial Issue, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30p.m.

The Board of SDB bank reserves the discretion to close the subscription list on any Market Day within the period of fourteen (14) Market Days, irrespective of whether the Issue is oversubscribed or not, by providing one (01) Market Day's prior notice to the CSE.

Applications may however be made forthwith in the manner set out in Section 5.2 of this Prospectus.

## 4.13 Inspection of Documents

**SDB bank has decided to pursue on a fully digital application process as disclosed in the Prospectus and therefore as per the request made by SDB bank, a waiver on Rule 2.4 (f) of the CSE Listing Rules (which requires the company to make available hard copies of the Prospectus and Application Forms relating to the Issue), has been granted by the CSE. Accordingly, SDB bank is permitted to make available only the soft copies of the Prospectus and the Application Form, which would be hosted on the websites of the CSE, SDB bank and NDBIB.**

Accordingly, the Prospectus, Application Form and Articles of Association of the SDB bank will be available on the website of the CSE, [www.cse.lk](http://www.cse.lk), on the website of the SDB bank, [www.sdb.lk](http://www.sdb.lk), on the websites of the Financial Advisors and Managers to the Issue [www.ndbib.com](http://www.ndbib.com) from the date hereof for a period of not less than fourteen (14) Market Days as stipulated in Rule 3.1.20 (b) of the CSE Listing Rules.

A large, stylized number '50' is centered in the background. The number is composed of horizontal lines, with the '5' and '0' having a slightly irregular, hand-drawn appearance. The lines are white and stand out against the solid blue background.

# *Procedure for Application*

## 5.1 Eligible Applicants

Applications are invited from the following categories of investors, having a valid CDS account in the CDS:

- i. Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age; or
- ii. Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age; or
- iii. Companies, corporations, or institutions incorporated or established within Sri Lanka; or
- iv. Corporate bodies incorporated or established outside Sri Lanka; or
- v. Approved Unit Trusts licensed by the SEC; or
- vi. Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka (in this case, Applications should be in the name of the Trustee/Board of Management); or
- vii. Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- viii. Global, regional and country funds approved by the SEC.

Applications made by **individuals less than 18 years of age** or those in the names of **sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.**

Applications submitted by investors mentioned in (ii), (iv),(vii) and (viii) should be in accordance with the provisions of Foreign Exchange Act No.12 of 2017 and any Directions issued thereunder.

Applications submitted under the Unit Trust Investor Category should conform to the criteria defined by the SEC Directive dated 6 June 2011 (Ref: SEC/LEG/11/06/01).

Eligible applicants may fall into one of the following categories.

- i. Identified Investors as decided by the Board of Directors of SDB bank
- ii. Existing Shareholders of SDB bank
- iii. Other investors

## 5.2 The Procedure for Application –

Applicants applying for the New Shares should submit their Applications via digital/online means as per the procedure set out in this Prospectus.

**The Applicants should submit their online Applications** and other supporting documents together with payment confirmation for New Shares via the SDB SPO web portal **prior to 4.30p.m. local time on the SPO Closing Date, with earliest SPO Closing Date being the SPO Opening Date 5 August 2021.**

### 5.2.1 How to Apply

- **Identified Investor Category**

Investors who fall into this category are the investors identified by the Board of SDB bank as eligible investors to apply for New Shares under the SPO.

The Application Forms will be made available directly to the identified parties/investors by the Bank and/or the Managers to the Issue via email or an application can be downloaded from SDB SPO web portal [www.sdb.lk/spo2021](http://www.sdb.lk/spo2021) designed for this purpose.

The completed Application Forms together with payment confirmation for the full amount payable on the Application via fund transfer (CEFT/SLIPS/RTGS) or direct deposit or bank guarantee should be submitted to the Company Secretary of SDB bank or Managers to the Issue **prior to 4.30p.m. Local Time on the SPO Closing Date**, for onward transmission to the Registrars to the Issue.

Investors under the Identified Investor Category shall not submit Applications directly to the Registrars to the Issue.

- **Existing Shareholders of SDB bank and Other Investors**

Applicants falling under the **Existing Shareholders of SDB bank and Other Investor Categories** should apply for the New Shares **ONLY** using SDB SPO web portal [www.sdb.lk/spo2021](http://www.sdb.lk/spo2021) designed for this purpose. Such Applicants can also access the SDB SPO web portal via the website of the CSE, [www.cse.lk](http://www.cse.lk) or website of SDB bank, [www.sdb.lk](http://www.sdb.lk) or website of the Managers to the Issue, [www.ndbib.com](http://www.ndbib.com).

The completed Application Forms should be submitted to SDB bank via online prior to 4.30p.m. local time on the SPO Closing Date.

Investors can make the subscription for SPO by making payments for Applications either via a fund transfer (CEFT/SLIPS/RTGS) or a direct deposit or bank guarantee (for value above or inclusive of LKR 100 Mn) effected in favour of SPO account mentioned below. Please refer Section "5.3 – Payment of Application Monies" for more details.

**Account Name** : SANASA Development Bank PLC – SPO Account  
**Account Number** : 011710004457  
**Name of the Bank** : Sampath Bank PLC  
**Branch/Code** : Kirulapone/117

Payment for Applications should be initiated and proof of payment obtained prior to making the digital application is a mandatory requirement in submitting the Application Forms via SDB SPO web portal.

Submission of Application Forms via SDB SPO web portal are also be permitted for individual resident investors applying as Joint Applicants or applying through margin trading accounts or under Power of Attorney, non-resident applicants, foreign citizens, corporate bodies, and Unit Trusts.

The duly filled Application Form together with other supporting documents must be submitted online prior to 4.30p.m. local time on the SPO Closing Date. Any applications submitted after the above deadline shall be rejected.

### **Online Application Process**

#### **Step 1 – Access to the Prospectus, Application Form and Other SPO Related Communications**

- The Prospectus, Application Form and all SPO related communications are available through SDB SPO web portal via [www.sdb.lk/spo2021](http://www.sdb.lk/spo2021). The SPO web portal can also be accessed through the website of the CSE, [www.cse.lk](http://www.cse.lk), website of SDB bank, [www.sdb.lk](http://www.sdb.lk) or website of the Managers to the Issue, [www.ndbib.com](http://www.ndbib.com).
- Applicants are advised to carefully follow the instructions/demonstrations given in the Application Form and the SDB SPO web portal prior to applying for the SPO.

### **Step 2 – Applying for New Shares**

- If you wish to apply for the New Shares under the SPO, please download the online Application Form from the SDB SPO web portal. The SPO web portal can also be accessed through the aforementioned websites and complete all the relevant fields in the Application Form as applicable to you.

### **Step 3 – Payment/Remittance Details for New Shares**

- Payment for Applications should be initiated and proof of payment obtained prior to making the digital application is a mandatory requirement in submitting the Application Forms via SDB SPO web portal.
- Payments in respect of New Shares should be made to the below mentioned SPO account either via
  - Online Fund Transfer (CEFT/SLIPS/RTGS); or
  - Direct Deposit. In the event of a direct deposit, please indicate your NIC/Passport/Company Reg. No. (as the case may be) as the reference details in the direct deposit paying-in-slip; or
  - Bank guarantee (only for Applications above or inclusive of LKR 100 Mn)

**Account Name** : SANASA Development Bank PLC – SPO Account  
**Account Number** : 011710004457  
**Name of the Bank** : Sampath Bank PLC  
**Branch/Code** : Kirulapone/117

- Applicants are required to identify the payment mode as applicable to you (i.e. Online Fund Transfer/Direct Deposit/Bank Guarantee). In case of online “fund transfers”, Applicants are required to indicate the “fund transfer reference number” in the relevant field in the SDB SPO web portal provided for this purpose. In case of “direct deposit”, the Applicants are required to upload an image of the deposit paying-in-slip in the relevant field provided for this purpose in the SDB SPO web portal.
- Please refer Section “5.3 – Payment of Application Monies” for more details.

### **Step 4 – Uploading of Application Forms and Other Supporting Documents**

- Application Form can be signed digitally in the space provided for e-signature
- In the case of corporate entities Application Form should be duly signed as stipulated in the constitutional documents of such Applicants.
- Upload the completed duly signed Application Forms, proof of payment of application monies and other supporting documents as applicable to you (i.e. scan copies of Power of Attorney, margin trading agreement, bank guarantee, or in case of non-resident Applicants confirmation from bank with regard to transfer of funds from IIA account or confirmation by trustee for Unit Trust) separately in the relevant field provided for this purpose in the SDB SPO web portal.
- Please insert NIC No./Passport No./Company Registration No. in the relevant field in the SDB SPO web portal prior to submission of the Application to facilitate any verification.

### **Step 5 – Submission of Application Form and Other Supporting Documents**

- Click “Submit” button to complete the submission. You will receive an acknowledgement upon successful submission.
- The duly completed Application Form and other supporting documents must be submitted prior to 4.30p.m. local time on the SPO Closing Date.
- Any Applications submitted after the above deadline shall be rejected.

- **General Instructions**

Unit Trusts should apply for the New Shares using the same online Application Form. The Application Forms will be made available through SDB SPO web portal via [www.sdb.lk/spo2021](http://www.sdb.lk/spo2021). The SPO web portal can also be accessed through the website of the CSE, ([www.cse.lk](http://www.cse.lk)), website of SDB bank, ([www.sdb.lk](http://www.sdb.lk)) and website of the Managers to the Issue, ([www.ndbib.com](http://www.ndbib.com)).

Applications submitted by Unit Trust Investors should also submit a confirmation by the trustee confirming that such Unit Trust is in conformity with the criteria defined by the SEC Directive dated 6 June 2011 (Ref: SEC/LEG/11/06/01) and Rule 2.1.1(g) (ii) (b) of the CSE Listing Rules along with the other supporting documents as applicable.

“Unit Trust Investors” as defined by the SEC Directive dated 6 June 2011 (Ref: SEC/LEG/11/06/01), shall mean growth and balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprise not less than 500 unit holders resident in Sri Lanka who together hold at least 50% of that Unit Trust.

An Applicant of a Joint Application, applying through another Application Form, is deemed to have made multiple Applications and will be rejected.

An Applicant who has made an Application under a margin trading account should not apply individually or jointly on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Subject to the above, the SDB bank/ Managers to the Issue/Registrars to the Issue reserve the right to reject multiple Applications and suspected multiple Applications which are not allowed or to accept only one Application Form at their discretion.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, without any explanation or reason.

Please note that Applicant information such as full name, address, NIC Number/Passport Number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information shall take precedence over information provided in the Application Form.

Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts will be rejected.

Care must be taken to follow the instructions on the Application Form and SDB SPO web portal. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

**You may contact P W Corporate Secretarial (Private) Limited on mobile nos. 076 827 3001, 076 827 3007, 076 399 8223, 076 827 3004, 076 827 3006 and 076 827 3002 or email to [sdb.spo.pwcs@gmail.com](mailto:sdb.spo.pwcs@gmail.com) for any clarifications.**

All Applicants (both resident and non-resident) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate the Passport Number in the Application Form only if they do not have a NIC Number.

As per the Directive of the SEC made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the CDS dated 30 November 2010, all New Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted New Shares to their CDS accounts.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares would be credited to the Applicant's CDS account so indicated (subject to the SDB bank's ledger shareholders being considered for this Issue). Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application by new investors which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

Existing Shareholders of SDB bank who wish to apply for the SPO and who do not have a CDS account are advised to open a CDS account, prior to submitting the Application Form to facilitate the uploading of New Shares to their CDS accounts.

You can open a CDS account through any Member/Trading Member of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the "CSE Mobile App". The CSE mobile application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

**Please note that an allotment of New Shares to investors will only be made if you have a valid CDS account at the time of submission of Application.**

Applicants have the option of having their New Shares "locked" in the CDS. New Shares that are "locked" will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the New Shares need to be deposited to his/her "locked" balance in the CDS account, the said New Shares would be deposited to Applicant's 'trading' balance in the CDS account.

**Operation of a "locked" balance in the CDS**

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS provides a mechanism where securities can be "locked" in the CDS account.

The CDS maintains two balances for each CDS account, namely a "trading" balance and a "locked" balance. The trading balance would be visible to the CDS participants and all dealings and trading would be permitted on the said trading balance, as done normally.

As opposed to the trading balance, the locked balance will not be visible to the CDS participants and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from any unauthorised sale by a broker.

At the option and request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

Application Forms of Existing Shareholders which do not carry a valid CDS account number or which indicate an incorrect/inaccurate CDS account number will not be uploaded on the date specified for upload by the Listing Rules of CSE. Such New Shares will only be registered in the share ledger maintained by the Bank and will not be issued a share certificate but would be issued an acknowledgement that the New Shares are registered in the share ledger. Such shareholders would not be able to trade in the New Shares until such time the same have been deposited with the CDS. Therefore, please ensure strict adherence to the Directive issued by the SEC. ***Please note that share certificates shall not be issued in respect of New Shares allotted under this Issue.***

## 5.2.2 Number of New Shares Applied

Application should be made for a minimum of One Hundred (100) New Shares for a value of Sri Lanka Rupees Five Thousand One Hundred and Fifty (LKR 5,150/-) and in multiples of One Hundred (100) New Shares thereof.

Applications made for less than One Hundred (100) New Shares or for a number which is not in multiples of One Hundred (100) New Shares will be rejected and the application monies will be returned as per Section 5.6 of the Prospectus. **The fund transfer or direct deposit or bank guarantee should be for the exact value of the number of New Shares applied for by multiplying the number of New Shares applied by the Share Issue Price.** Applications with fund transfers or direct deposits or bank guarantees not conforming to the above requirement will be rejected and the application monies will be returned as aforementioned.

Please refer Section 5.3.1 for details with respect to the Mode of Remittance.

## 5.2.3 Identification Information

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

**Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.**

**The NIC, Passport, or Company Registration Number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.**

Resident Applicants may use the Passport for purposes of identification only if they do not have a NIC Number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

Citizenship/Legal Form	Identification Information			
	NIC Number	Passport Number	Company Registration Number	Common Seal or Rubber Stamp
Sri Lankan Citizens	✓			
Sri Lankan Citizens with No NIC Number*		✓		
Foreign Citizens**		✓		
Corporate Entities***			✓	✓

\* In the case of Sri Lankan citizens, the Passport Number will be accepted only when the NIC Number is not available. The CDS account must be for the same Passport Number.

\*\* Foreign citizens must state the Passport Number in the space provided.

\*\*\* In case of a corporate entity, the Company Registration Number must be provided. The common seal or rubber stamp should be affixed and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.

A valid CDS account number must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected. All non-resident Applicants and corporate Applicants should ensure that the Passport Number/Company Registration Number is stated in the relevant cages of the Application Form. All information about the Applicant (i.e. name, address, nationality, and NIC or Passport Number) will be downloaded from the database of the CDS, based on the number given in the Application Form. In the event of any discrepancy between the information in the CDS and in the Application Form, the information in the CDS shall take precedence.

If the CDS account number is not indicated in the Application Form or the number indicated in the Application Form is found to be inaccurate/incorrect, or the account number indicated is not opened at the time of closing the SPO such Application will be rejected and no allotments of New Shares will be made.

## 5.2.4 Key Responsibility of a Non-Resident Investor

Non-resident investors may be affected by the laws of the jurisdiction of their residence. If non-resident investors wish to apply for the New Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

## 5.2.5 Margin Trading

Applicants who wish to apply through their margin trading account should submit the Applications in the name of the "margin provider/Applicant's name" signed by the margin provider via SDB SPO web portal [www.sdb.lk/spo2021](http://www.sdb.lk/spo2021)

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The New Shares shall be uploaded to the CDS account indicated in the Application Form.

The NIC, Passport, or Company Registration Number of the Applicant as the case may be, must be stated in the Application Form.

Resident Applicants may use the Passport for purposes of identification, only if they do not have a NIC Number.

A scanned copy of the margin trading agreement must be uploaded and submitted online via SDB SPO web portal along with the completed Application Form.

A copy of the margin trading agreement should be lodged with the Registrars to the Issue along with a copy of the Application Form prior to 4.30p.m. local time on the SPO Closing Date.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Details regarding multiple Applications are available under Section 5.2.1.

## 5.2.6 Applications Made Under Power of Attorney

In the case of Applications made under Power of Attorney (POA), a scanned copy of the said POA, **certified by a Notary Public** to be a true copy of the original, should be uploaded and submitted online via the SDB SPO web portal together with the completed Application Form.

A true copy of the original POA should be lodged with the Registrars to the Issue along with a copy of the Application Form prior to 4.30p.m. local time on the SPO Closing Date. **The original POA should not be submitted.**

## 5.2.7 Joint Applications

If the ownership of the New Shares is desired in the name of one Applicant, full details should be given only under the heading, **SOLE/FIRST APPLICANT** in the Application Forms. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.

Joint Application Forms are permitted only for natural persons not exceeding three Applicants. Joint Applicants should note that there should not be a combination of residents of Sri Lanka and non-residents. An Applicant of a Joint Application shall not apply through a separate Application Form either individually or jointly.

## 5.3 Payment of Application Monies

### 5.3.1 Mode of Remittance

- (a) Payment in full for the total value of New Shares applied for should be made to the SDB SPO account **"SANASA Development Bank PLC – SPO"** separately in respect of each Application prior to applying for the SPO via the SDB SPO web portal either via fund transfer (CEFT/SLIPS/RTGS) or direct deposit or bank guarantee drawn upon a LCB operating in Sri Lanka as morefully described in Section 5.3.2,5.3.3,5.3.4, and 5.3.5.

- (b) *The Applicants should submit their online Applications via the SDB SPO web portal together with the payment details prior to 4.30p.m. local time on the SPO Closing Date, with earliest SPO Closing Date being the SPO Opening Date.*
- (c) The amount payable should be calculated by multiplying the number of New Shares applied for by the Share Issue Price of LKR 51.50. If there is a discrepancy in the amount transferred and the amount specified in the Application Form, the Application will be rejected.
- (d) Payments for Applications for New Shares of a value up to LKR 5,000,000/- may be supported by a direct deposit or a single CEFT or SLIPS transfer.
- (e) Payments for Applications for New Shares of a value above LKR 5,000,000/- may be supported by a direct deposit or a single RTGS transfer.
- (f) Applicants making Applications for New Shares of a value above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be permitted to submit a single bank guarantee or single RTGS transfer for the full amount indicated in the Application Form. Such Applicants are required to upload a scanned copy of the bank guarantee or in the event of an RTGS transfer, a confirmation as per Section 5.3.4 to SDB SPO web portal along with the Application Form.
- (g) Any other payment mode other than what has been mentioned above will not be accepted.

### 5.3.2 CEFT/SLIPS Transfers

In case of Application made via CEFT/SLIPS transfers, such transfers should be made to the credit of **“SANASA Development Bank PLC – SPO Account”** bearing the account number **011710004457** at **Sampath Bank PLC, Kirulapone Branch prior to 4.30p.m. local time on the SPO Closing Date.**

CEFT/SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL.

Applicants are required to indicate the “fund transfer reference number” in the relevant field in the SDB SPO web portal provided for this purpose when submitting the Application Form via online **prior to 4.30p.m. local time on the SPO Closing Date.**

### 5.3.3 Direct Deposit – Resident Sri Lankan Investors

In case of Applications made using direct deposit via cash/cheque/bank draft, such direct deposit should be made to the credit of **“SANASA Development Bank PLC – SPO Account”** bearing the account number **011710004457** at **Sampath Bank PLC, Kirulapone Branch prior to 4.30p.m. local time on the SPO Closing Date.**

Such direct deposits are subject to a maximum limit of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).

A scanned copy of the deposit paying-in-slip, should be uploaded and submitted online together with the completed Application Form **prior to 4.30p.m. local time on the SPO Closing Date.**

### 5.3.4 RTGS Transfers

In case of RTGS transfers such transfers should be made to the credit of **“SANASA Development Bank PLC – SPO Account”** bearing the account number **011710004457** at **Sampath Bank PLC, Kirulapone Branch** with value on the SPO Opening Date (i.e. the funds to be made available to the above account/s).

The Applicants should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of **“SANASA Development Bank PLC – SPO Account”** bearing the account number **011710004457** at **Sampath Bank PLC, Kirulapone Branch** with value on SPO Opening Date or prior to SPO Closing Date (i.e. the fund to be made available to the above account on the SPO Opening Date or prior to SPO Closing Date and should be uploaded to SDB SPO web portal along with the Application Form).

### 5.3.5 Bank Guarantees

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 5.3.1 will be accepted. Bank guarantees will be presented to the respective banks only after the New Shares have been allotted. Bank guarantees should be issued by any LCB in Sri Lanka and in favour of **“SANASA Development Bank PLC – SPO Account”** in a manner acceptable to the Bank and payable on demand.

**Bank guarantees should be valid for a minimum of one (1) month from the SPO Opening Date.**

Applicants are advised to ensure that sufficient funds/facilities are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

A scanned copy of the original bank guarantee, should be uploaded and submitted online together with the completed Application Form. **The original bank guarantee should be lodged with the Registrars to the Issue along with a copy of the Application Form prior to 4.30p.m. local time on the SPO Closing Date.** Please note that the original bank guarantee is required to be received by the Registrars to the Issue as aforesaid in order to claim funds in respect of such Applications made via bank guarantees. A flexibility may be given as appropriate depending on the situation of the country and due announcement will be made by SDB bank in the regard.

