

SANASA DEVELOPMENT BANK PLC
PB 62 PQ
No. 12, Edmonton Road, Kirulapone
Colombo 06



CIRCULAR TO SHAREHOLDERS

Dear Valued Shareholders,

1. FINAL DIVIDEND OF LKR 7/- PER SHARE FOR THE YEAR ENDED DECEMBER 31, 2019

Subject to the approval of shareholders, the Board of Directors of SANASA Development Bank PLC ("SDB" or the "Bank") resolved on February 27, 2020 to declare a final dividend of LKR 7/- per every issued and fully paid ordinary share which amounts to a total dividend of LKR 394,157,764/- based on the existing 56,308,252 shares in issue to the ordinary shareholders duly registered in the Bank's books as at the end of trading on the date on which the related resolution is adopted by the shareholders (i.e. the date of Annual General Meeting) by way of a combination of Cash and Scrip Dividend in the manner set out in (i) and (ii) below.

i) By Way of a Cash Dividend

A total sum of LKR 112,616,504/- based on the existing 56,308,252 shares in issue by way of a Cash Dividend on the basis of LKR 2/- per ordinary share registered in the Bank's books as at the end of trading on the date on which the related resolution is adopted by the shareholders; and

ii) By Way of a Scrip Dividend

A total sum of LKR 281,541,260/- will be distributed by way of a Scrip Dividend from and out of the retained earnings of the Bank as at December 31, 2019, to the ordinary shareholders duly registered in the Bank's books (including the shareholder base maintained at the CDS) as at the end of trading on the date on which the related resolution is adopted by the shareholders amounting to LKR 5/- per ordinary share. Accordingly, a maximum number of 4,766,230 shares will be issued under the Scrip Dividend based on the existing 56,308,252 shares in issue in the proportion of 1 new fully-paid ordinary share for every 11.8140022617 issued and fully-paid ordinary shares of SDB. Further, the ordinary share fractions arising in pursuance of the aforementioned Scrip Dividend will not be allotted and the value as attributable to each shareholder in respect of their fractional entitlement will be paid out in cash.

The fractional entitlement referred to above shall mean the fractions arising after applying the following formula:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the AGM Date} \times 1}{11.8140022617}$$

The consideration of LKR 59.07 per share for which the Scrip Dividend shares are issued is based on the Volume Weighted Average Price (VWAP) for the 6 month period ended February 26, 2020. In accordance with Section 52 of the Companies Act No. 7 of 2007, the Board of Directors of the Bank is of the view that the value of LKR 59.07 per share, being the consideration for the shares to be issued in terms of the aforesaid Scrip Dividend is fair and reasonable to the Bank and to all its existing shareholders.

The shareholders who are eligible to receive new shares arising by way of the Scrip Dividend described above would not be entitled to the proposed cash dividend in respect of those new shares.

The issue of shares under the aforementioned Scrip Dividend will be carried out in compliance with the Articles of Association of the Bank and the Companies Act No. 7 of 2007.

The new ordinary shares to be so issued via Scrip Dividend shall, immediately consequent to due allotment thereof to the entitled shareholders, rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary shares of the Bank.

Consequent to the allotment and issue of new shares, the Stated Capital of SDB amounting to LKR 5,921,538,126/- will increase up to approximately LKR 6,203,079,386/- (represented up to a maximum of 61,074,482 issued and fully paid ordinary shares).

The Board of Directors of the Bank is in the opinion that the Bank will immediately after the distribution of the final dividend, as set out above, satisfy the Solvency Test provided in Section 57 of the Companies Act No. 7 of 2007 and accordingly the Board has obtained a Certificate of Solvency from the Auditors to that effect.

The share price of SDB as at the end of trading on June 10, 2020 is LKR 52.40.