### 5.3.6 Foreign Currency Remittances

This section is applicable to:

- i. Citizens of Sri Lanka who are above 18 years of age and resident overseas.
- ii. Corporate bodies incorporated or established outside Sri Lanka.
- iii. Regional or country funds approved by the SEC.
- iv. Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

A foreign investor may invest through an “Inward Investment Account” (IIA) (previously known as SIA) maintained with any LCB in Sri Lanka. The procedure for arranging payments through a IIA is presented below:

- A foreign investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market.
- The intermediary may open an IIA, on investor’s behalf.
- In conjunction with the IIA, an account with the CDS must be opened in case the investor does not already possess a valid CDS account.
- In respect of regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.
- Payment for New Shares should be made through a fund transfer via CEFT/ SLIPS/ RTGS or bank guarantee issued by a LCB in Sri Lanka against the funds arranged through the IIA and made payable to **“SANASA Development Bank PLC – SPO Account”**.
- CEFT or SLIPS or RTGS transfers or bank guarantees should be endorsed by the issuing custodian bank, to the effect that, arrangements have been made to facilitate such payment to be made against funds available in the individual’s IIA account. The endorsement must be clearly indicated and a scanned document detailing the endorsement should be uploaded to SDB SPO web portal along with the Application Form.

The original bank confirmation and the original bank guarantee (as applicable) should be lodged with the Registrars to the Issue along with a copy of the Application Form prior to 4.30p.m. local time on the SPO Closing Date.

Any refund payments to foreign investors are made in terms of Section 5.6 of this Prospectus.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Head of the Department of Foreign Exchange, Foreign Exchange Department of the Central Bank of Sri Lanka.

### 5.3.7 Restrictions Applicable to Foreign Citizens Resident in Sri Lanka

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee Accounts, only if they possess dual citizenship where one such citizenship is Sri Lankan. **Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form.**

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via fund transfers or direct deposits or bank guarantees or RTGS transfers effected upon Sri Lanka Rupee accounts maintained with any LCB in Sri Lanka but may do so via IIA account as detailed in Section 5.3.6 above. **Applications made by foreign citizens not in accordance to the foregoing shall be rejected.**

### 5.4 Rejection of Applications

- i. Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Bank.
- ii. Any Application Form which does not provide the NIC Number, Passport Number (in the case of a foreign investor and in case of a local investor where NIC is not available) or Company Registration Number as the case may be, will be rejected.
- iii. Applications received via online through the SDB SPO web portal after 4.30p.m. local time on the SPO Closing Date will be rejected.
- iv. Applications made for less than One Hundred (100) New Shares or for a number which is not in multiple of One Hundred (100) New Shares will be rejected.
- v. An Application of a new Applicant which does not carry a CDS account number or indicates a number of a CDS account which is not opened at the time of the closure of the subscription list (either at the time fixed for closing or on the date on which the Issue is subscribed), or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment of New Shares will be made **however subject to SDB bank's ledger shareholders being considered for this Issue.**
- vi. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.
- vii. Applicants should apply only through one investor category and would be permitted to submit only one Application Form. Two or more Applications submitted by the same Applicant either under the same category or different categories will be construed as multiple Applications and will be rejected.
- viii. The Bank reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, as mentioned in Section 5.2.1.
- ix. Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

***Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, for whatsoever reason.***

## 5.5 Basis of Allotment

Considering the size of the SPO (i.e., > LKR 3 Bn) the Board of Directors of the Bank shall reserve the right to allot the New Shares under the SPO in the following manner in case of an oversubscription of the Issue.

Investor Category	Allocation of SPO %
Identified investors as decided by the Board of Directors of SDB bank	50.0
Existing Shareholders of SDB bank*	37.5
Other investors*	12.5
	<b>100.0</b>

*\*20% of the New Shares of the SPO that are to be made available to Retail Individual Investors would be from Existing Shareholders and other investors as morefully described under Section 4.5, depending on the level of subscription by such category under the SPO. In the event of an undersubscription by the Retail Individual Investors, SDB bank will allot the unsubscribed New Shares to other Applicants who are not categorised as Retail Individual Investors.*

It should be noted that as mentioned in Section 4.6 of this Prospectus, the Bank has invited BIO as a Cornerstone Investor, to participate in the SPO under the Identified Investor category, subject to the fulfilment of certain conditions precedent, and subscribe to 17, 957,700 New Shares at the Share Issue Price amounting to an investment value of LKR 924,821,550/- assuming a full subscription of the Total Issue.

In the event of a full subscription of the Total Issue, this investment would result in the Cornerstone Investor being allotted 20.4% of the New Shares issued via the SPO and having a shareholding of 10% of the issued shares of the Bank post SPO. In the event of an undersubscription of the Total Issue, the Board of Directors would endeavour to allot New Shares to the Cornerstone Investor to the maximum extent possible such that BIO would enjoy a shareholding of 10% of the issued shares of the Bank (post SPO).

The allotment of New Shares under the SPO will be made to the investors subject to the shareholding restrictions in the Banking Act.

Subject to the above, the Board of Directors of SDB bank will endeavour to decide and announce to the CSE the basis of allotments as soon as practicable so as to ensure compliance with the Listing Rules. Upon the allotment being decided, an announcement will be made to the CSE.

A written confirmation informing successful Applicants on their allotment of New Shares will be dispatched within ten (10) Market Days from the SPO Closing Date as required by the CSE.

## 5.6 Refunding/Returning of Funds on Partially Accepted/Rejected Applications

Where an Application is accepted only in part or rejected in its entirety, the balance/entirety of the monies received on Application as the case may be, will be refunded. Such refunds will be made on or before the expiry of eight (8) Market Days from the SPO Closing Date (excluding the SPO Closing Date) as required by the CSE Listing Rules. As required by Rule 2.4 (l) of the CSE Listing Rules, Applicants would be entitled to receive interest at the rate of last quoted AWPLR published during the immediately preceding week by the CBSL or any other authority (in the event Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5%) for the delayed period on any refunds not made by the expiry of the aforementioned period.

It is the responsibility of Non-Residents/Foreign Investors to ensure that their IIA details are accurately provided under "Refund Payment Instructions" on the Application Form to forward the refund to IIA through which the Application was made.

### **Refund via Sri Lanka Inter-bank Payment Systems (SLIPS)**

1. The refund payment will be made to the Bank account specified by the Applicant through the SLIPS on or before the expiry of eight (8) Market Days from the SPO Closing Date (excluding the SPO Closing Date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of Applicant's bank account in the Application Form. However, SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL with effect from 29 October 2010 as per Operating Instruction Circular No. 11/2010 dated 25 October 2010.
2. Even though the Applicant has requested for SLIPS transfer for refund amounts and submitted accurate and complete details of the bank account in the Application Form, refund amounts exceeding Sri Lanka Rupees Five Million (LKR 5,000,000/-) will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
3. In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the Bank together with the Registrars to the Issue will send the refund cheques to such Applicants at the earliest possible time and the Applicant should not hold the Bank or the Registrars to the Issue accountable for such delays.

### **Refunds via Crossed Cheque**

1. If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account with respect to refunds via SLIPS, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
2. A request for cancellation of crossing on the refund cheque, in instances where the Applicant does not maintain a current account, should be addressed to the Registrars to the Issue in writing, stating the cheque number and the fact that the Applicant does not maintain a current account. The refund cheque and a clear photocopy of the Applicant's NIC should accompany the letter.

In the event of a refund cheque being delivered by hand by a third party to the Registrars to the Issue for cancellation of crossing, a letter of authorisation signed by the Applicant stating the NIC Number of such third party should also be presented with the refund cheque. Refund cheques on which the crossings have been cancelled by the Registrars to the Issue should preferably be collected in person or by third party authorised by the Applicant. Where an Applicant has requested the delivery of the cheque on which the crossing has been cancelled via post, such cheque will be sent at the risk of the Applicant.

## 5.7 Successful Applicants and CDS Lodgement

The New Shares allotted will be directly uploaded to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days from the SPO Closing Date as requested by the CSE Listing Rules.

All Applicants (both resident and non-resident) should indicate their respective National Identity Card (NIC) Number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate the Passport Number in the Application Form only if they do not have a NIC Number.

As per the Directive of the SEC made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the CDS dated 30 November 2010, all New Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted New Shares to their CDS accounts.

Please note that upon the allotment of New Shares under this Issue, the allotted New Shares would be credited to the Applicant's CDS account so indicated. (subject to SDB bank's ledger shareholders being considered for this Issue). Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application by new investors which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

Existing Shareholders of SDB who wish to apply for the SPO and who do not have a CDS account are advised to open a CDS account, prior to submitting the Application Form to facilitate the uploading of New Shares to their CDS accounts.

You can open a CDS account through any Member/Trading Member of the CSE as set out in Annexure B or through any Custodian Bank as set out in Annexure C of this Prospectus. You can also open a CDS account through the "CSE Mobile App". The CSE mobile application can be downloaded from the Apple App Store (for Apple IOS users) or the Google Play Store (for Google Android users).

A written confirmation, upon the completion of crediting the respective CDS accounts will be sent to the shareholders within two (2) Market Days of crediting the CDS accounts by ordinary post to the address provided by each shareholder in their respective Applications.

Applicants have the option of having their New Shares “locked” in the CDS. Shares that are “locked” will not be available for trading purposes and will not be visible to the participants. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the New Shares need to be deposited to his/her “locked” balance in the CDS account, the said New Shares would be deposited to Applicant’s “trading” balance in the CDS account.

Refer Section 5.2.1 for the definition of “locked”.

Issued New Shares shall not be transferable by the shareholders during the period between the date of allotment of the issued New Shares and up to the date of listing (excluding the date of listing) of the New Shares on the CSE.

## **5.8 Declaration to the CSE and Trading of New Shares of SDB bank**

SDB bank will submit to the CSE a “Declaration” on the Market Day immediately following the day on which the Applicants’ CDS accounts are credited with the New Shares. Trading of the New Shares on the secondary market will commence on or before the third (3<sup>rd</sup>) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.



***Business Operations of  
SANASA Development  
Bank PLC***

## 6.1 Overview of SANASA Development Bank PLC

SANASA Development Bank PLC is a public limited liability company incorporated under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and is registered as a LSB by the CBSL, under the Banking Act No. 30 of 1988 [as amended by the Banking (Amendment), Act of 1995]. SDB bank is listed on the Main Board of the Colombo Stock Exchange.

The Bank's earliest form was conceived in response to a need identified by the SANASA Federation, for an alternative banking partner and primary credit institution to cater to the financial needs of over 8,500 island-wide Co-operative Societies with the aim of mobilising the funds to masses that remained excluded from mainstream development to improve income as well as develop sustainable livelihoods and sustainable communities. As a result, SDB bank has attained an unprecedented level of grassroots-level economic development by stimulating SME and MSME growth island-wide largely through direct disbursement and partly through co-operative societies. Similarly, the Bank's efforts in the area of female oriented enterprise have borne fruit, with increased participation of women in rural industries.

The focus of the Bank on the SME sector draws from its significant role in the economy and in boosting employment country-wide, with SMEs contributing to 52% of national GDP ([http://www.industry.gov.lk/web/images/pdf/framew\\_eng.pdf](http://www.industry.gov.lk/web/images/pdf/framew_eng.pdf)) at present. Extending support to and strengthening SMEs has become critically important in the current context to stimulate the economy so it attains a more upward growth trajectory.

SDB bank's market segments include:

- Co-operative sector financing
- SME financing
- MSME financing
- Retail banking
- Business banking

While maintaining its roots as rural development bank serving Sri Lanka's grass-roots communities, SDB bank has also experienced a phenomenal journey of growth into other segments. Throughout this journey, the Bank, as a bank of masses that caters to co-operative and MSME segments, has consistently transformed itself to better suit the needs of its clientele. This transformation further catalysed by incorporating the advise provided by the IFC in 2015 and embracing of digital technology in both its internal processes and its delivery of banking services to customers as an enabler.

The acquisition of Digital Payments app, "UPay", by SDB bank on 10 June 2019 represents a highlight in the Bank's journey of innovation. UPay continues to make strides and provide both urban and rural customers with a rich digital banking and e-wallet experience that provides a wide selection of mobile payment options, lifestyle conveniences, and POS services. UPay is also part of LANKAQR ecosystem which is Sri Lanka's first standardised, interoperable system of QR codes for digital payments, an initiative under the aegis of the Central Bank of Sri Lanka.

SDB bank also linked up with the LankaPay ATM Network via the LankaPay Common ATM Switch, allowing customers access to funds from almost any ATM island-wide using a SDB bank debit card.

**SDB bank was placed 43<sup>rd</sup> at the Top 100 Most Valuable Brands in Sri Lanka by Brand Finance Lanka 2021 with a brand value of LKR 2.3 Bn two steps forward from last year**

On the back of the Bank’s consistent digital efforts plus its contributions toward rural economic development as well as financial inclusion and literacy in the SME sector, the Bank has received numerous international accolades over the years. In 2021, SDB bank received three prestigious awards from the Global Banking & Finance Review (UK) for “Fastest Growing SME Bank” and “Best Bank for Social Media”. The Bank’s digital payments app UPay was also crowned “Best New Payment Solution Provider” by the same international body.



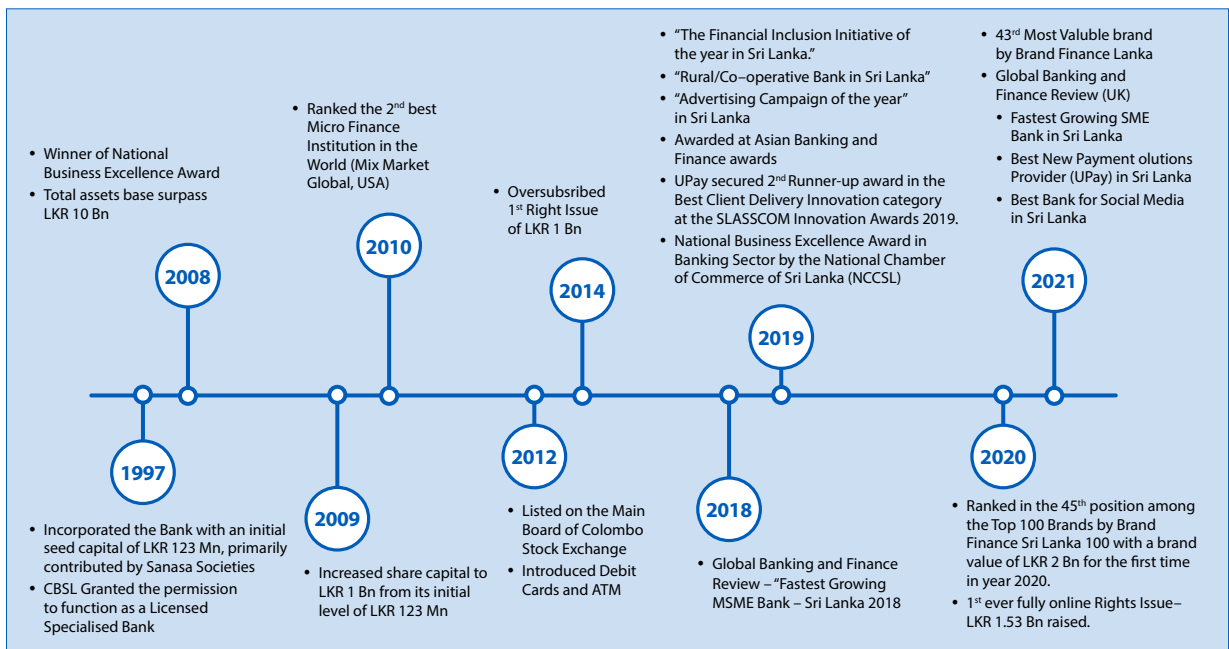
SDB bank has now evolved into a modern, innovative bank that is widely recognised as one of the **fastest growing SME banks in the country**. SDB bank’s **commitment towards innovation** is characterised by the success of its continuous digitalisation initiatives including the popular Digital Payments App **UPay** and **Vertical Debit Card**, among others.

At present, it is evident that the banking sector, similar to other sectors, has been indiscriminately affected by the pandemic. However, SDB bank recorded promising growth with Net Interest Income up by 8%, Profit for the Year up by 229%, its Loan Book at LKR 102,662 Mn (Net) and amounting to a 19.6% increase, plus its Asset Base reaching LKR 129,059 Mn (+20%) during 2020, signifying resilience, even in the most challenging year.

Further, SDB bank maintained its Gross NPL ratio at 4.54% in 2020 and managed to reduce it to 4.47% by March 2021, which is the lowest in the industry (source: CBSL financial sector statistics).

Payment Services (Private) Limited is a fully owned subsidiary of the Bank having acquired on 26 May 2020. Payment Services (Private) Limited was the operator of UPay digital solutions App prior to purchase of this App by SDB bank on 10 June 2019.

**6.2 Key Milestones**



## 6.3 SDB bank's Portfolio of Financial Products and Services

SDB bank provides a wide scope of banking and financial products and services to all levels and segments of society. This is in keeping with its strong social mission to provide high quality, innovative and competitive financial products and services, offered through the best and most customer friendly channels, assisted by latest technologies, while striving to become a leading partner for national development.

The financial products and services presently offered by SDB bank are outlined in more detail below.

### 6.3.1 SME Banking and Financial Solutions



SMEs are the backbone of Sri Lanka's economy (source: Advocata Institute) making this segment a core focus area for SDB bank, whose roots go back to supporting small and medium scale entrepreneurs and rural development. Today, the Bank provides a comprehensive portfolio of financial products and services tailored for the individual and diverse requirements of Sri Lanka's SMEs.

Presently, SDB bank is engaged in financing activities and the provision of financial services to SMEs in the agricultural sector, services sector and to female entrepreneurs, across various industries including export crops/livestock, fruits and vegetables, horticulture, tourism, leisure, IT, construction, education, healthcare, beauty, and many more.

SDB bank's SME product range includes loan facilities for young entrepreneurs, female entrepreneurs, retired Government servants, leasing and high interest rates savings.

 **SDB**  
**SME Plus**

 **SDB SME**  
**Jawaya**

 **SDB**  
**Leasing**

 **SDB SME**  
**Uththamavi**

### 6.3.2 Retail Banking and Financial Solutions



SDB bank's retail banking solutions provide compelling and powerful propositions tailored for retail customers. These products and services are further supported and delivered via SDB bank's class leading digital channels, further increasing accessibility and useability. Presently, the Bank provides a host of retail banking and financial products and services across categories such as savings, fixed deposits and investments, personal loans, pawning, and leasing.

#### Savings

SDB bank offers a variety of savings products aimed at empowering children, women, female entrepreneurs, young adults and senior citizens.

 **Uththamavi**     **Lakdaru**     **Jawaya**     **Upahara**     **Top Saver**

#### Fixed Deposits and Investments

SDB bank's fixed deposit facilities are highly secure investments that yield attractive interest rates, while also providing special investment schemes for children and women.

 **Upahara**     **Fixed Deposits**     **Dayada**     **Investment Uththamavi**

### Personal Loans

SDB bank is a reputed provider of loans to retail customers including personal loans, housing loans, gold loans and loans to war veterans, differently abled individuals, and public sector employees.



**Housing Loan**



**Athamaru**



**Personal Loan**



**Uththamachara**

### Pawning and Leasing

SDB bank offers tailor-made leasing facilities with flexible repayment schemes at competitive rates, along with fast, secure, and confidential pawning services.



**Pawning**



**Leasing**



**Ranmini**

### Loans



As modern bank with rural roots, SDB bank provides a range of financial services that are particularly tailored for co-operatives. This includes loan facilities at prevailing interest rates as well as special purpose loans as follows:

- **Agricultural Loans**

These are short-term loans geared towards supporting crop cultivation and livestock husbandry and are designed for small-scale plantations and farms.

- **Equipment/Machinery Loans**

These facilities enable members to spread out the cost of their equipment over a 3-year period through monthly repayments at prevailing interest rates.

- **Export/Import Loans**

For co-operative members engaged in import/export businesses, these facilities provide the necessary flexibility needed to support this important economic activity.

- **Tech Loans**

Digitisation and digitalisation are key to embracing the future of business. Thus, these loans are designed to empower members to invest in computers, laptops, and other technology needed to enhance productivity and economic growth.

### Savings

SDB bank also provides savings products for co-operatives, including highly attractive savings facilities targeting all co-operatives including connect co-operative societies, NGOs and registered voluntary societies.



## 6.4 Digital Banking Solutions

SDB bank has been a leading player in the digital space in Sri Lanka, being one of the first banks to identify and understand the importance of digitalisation. The Bank has now developed its strategy and customer experience around a digital framework that is helping to provide unprecedented convenience, while also helping to drive business. The Bank's inclusive approach to digital banking has enabled it to truly take digital banking to rural Sri Lanka and enable mass scale adoption across society.

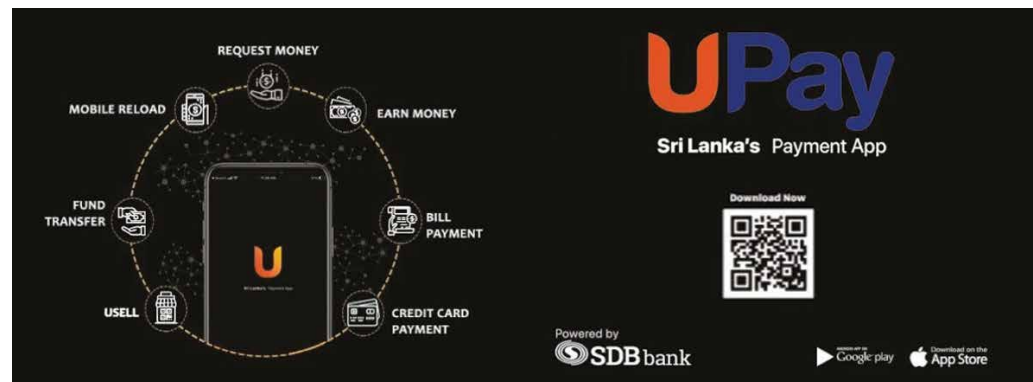
The Bank's digital strategy has facilitated **4.5 times faster customer acquisition**, compared to traditional banking acquisition, with UPay customers growing 4.5 times faster than traditional banking customers. (source: SDB bank Annual Report 2020)

Today, SDB bank provides a host of cutting-edge digital banking solutions to its customers.

- UPay – Connected to LANKAQR
- SDB Mobile Banking
- Business Internet Banking
- SDB debit card through Lanka Pay ATM

SDB bank's flagship digital offerings are outlined below:

### UPay – Digital Wallet



UPay is SDB bank's flagship digital offering; a fine example of a next-gen digital banking and payments app. It enables customers to bring their payments and banking information, including SDB and other accounts and cards, into a single seamless user interface, with plenty of value additions and integration. All of this is made possible through the Bank's open outlook and extensive partnerships and synergies with Sri Lanka's leading companies and organisations. UPay adopts an approach that appeals to all sections of society in Sri Lanka and through multilingual enablement, makes digital banking accessible to all.

The performance of SDB bank's UPay app has been remarkable. Since launch in 2019, the app has acquired 153 000 registered users, along with achieving monthly transaction values exceeding LKR 500 Mn and now serves a merchant network that includes over 4900 businesses across Sri Lanka.

SDB bank is cognisant of the emerging trend and drive towards greater integration in terms of financial services. The Bank's digital team understands that tomorrow's digital banking solutions are about partnerships, which is reflected in features such as those that allow customers to use UPay not just to handle payments, but also to do other things such as channel a doctor or earn money through UEarn feature, right from within the app. Integration with the LANKAQR network and open APIs further serve to improve the reach and usability of this product for day-to-day transactions. With SDB bank's digital transformation programme gathering further momentum, its strong involvement in CBSL's "LANKAQR" programme, enabling and supporting the growth of Digital SMEs, plus its strategic product rebranding effort augmenting its already high equity and brand value, SDB bank is poised to emerge from the aftermath of the pandemic as a major player in the Sri Lankan banking industry.

### SDB Mobile Banking

The SDB Mobile Banking app was launched in September 2019 to all SDB bank customers, enabling convenient access to banking services 24/7. Mobile banking enables features such as digital onboarding, online FD/loan processing and other similar services. Transactions amounting to LKR 2.5 Bn have been carried out with the registered user base of over 12,000 users.



### Vertical Debit Card

SDB bank's vertical debit card provides access to over 5,000 Lanka Pay ATMs island-wide. Launched amidst the pandemic, the SDB bank vertical debit card has gained remarkable traction amongst SDB bank's customer base of 151,573 users carrying out over LKR 13 Bn worth of transactions within just 12 months of launch. SDB bank intends to enhance its digital footprint even further by fully integrating its services to create a cashless ecosystem.



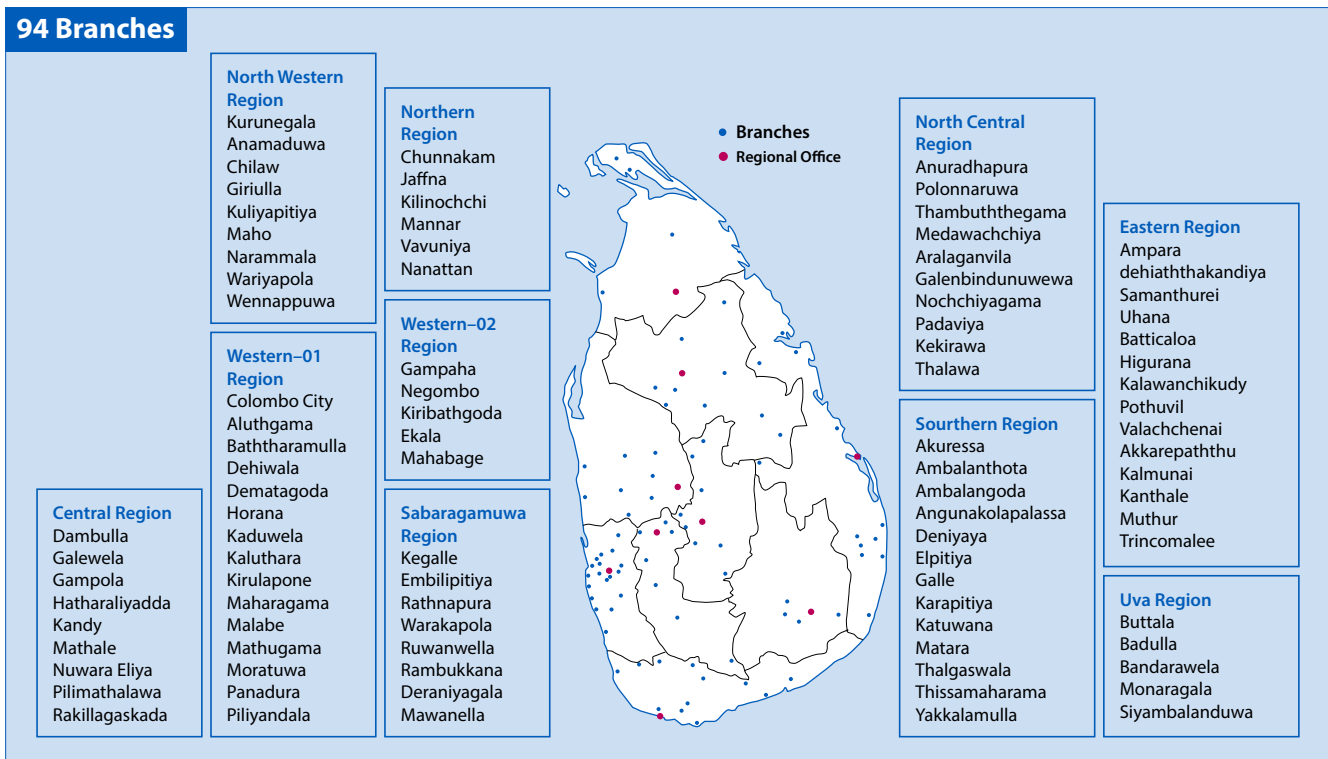
## SDB Business Internet Banking Portal



Launched in September 2019, SDB Business Internet Banking brings the latest banking services to SDB bank's corporate, co-operative and SME customers. The platform enables ultramodern features such as digital onboarding, online FD/loan processing, utility payments, bulk payments, cash management and other features that customers would find essential and convenient. As the future unfolds, SDB bank anticipates that Sri Lanka's SMEs will migrate from their current legacy payment mechanisms to digital payments and SDB Business Internet Banking Portal is positioned to empower customers as they do so.

## 6.5 Physical Infrastructure of SDB bank

The SDB bank has a significant physical presence throughout the Island via its network of 94 branches through which it has effectively established and enhanced its strong brand equity. SDB bank's branch network is strategically located to capture the full potential of Sri Lanka's grass-root communities.



## 6.6 Strategic Partnerships

One of SDB bank's core strategies is "partnerships for growth" as the Bank understands that integration and collaboration is key to success in the modern age. SDB bank has worked hard to establish partnerships with Sri Lanka's top organisations, companies and brands to provide better, more comprehensive and seamless services to customers. In 2020, despite disruptions due to the COVID-19, SDB continued to establish high quality strategic partnerships that contribute towards the Bank's growth and service objectives.

- During the year, strategic partnerships with agencies and brands such as Browns, DIMO, MILCO and others have considerably contributed towards strengthening the rural agricultural economy. In just a period of six months last year, the Bank leased out 400 tractors to the farming community, which represents 10% of all tractors sold in Sri Lanka.
- To support the country's dairy industry, SDB bank entered into a partnership with MILCO (Pvt) Ltd., the manufacturers of the popular Highland brand of dairy products. Through this partnership, SDB bank will provide financial support for 1,000 dairy farmers from the MILCO farming network in the North Central Province, in Anuradhapura and Polonnaruwa, using the SDB bank's own funds. This partnership is a significant contribution towards national development by SDB bank to support dairy farmers and to help develop the country's dairy industry. The project is also of great strategic value given the potential for the dairy industry's growth in Sri Lanka. As members of the MILCO network, the selected farmers have a secure market for their dairy products and thus good creditworthiness.
- In 2020 the Bank partnered with The Institute of Chartered Accountants of Sri Lanka (ICASL), as part of the SME task force, which is a mentoring programme for micro, small, and medium enterprises. The ICASL has called for 1,000 chartered accountants to volunteer as mentors to help develop Sri Lanka's SMEs by educating entrepreneurs on financial principles, accounting concepts and sound financial management. SDB bank has put forward both mentoring and financial support for SMEs and microenterprises through this programme. SDB bank will also provide such businesses with access to credit to help promote sustainable growth. The partnership will also contribute towards the expansion of SDB bank's customer portfolio over the next few months.
- SDB bank has entered into a partnership with the CBSL to activate its SAPP programme in supporting Chilli farmers in the North Central Province.
- In 2021, SDB bank partnered with the Sri Lanka Institute of Marketing (SLIM) in the SLIM all island, agri-SME support project, called SLIM Agri-Saviya. SDB bank is a banking partner that provides financial services for agricultural SMEs, which are often underserved and marginalised by traditional commercial banks.
- In collaboration with the CBSL, SDB bank championed LANKAQR, the standardised interoperable national QR code system for digital payments, which has revolutionised digital financial transactions in the country and will pave the way for a digital rural economy. Within a short period of time, the LANKAQR network has grown to include to 250,000+1 merchants across Sri Lanka. Mass scale adoption of LANKAQR will generate multiple benefits for the national economy, including savings on currency printing, and lead to a more business friendly, low interest rate environment. This partnership, coupled with SDB bank's extremely popular UPay app gives SDB bank a unique strategic advantage in Sri Lanka's emerging rural digital economy.

### International Partnerships

- During 2021, the Bank expects to receive a USD 40 Mn credit line from the United States International Development Finance Corporation (DFC) to develop rural SMEs and women entrepreneurs, while the Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), has committed to offer a USD 15 Mn loan facility for SME development. SDB bank is in the process of negotiating with both DFC and FMO to finalise the said facilities.
- In 2019, the Bank successfully raised USD 10 Mn from Stichting Fondsbeheer DGGF Lokaal MKB duly represented by Triple Jump B.V. and USD 8 Mn from the Belgian Investment Company for Developing Countries (BIO) through an issuance of unlisted subordinated five-year term debt with a non-viability conversion under Tier 2 Capital of the Bank. Both debts are subject to compliance with the conditions stipulated in the Banking Act Direction No. 1 of 2016 on capital requirements under BASEL III guidelines published by the CBSL.
- The Bank's partnerships with international investors such as SBI Emerging Asia Financial Sector Fund Pte. Ltd., International Finance Corporation and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Stichting Fondsbeheer DGGF Lokaal MKB duly represented by Triple Jump B.V. and Belgian Investment Company for Developing Countries NV/SA-BIO, confirm SDB bank's sound record of good governance and the trust that international investors have placed in the Bank.
- To explore opportunities in the global Co-operative arena, SDB bank has relationships with International Co-operative Alliance (ICA), Asian Confederation of Credit Unions (ACCU), International Raiffeisen Union (IRU) and Centre for International Cooperation in Agricultural Banking (CICAB).
- Since 1978, the SANASA network has also been in partnership with Rabo Bank of the Netherlands. The World Council of Credit Unions and other world co-operative associations for the roll-out of various development programmes. Internationally, SANASA Federation is connected with all world co-operative federations and is a member of all international and regional cooperative bodies.

## 6.7 Human Capital

SDB bank is home to a diverse group of over 1,460 employees, as of 30 June 2021, with a near 52% : 48% split between both genders, cementing the Bank's status as an equal opportunity employer. SDB bank is constantly striving to strengthen cooperation and engagement among its growing workforce and, following the findings of a survey conducted as part of the "Great Place to Work Programme" in 2019, a more targeted and comprehensive employee engagement strategy has been deployed since 2020.

Comprehensive training programmes are an important element of the endeavour to equip SDB's team with the levels of knowledge and skill necessary for the execution of predetermined development goals. LKR 7.9 Mn was spent on training in 2020, reflecting the SDB bank's commitment to developing its human capital. The Bank also places emphasis on the development of both soft skills and technical skills of its employees. SDB engages with employees to create two-way relationships to inculcate a team spirit, to share information about the Bank's vision and strategies, to understand the needs and aspirations of staff, and to enhance employees' skills and competencies through training and inspired leadership.

SDB bank is committed to delivering value to its employees through training, development, benefits and experiences. SDB bank understands that these components work together to help make each individual more productive, while also improving the Bank's bottom line, while helping to grow the collective wealth of our society.

SDB bank has two trade unions, Ceylon Bank Employees Union (CBEU), with 1,120 members and Executive Officers Association (EOA) with 51 members. SDB bank enters into a collective agreement with CBEU, which is negotiated and renewed every three years. The EOA is formed by the Executive Officers of SDB bank and has not come up with collective bargaining.



## 6.8 Corporate Social Responsibility

The philosophy at the heart of SDB bank is one of social responsibility and community development. Being a bank that primarily focuses on fulfilling the financial needs of SMEs, co-operatives and the grass-roots level communities, SDB bank pays considerable efforts in its commitment towards the United Nations Sustainable Development Goals. SDB bank conducts all operations with these concepts at the forefront.

SDB bank has always been committed to the safety and protection of the nation and, thus, the Bank has undertaken initiatives to help with the fight against COVID-19. A significant initiative in this regard involved the donation of an electric buggy car to the Mulleriyawa Base Hospital to help with the transportation of weak COVID patients to their respective wards.





SDB bank gives scholarships for the primary level and conducts seminars for children in rural villages island-wide to improve their knowledge in the field of technology. SDB bank also engages in numerous religious activities with the participation of the members of the staff. SDB bank's ongoing CSR initiative – SDB Lakdaru Scholarships provides academic support for children preparing for the Grade 5 Scholarship examinations in rural communities. More than 4,400 students throughout the country have benefited from this initiative in 2019.



SDB bank carries out educational workshops to assist female micro entrepreneurs and other women's empowerment programmes which have, thus far, successfully trained 300 female entrepreneurs in 2020.



SDB bank lends a substantial proportion of its funds to co-operative societies, which serve the country's grassroots communities. In yet another stride towards empowering women entrepreneurs and supporting SMEs, SDB bank entered to a partnership with the SME Task force of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to push forward a collaborative development initiative geared towards contributing towards the development of the national economy. Direct assistance was provided to Sri Lanka's rural farmers, with 1,000 chili farmers in the North Central Province and 1,000 turmeric farmers in the Uva Province benefiting from the programme.

The Bank has also committed to reduce, recycle, and reuse resources through its sustainable consumption practices, enabling SDB bank to cut costs in paper, fuel, and energy, while contributing towards a better environment for all.



## 6.9 Core Competencies of SDB bank

### 6.9.1 Digital Banking Prowess

SDB bank is of the firm belief that “Digital Banking” will be a game-changer in the industry and SDB is fully positioned to lead its clients, including grassroots communities, towards a “cashless society” through its comprehensive digital product portfolio. SDB bank’s customer base has also been evolving in terms of technological prowess and income level and therefore expects more innovative digital offerings.

With its current market presence via the UPay app, mobile banking, business online banking and other digital offerings, SDB bank is uniquely positioned to capitalise on this paradigm shift from in person and paper-based systems to new paperless, fully digital solutions.

### 6.9.2 Widespread Geographical Footprint

SDB bank already possesses a far-reaching distribution network with 94 branches present in all 9 provinces in the country. The Bank also utilises its unique connection to the widespread SANASA movement to garner a captive customer base. With its existing digital footprint, SDB bank finds itself in the driving seat whereby the need to pursue an aggressive branch expansion strategy to capture upcoming rural markets.

### 6.9.3 Strong Leadership and Management

The Board of Directors of SDB bank consists of personalities with a diverse set of skills stemming from a wealth of experience in various fields such as management, banking, business, accounting, human resource management, and co-operative enterprise development. The Board of Directors of SDB bank is committed to maintaining the highest standards of transparency, integrity, and accountability through good corporate governance practices, which form the bedrock of sustainable value creation for the Bank. This commitment has enhanced credibility and stakeholder confidence in the Bank, enabling it to attract new investors and remain resilient in the face of industry vulnerabilities and economic stress.

In addition, SDB bank boasts a professional Corporate Management team, all of whom have high academic and professional qualifications across a number of fields including IT, finance, law, banking, agriculture, marketing, human resources management, and risk management. Furthermore, the team collectively encompasses a wealth of professional corporate experience in IT, banking, finance, marketing, and law. This combination makes for a dynamic and powerful management team capable of leading the Bank to new heights year on year.

#### **6.9.4 Diverse Product Portfolio**

SDB bank's wide ranging product portfolio consists of over 30 loan and deposit products which are meticulously designed and targeted at individuals, SMEs, and co-operatives. The versatility of its tailor-made SME and co-operative financial solutions is unmatched in the market. Its diverse product portfolio is now further enhanced in value by the addition of its digital banking and financial solutions.

#### **6.9.5 Sound Corporate Governance Practices and Commitment to Sustainability**

SDB bank's Board comprises of 11 Directors, all of whom are Non-Executive. The Bank also carries out its operations adhering to the corporate governance requirements of the CBSL and the code of corporate governance by the SEC and the CSE. The rights of the minority shareholders are safeguarded by the absence of a sole entity dominating the shareholding structure of SDB bank.

Further, as a responsible corporate citizen with a strong rural presence in Sri Lanka SDB bank aims to leverage its strategic direction and core operations towards the socio-economic progress of the communities within which it operates. By aligning with them in this manner, SDB bank will also contribute towards attaining the UN Sustainable Development Goals (SDGs).

#### **6.9.6 Technical Assistance from Renowned External Agencies**




The Bank obtains technical assistance from globally renowned institutions such as IFC, Dutch Good Growth Fund (DGGF), Rabobank and Canadian International Development Agency (CIDA) to upgrade its current systems and processes in order to accommodate the transformations required when migrating from Micro Finance to the SME Sector.

#### **6.9.7 Recognised Expertise in the Micro Credit Industry**

Over the years, tailor-made micro finance concepts well-suited to local rural communities have been developed and have enabled the Bank to effectively attract new customers and grow. SDB bank has received many international accolades for its contribution toward rural economic development and financial inclusion, including being recognised as the 2<sup>nd</sup> Best Microfinance Institution in the World – 2010 by Mix Market Global USA, as well as the Fastest Growing SME Bank in Sri Lanka – 2021 award from Global Banking and Finance Review (UK).

## 6.10 Accolades and Awards

SDB bank has been recognised for its commitment towards innovation and providing value added financial offerings to the banking sector as highlighted below.

Year	Award
2021	<p>Ranked 43<sup>rd</sup> among the Top 100 Brands by Brand Finance Sri Lanka 100 with a brand value of LKR 2.3 Bn in the year 2021.</p> <p>Global Banking and Finance Review (UK):</p> <ul style="list-style-type: none"> <li>• “Fastest Growing SME Bank in Sri Lanka”</li> <li>• “Best New Payment Solutions Provider (UPay) in Sri Lanka”</li> <li>• “Best Bank for Social Media in Sri Lanka”</li> </ul> 
2020	<p>Ranked 45<sup>th</sup> among the Top 100 Brands by Brand Finance Sri Lanka 100 with a brand value of LKR 2 Bn for the first time in the year 2020.</p>  <p><b>Global Banking &amp; Finance Awards</b></p> <ul style="list-style-type: none"> <li>• Best CSR Bank Sri Lanka 2020</li> <li>• Banking Customer Satisfaction and Happiness Sri Lanka 2020</li> </ul> <p><b>Asian Banking and Finance Awards</b></p> <ul style="list-style-type: none"> <li>• Rural/Co-operative Bank of the Year – Sri Lanka</li> <li>• Financial Inclusion Initiative of the Year – Sri Lanka</li> <li>• Digital Wallet Initiative of the Year - Sri Lanka</li> </ul>
2019	<p>Awarded at Asian Banking and Finance awards for:</p> <ul style="list-style-type: none"> <li>• “The Financial Inclusion Initiative of the year in Sri Lanka”</li> <li>• “Rural/Co-operative Bank in Sri Lanka”</li> <li>• “Advertising Campaign of the Year” in Sri Lanka.</li> <li>• UPay secured 2<sup>nd</sup> Runner-up award in the Best Client Delivery Innovation category at the SLASSCOM Innovation Awards 2019.</li> <li>• National Business Excellence Award in Banking Sector by the National Chamber of Commerce of Sri Lanka (NCCSL)</li> </ul>
2018	 <p>Global Banking and Finance Review – “Fastest Growing MSME Bank – Sri Lanka 2018”</p>



***Corporate  
Structure***

## 7.1 Board of Directors of SANASA Development Bank PLC

The Board of Directors of SANASA Development Bank PLC gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Bank. The Board consists of five (5) Independent, Non-Executive Directors and six (6) Non-Independent, Non-Executive Directors. As at the date of this Prospectus, the composition of the Board is as follows:

**Table 7-1 Details of Board of Directors**

Name	Designation	Address
Mr. Lakshman Abeysekera	Chairman – Independent, Non-Executive Director	No.133, Duwa Road, Beddagana, Pita Kotte
Prof. Sampath Amaratunge	Independent, Non-Executive Director	No. 22/5, Nisansala Place, Pansala Road, Attidiya, Dehiwala
Mr. Prabhash Subasinghe	Non-Independent , Non-Executive Director	No.18, De Fonseka Road, Colombo 05
Mr. S Lionel Thilakarathne	Non-Independent, Non-Executive Director	1st Lane, Viharagama, Nikaweratiya
Mr. Chaaminda Kumarasiri	Independent, Non-Executive Director	No. 226 A/1, Parakrama Mawatha, Neelammahara, Borelasgamuwa
Mr. Prasanna Premaratna	Independent, Non-Executive Director	No. 125/18, Wijaya Road, Talahena, Malabe
Mr. B R A Bandara	Non-Independent, Non-Executive Director	Alawathupitiya, Panaliya, Polgahawela
Ms. Dinithi Ratnayake	Non-Independent, Non-Executive Director	No. A/11/2, Empire, 51, Braybrook Place, Colombo 02
Mr. J A L G Jayasinghe	Non-Independent, Non-Executive Director	No. J4/24, Walagodawaththa, Waldeniya, Kegalle
Mr. Thusantha Wijemanna	Independent, Non-Executive Director	No.12A, Attampolawatta Road, Hendala, Wattala
Mr. S H Sarath Nandasiri*	Non-Independent, Non-Executive Director	Kamburupola, Munamaldeniya

\* Mr. S H Sarath Nandasiri has been appointed to the Board w.e.f. 25 June 2021 subject to the approval of CBSL.