As per the "Implementation of Proposed Changes to the Inland Revenue Act (IRA) No. 24 of 2017" dated April 8, 2020 (PN/IT/2020-03 - Revised), Withholding Tax (WHT) has been removed on the payment of dividend to both resident and non-resident person/s. As such, SDB is not required to deduct WHT on the dividend payment. However, shareholders (i.e. other than the shareholders who are referred to as persons under paragraph (a) of the Third Schedule of the Inland Revenue Act No. 24 of 2017, including any registered society within the meaning of the Co-operative Societies Law, No. 5 of 1972) are required to declare the income from above source in their income tax return and make the income tax payment subject to the provisions of the IRA.

2. ALLOTMENT AND UPLOADING OF SHARES

In the event that the requisite resolution is approved by the shareholders at the 23rd Annual General Meeting ("AGM"), the accounts of the shareholders whose shares are deposited with the Central Depository System ("CDS") would be directly uploaded with the new number of shares arising from the Scrip Dividend, within seven (7) market days from and excluding the date on which the relevant resolution is passed by the shareholders at the AGM.

In determining the number of shares held by a shareholder as at the relevant date for the proposed Scrip Dividend, the holding of the shareholder as appearing in the CDS and the Shareholders' Register maintained by the Bank will not be aggregated for the purpose of calculation. However, if a shareholder holds shares with multiple stockbrokers, the shares held with multiple brokers will be aggregated for calculation purpose, and the shares arising as a result of Scrip Dividend will be uploaded proportionately to the respective CDS accounts held with each broker.

Pursuant to a Direction issued by the Securities and Exchange Commission of Sri Lanka pertaining to the de-materialization of listed securities, shareholders who hold shares in scrip form (i.e. share certificates) as per the Share Register maintained by the Bank, will not be issued share certificates for the new shares allotted via Scrip Dividend. Such shareholders are advised to deposit their existing share certificates in the CDS through any stockbroker prior to the date of the AGM and to open an account with the CDS.

Until such a CDS account is opened by a shareholder and the CDS account number thereof informed in writing to the Company Secretary, the new ordinary shares that are allotted to such shareholder will only be registered in the Share Register maintained by the Bank (subject to compliance with Foreign Exchange regulations as may be applicable in respect of non-resident shareholders). Consequent to the opening of the CDS account by such shareholder, the new shares will be uploaded to such CDS account.

Direct uploads pertaining to written requests received from shareholders to deposit such shares will be carried out on a weekly basis.

3. APPROVALS IN RESPECT OF PROPOSED SCRIP DIVIDEND

Approval in-principle has been obtained from the Colombo Stock Exchange ("CSE") for the issue and the listing of new shares arising from the Scrip Dividend, subject to the approval of shareholders of SDB.

The listing of the new ordinary shares by the CSE will in no way be reflective of the merits of the issue. The CSE assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports included.

4. CIRCULATION OF ANNUAL REPORT TO THE SHAREHOLDERS

In terms of Rule 7.5 of the revised Listing Rules of the Colombo Stock Exchange, a listed company may issue its Annual Report to its shareholders in CD-ROM format provided the company complies with the requirements set out therein. Therefore the Annual Report is forwarded to you this year in the CD-ROM format.

However, if you wish to receive a printed copy of the said Annual Report you may do so by completing and forwarding the attached Form of Request to the undersigned in accordance with the instructions stated therein no later than July 01, 2020. The printed copy of the Annual Report will be available to you within eight (08) market days from the date of receipt of the written request.

In the event you require any assistance regarding the CD-ROM or the documents enclosed herewith you may contact Company Secretary Department on 011- 2832590-91 /email- comsec@sdb.lk/ fax – 011- 2514256 at any time between 10.00 a.m. to 4.00 p.m. on working days.

The Annual Report may also be accessed at the Bank's website and the CSE website.

5. ANNUAL GENERAL MEETING

The Annual General Meeting (AGM), Notice of which is enclosed, will be held on July 15, 2020 at 9.00 a.m at "Lavender Hall", Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07. The requisite resolution giving effect to the above final dividend is also given in the Notice of Meeting enclosed herewith.