### 7.1.1 Director Profiles



**Mr. Lakshman Abeysekera**  
*Chairman – Independent,  
Non-Executive Director*

Appointed to the Board in 2013 and appointed as the Chairman with effect from 22 May 2020.

Mr. Abeysekera draws from almost three decades of experience in the fields of Accounting, Finance and Management and he is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka as well as a Member of Governing Council of Association of Accounting Technicians of Sri Lanka.

Mr. Abeysekera is highly proficient in international trade, shipping, and pharmaceutical sectors across local, public quoted, and multinational companies. He presently holds Non-Executive, Independent Directorship at People's Insurance PLC and Directorship at JanRich Foods Ltd.

Mr. Abeysekera holds an MBA from the Postgraduate Institute of Management-University of Sri Jayewardenepura, he held the positions of Chief Financial Officer at Emerchemie NB (Ceylon) Limited, Senior Accountant at Lankem Ceylon PLC and Accountant at Hoechst (Ceylon) Limited. Further he held the Directorships of Nov-Ex Pharmaceuticals Limited, AAT Sri Lanka.



**Prof. Sampath Amaratunge**  
*Independent,  
Non-Executive Director*

Appointed to the Board in 2016

Prof. Amaratunge is an expert in the field of economics with special reference to rural development and draws from three decades of service as a leading academic in Sri Lanka and he is the current Chairman of University Grants Commission (UGC). He presently holds Directorships at Citizen Development Business Finance PLC, LAUGFS Gas PLC, Raigam Wayamba Salterns PLC, Sourthern Salt Company (Pvt) Ltd and Raigam Wayamba Cereals (Pvt) Ltd.

Having published more than 75 articles in international and national refereed journals and proceedings, Prof Amaratunge holds a BA (Hons.) in Economics from the University of Sri Jayewardenepura, MA in Economics from the University of Colombo, and MSc in Economics of Rural Development from the

Saga National University and PhD from Kogoshima National University in Japan. Prof Amaratunge was also a recipient of the prestigious Research Excellence Award in 2002, awarded by Kyushu Society of Rural Economics, Japan, which is in addition to several other local and international awards. He was a Vice-Chancellor of the University of Sri Jayewardenepura, a Member of the University Grants Commission and Chairman of the Federation of University Teachers Association (FUTA).



**Mr. Prabhask Subasinghe**  
*Non-Independent,  
Non-Executive Director*

Appointed to the Board in 2017

A visionary entrepreneur with an established leadership record in diverse industries including rubber, seafood, insurance, and banking. Mr. Subasinghe is also the Managing Director of Ayenka Holdings (Pvt) Ltd., Global Rubber Industries (Pvt) Ltd., Global Seafoods (Pvt) Ltd., and Global Fisheries (Pvt) Ltd., and a Board Member of Sri Lanka Society of Rubber Industry. Further, he was the Chairman of the Sri Lanka Association of Manufacturers and Exporters of Rubber Products and a Key Advisor for the National Export Strategy. During the past several years he served as a Member of Sri Lanka Exports Development Board (EDB) and from December 2019 – December 2020 he served as the Chairman of EDB – Sri Lanka. He holds a BSc in Applied Economics and Business Management from Ivy League Cornell University followed by Executive Level education at Harvard, INSEAD and the Center of Creative Leadership Colorado USA. Mr. Subasinghe was also the President of the Seafood Exporters Association of Sri Lanka.



**Mr. S Lionel Thilakarathne**  
*Non-Independent,  
Non-Executive Director*

Appointed to the Board in 2017

With extensive experience in Project Management and Participatory Project Planning and Implementation in rural areas, Mr. Thilakarathne has been actively engaged in implementing many community development programmes in Agriculture and Fisheries. He is also an experienced trainer, having developed a training curriculum and conducted TOT training on establishing Community

Governance. He has published three books on Participatory Governance. Mr. Thilakarathne holds a Diploma in Management from the Open University of Sri Lanka. Currently, he is the Chairman of Nikaweratiya Sanasa Union LTD., Executive Director of Rural Centre for Development (SANGRAMA), Treasurer of Green Movement of Sri Lanka and Director of Governance Forums of Sri Lanka.



**Mr. Chaaminda Kumarasiri**  
*Independent,  
Non-Executive Director*

Appointed to the Board in 2018

A good governance advocate, thought leader, corporate trainer, leadership coach, and management consultant with many years of experience. Mr. Kumarasiri holds senior leadership positions in leading local as well as multinational organisations.

He is the Founder/CEO of the Human Capital Partner and the Chairman/Principal Consultant of HCP Consulting (Pvt.) Ltd. and Director of Cee Bee Marketing Services (Pvt) Ltd. He is also a regular writer on Financial Literacy, Strategic Management and Leadership for print media and a sought after resource person for organisational transformation projects and capacity building initiatives. Mr. Kumarasiri counts over 20 years of lecturing and corporate training experience focused on strategic planning, leadership development, organisational transformation, change management, and financial intelligence for business managers and emotional well-being through mindfulness.

He is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Association of Chartered Certified Accountants (ACCA) – UK, and the Association of Accounting Technicians of Sri Lanka (AAT) and also an Associate Member of the Institute of Certified Management Accountants of Sri Lanka (CMA). He holds a BSc Accountancy (Special) degree from the University of Sri Jayewardenepura with a First Class and has completed his MBA in Finance at the University of Colombo.

He also serves as a Director of Telecommunication Regulatory Commission of Sri Lanka, Member of the Governing Council of The Institute of Chartered Accountants of Sri Lanka; the national body of accountants. Mr. Kumarasiri previously also held the positions of Financial Controller at Bank of Ceylon, Chief Financial Officer at The Lanka Hospitals Corporation PLC, Assistant Vice President at HSBC Securities Services and Senior Manager – Assurance and Advisory Business Services at Ernst & Young including a secondment to the Financial Services Area office of Ernst & Young LLP, New York.



**Mr. Prasanna Premaratna**

*Independent,  
Non-Executive Director*

Appointed to the Board in 2018

Drawing from over 30 years of private and public sector experience as an Agriculturist and Development Banker, Mr. Premaratna was heavily invested in the development of Small and Medium Scale Enterprises (SME) across Sri Lanka. As a Development Banker, he was mainly involved in assisting many start-up projects. Mr. Premaratna has been appointed as the Chairman of South Asia Partnership of Sri Lanka (SAPSRI) whilst he was serving as a Director since 2010. Mr. Premaratna holds a MSc Degree in Agriculture from Kuban Institute of Agriculture Krasnodar City USSR, a Postgraduate Diploma in Bank Management from the Institute of Bankers of Sri Lanka and a Postgraduate Executive Diploma in International Relations from the Bandaranaike Centre for International Studies (BCIS) Colombo. He has participated in many local and overseas programmes in Development Banking and agriculture related banking programmes in Europe, South East Asia and Japan. He is a member of the Association of Professional Bankers of Sri Lanka (APB). Mr. Premaratna was a Chairman of the Regional Development Bank of Sri Lanka, Vice-President of DFCC Bank and the Chief Executive Officer of DFCC Consulting Private Limited. He was also a Pioneer Member of the Management Team of Pelwatte Sugar Industries before moving into the Banking Sector.



**Mr. B R A Bandara**

*Non-Independent,  
Non-Executive Director*

Appointed to the Board in 2019

Anchored to a career spanning across three decades in the co-operative sector, Mr. Bandara is the Chairman of Polgahawela Sanasa Shareholders Trust Company Ltd., and Director of SANASA Printers & Publishers Ltd., and Panaliya SANASA Society. He is also the General Manager of Polgahawela SANASA Societies Union Ltd. Mr. Bandara holds a Diploma in Banking and Finance from SANASA Campus Ltd., a Diploma in Business Management from the National Institute of Co-operative Development, a Professional Diploma in Co-operative Management from the Academy of Wayamba Co-operative Rural Bank, a Higher National Diploma in Accountancy from the Technical College Kurunegala, and a Certificate in Banking and Finance from the Institute of Bankers of Sri Lanka. Mr. Bandara has also served as a Director of Sanasa Development Bank PLC from 2015 to 2017 and SANASA Producer and Consumer Alliance Limited and the Chairman of Panaliya Sanasa Society.



**Ms. Dinithi Ratnayake**

*Non-Independent,  
Non-Executive Director*

Appointed to the Board in 2020

Ms Ratnayake has broad and in-depth knowledge on financial institutions. She possesses advisory and transactional banking knowledge and experience, in addition to her strong credit background, and exposure to debt capital markets and International Risk and Compliance practices. She is well positioned to leverage on her in-depth understanding of the financial institutions landscape both locally and internationally, through years of close association and relationship with banks, non-banking financial institutions, and regulators.

Ms Ratnayake is a Senior Banking Professional with over 24 years banking experience, for the most part at Citibank N.A. as a Director, Head of Financial Institutions Group in Sri Lanka. Prior experience includes Retail and Institutional Banking at ANZ Grindlays Bank PLC and Corporate Banking at Seylan Bank PLC. Ms Ratnayake is a Co-Founder/Director of IDEAology Strategy Consulting (Pvt) Ltd., which provides advisory and strategic and tactical support to financial institutions and public sector entities in Sri Lanka and the Middle East. She is also a Governing Council Member of South Asia Partnership Sri Lanka, an NGO which engages in social development, working towards building empowered communities to achieve sustainable growth. Ms Ratnayake holds a BSc degree in Computer Science from the University of Houston, Clear Lake and a Master of Arts Degree in Economics from the University of Colombo. She is the nominee Director of SBI Emerging Asia Financial Sector Fund PTE. LTD, and Nederlandse Financierings – Maatschappij Voor Ontwikkelingslanden N.V., two major Shareholders of SANASA Development Bank PLC.



**Mr. J A Lalith G Jayasinghe**

*Non-Independent,  
Non-Executive Director*

Appointed to the Board in 2020

Mr. Jayasinghe is the Chairman/Director of Sanasa Printers & Publishers Ltd. since 2003. He has over 20 years' experience in working with grass-root level communities particularly working with the Sanasa Movement, currently he is a Director of Kegalle Sanasa Shareholders Trust Company Ltd. and Kegalle District Sanasa Societies Union Limited and Chairman of Waldeniya Sanasa Society.

Further he served as a Director of Sanasa Development Bank PLC from 2015 to 2017. He possesses BA (Hons) from University of Peradeniya and Diploma in Co-operative Education and Development from National Co-operative Union of India.



**Mr. Thusantha Wijemanna**  
*Independent,  
Non-Executive Director*

Appointed to the Board in 2021

Mr. Wijemanna is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Notary Public with over 20 years of experience in the Banking Industry. He holds the Degree of Bachelor of Laws (LLB) (First Class Honours) from University of Colombo and Master of Laws (LLM) from University of London. His last assignment was as Director General of the SAARC Arbitration Council (SARCO) in Islamabad, Pakistan. Prior to that, he was Legal Advisor to Ministry of External Affairs in Colombo, General Counsel of DFCC Bank and Company Secretary/Chief Legal Officer of Sampath Bank PLC. He was also a Commissioner of Sri Lanka Law Commission.

He is a Commonwealth and Chevening Scholar of the United Kingdom, a Research Fellow at the Institute of Advanced Legal Studies in London and an Alumni of Asian Institute of Management (AIM) in Manila.

At present he is a Council Member of the Open University of Sri Lanka and a Director of The Swadeshi Industrial Works PLC, The Swadeshi Marketing (Pvt) Ltd, The Swadeshi Chemicals (Pvt) Ltd and Ceylon Plastics Ltd.



**Mr. S H Sarath Nandasiri**  
*Non-Independent,  
Non-Executive Director*

Appointed to the Board w.e.f. 25 June 2021 subject to the approval of CBSL

Mr. Nandasiri possesses over 10 years' experience in the field of Credit. He had held the positions of Manager – Sales and Branch Manager in Softlogic Finance PLC from 2009 – 2017. He also has experience in working with Rural Community particularly working with Sanasa Movement. Presently he holds the position as General Manager of Kegalle Sanasa District Union Ltd. He possesses B.Com (Hons) University of Peradeniya, Diploma in Credit Management (IBSL) and Certificate in Leasing Operations (CBSL).

### 7.1.2 Directors' Interest in Assets

The Directors hold no interest in assets acquired, disposed, or leased by the Bank during the two years (02) preceding the Issue. Furthermore, it is not proposed that the Directors will hold any interest in assets to be acquired, disposed, or leased by the Bank in the two years (02) subsequent to the Issue.

### 7.1.3 Directors' Interest in Contracts

There are no contracts or arrangements in force as at the date of application to the CSE (i.e. 8 April 2021) in which the Directors of the Bank are materially interested in relation to the business of the Bank.

### 7.1.4 Directors' Interest in Shares

#### Directors' Direct Shareholdings in the SDB bank

The Directors' direct shareholdings in the SDB bank as at the date of submission of application to the CSE (i.e. 8 April 2021) are tabulated below:

Name of Director	Number of Shares Held	Percentage of Shareholding %
Mr. Prabhash Subasinghe	112,815	0.1232
Mr. Prasanna Premaratna	1,500	0.0016
Mr. B R A Bandara	11,000	0.0120
Mr. K G Wijerathne*	126	0.0001

\* Mr. K G Wijerathne has retired from the Board on 28 May 2021

### 7.1.5 Directors' Emoluments

Aggregate emoluments paid to the Directors during the FY 2020 amounted to LKR 31,230,800/-. The estimated aggregate remuneration to be paid to Directors for FY 2021 is expected to be approximately LKR 32,500,000/-.

### 7.1.6 Statement – Board of Directors





No Director or a person nominated to become a Director of the Company has been involved in any of the following:





- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer.
- Conviction for fraud, misappropriation, or breach of trust or any other similar offence which the CSE considers a disqualification.





## 7.2 Corporate Management



The Corporate Management team of the Bank is headed by the CEO. The Corporate Management personnel set out below are responsible for managing the affairs of SDB bank in addition to managing their key responsibilities.

**Table 7-3 Corporate Management of SDB bank**

Name	Designation	Qualifications
 <p><b>Mr. Thilak Piyadigama</b> No. 9/9A, Sumner Place, Colombo 08</p>	<i>Chief Executive Officer</i>	<ul style="list-style-type: none"> <li>• MBA (PIM – USJP), Degree from Engineering Council (UK), NDT (Electronic and Telecommunication Engineering – UOM)</li> <li>• A veteran banker counting over 30 years of experience in both Local and Foreign Banks.</li> </ul>
 <p><b>Mr. Saman Samarakoon</b></p>	<i>Deputy General Manager – Technology and Operations</i>	<ul style="list-style-type: none"> <li>• MBA(Colombo), BSc Eng. (Comp. Sc. &amp; Eng – Moratuwa), CEng., MIEEE</li> <li>• Counts over 8 years of experience in Banking and Finance field</li> </ul>
 <p><b>Mr. Hemal C Lokugeegana</b></p>	<i>Deputy General Manager – Head of Business Banking</i>	<ul style="list-style-type: none"> <li>• MBA, BB. Mgt (HR) Sp., AIB, DBIRM (IBSL), AMIPM, MAAT, ACC Dir. SL, FIB</li> <li>• Counts over 16 years of experience in Banking and Finance field</li> </ul>
 <p><b>Mr. Terrance Kumara</b></p>	<i>Deputy General Manager – Chief Financial Officer</i>	<ul style="list-style-type: none"> <li>• MBA(USQ), FCA, ACMA, MAAT</li> <li>• Counts over 12 years of experience in Banking and Finance field</li> </ul>

Name	Designation	Qualifications
	<i>Deputy General Manager – Company Secretary</i>	<ul style="list-style-type: none"> <li>• Attorney-at-Law, Notary Public, ACC Dir.SL</li> <li>• Counts over 20 years of experience in Banking and Finance field</li> </ul>
<b>Ms. Tamarika Rodrigo</b>	<hr/>	
	<i>Deputy General Manager – Head of Human Resources</i>	<ul style="list-style-type: none"> <li>• MBA B Ph (Rome), PG Dip in Labour Studies, National Dip in HR, Certificate in HR</li> <li>• Counts 2 years of experience in SDB bank and overall work experience of more than 20 years</li> </ul>
<b>Mr. Sudath Silva</b>	<hr/>	
	<i>Deputy General Manager – Chief Risk Officer</i>	<ul style="list-style-type: none"> <li>• MSc. (UoC), BSc. (UoC), Associate Member - CIMA UK, Int. Certificate in Banking Risk and Regulations (GARP)</li> <li>• Counts over 20 years of experience in Banking and Finance field</li> </ul>
<b>Mr. Udana Fernando</b>	<hr/>	
	<i>Assistant General Manager – Chief Internal Auditor</i>	<ul style="list-style-type: none"> <li>• FCCA (UK), MBA (Banking Mgt.) Sikkim Manipal India</li> <li>• Counts over 25 years of experience in Banking and Finance field</li> </ul>
<b>Mr. Dhananjaya Dayananda</b>	<hr/>	

Name	Designation	Qualifications
	<i>Assistant General Manager – Head of Legal</i>	<ul style="list-style-type: none"> <li>• LLB, Attorney-at-Law, Notary Public, Commissioner of Oaths, Company Secretary</li> <li>• Counts over 14 years of experience in Banking and Finance field</li> </ul>
<b>Ms. Pavithra Liyanage</b>	<hr/>	
	<i>Assistant General Manager – Chief Digital Officer</i>	<ul style="list-style-type: none"> <li>• Project Management Professional (PMI), Certified Information Systems Auditor (ISACA), Intermediate Banking Diploma (IBSL)</li> <li>• Counts over 30 years of experience in Banking and Finance field</li> </ul>
<b>Mr. Dinil Perera</b>	<hr/>	
	<i>Assistant General Manager – Head of Treasury</i>	<ul style="list-style-type: none"> <li>• MBA (UK) Merit, BSc (Phy. Science) Hons, AIB, Dip in Treasury Investment and Risk Mgt., Certificate in Treasury and Foreign Currency Operations</li> <li>• Counts over 22 years of experience in Banking and Finance field</li> </ul>
<b>Ms. Krishani Enoka</b>	<hr/>	
	<i>Assistant General Manager – Head of Credit</i>	<ul style="list-style-type: none"> <li>• BSc Agri (Hons), MSc Agri</li> <li>• Counts over 21 years of experience in Banking and Finance field</li> </ul>
<b>Ms. Mihiri Attanayake</b>	<hr/>	

Name	Designation	Qualifications
	<i>Assistant General Manager – Head of Systems and Operations</i>	<ul style="list-style-type: none"> <li>• BSc (Hons)</li> <li>• Counts over 21 years of experience in Banking and Finance field</li> </ul>
<p><b>Ms. Lakmini Muththunga</b></p>	<hr/>	
	<i>Assistant General Manager – Head of Small and Medium Enterprises (SME)</i>	<ul style="list-style-type: none"> <li>• BSc Agri., MSc (Hons), AIB</li> <li>• Counts over 23 years of experience in Banking and Finance field</li> </ul>
<p><b>Ms. Champa J Dasanayake</b></p>	<hr/>	

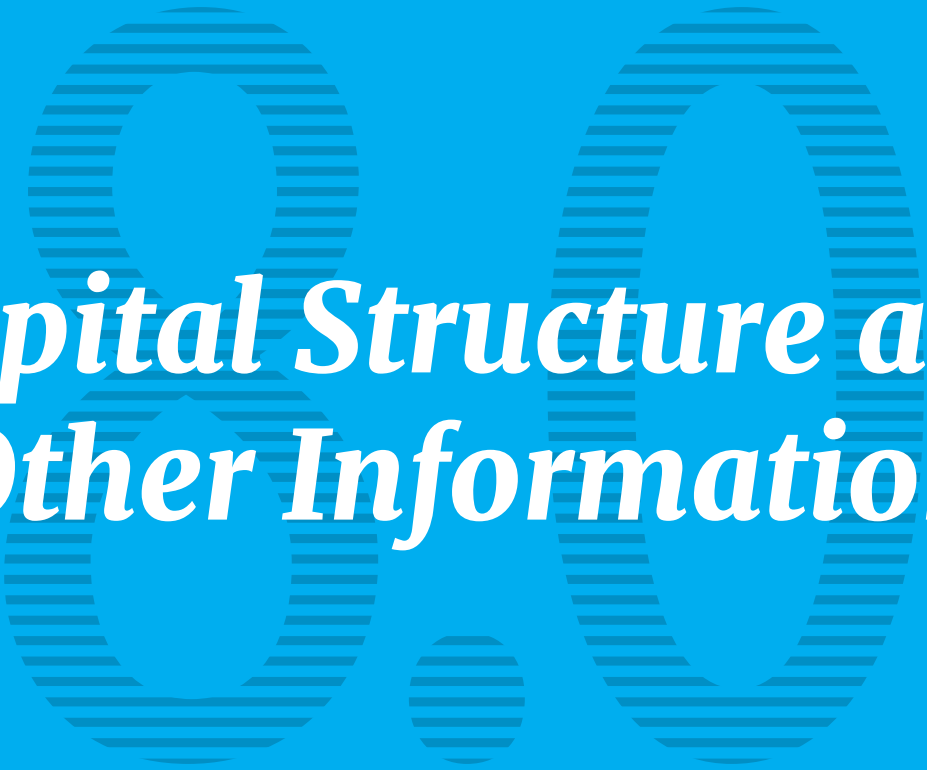
### 7.2.1 Corporate Management Emoluments

Aggregate emoluments paid to the Corporate Management during the FY 2020 amounted to LKR 113,297,274.14. The estimated aggregate remuneration to be paid for FY 2021 to the Corporate Management is expected to be approximately LKR 121,487,427.36.

### 7.2.2 Statement - Chief Executive Officer

The Chief Executive Officer of SDB bank has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer.
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

A large, light blue watermark of the year '2020' is centered in the background of the slide. The digits are composed of horizontal lines, giving it a textured appearance.

# *Capital Structure and Other Information*

As at the date of this Prospectus, the Stated Capital of the Bank is Sri Lanka Rupees Seven Billion Seven Hundred and Twenty Seven Million Nine Hundred and Forty One Thousand and Twenty One (LKR 7,727,941,021/-) divided into Ninety One Million Five Hundred and Seventy Six Thousand and Thirty Two 91,576,032 fully paid up Ordinary Voting Shares.

All financial information and figures pertaining to FY21 in this section are based on the Unaudited Financial Statements of the Bank.

## 8.1 An Overview of the Capital Structure

An overview of the Stated Capital of the Bank as at the end of FY 2019 and FY 2020 is set forth below.

**Table 8-1 Stated Capital of SDB bank**

	Post Total Issue (Assuming Full Subscription)	Post Initial Issue (Assuming Full Subscription)	As at 31 March 2021	As at 31 December 2020	As at 31 December 2019
Stated Capital (LKR) (Refer Table 8.2)	12,259,941,021	11,229,941,021	7,727,941,021	7,727,941,021	5,921,538,126
Number of Shares (Refer Table 8.2)	179,576,032	159,576,032	91,576,032	91,576,032	56,308,252

**Table 8-2 Changes in Stated Capital of SDB bank**

	Number of Shares	LKR
<b>Balance as at 1 January 2018</b>	<b>54,778,867</b>	<b>5,758,689,211</b>
Scrip Dividend: One (01) Share for Every 35.3754159668 Shares Held at LKR 3.50 per Share on 22 May 2018	1,529,385	162,848,915
<b>Balance as at 31 December 2018</b>	<b>56,308,252</b>	<b>5,921,538,126</b>
Issue of Shares During the Year	-	-
<b>Balance as at 31 December 2019</b>	<b>56,308,252</b>	<b>5,921,538,126</b>
Scrip Dividend: One (01) Share for Every 11.8140022617 Shares Held at LKR 5/- per Share on 15 July 2020	4,742,436	280,135,695
Rights Issue: 1:2 Rights Issue at LKR 50/- per Share on 30 November 2020	30,525,344	1,526,267,200
<b>Balance as at 31 December 2020</b>	<b>91,576,032</b>	<b>7,727,941,021</b>
Issue of Shares during the Period	-	-
<b>Balance as at 31 March 2021</b>	<b>91,576,032</b>	<b>7,727,941,021</b>
<b>Issue of New Shares via SPO</b>		
Initial Issue	68,000,000	3,502,000,000
Further Issue	20,000,000	1,030,000,000
<b>Balance Subsequent to the SPO (assuming full subscription)</b>	<b>179,576,032</b>	<b>12,259,941,021</b>

## 8.2 Shareholding Structure

Tabulated below are the top 20 shareholders of the Bank as at 30 June 2021.

**Table 8-3 Top 20 Shareholders of SDB bank**

Name	Number of Ordinary Shares	Percentage (%)
Ayenka Holdings (Pvt) Limited	11,434,399	12.4862
Seylan Bank PLC/Senthilverl Holdings (Pvt) Ltd.	9,914,282	10.8263
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	9,157,603	10.0000
CB NY S/A International Finance Corporation	5,414,163	5.9122
SBI Emerging Asia Financial Sector Fund PTE. LTD.	2,885,618	3.1511
People's Leasing & Finance PLC/L P Hapangama	2,627,722	2.8694
People's Leasing & Finance PLC	2,271,260	2.4802
Commercial Bank of Ceylon PLC/Ayenka Holdings (Pvt) Limited	2,170,554	2.3702
Alliance Finance Company PLC	2,066,310	2.2564
Sampath Bank PLC/Dr. T Senthilverl	1,654,226	1.8064
Sanasa Life Insurance Company Ltd. (LIFE)	1,481,692	1.6180
Kegalle Sanasa Shareholders Trust Company Limited	1,247,746	1.3625
SANASA Life Insurance Company Ltd.	1,204,934	1.3158
SANASA General Insurance Company Ltd.	1,124,418	1.2279
Polgahawela Sanasa Societies Union Ltd.	820,098	0.8955
Sanasa Federation Limited	780,970	0.8528
Hatton National Bank PLC/Mr. Gerad Shamil Niranjan Peris	515,619	0.5631
Sampath Bank PLC/Mr. Arunasalam Sithampalam	464,981	0.5078
DFCC Bank PLC/N G N Maduranga	452,884	0.4945
Hambanthota DTCCS Union Ltd.	416,782	0.4551
<b>Subtotal</b>	<b>58,106,261</b>	<b>63.4514</b>
Other shareholders	33,469,771	36.5486
<b>Total</b>	<b>91,576,032</b>	<b>100.0000</b>

## 8.3 Public Shareholding

Public shareholding as at 30 June 2021 is 84.72% with 38,998 shareholders.

The final public float of SDB bank subsequent to the proposed SPO would depend on the level of subscription at the SPO by the non-public shareholders of SDB bank. However, SDB bank will be within the public float requirements set out under CSE Listing Rules after the Issue.

## 8.4 Details of Convertible Term Debts of SDB bank

Details of convertible debt term of SDB bank are disclosed in Annexure E of the Prospectus.

## 8.5 Share Repurchase or Redemptions

SDB bank has not engaged in any share repurchase, redemption or stated capital reduction exercises in the two (2) years preceding the date of this Prospectus.

## 8.6 Details of Shares Sold Privately in Conjunction with the Issue

No shares are being offered privately in conjunction with this Issue.

## 8.7 Details of Take-over Offers

There have been no take-over offers by third parties in respect of the Bank's shares during the past two (02) years, preceding the date of this Prospectus.

SDB bank acquired 100% shares of Payment Services (Private) Limited on 26 May 2020 for a consideration of LKR 6,163,100/-.

Other than the aforesaid transaction, the Bank has not made any take-over offers in respect of shares of a third party during the past two (02) years preceding the date of this Prospectus.

## 8.8 Free Transferability

New Shares to be listed on the CSE shall be freely transferable along with the already listed shares of the Bank subject to the shareholding restrictions in the Banking Act.

## 8.9 Dividend Policy

The Bank may, subject to the provisions of the Articles of Association and the Companies Act, make dividend payments by way of interim and final dividends to its shareholders in relation to the profits made from time to time. Such dividends will be paid after taking into consideration the Bank's earnings, cash flow position, future capital investment, overall financial conditions and any other factors which the Board of Directors may deem relevant.

Details of dividends declared during the preceding financial years have been stated in the "Accountants Report" presented in Annexure D of this Prospectus.

## **8.10 Working Capital**

The Board is of the opinion that the working capital is sufficient for the purpose of carrying out day-to-day operations of the Bank.

## **8.11 Material Contracts**

There are no material contracts entered into by SDB bank during the two (2) years preceding the date of this Prospectus other than those contracts entered into in the ordinary course of business.

## **8.12 Details of Commissions Paid**

No commission has been paid in the two (2) years preceding the Prospectus or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Ordinary Voting Shares of the Bank.

## **8.13 Details of Benefits Paid to Promoters**

No benefit has been paid or given within the two (2) years preceding the Issue and there are no benefits intended to be paid or given to any promoter.

## **8.14 Details of Transactions Relating to Property**

There were no transactions relating to the property within the two (2) years preceding the Prospectus in which any vendor of the property to SDB bank or any person who is or was at the time of the transaction, a promoter or a Director or proposed Director of the Bank had any interest, direct or indirect.

Other than mentioned above there are no other complete and accurate information that would have a material impact in the understanding of the financial information provided in this Section.



*Management  
Discussion  
and Analysis*

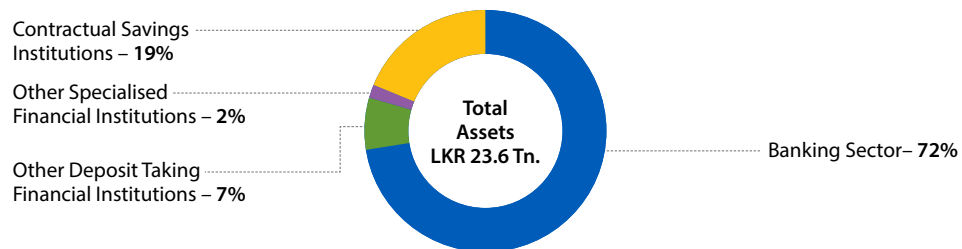
All financial information and figures pertaining to FY21 in this section are based on the Unaudited Financial Statements of the Bank.

## 9.1 Overview

### 9.1.1 Industry Overview

The banking sector of Sri Lanka consisting of LCBs and LSBs dominate the financial sector holding c.72.5% of financial sector assets and plays a central role within the financial system providing liquidity to the entire economy.

**Figure 9-1 Summary of Total Assets of Major Financial Institutions as at 31 December 2020**



Source: CBSL Annual Report of 2020

The banking sector consisted of 30 licensed banks including 24 LCBs (inclusive of 11 foreign bank branches) and 6 LSBs as at 31 December 2020. The sector continued to support economic growth and promote financial inclusion by enhancing banking services even in difficult circumstances. In 2020, with the restrictions on physically accessing banks due to curfew and lockdowns imposed to prevent the spread of COVID-19, most banks introduced technology-based products/services to facilitate financial inclusion. By the end of 2020, the total number of banking outlets and ATMs had risen to 7,406 and 6,176 respectively.

### 9.1.2 Small and Medium Enterprises (SMEs)

SDB bank mainly caters to the SME sector which plays a critical role in the economic development process by job creation, contributing to GDP growth, launching new products, and stimulating other economic activities. While, SMEs have been affected disproportionately by the pandemic, there are certain opportunities that have arisen because of the pandemic. With the limitation of imports, a local demand has been created for certain products and the Government of Sri Lanka has taken several steps to support the SME sector. This is demonstrated via the introduction of favourable tax policies, introduction of debt moratoriums, favourable interest rates and the organisation of multiple entrepreneurship development and small business development schemes.



### 9.1.3 Co-operative Societies

SDB bank having emerged through the co-operative movement has close relationships with the co-operative societies. The SANASA movement, since inception in 1978, has grown to be a valuable partner to Micro and SME sectors, with a philosophy to support the grassroot level communities of rural Sri Lanka. SDB bank has been able to leverage its relationship with the SANASA movement to fund primary level Sanasa societies, who then disburse funds between its membership and take the responsibility to pay SDB back.



### 9.1.4 SDB bank Performance – 2020

SDB bank reported its highest annual profits to date in 2020 and maintained its strong performance in the quarter ended 31 March 2021 despite the slowdown of Sri Lankan and global economies. Such profitability was driven, partly by record growth rates for both deposits and net advances in its history, during the year ended December 2020. The conducive tax regime implemented in 2020, the Bank's focus on asset quality and expenditure controls too played a key role in this achievement. The Bank was also able to significantly enhance its digital capabilities and carried out the first digital Rights Issue in Sri Lanka.

### 9.1.5 Summarised Financials for the Five Years Ended 31 December 2020 and Interim Financials for the Three Months Ended 31 March 2021

Table 9-1 Summarised Audited and Interim Income Statements							
For the year ended 31 December	2016	2017	2018	2019	2020	4 year CAGR (2016-2020)	3 months ended 31 March 2021
	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	%	LKR Mn
Interest Income	8,177.2	10,829.3	13,146.8	15,079.3	15,442.0	17.2	3,684.8
Net Interest Income	3,330.3	3,887.5	4,723.0	5,696.8	6,127.4	16.5	1,628.2
Other Income	260.3	537.9	493.4	438.3	705.5	28.3	195.3
Profit Before Tax	617.4	752.6	644.1	585.8	1,412.9	23.0	342.2
Profit After Tax	403.7	507.8	357.0	253.4	836.3	20.0	302.0

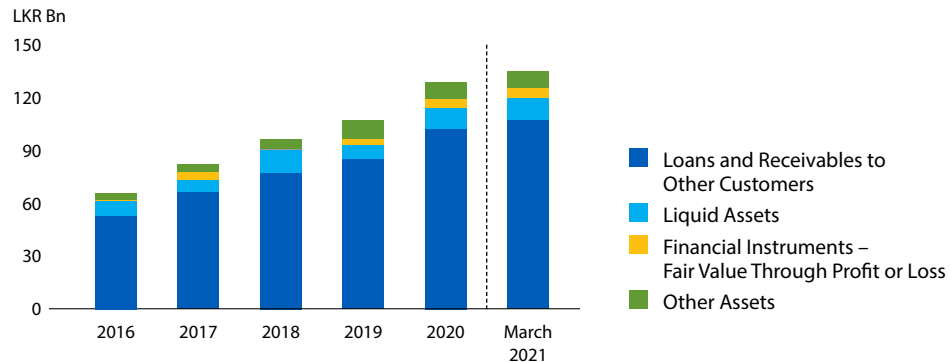
**Table 9-2 Summarised Audited and Interim Statements of Financial Position**

As at 31 December	2016	2017	2018	2019	2020	4 year CAGR (2016-2020) %	As at 31 March 2021 LKR Mn
	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn		LKR Mn
Loans & Advances	53,632.5	66,687.4	77,507.0	85,823.3	102,662.3	17.6	108,019.1
Total Assets	66,032.8	82,374.8	96,817.7	107,783.6	129,059.7	18.2	135,911.8
Deposits	45,691.8	59,904.7	67,474.8	72,431.9	93,271.7	19.5	97,250.6
Other Borrowings	9,483.0	8,827.6	15,421.0	20,299.7	18,090.5	17.5	21,765.2
Total Liabilities	60,513.5	75,043.6	89,369.0	100,114.6	119,143.5	18.5	125,693.5
Shareholders' Funds	5,519.3	7,331.2	7,448.7	7,669.0	9,916.2	15.8	10,218.4
Total Liabilities and Shareholders' Funds	66,032.8	82,374.8	96,817.7	107,783.6	129,059.7	18.2	135,911.8

## 9.2 Asset Base

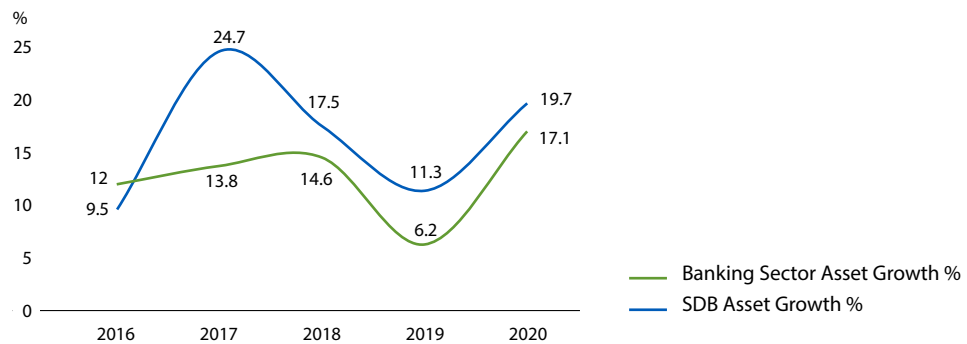
The asset base of the Bank crossed the LKR 100 Bn figure in 2019 and further increased by c. 20% in 2020 to LKR 129 Bn. As expected, loans and advances form much of the asset base of the Bank.

**Figure 9-2 Asset Base**



Source: SDB bank Annual Report and Interim Financial Statements.

**Figure 9-3 Asset Base Growth (Banking Sector v SDB bank)**



Source: CBSL Quarterly Financial Information and SDB bank Annual Reports

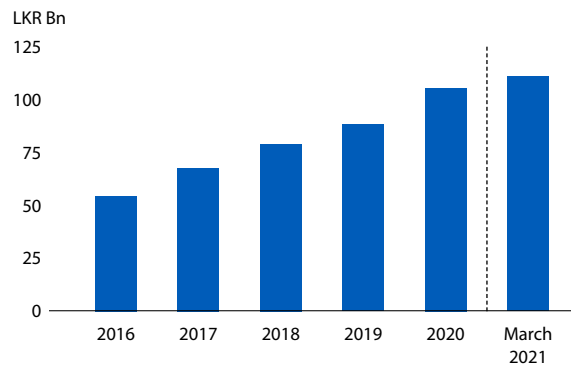
The asset base of the banking sector grew at a 4-year CAGR of 12.7% from 2016 to 2020 despite a slowdown in asset growth in 2019 due to challenging business environment resulting from the Easter Sunday attacks in April 2019 and political uncertainties that prevailed. A rebound in sector asset growth was seen in 2020 despite the prevalence of COVID-19 pandemic mainly due to loans and advances to the Government sector and SOEs.

SDB bank has been able to maintain consistent above industry average asset growth with a 4-year CAGR of 18.2%, fuelled mainly via loan book growth.

### 9.2.1 Loans and Advances

Loans and receivables to customers accounted for the bulk of the asset base of SDB bank throughout the period, being responsible for 80% of the Total Asset Base as at 31 December 2020. This segment, which remained the Bank's biggest revenue generating source (in the form of Interest Income and other cross selling opportunities), grew at a 4-year CAGR of 17.6% in the period under consideration, to record a value of LKR 102.7 Bn as at 31 December 2020. Total gross loans and advances increased by an additional 5.2% during the three months ended 31 March 2021.

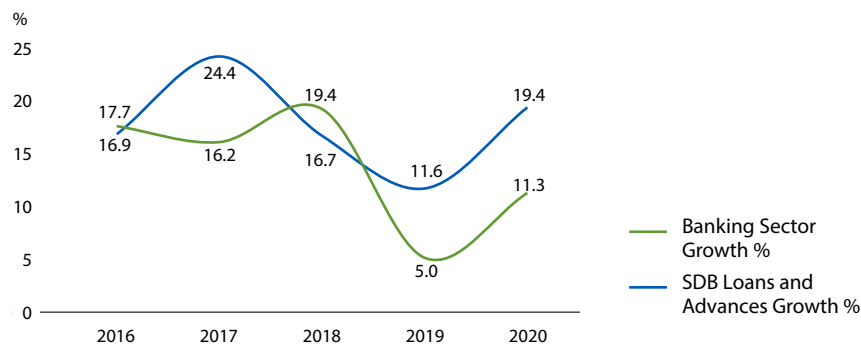
**Figure 9-4 Gross Loans and Advances to Customers**



Source: SDB bank Annual Reports and Interim Financial Statements

Term loans which formed a majority (83.2% in 2020) of Total Gross Loans and Advances increased at a steady CAGR of 17.6% from 2016 to 2020.

**Figure 9-5 Benchmarking Loans and Advances Growth Against the Banking Sector**



Source: Annual Reports of CBSL and SDB bank

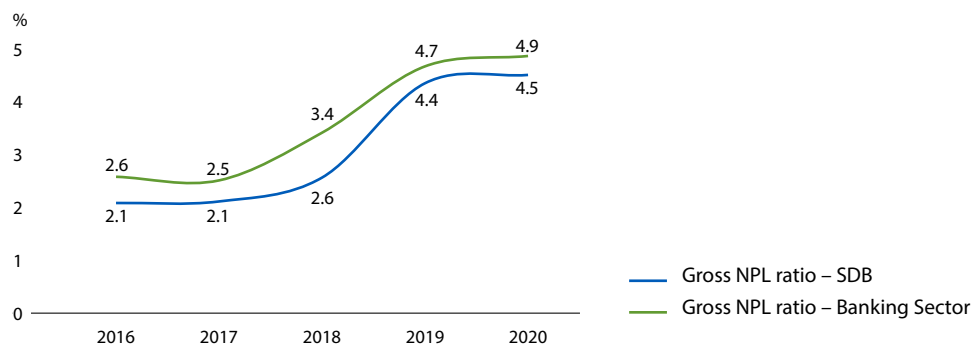
Again, SDB bank successfully outperformed the market with strong post lockdown recovery.

## 9.2.2 Asset Quality

The sluggish economic activities, political uncertainties, the Easter Sunday attacks, and the COVID-19 pandemic contributed to a decline in asset quality across the banking sector as indicated by the NPL ratio over the past five years.

While SDB bank too has suffered an increase in the NPL ratio due to the aforementioned macro reasons, the Bank has been able to maintain the Gross NPL loan ratio at 4.54% as of 31 December 2020. The early identification of possible asset quality deterioration due to COVID-19, enhanced Management focus on collections, introduction of improvements to its pre and post credit evaluation protocols supplemented the strong relationship between the Bank and its clients to enable SDB bank to record and maintain a lower-than industry Gross NPL ratio in 2020. By March 2021, the Gross NPL ratio of SDB bank had further declined to 4.47%, displaying an increase in asset quality.

**Figure 9-6 NPL (Gross) Ratio of SDB bank and the Banking Sector**

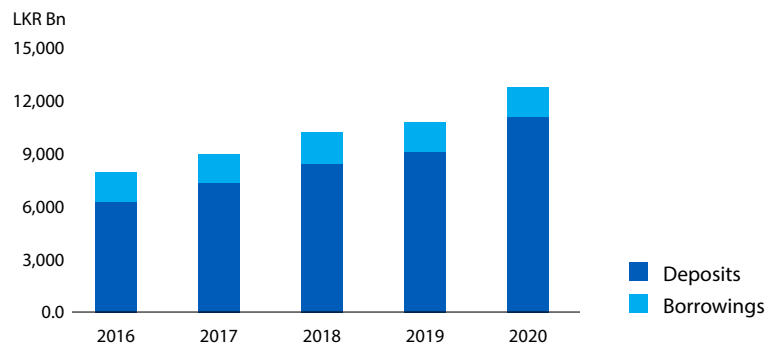


Source: CBSL Quarterly Financial Information and SDB bank Annual Reports

## 9.3 Deposits and Other Borrowings

Despite the COVID-19 pandemic, the banking sector continued to showcase an increase in deposits. The movement in external sources of funds of the banking sector from 2016 to 2020 is reflected in the figure below:

**Figure 9-7 Movement of External Sources of Funds of the Banking Sector**



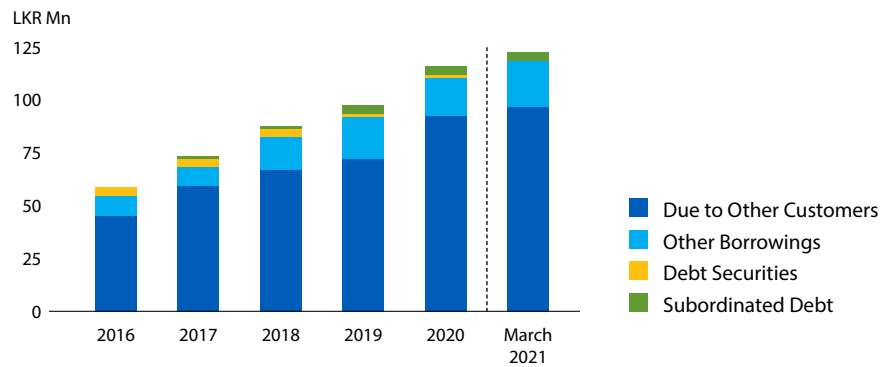
Source: CBSL Financial Sector Statistics

In the case of SDB bank, deposits by customers remained the primary source of funding, accounting for 80.1% of the total funding structure as at December 2020 and 78.9% as at March 2021. The deposit portfolio grew at a 4-year CAGR of 19.5% from 2016 to 2020. Other borrowings formed 15.5% of the funding structure in 2020 and 17.7% as at March 2021.

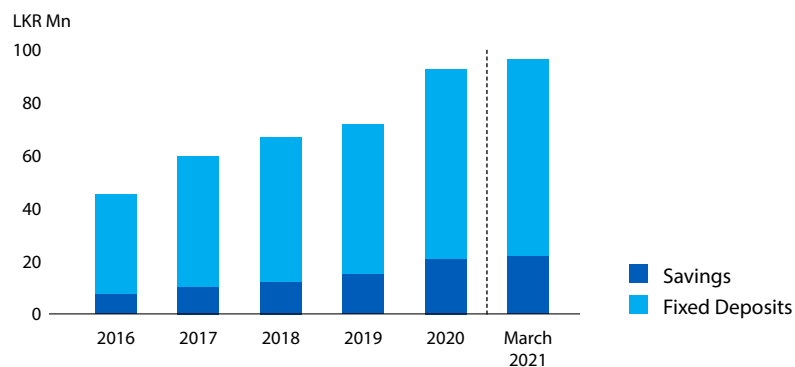
As of 31 March 2021 fixed deposits and savings deposits accounted for 77% and 23% of the deposit portfolio, respectively. Savings grew at a higher CAGR (27.4%) as opposed to fixed deposits (CAGR – 17.6%) over FY 2016 to FY 2020 assisting the Bank to reduce its cost of funding.

The Bank has also been able to consistently rely on its DFI partners for funding, with the most recent being the USD 40 Mn committed by the United States International Development Finance Corporation (DFC) arm of United States Government Development Bank.

**Figure 9-8 Funding Structure of SDB bank**



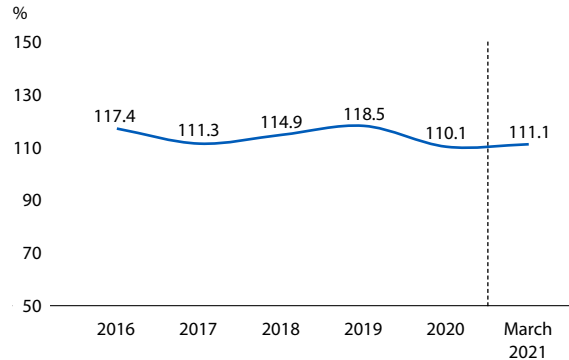
**Figure 9-9 Breakdown of the Deposit Portfolio**



Source: SDB bank Annual Reports and Interim Financial Statements

SDB bank has consistently maintained a loan to deposit ratio between 110 – 120%.

**Figure 9-10 SDB bank Loan to Deposit Ratio**



Source: SDB bank Annual Reports and Interim Financial Statements

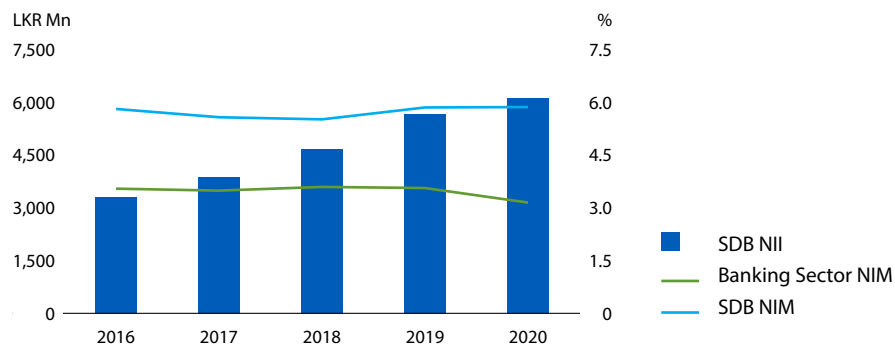
## 9.4 Interest Income, Net Interest Income and Interest Expense

The banking sector's earnings weakened due to a contraction of NIMs, primarily as a result of policy measures undertaken by the Monetary Board of the CBSL to enhance the quality of monetary policy transmission. The sector experienced a 4.2% drop in interest income and a 6.0% decrease in interest expenses in 2020 compared to the previous period with the reduction in policy rates resulting in an overall reduction of Net Interest Income by 0.9%. The loss of interest income on loans facilitated with the debt moratorium combined with the payment of interest to depositors had a negative impact on the banking sector's Net Interest Margin.

It is notable that SDB's NII grew at a healthy 4-year CAGR of 16.5% from 2016 to 2020. SDB was able to achieve this growth whilst maintaining above industry NIMs in comparison to the banking sector.

While adverse macroeconomic factors prevented the Bank from achieving its potential profitability, it still experienced an increase of 7.6% in Net Interest Income outperforming the industry.

**Figure 9-11 NII and NIMs of SDB bank and the Banking Sector**

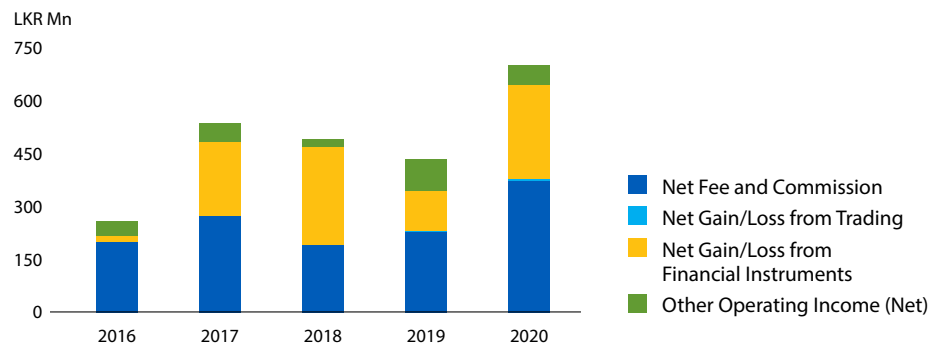


Source: SDB bank Annual Reports and CBSL Quarterly Financial Information

## 9.5 Non-Interest Income

SDB bank's Non-Interest Income mainly comprises of net fee and commission income, net trading income and other operating income.

**Figure 9-12 Non-Interest Income of SDB bank**



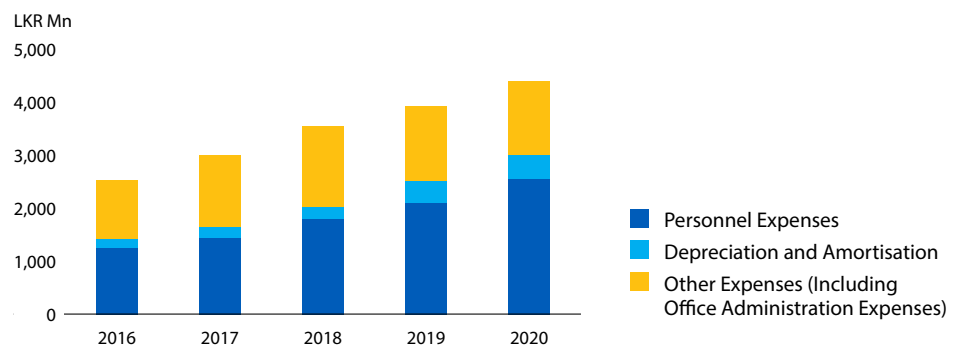
Source: SDB bank Annual Reports

The gains from Government Securities resulted in Net Trading Income recording a figure of LKR 5.2 Mn and gains from financial instruments at Fair Value through Profit or Loss posting a figure of LKR 268.7 Mn in 2020.

SDB's Net Fee and Commission Income grew at a 4-year CAGR of 16.7% to record a figure of LKR 376.3 Mn in 2020. A 62.8% YoY increase in net Fee and Commission Income was witnessed with the expansion of SDB's digital activities. SDB continued its growth trajectory in terms of increasing fee income, recording Net Fee and Commission Income of LKR 132 Mn in Q1 2021, a growth of 139% over that achieved during the same quarter in 2020.

## 9.6 Profitability

**Figure 9-13 Expenses of SDB bank**

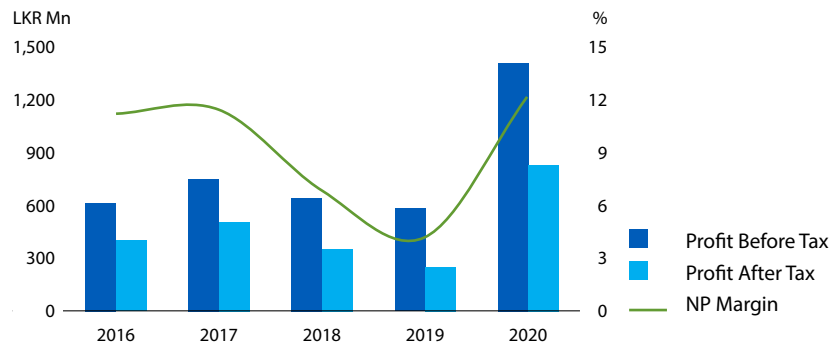


Source: SDB bank Annual Reports

As displayed above, a considerable reduction in the proportional contribution of Other Expenses (which includes Office Administration Expenses) to the Operating Cost structure is witnessed. This was a result of SDB's stringent cost control strategy, which enabled the Bank to control its operational costs beyond its budgeted levels. Further, the rapid digitisation efforts of its internal operations as well as the lower operational costs enjoyed by the Bank in adopting the Work-From-Home model enabled the Bank to reduce its Administration Costs in 2019 and 2020. The reduction in tax expenses due to the conducive tax policy too assisted SDB significantly.

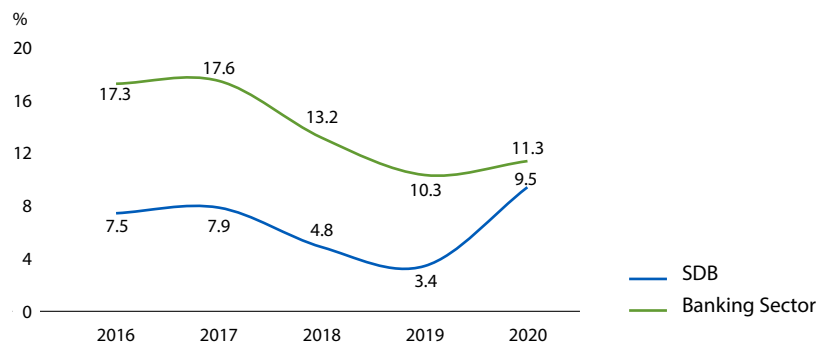
Despite the tough economic climate induced by the pandemic, SDB was able to record its highest Profit After Tax of LKR 836.3 Mn in 2020, amounting to a 230.0% YoY growth. The Bank was able to outperform the market in terms of profitability during the period under analysis.

**Figure 9-14 Profit After Tax**



Source: SDB bank Annual Reports

**Figure 9-15 Return on Equity**



Source: Annual Reports of CBSL and SDB bank

The ROEs of the banking sector have marginally improved from 10.26% in 2019 to 11.34% in 2020. SDB as a relatively smaller bank has been suffering from low ROEs, compared to the industry. However, the consistent above average growth in loan book, ability to maintain above the average NIMs and focus on digitalisation has enabled SDB bank to move towards the industry average. SDB bank is in a position to move above average ROEs in the future with the operating cost savings and revenue generated from new digital initiatives.

## 9.7 Key Financial Ratios

**Table 9-3 Key Financial Ratios of SDB bank**

Indicator	31 December 2018 %	31 December 2019 %	31 December 2020 %	31 March 2021* %
Net Interest Margin	7.34	5.88	5.89	5.71
Cost to Income Ratio	68.6	64.7	64.9	72.73
Gross NPL Ratio	2.57	4.38	4.54	4.47
Net NPL Ratio	0.08	1.87	1.79	1.71
Liquid Asset Ratio	23.22	21.74	21.57	20.7
Loans to Deposits	114.9	118.5	110.1	111.1
Core Capital Ratio	10.91	9.43	9.85	9.44
Total Capital Ratio	12.46	14.8	13.38	12.71
Return on Assets	0.83	0.57	1.19	1.03
Return on Equity	5.36	3.35	9.51	12.0

\*Annualised where required.

Source: Annual Reports and Interim Financial Statements of SDB bank

## 9.8 Regulatory Framework

The Central Bank of Sri Lanka (CBSL), as the country's principal regulator, is responsible for ensuring the financial system's integrity and stability. The Monetary Law Act No. 58 of 1949 and the Banking Act govern the regulation and supervision of financial institutions. The Banking Act empowers the CBSL's Monetary Board to regulate and supervise licensed banks in Sri Lanka. It also authorises CBSL to conduct continuous and periodic evaluations of all banking institutions, including foreign bank branches and government entities that accept deposits and provide loans.

The LSBs are regulated by statutory provisions as well as directives issued by the CBSL from time to time. Certain key regulatory requirements applicable for LSBs are discussed under this section.

### Licensing

In terms of Sections 2 and 76A to 76D of the Banking Act, the business of an LSB can only be carried out under the authority of a license issued by the Monetary Board of the CBSL, with the approval of the Minister of Finance. LSBs are also required to ensure abidance by the CBSL Directives that are issued from time to time.

### Minimum Capital Requirement

All LSB's are required to maintain a minimum capital requirement of LKR 7.5 Bn from 31 December 2020 and have been requested to take timely measures to achieve this target by the required date. SDB bank has comfortably met this requirement with the successful Rights Issue assisting the Bank to maintain its capital at over LKR 9 Bn as at 31 March 2021. Further, the proposed SPO is expected to further increase the capital of the Bank.

**Capital Adequacy**

In terms of the Banking Act Direction No. 10 of 2007 and subsequent amendments and directions issued, LSBs are required to maintain a Total Capital Adequacy Ratio (CAR) of not less than 12.00% in relation to Total Risk Weighted Assets with Common Tier 1 Capital and Tier 1 Capital required to be maintained at levels not less than 6.50% and 8.00% in relation to Total Risk Weighted Assets. SDB bank currently maintains Common Equity Tier 1 Capital at 9.44% of Risk Weighted Assets and Total Capital at 12.71% of Risk Weighted Assets.

**Liquidity**

The Bank has been able to maintain its statutory Liquid Asset Ratio above the regulatory minimum threshold of 20% throughout the year. The Bank was also able to maintain an average Liquid Coverage Ratio of 125.21% and Net Stable Funding Ratio of 127.33% comfortably above the minimum requirements of 100% and 100% respectively.

**Single Borrower Limit**

Unless permitted by the Monetary Board under exceptional circumstances, no LSBs having an equity capital as defined in the Banking Act shall grant accommodation, exceeding 30% of the capital funds of the Bank as at end of the preceding financial year to a single person/s or corporation. SDB bank strictly enforces such single borrower limits.



*Future Outlook*

## 10.1 Global Outlook

The IMF expects the global economy to record a YoY growth of 6% and then moderate to 4.4% in 2022 showing a faster than expected recovery from that predicted in October 2020. The IMF attributes this to the development of multiple vaccines, the adaptation to pandemic life despite reduced mobility and additional fiscal support in some economies such as the United States of America. (<https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>).

It should however be noted that such a recovery is from a reduced base due to the impact of COVID-19 pandemic to the global economy in 2020 and the lockdowns that ensued across the world. There are also concerns that the emergence of new variants and intermittent lockdowns in certain countries may hinder the expected recovery. However, the ability of current vaccines to provide a reasonable degree of protection against such variants identified to-date as well as the increased vaccine manufacturing capabilities are expected to mitigate such concerns.

## 10.2 Local Outlook

The Sri Lankan economy which was on its path to recovery following the Easter Sunday attacks was badly impacted by the COVID-19 related lockdowns. This led a contraction of the Real GDP of the country by 3.6% in 2020 (source: <https://www.worldbank.org/en/country/srilanka/overview>). Further, the Government had to impose a series of measures in the form of import restrictions to reduce foreign currency outflows given the significant loss of foreign income by the tourism sector.

Though a strong rebound was expected in 2021, specially with the partial opening up of the country for tourism and commencement of vaccination drive, the emergence of another wave of COVID-19 cases has required certain restrictions to be reimposed.

The Government introduced a series of measures including a significant decrease in policy rates, to revive the economy. This together with increased Government and SOE borrowing from the banking sector has led to an increased credit growth despite the COVID-19 situation. Further, moratorium given to a number of industries assisted beneficiaries to mitigate the immediate impact of the COVID-19 situation. Banks also benefited from the tax cuts made by the Government.

The economic fallout from the coronavirus pandemic, as well as the deteriorating sovereign credit profile, are expected to continue to weigh on the Sri Lankan banking sector in 2021, according to Fitch Ratings. However, with the Government stated position of maintaining single digit interest rates and a consistent tax policy, the sector may be in a better position to take up any losses that may arise from a possible rise in post moratorium NPLs.

## 10.3 Future Direction of SDB bank

- **Strengthen and expand:** In the new financial year, SDB bank plans to continue to strengthen its capital base, further improve the governance structures, develop technology-based solutions and focus on training from top to bottom, to take SDB bank to the next phase of growth and transformation. The Bank's key priority will be to improve efficiencies in reaching the masses with new products and services, using faster delivery channels. The Bank will engage its services via digital channels and craft innovative solutions to navigate the COVID impacted economy. SDB bank

will position itself to assist, in particular, the agriculture sector, micro and small local industries, co-operatives and SMEs to rise up and meet the demands of the domestic market, which is likely to seek increased domestic production in the coming years, given current import restrictions and the need to retain valuable foreign currency reserves. Specialised divisions will be set up at the Bank to facilitate this process, introducing a concept of development banking for SMEs, which is a dire need today. Over the next 3-5 years, SDB bank aims to explore expansion in Asia, using technology platforms.

SDB bank has been able to maintain its credit ratings of BBB- from ICRA Lanka as of April 2021 and BB+ from Fitch Rating as of October 2020, despite the macroeconomic disruptions caused by the COVID-19 pandemic, demonstrating its resilience. The Bank expects to receive a rating upgrade upon completion of this fund raising.

- **Focus on Digital:** SDB bank will use the momentum gained thus far in the digital banking space to further enhance and grow market share through digital on-boarding and use of digital channels to facilitate banking transactions, bill payments and to support client lifestyle in a world where limited mobility is anticipated. The pandemic has provided a unique opportunity to study and capitalise on new digital trends and drastically changed consumer behaviour and SDB bank plans to make the most of this. Introducing digital to the rural communities will help inclusion during a time they could otherwise be severely challenged in terms of market access and payment solutions. Further, SDB bank shall focus on using these new digital capabilities to drive cost reduction and process optimisation throughout the Bank's operations with the aim of maximising returns; financial and otherwise, to all stakeholders involved.



- **Staying True to the Bank's Social Mission:** Going forward as it has so far, SDB bank will continue to remain true to its social mission and values of being a catalyst of rural development, sustainable economic growth and empowerment of women and underprivileged. SDB bank has plans in place to increase its reach within these target segments and convert them into banked and financially literate individuals and businesses.



- **“Partnerships for Growth” Initiative:** SDB bank has thus far maintained strong partnerships with both local and international companies, development agencies and banks which support its corporate mission. Going forward SDB bank plans to enhance its “Partnerships for Growth” Initiative to build even stronger ties and even larger network of organisations which would allow it to expand its operations and serve its target groups far better.

## 10.4 Assumptions on Future Direction of SDB bank

SDB bank will continue to place itself as the development bank for the masses and cater mainly to the co-operative and MSME sectors, especially in rural Sri Lanka. In this regard, the Bank has identified the requirement of digital channels to increase access to these markets, increase financial inclusion and minimise delivery inefficiencies. SDB bank expects that the present shift to digital forms of banking will persist even after the pandemic induced lockdown situation has ceased. Further, the Bank assumes that as a result of this paradigm shift, the way forward in the financial services field lies in digital banking and transaction services to facilitate growing demand from increasing numbers of digital only businesses and a growing population of digitally literate youth.



SDB bank assumes that in order to successfully carry out its plans the local and global macro economic conditions will remain favourable to such endeavors. As such it assumes that the COVID-19 pandemic, resulting economic effects and other unforeseeable events will not have any significant negative impact on the Bank and its plans.

SDB assumes that through its strong HR practices and commitment to staff welfare, it will be able to retain and attract talent with the right skillset and domain knowledge who will drive these plans going forward. Additionally, the Bank believes that its local and global partners remain in strong positions (financial and otherwise) to aid and support SDB bank in its endeavours.

Please refer pages 184-194 of the Annual Report of SDB bank 2020 for risks associated with aforesaid future plans of SDB bank ([https://cdn.cse.lk/cmt/upload\\_report\\_file/1182\\_1620033995932.pdf](https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf))





*Statutory  
Declarations*

## Declaration by the Directors

19 July 2021

We the undersigned, who are named in the Prospectus as Directors of SANASA Development Bank PLC, hereby declare and confirm that we have read the provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 (as amended), and any amendments, waivers granted by the SEC/CSE to it relating to the issue of this Prospectus, and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of SANASA Development Bank PLC have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to SANASA Development Bank PLC and making assumptions that are considered to be reasonable at the present point in time in our best judgement.

The parties to the Issue have submitted declarations to the SANASA Development Bank PLC declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with SANASA Development Bank PLC.

Sgd.  
Mr. Lakshman Abeysekera  
*Chairman – Independent,  
Non-Executive Director*

Sgd.  
Prof. Sampath Amaratunge  
*Independent,  
Non-Executive Director*

Sgd.  
Mr. Prabhash Subasinghe  
*Non-Independent,  
Non-Executive Director*

Sgd.  
Mr. S Lionel Thilakarathne  
*Non-Independent,  
Non-Executive Director*

Sgd.  
Mr. Chaaminda Kumarasiri  
*Independent,  
Non-Executive Director*

Sgd.  
Mr. Prasanna Premaratna  
*Independent,  
Non-Executive Director*

Sgd.  
Mr. B R A Bandara  
*Non-Independent,  
Non-Executive Director*

Sgd.  
Ms. Dinithi Ratnayake  
*Non-Independent,  
Non-Executive Director*

Sgd.  
Mr. J A Lalith G Jayasinghe  
*Non-Independent,  
Non-Executive Director*

Sgd.  
Mr. Thusantha Wijemanna  
*Independent,  
Non-Executive Director*

Sgd.  
Mr. S H Sarath Nandasiri\*  
*Non-Independent,  
Non-Executive Director*

\*Mr. S H Sarath Nandasiri has been appointed to the Board of SDB bank w.e.f. 25 June 2021 subject to the approval of CBSL.

## Declaration by the Financial Advisors and Managers to the Issue

We, NDB Investment Bank Limited of Level 1, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04 being the Financial Advisors and Managers to the Issue, hereby declare and confirm to the best of our knowledge and belief that the Prospectus constitutes full and true disclosure of all material facts about the Issue and of SANASA Development Bank PLC, whose New Shares are being Issued.

The Common Seal of NDB Investment Bank Limited affixed on this 19th day of July 2021 at Colombo in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director

## Declaration by SANASA Development Bank PLC

An application has been made to the CSE for permission to deal in and for a secondary listing for New Shares which are the subject of this Issue. Such permission will be granted when New Shares are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of SANASA Development Bank PLC or of the New Shares Issued.

The Common Seal of SANASA Development Bank PLC affixed on this 19th day of July 2021 at Colombo in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director

## ANNEXURE A – WAIVERS IN RESPECT OF PROSPECTUS

Details of Disclosures Waived	Reference to Alternative Sources
Discerption of the Listing Rule	
3.1.3 (b) – Details on locked-in shares	N/A
3.1.4 (c) – Requirement of a valuation/research report to justify the price	Section 4.2 of the Prospectus.
3.1.17 (a) – (c) – Details on Corporate Governance	Page 80 of Annual Report of SDB bank 2020. <a href="https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf">https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf</a>
3.1.13 (a), (c), and (e) – Details on Financial Information	<p>3.1.13 (a) (i) Audited Financial Statements made up to a date not more than 12 months from the date of submission of the listing application:</p> <p>Annual Report of SDB bank 2020: <a href="https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf">https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf</a></p> <p>3.1.13 (a) (ii) Latest Interim Financial Statements: <a href="https://cdn.cse.lk/cmt/upload_report_file/1182_1620379021546.03.2021.pdf">https://cdn.cse.lk/cmt/upload_report_file/1182_1620379021546.03.2021.pdf</a></p> <p>3.1.13 (c) - N/A</p> <p>3.1.13 (e) Particulars of Debt and Loan Capital: Page 169-173 of the Annual Report of SDB bank 2020 (Notes 27-29) <a href="https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf">https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf</a></p>
3.1.20 (a) and (c) – Inspection of Documents	<p>3.1.20 (a)</p> <p>Articles of Association, Auditors’ Report and Audited Financial Statements for the financial year ended 31 December 2020, Accountants Report and Summary Financial Statements for the five (5) financial years immediately preceding the date of this Prospectus, Interim Financial Statements for the three month period ended 31 March 2021, material contract and management agreement (if any) reports, letters referred in the Prospectus would be made available for inspection by the public during normal working hours at the registered office of SANASA Development Bank PLC, at No. 12, Edmonton Road, Kirulapone, Colombo 6 from the date hereof, until the subscription list is closed or up to 14 market days, whichever is later as per Rule 3.1.20 (a) of the CSE Listing Rules.</p> <p>3.1.20 (c)</p> <p>N/A. Please refer Section 4.2.</p>

Details of Disclosures Waived	Reference to Alternative Sources
3.1.21 (k)	For companies which have run for fewer than 3 years – N/A
3.1.9 (a) and (b) (ii) Details of Directors	<p>3.1.9 (a) Details of Board of Directors of SDB bank via SDB bank website  <a href="https://www.sdb.lk/en/about-us/board-of-directors">https://www.sdb.lk/en/about-us/board-of-directors</a></p> <p>Pg. 22-23 of the SDB bank Annual Report 2020:  <a href="https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf">https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf</a></p> <p>3.1.9 (b) (ii) Directors Share Transaction  CSE Announcements:  <a href="https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=SDB.N0000">https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=SDB.N0000</a></p>
3.1.11(a), (b), and (d) Details of the Management	Corporate Management page of the SDB bank website. <a href="https://www.sdb.lk/en/about-us/corporate-management">https://www.sdb.lk/en/about-us/corporate-management</a>
3.1.12 – Details on Management Agreements	N/A
3.1.14 Details on Taxation	Any tax concessions or tax exemptions applicable to SDB bank – N/A
3.1.16 (a) – (c) – Details on Litigation, Disputes, and Contingent Liabilities	Note 36 (Page 176 – 177) of SDB bank Annual Report 2020 <a href="https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf">https://cdn.cse.lk/cmt/upload_report_file/1182_1620033995932.pdf</a>

N/A-Not Applicable

## ANNEXURE B – MEMBERS AND TRADING MEMBERS OF THE CSE

### **NDB Securities (Private) Ltd.**

Level 2, NDB Capital Building,  
No. 135, Bauddhaloka Mawatha,  
Colombo 4  
Phone : +94 11 213 1000  
Fax : +94 11 231 4181  
Email : mail@ndbs.lk

### **Assetline Securities (Pvt) Ltd.**

(Inactivated Operations)  
No.120, 120A, Pannipitiya Road,  
Battaramulla.  
Phone : +94 11 470 0100  
Fax : +94 11 470 0101  
+94 11 470 0112  
Email : info@assetline.lk

### **Asha Securities Limited**

No. 60, 5th Lane, Colombo 3  
Phone : +94 11 242 9100  
Fax : +94 11 242 9199  
Email : asl@ashasecurities.net

### **J B Securities (Pvt) Ltd.**

No. 150, St. Joseph Street,  
Colombo 14  
Phone : +94 11 249 0900  
Fax : +94 11 243 0070  
Email : jbs@jb.lk

### **Asia Securities (Pvt) Ltd.**

4th Floor, Lee Hedges Tower,  
No. 349, Galle Road, Colombo 3  
Phone : +94 11 772 2000  
Fax : +94 11 258 4864  
Email : inquiries@asiasecurities.lk

### **S C Securities (Pvt) Ltd.**

5th Floor, No. 26B, Alwis Place,  
Colombo 3  
Phone : +94 11 471 1000  
+94 11 471 1001  
Fax : +94 11 239 4405  
Email : itdivision@sampathsecurities.lk

### **First Capital Equities (Pvt) Ltd.**

No. 2, Deal Place,  
Colombo 3  
Phone : +94 11 2 639 898  
Fax : +94 11 5 736 264  
EMail : equity@firstcapital.lk

### **Somerville Stockbrokers (Pvt) Ltd.**

No. 1A, Park Way, Park Road,  
Colombo 5  
Phone : +94 11 250 2852  
+94 11 250 2854  
+94 11 250 2858  
+94 11 250 2862  
Fax : +94 11 250 2852  
Email : contact@somerville.lk

### **John Keells Stock Brokers (Pvt) Ltd.**

No. 186, Vauxhall Street,  
Colombo 2  
Phone : +94 11 230 6250  
Fax : +94 11 234 2068  
Email : jkstock@keells.com

### **Acuity Stockbrokers (Pvt) Ltd.**

No. 53, Dharmapala Mawatha,  
Colombo 3  
Phone : +94 11 220 6206  
Fax : +94 11 220 6298/9  
Email : sales@acuitystockbrokers.com

### **Lanka Securities (Pvt) Ltd.**

No. 228/1, Galle Road,  
Colombo 4  
Phone : +94 11 470 6757  
+94 11 255 4942  
Fax : +94 11 470 6767  
Email : info@lankasec.com

### **Capital Trust Securities (Pvt) Ltd.**

No. 42, Mohamed Macan  
Markar Mawatha,  
Colombo 3  
Phone : +94 11 217 4174  
+94 11 217 4175  
Fax : +94 11 217 4173  
Email : inquiries@capitaltrust.lk

### **CT CLSA Securities (Pvt) Ltd.**

4-14, Majestic City, 10, Station Road,  
Colombo 4  
Phone : +94 11 255 2290/4  
Fax : +94 11 255 2289  
Email : info@ctclsa.lk

### **Bartleet Religare Securities (Pvt) Ltd.**

Level "G", "Bartleet House",  
No. 65, Braybrooke Place,  
Colombo 2  
Phone : +94 11 522 0200  
Fax : +94 11 243 4985  
Email : info@bartleetstock.com

### **Nation Lanka Equities (Pvt) Ltd.**

No. 44, Guildford Crescent,  
Colombo 7  
Phone : +94 11 789 8302  
Fax : +94 11 267 3355  
Email : info@nlequities.com

### **Capital Alliance Securities (Pvt) Ltd.**

Level 5, "Millennium House",  
No. 46/58, Navam Mawatha,  
Colombo 2  
Phone : +94 11 231 7777  
Fax : +94 11 231 7788  
Email : info@cal.lk

**First Guardian Equities (Pvt) Ltd.**  
32nd Floor, East Tower,  
World Trade Center,  
Colombo 1  
Phone : +94 11 588 4400 (Hunting)  
Fax : +94 11 588 4401  
Email : info@fge.lk

**Candor Equities Ltd.**  
Level 8, South Wing,  
"Millennium House",  
No. 46/58, Navam Mawatha,  
Colombo 2  
Phone : +94 11 235 9100  
Fax : +94 11 230 5522  
Email : info.cel@candorh.com

**Enterprise Ceylon Capital  
(Private) Limited**  
No. 73/1, Dharmapala Mawatha,  
Colombo 7  
Phone : +94 11 244 5644  
+94 11 230 1861/2  
Email : info@ecc.lk

**Richard Pieris Securities (Pvt) Ltd.**  
No. 310, High Level Road,  
Nawinna, Maharagama  
Phone : +94 11 431 0500  
Fax : +94 11 280 2385  
Email : communication@rpsecurities.com

**LOLC Securities Limited**  
No. 481, T B Jayah Mawatha,  
Colombo 10  
Phone : +94 11 588 9889  
Fax : +94 11 266 2883  
Email : info@lolcsecurities.com

**SMB Securities (Pvt) Ltd.**  
No. 02, Gower Street,  
Colombo 5  
Phone : +94 11 438 8138  
Fax : +94 11 267 0294  
Email : info@smbsecurities.lk

**Taprobane Securities (Pvt) Ltd.**  
2nd Floor, No. 10, Gothami Road,  
Colombo 8  
Phone : +94 11 532 8200  
+94 11 532 8100  
Fax : +94 11 532 8177  
Email : info@taprobane.lk

**Softlogic Stockbrokers (Pvt) Ltd.**  
Level 16, One Galle Face Tower,  
Colombo 2  
Phone : +94 11 727 7000  
Fax : +94 11 727 7099  
Email : ssb.inquiry@softlogic.lk

**TKS Securities (Pvt) Ltd.  
(Inactivated Operations)**  
4th Floor, No. 245,  
Dharmapala Mawatha,  
Colombo 7  
Phone : +94 11 785 7799  
Fax : +94 11 785 7857  
Email : info@tkslk

**Navara Securities (Pvt) Ltd**  
No. 12B Gregory's Road,  
Colombo 7  
Phone : +94 11 235 8700/20  
Fax : +94 11 500 5551  
Email : info@navarasecurities.lk

## ANNEXURE C – CUSTODIAN BANKS

### **Bank of Ceylon**

Head Office  
11th Floor, 04,  
Bank of Ceylon Mawatha,  
Colombo 1  
Phone : +94 11 220 4064

### **Citi Bank, N A**

65 C, Dharmapala Mawatha,  
P. O. Box 888, Colombo 7  
Phone : +94 11 479 4728

### **Commercial Bank of Ceylon PLC**

Commercial House  
21, Bristol Street, P.O. Box 853,  
Colombo 1  
Phone : +94 11 244 5010 -15

### **Deutsche Bank AG**

P.O. Box 314, 86, Galle Road,  
Colombo 3  
Phone : +94 11 244 7062  
+94 11 243 8057

### **Hatton National Bank PLC**

HNB Towers, 479,  
T B Jayah Mawatha,  
Colombo 10  
Phone : +94 11 266 1762

### **Union Bank of Colombo PLC**

64, Galle Road, Colombo 3  
Phone : +94 11 237 4205

**The Hongkong and Shanghai  
Banking Corporation Limited,**  
24, Sir Baron Jayathilake Mawatha,  
Colombo 1

Phone : +94 11 232 5435  
+94 11 244 6591  
+94 11 244 6303

### **People's Bank**

Head Office – Treasury, 5th Floor,  
Sir Chittampalam A Gardiner Mawatha,  
Colombo 2  
Phone : +94 11 220 6782

### **Public Bank Berhad**

340, R A De Mel Mawatha,  
Colombo 3  
Phone : +94 11 257 6289  
+94 11 729 0200/7

### **Standard Chartered Bank**

37, York Street, P. O. Box 112,  
Colombo 1  
Phone : +94 11 248 0450

### **Sampath Bank PLC**

110, Sir James Peiris Mawatha,  
Colombo 2  
Phone : +94 11 533 1458  
+94 11 473 0662

### **State Bank of India**

16, Sir Baron Jayathilake Mawatha,  
Colombo 1  
Phone : +94 11 462 2350

### **Nations Trust Bank PLC**

256, Sri Ramanathan Mawatha,  
Colombo 15  
Phone : +94 11 431 3131

### **Pan Asia Banking Corporation PLC**

Head Office  
450, Galle Road, Colombo 3  
Phone : +94 11 256 5565

### **Seylan Bank PLC**

Level 8, Ceylinco Seylan Towers,  
90, Galle Road, Colombo 3  
Phone : +94 11 470 1812  
+94 11 470 1819

# ANNEXURE D – ACCOUNTANTS’ REPORT AND FIVE YEAR SUMMARY



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

SPF/TP

Board of Directors  
Sanasa Development Bank PLC  
No.12, Edmonton Road  
Kirulapona  
Colombo 06.

21 May 2021

## Accountants’ Report Sanasa Development Bank PLC

Dear Sirs/Mesdames

### Introduction

This report has been prepared for the purpose of prospectus of Sanasa Development Bank PLC (“SDB” or “the Bank”) to issue of up to Sixty Eight Million (68,000,000) new Ordinary Voting Shares of the Bank (Initial Issue) and issue up to a further Twenty Million (20,000,000) new Ordinary Voting Shares of the Bank at the discretion of the Board of Directors of SDB (Further Issue) in the event of an oversubscription of the initial issue resulting a total issuance of up to Eighty Eight Million (88,000,000) new Ordinary Voting Shares of the Bank (Total Issue) at LKR 51.50 per share. Accordingly, the Bank intends to raise up to LKR 3,502,000,000/- via the Initial Issue and in the event of an oversubscription of the Initial Issue to raise LKR 1,030,000,000/- via the Further Issue resulting in a total amount of up to LKR 4,532,000,000/- being raised via the Total Issue.

We have examined the Financial Statements of the Bank for the years ended 31 December 2016 to 31 December 2020, and report as follows.

### 1. Incorporation

Sanasa Development Bank PLC is a Public Limited Liability Company incorporated in Sri Lanka on 6 August 1997 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 on 30 October 2007. It is a licensed Specialised Bank under the Banking Act No.30 of 1988. The shares of the bank have a primary listing on the Colombo Stock Exchange.

### 2. Financial Information

#### 2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Statements of Cash Flows of the Bank for the financial years ended 31 December 2016 to 31 December 2020, based on the audited Financial Statements are set out on Annexure 01 to 04 of the Accountants’ Report.

EY202105245891

Partners: W R H Fernando FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, Ms. Y A De Silva FCA, W R H De Silva ACA ACMA, W K B S P Fernando FCA FCMA, Ms. K R M Fernando FCA ACMA, Ms. L K H L Fonseka FCA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (Lond), H M A Jayasinghe FCA FCMA, 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

Principals: G B Goudian ACMA, T P M Ruberu FCMA FCMA

A member firm of Ernst & Young Global Limited



## 2.2 Audited Financial Statements for the Year Ended 31 December 2020

Our audit report on the Financial Statements of the Bank for the year ended 31 December 2020 together with such Financial Statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flow along with the accounting policies and notes thereon is available on the websites of CSE, [www.cse.lk](http://www.cse.lk), where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

## 2.3 Audit Reports

We have audited the Financial Statements of the Bank for the years ended 31 December 2016 to 31 December 2020. Unmodified audit opinions have been issued for the said financial years by our reports dated 16 March 2017, 26 February 2018, 8 March 2019, 26 February 2020 and 26 February 2020 respectively.

## 2.4 Accounting Policies

The Financial Statements of the Bank for the years ended 31 December 2016 to 31 December 2020 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank are stated in detail in the audited Financial Statements of Sanasa Development Bank PLC for the year ended 31 December 2020.

## 2.5 Dividends

Bank has paid dividend during the years ended 31 December 2016 to 31 December 2020 as follows.

Year	Dividend Paid (Rs. '000)	Dividend Per Share (Rs.)
2016	131,249	2.50
2017	136,947	2.50
2018	Nil	Nil
2019	114,022	2.00
2020	228,940	2.25

Dividend paid on ordinary shares includes Rs. 268,866,989.28, Rs. 234,387,477.48, Rs. 162,848,914.80 and Rs. 280,135,694.52 paid as scrip dividends in 2015, 2016, 2017 and 2019 respectively.



## 2.6 Events after Reporting Date

There were no significant events occurred after the last audit report date.

## 3. Restriction on Use

This report is made solely for the purpose of prospectus of the Bank to issue of up to Sixty Eight Million (68,000,000) new Ordinary Voting Shares of the Bank (Initial Issue) and issue up to a further Twenty Million (20,000,000) new Ordinary Voting Shares of the Bank at the discretion of the Board of Directors of SDB (Further Issue) in the event of an oversubscription of the initial issue resulting a total issuance of up to Eighty Eight Million (88,000,000) new Ordinary Voting Shares of the Bank (Total Issue) at LKR 51.50 per share.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Emmett + Yancy', is written over a light blue rectangular background.

Five Year Financial Summary  
STATEMENT OF COMPREHENSIVE INCOME  
Year ended 31 December

	2020 LKR	2019 LKR	Bank 2018 LKR	2017 LKR	2016 LKR
Interest income	15,442,002,803	15,079,323,806	13,146,787,156	10,829,333,073	8,177,186,889
Interest expenses	(9,314,576,405)	(9,382,528,920)	(8,423,757,728)	(6,941,840,502)	(4,846,840,351)
<b>Net interest income</b>	<b>6,127,426,398</b>	<b>5,696,794,886</b>	<b>4,723,029,428</b>	<b>3,887,492,571</b>	<b>3,330,346,538</b>
Fee and commission income	390,619,231	237,656,461	196,762,071	278,769,564	212,540,050
Fee and commission expenses	(14,334,115)	(6,506,626)	(4,396,881)	(3,511,099)	(9,596,114)
<b>Net fee and commission income</b>	<b>376,285,116</b>	<b>231,149,835</b>	<b>192,365,190</b>	<b>275,258,465</b>	<b>202,943,936</b>
Net gain/(loss) from trading	5,228,460	1,264,727			
Net gain/(loss) from financial investments					
Net fair value gain/(loss) of financial assets at fair value through profit or loss	268,709,636	114,889,449	280,172,060	211,759,394	17,351,017
Net other operating income	55,227,102	90,968,785	20,811,102	50,845,398	40,045,507
<b>Total operating income</b>	<b>6,832,876,712</b>	<b>6,135,067,682</b>	<b>5,216,377,780</b>	<b>4,425,355,828</b>	<b>3,590,686,997</b>
Impairment for loans and other losses	(417,038,505)	(917,433,506)	(525,843,881)	(293,536,909)	(125,043,863)
<b>Net operating income</b>	<b>6,415,838,207</b>	<b>5,217,634,176</b>	<b>4,690,533,899</b>	<b>4,131,818,919</b>	<b>3,465,643,134</b>
Personnel expenses	(2,576,773,302)	(2,116,347,930)	(1,827,073,349)	(1,474,145,865)	(1,266,115,183)
Depreciation and amortisation expenses	(454,568,998)	(431,192,597)	(224,260,432)	(191,576,973)	(176,052,064)
Other expenses	(1,400,538,554)	(1,420,073,045)	(1,526,131,852)	(1,364,051,181)	(1,113,796,283)
<b>Operating profit before Value Added Tax (VAT) and NBT on financial services</b>	<b>1,983,957,352</b>	<b>1,250,020,604</b>	<b>1,113,068,266</b>	<b>1,102,044,901</b>	<b>909,679,605</b>
Value Added Tax (VAT) on financial services	(571,027,269)	(386,522,109)	(362,940,818)	(300,961,855)	(292,254,188)
Nation Building Tax (NBT) on financial services	-	(51,106,360)	(52,702,722)	(48,481,937)	-
Debt repayment levy	-	(226,564,695)	(53,282,253)	-	-
<b>Operating profit/(loss) after VAT and NBT on financial services</b>	<b>1,412,930,083</b>	<b>585,827,440</b>	<b>644,142,473</b>	<b>752,601,109</b>	<b>617,425,418</b>
Share of profits of associates and joint ventures					
<b>Profit before tax</b>	<b>1,412,930,083</b>	<b>585,827,440</b>	<b>644,142,473</b>	<b>752,601,109</b>	<b>617,425,418</b>
Tax expenses	(576,642,736)	(332,422,344)	(287,192,354)	(244,777,577)	(213,703,773)
<b>Profit for the year</b>	<b>836,287,347</b>	<b>253,405,096</b>	<b>356,950,119</b>	<b>507,823,532</b>	<b>403,721,645</b>
<b>Profit attributable to</b>					
Owners of parent	836,287,347	253,405,096	356,950,119	507,823,532	403,721,645
Non-controlling interests	-	-	-	-	-
<b>Profit for the year</b>	<b>836,287,347</b>	<b>253,405,096</b>	<b>356,950,119</b>	<b>507,823,532</b>	<b>403,721,645</b>
<b>Other comprehensive income</b>					
<i>Other comprehensive income/(expenses) not to be reclassified to profit or loss</i>					
Actuarial losses on defined benefit plans	(1,854,991)	(41,587,781)	(45,995,306)	2,885,075	(49,638,943)
Deferred tax relating to defined benefit plans	519,397	11,644,579	12,878,686	(807,821)	13,898,904
Loss arising on re-measuring investments in equity instruments designed at fair value through other comprehensive income	-	(3,209,534)	(3,388,111)	-	(12,453,979)
<b>Other comprehensive income for the year net of tax</b>	<b>(1,335,594)</b>	<b>(33,152,736)</b>	<b>(36,504,731)</b>	<b>2,077,254</b>	<b>(48,194,018)</b>
<b>Total comprehensive income for the year</b>	<b>834,951,754</b>	<b>220,252,360</b>	<b>320,445,388</b>	<b>509,900,786</b>	<b>355,527,626</b>
Total Comprehensive Income to attributable to					
Owners of parent	834,951,754	220,252,360	320,445,388	509,900,786	355,527,626
Non-controlling interests	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>834,951,754</b>	<b>220,252,360</b>	<b>320,445,388</b>	<b>509,900,786</b>	<b>355,527,626</b>
<b>Earnings per share on profit</b>					
Basic earnings per share - (LKR)	<b>11.05</b>	<b>4.50</b>	<b>6.34</b>	<b>9.87</b>	<b>9.60</b>



Five Year Financial Summary  
STATEMENT OF FINANCIAL POSITION  
As at 31 December

	2020 LKR	2019 LKR	Bank 2018 LKR	2017 LKR	2016 LKR
<b>Assets</b>					
Cash and cash equivalents	9,640,915,936	2,429,790,570	4,171,938,630	1,190,389,606	1,044,725,493
Placements with banks	2,823,628,452	5,628,094,545	9,528,425,565	6,014,703,836	6,919,027,281
Financial assets fair value through profit or loss	4,600,457,930	3,527,310,141	146,103,330	4,473,805,573	244,911,140
Financial assets at amortised cost					
- Loans and receivables to other customers	102,662,268,716	85,823,334,862	77,507,021,162	66,687,415,593	53,632,538,822
- Debt and other instruments	5,244,005,218	6,998,924,881	3,405,600,286	-	-
Other financial asset classified under loans and receivable	-	-	-	1,479,949,628	1,503,539,374
Financial assets measured at fair value through other comprehensive income	56,938,514	56,938,514	60,148,048	-	-
Financial investments - Available-for-sale	-	-	-	63,536,159	566,935,476
Financial investments - Held-to-maturity	-	-	-	599,551,021	492,267,661
Investment in subsidiary	6,163,100	-	-	-	-
Asset classified as Held for sale	-	-	-	37,175,411	37,175,411
Property, plant and equipment	661,694,541	645,231,444	704,738,493	726,472,629	637,263,173
Right of use assets	689,646,206	651,270,748	-	-	-
Investment properties	20,222,570	21,278,600	22,334,630	23,390,660	24,446,690
Intangible assets	395,123,333	308,444,541	3,727,725	8,148,340	16,938,244
Deferred tax assets	231,672,525	232,481,661	69,414,926	-	-
Other assets	2,026,987,076	1,460,523,822	1,198,314,390	1,070,174,846	913,030,314
<b>Total assets</b>	<b>129,059,724,118</b>	<b>107,783,624,329</b>	<b>96,817,767,184</b>	<b>82,374,713,302</b>	<b>66,032,799,079</b>
<b>Liabilities</b>					
Due to other customers	93,271,727,185	72,431,923,465	67,474,821,535	59,904,734,365	45,691,758,092
Other borrowings	18,090,499,974	20,299,717,968	15,420,967,962	8,827,609,604	9,482,950,010
Debt securities issued	1,013,899,072	1,014,034,248	4,198,547,716	4,189,812,218	4,182,653,234
Subordinated term debts	4,052,630,214	4,210,565,525	1,008,027,823	1,004,354,742	-
Retirement benefit obligation	571,382,319	479,575,300	354,854,450	257,476,102	212,494,263
Current tax liabilities	274,214,765	187,069,978	143,987,552	32,152,742	23,110,292
Deferred tax liabilities	-	-	-	58,000,392	46,629,257
Other liabilities	1,869,194,600	1,491,758,740	767,833,402	769,413,106	873,924,283
<b>Total liabilities</b>	<b>119,143,548,128</b>	<b>100,114,645,224</b>	<b>89,369,040,440</b>	<b>75,043,553,271</b>	<b>60,513,519,431</b>
<b>Equity</b>					
Stated capital	7,727,941,021	5,921,538,126	5,921,538,126	5,758,689,211	4,062,961,714
Statutory reserve fund	270,009,116	228,281,724	215,611,469	197,763,963	172,372,786
Retained earnings	1,890,620,504	1,491,553,906	1,280,762,267	1,340,503,863	1,249,742,154
Other reserves	27,605,349	27,605,349	30,814,883	34,202,994	34,202,994
<b>Total equity</b>	<b>9,916,175,990</b>	<b>7,668,979,105</b>	<b>7,448,726,745</b>	<b>7,331,160,031</b>	<b>5,519,279,648</b>
Non-controlling interests					
	9,916,175,990	7,668,979,105	7,448,726,745	7,331,160,031	5,519,279,648
<b>Total equity and liabilities</b>	<b>129,059,724,118</b>	<b>107,783,624,329</b>	<b>96,817,767,185</b>	<b>82,374,713,302</b>	<b>66,032,799,078</b>
<b>Contingent liabilities and commitments</b>	<b>194,553,577</b>	<b>177,752,357</b>	<b>182,986,032</b>	<b>166,260,031</b>	<b>148,030,175</b>



Five Year Financial Summary  
STATEMENT OF CASH FLOWS  
Year ended 31 December

	2020 LKR	2019 LKR	Bank 2018 LKR	2017 LKR	2016 LKR
<b>Cash flows from/(used in) operating activities</b>					
Interest received	13,826,069,617	14,898,176,741	12,879,033,724	10,627,484,784	8,177,186,889
Fee and commission received	371,105,945	216,362,778	218,856,327	274,824,879	212,540,050
Receipts from other operating activities	(537,936,192)	(221,855,717)	65,627,056	63,788,378	101,752,074
Interest payment	(9,374,607,193)	(9,546,853,352)	(7,836,343,603)	(6,073,127,221)	(4,846,840,351)
Cash payment to employees	(2,356,032,878)	(2,134,949,329)	(1,953,287,233)	(1,371,766,033)	(1,386,214,260)
Payments to suppliers and other operating activities	(1,127,087,699)	(1,601,603,518)	(2,103,279,424)	(2,729,403,858)	(1,552,399,590)
Fee and commission expenses	(14,334,115)	(6,506,626)	(4,396,881)	(3,511,098)	(9,596,114)
VAT and NBT on financial services	(571,027,269)	(437,628,469)	(415,643,540)	-	-
<b>Operating profit before changes in operating assets</b>	<b>216,150,216</b>	<b>1,165,142,508</b>	<b>850,566,426</b>	<b>788,289,831</b>	<b>696,428,698</b>
<b>(Increase)/decrease in operating assets</b>					
Funds advanced to customers	(15,761,587,125)	(9,169,985,133)	(11,345,449,448)	(13,348,413,681)	(7,927,083,794)
Other short term securities	588,710,505	(719,925,694)	590,167,755	134,290,035	516,458,126
<b>Increase/(decrease) in operating liabilities</b>					
Deposits from customers	20,724,939,448	5,121,426,361	7,570,087,169	14,212,976,273	2,668,365,273
<b>Net cash from operating activities before income tax</b>	<b>5,768,213,043</b>	<b>(3,603,341,958)</b>	<b>(2,334,628,098)</b>	<b>1,787,142,456</b>	<b>(4,045,831,697)</b>
Income tax paid	(582,397,559)	(316,666,487)	(162,478,859)	(236,542,946)	(437,427,735)
<b>Net cash from operating activities</b>	<b>5,185,815,484</b>	<b>(3,920,008,445)</b>	<b>(2,497,106,956)</b>	<b>1,550,599,510</b>	<b>(4,483,259,431)</b>
<b>Cash flows from/(used in) investing activities</b>					
Dividend received	320,000	240,800	476,587	6,929,443	1,759,173
(Increase)/decrease in non dealing securities	(0)	(0)	-	503,399,317	(499,710,818)
(Increase)/decrease in dealing securities	(799,209,693)	(3,265,052,634)	4,607,874,303	(4,017,135,040)	(227,560,123)
Investment Income					
(Increase)/decrease in treasury bonds and other investments	(1,629,228,669)	(2,932,143,523)	1,617,468,415	(1,438,102,869)	700,172,712
Proceeds from sale of property, plant and equipment	8,178,027	14,467,863	59,872,470	10,747,244	10,311,927
Purchase of property, plant and equipment	(214,731,711)	(171,644,938)	(216,934,545)	(272,786,130)	(236,556,367)
Purchase of intangible assets	(153,652,601)	(323,857,065)	-	-	-
Net cash flow from acquisition of investment in subsidiary	(6,163,100)	-	-	-	-
<b>Net cash from/(used in) investing activities</b>	<b>(2,794,487,747)</b>	<b>(6,677,989,497)</b>	<b>6,068,757,231</b>	<b>(5,206,948,034)</b>	<b>(251,583,496)</b>
<b>Cash flows from/(used in) financing activities</b>					
Proceeds from issuance/allotment of shares	1,526,267,201	-	-	1,461,340,018	-
Dividend paid	(114,022,069)	-	(136,947,168)	(131,249,300)	(109,162,402)
Repayment of long term borrowing	(20,270,734,411)	(15,195,146,100)	(6,012,141,112)	-	3,086,154,080
Interest paid on subordinated debt	(455,970,984)	(283,958,008)	(137,219,807)	-	-
Increase/(decrease) in borrowing	18,534,311,975	20,375,878,347	12,755,127,856	376,047,727	-
Funds received/(utilized) during the period	42,000	-	(11,463,482)	(28,568,474)	354,219
<b>Net cash flow from/(used in) financing activities</b>	<b>(780,106,290)</b>	<b>4,896,774,239</b>	<b>6,457,356,287</b>	<b>1,677,569,970</b>	<b>2,977,345,897</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,611,221,448</b>	<b>(5,701,223,703)</b>	<b>10,029,006,561</b>	<b>(1,978,778,554)</b>	<b>(1,757,497,030)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>10,914,678,681</b>	<b>16,615,902,384</b>	<b>6,586,895,822</b>	<b>8,565,674,376</b>	<b>10,323,171,406</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>12,525,900,129</b>	<b>10,914,678,682</b>	<b>16,615,902,383</b>	<b>6,586,895,822</b>	<b>8,565,674,376</b>



Bank	Stated Capital					Total Equity
	Ordinary Voting Shares	Statutory Reserve	Reserves			
			Retained Earnings	Available For Sale Reserve	General Reserves	
LKR	LKR	LKR	LKR	LKR	LKR	
<b>Balance as at 01 January 2016</b>	3,794,094,725	154,596,405	1,302,002,771	-	46,656,973	5,297,350,874
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	403,721,644	-	-	403,721,644
Other comprehensive income (net of tax)	-	-	(35,740,039)	(12,453,979)	-	(48,194,018)
<b>Total comprehensive income for the year</b>	-	-	367,981,605	(12,453,979)	-	355,527,626
<b>Transactions with equity holders, recognised directly in equity</b>						
Scrip Dividend	268,866,989	-	(293,303,439)	-	-	(24,436,450)
Transfer to Statutory Reserve fund	-	17,776,381	(17,776,381)	-	-	-
Dividends to equity holders	-	-	(109,162,402)	-	-	(109,162,402)
<b>Total transactions with equity holders</b>	268,866,989	17,776,381	(420,242,222)	-	-	(133,598,852)
<b>Balance as at 31 December 2016</b>	4,062,961,714	172,372,786	1,249,742,154	(12,453,979)	46,656,973	5,519,279,648
<b>Balance as at 1 January 2017</b>	4,062,961,714	172,372,786	1,249,742,154	(12,453,979)	46,656,973	5,519,279,648
Profit for the year	-	-	507,823,532	-	-	507,823,532
Other comprehensive income (net of tax)	-	-	2,077,254	-	-	2,077,254
<b>Total comprehensive income for the year</b>	-	-	509,900,786	-	-	509,900,786
<b>Transactions with equity holders, recognised directly in equity</b>						
Share issue/increase of assigned capital	1,461,340,020	-	-	-	-	1,461,340,020
Scrip Dividend	234,387,477	-	(262,498,600)	-	-	(28,111,123)
Transfer to Statutory Reserve fund	-	25,391,177	(25,391,177)	-	-	-
Dividends to equity holders	-	-	(131,249,300)	-	-	(131,249,300)
<b>Total transactions with equity holders</b>	1,695,727,497	25,391,177	(419,139,077)	-	-	1,301,979,597
<b>Balance as at 31 December 2017</b>	5,758,689,211	197,763,963	1,340,503,863	(12,453,979)	46,656,973	7,331,160,031
<b>Opening balance as at 31 December 2017</b>	5,758,689,211	197,763,963	1,340,503,863	(12,453,979)	46,656,973	7,331,160,031
Impact of adoption of SLFRS 09 as at 1 January 2018	-	-	(37,054,387)	-	-	(37,054,387)
Restated balance under SLFRS 9 as at 1 January 2018	5,758,689,211	197,763,963	1,303,449,476	(12,453,979)	46,656,973	7,294,105,644
Profit for the year	-	-	356,950,119	-	-	356,950,119
Other comprehensive income (net of tax)	-	-	(33,116,620)	(3,388,111)	-	(36,504,731)
<b>Total comprehensive income for the year</b>	-	-	323,833,499	(3,388,111)	-	320,445,388
<b>Transactions with equity holders, recognised directly in equity</b>						
Scrip dividend	162,848,915	-	(191,726,035)	-	-	(28,877,120)
Dividends to equity holders	-	-	(136,947,168)	-	-	(136,947,168)
Transfer to statutory reserve fund	-	17,847,506	(17,847,506)	-	-	-
<b>Total transaction with equity holders</b>	162,848,915	17,847,506	(346,520,708)	-	-	(165,824,287)
<b>Closing balance as at 31 December 2018</b>	5,921,538,126	215,611,469	1,280,762,267	(15,842,090)	46,656,973	7,448,726,745
<b>Opening balance as at 1 January 2019</b>	5,921,538,126	215,611,469	1,280,762,267	(15,842,090)	46,656,973	7,448,726,745
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	253,405,096	-	-	253,405,096
Other comprehensive income (net of tax)	-	-	(29,943,202)	(3,209,534)	-	(33,152,736)
<b>Total comprehensive income for the year</b>	-	-	223,461,894	(3,209,534)	-	220,252,360
Transfer to statutory reserve fund	-	12,670,255	(12,670,255)	-	-	-
<b>Closing balance as at 31 December 2019</b>	5,921,538,126	228,281,724	1,491,553,906	(19,051,624)	46,656,973	7,668,979,105
<b>Opening balance as at 1 January 2020</b>	5,921,538,126	228,281,724	1,491,553,906	(19,051,624)	46,656,973	7,668,979,105
Profit for the year	-	-	836,287,347	-	-	836,287,347
Other comprehensive income (net of tax)	-	-	(1,335,594)	-	-	(1,335,594)
<b>Total comprehensive income for the year</b>	-	-	834,951,754	-	-	834,951,754
<b>Transactions with equity holders, recognised directly in equity</b>						
Rights issue	1,526,267,201	-	-	-	-	1,526,267,201
Dividends to equity holders						
Scrip dividend - 2019	280,135,695	-	(280,135,695)	-	-	-
Cash dividend - 2019	-	-	(114,022,069)	-	-	(114,022,069)
Transfer to statutory reserve fund	-	41,727,392	(41,727,392)	-	-	-
	1,806,402,895	41,727,392	(435,885,156)	-	-	1,412,245,131
<b>Closing balance as at 31 December 2020</b>	7,727,941,021	270,009,116	1,890,620,504	(19,051,624)	46,656,973	9,916,175,990



## ANNEXURE E – DETAILS OF CONVERTIBLE TERM DEBTS

Description of the Capital Instrument	Subordinated Convertible Term Debt	Subordinated Convertible Term Debt	Subordinated Term Debt Under Basel III Guidelines of CBSL	Subordinated Term Debt Under Basel III Guidelines of CBSL
<b>Lender</b>	SBI FMO Emerging Asia Financial Sector Fund PTE. LTD.	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Stichting Fondsbeheer DGGF Lokaal MKB duly represented by Triple Jump B.V.	Belgian Investment Company for Developing Countries NV/SA – (BIO)
<b>Approval status</b>	CSE approval – 8 February 2017  SEC approval – 21 February 2017	CSE approval – 8 February 2017  SEC approval – 21 February 2017	CSE approval – 29 April 2019  SEC approval – to be obtained upon the occurrence of a trigger event	CSE approval – 3 October 2019  SEC approval – to be obtained upon the occurrence of a trigger event
<b>Original date of issuance</b>	December 2016	December 2016	March 2019	September 2019
<b>Original maturity date, if applicable</b>	December 2021	December 2021*	March 2024	September 2024
<b>Amount recognised in regulatory capital (in LKR '000 as at 31 March 2021)</b>	216,169	97,134	1,200,617	1,136,109
<b>Coupon rate and any related index (%)</b>	6 months T-bill rate + 450bps	6 months T-bill rate + 550bps	6 months T-bill Rate + 700bps	6 months LIBOR + 550bps
<b>Convertible or non-convertible option</b>	Convertible at the option of Lender	Convertible at the option of Lender	Convertible upon the occurrence of trigger event	Convertible upon the occurrence of trigger event
<b>Conversion trigger(s)</b>	N/A	N/A	Conversion trigger(s) applicable as per Banking Act Direction No. 1 of 2016	Conversion trigger(s) applicable as per Banking Act Direction No. 1 of 2016
<b>Fully or partially</b>	Fully or partially subject to a maximum of 15% of the issued share capital	Fully or partially subject to a maximum of 15% of the issued share capital	Fully or partially subject to a maximum of 15% of the issued share capital	Fully or partially subject to a maximum of 15% of the issued share capital

Description of the Capital Instrument	Subordinated Convertible Term Debt	Subordinated Convertible Term Debt	Subordinated Term Debt Under Basel III Guidelines of CBSL	Subordinated Term Debt Under Basel III Guidelines of CBSL
<b>Mandatory or optional</b>	Optional	Optional	Mandatory upon the occurrence of a trigger event	Mandatory upon the occurrence of a trigger event
<b>If convertible, conversion rate</b>	LKR 140 or 1.1 x of book value per share whichever is lower in the event if Bank issues new shares to any new investor	LKR 140 or 1.1 x of book value per share whichever is lower in the event if Bank issues new shares to any new investor	Simple average of the daily volume weighted average price (VWAP) of an ordinary voting share of the borrower as published by the Colombo Stock Exchange during the three (3) months period, immediately preceding the date of the trigger event	Simple average of the daily volume weighted average price (VWAP) of an ordinary voting share of the borrower as published by the Colombo Stock Exchange during the three (3) months period, immediately preceding the date of the trigger event

*\* SDB bank in consultation with FMO is in a position to redeem the subordinated term debt prior to the expiry of the tenor of the instrument subject to the Monetary Board approval of CBSL. SDB bank has obtained the approval of Monetary Board of CBSL.*