The AGM is to be held in line with the guidelines given by the CSE and as per the applicable laws. The AGM will be held on the said date notwithstanding such day being declared a public holiday or a curfew being imposed and any participants who were entitled to be present at the location would be entitled to join the meeting virtually as mentioned hereinafter.

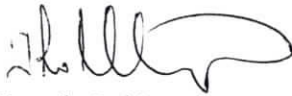
In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by authorities, the 23rd AGM of the Bank will be held by participants assembling physically and through audio or audio and visual means in the manner set out in the Notice of Meeting.

If you are unable to attend the Annual General Meeting, you are entitled to appoint a Proxy to attend and vote on your behalf. In such an event, please complete and return the enclosed Form of Proxy (in accordance with the instructions specified therein) to the Registered Office of the Bank, not less than twenty four (24) hours before the time appointed for the holding of the Meeting. The Board of Directors encourages that the shareholders appoints an independent director in the Board as their proxy, having marked their preferences in respect of agenda items. This is to avoid potential health issues which could arise in light of the prevailing situation in the Country if the shareholders are to participate at the meeting physically and in order to comply with any regulatory restrictions on social distancing and presence of multiple persons at a given location.

Yours faithfully,

By Order of the Board

SANASA DEVELOPMENT BANK PLC

A handwritten signature in black ink, appearing to read 'T. Rodrigo', with a large, stylized flourish at the end.

Tamarika Rodrigo
Company Secretary
June 22, 2020

**SANASA DEVELOPMENT BANK PLC
23rd ANNUAL GENERAL MEETING**

NOTICE OF MEETING

Notice is hereby given that the 23rd Annual General Meeting of SANASA Development Bank PLC (the "Bank") will be held on July 15, 2020 at 9.00 a.m at "Lavender Hall", Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 7 and business brought before the meeting will be as follows;

1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Bank for the year ended December 31, 2019 together with Auditors report thereon.
2. To declare a final dividend of LKR 7/- per share, as recommended by the Board of Directors as follows:

As an Ordinary Resolution

THAT a final dividend of a total sum of LKR 394,157,764/- based on 56,308,252 issued and fully paid ordinary shares, recommended to the shareholders of SDB by the Board of Directors of the Bank constituting a dividend of LKR 7/- per every issued and fully-paid ordinary share for the financial year ended December 31, 2019 and is hereby approved and declared on the basis that such dividend distribution shall be effected in the manner following to the ordinary shareholders who are duly registered in the books of the Bank as at the end of trading on the date on which the related resolution is adopted by the shareholders (the "Entitlement Date"), provided however that the shareholders who would receive new shares arising by way of the Scrip Dividend described below would not be entitled to the proposed Cash Dividend in respect of those new shares:

(i) By way of a cash dividend:

A total sum of LKR 112,616,504/- based on the existing 56,308,252 shares in issue will be distributed by way of a Cash Dividend on the basis of LKR 2/- per ordinary share registered in the Bank's books as at the end of trading on the date on which the related resolution is adopted by the shareholders;

(ii) By way of a Scrip Dividend:

A total sum of LKR 281,541,260/- based on the existing 56,308,252 shares in issue, shall be distributed by way of a Scrip Dividend from and out of the retained earnings of the Bank as at December 31, 2019 to the ordinary shareholders registered in the Bank's books (including the shareholder base maintained at the CDS) as at the end of trading on the date on which the related resolution is adopted by the shareholders and such shares shall be issued to the aforesaid entitled shareholders amounting to a dividend per share of LKR 5/- on the basis of 1 new fully-paid ordinary share for every 11.8140022617 existing issued and fully-paid ordinary shares constituting thereby a maximum issue of 4,766,230 new ordinary shares, and which new ordinary shares to be so issued shall, immediately consequent to due allotment thereof to the entitled shareholders, rank equal and *pari passu* in all respects with the existing issued and fully-paid ordinary shares of the Bank; and

The ordinary share fractions arising in pursuance of the aforementioned Scrip Dividend (after applying the formula referred in the Circular to Shareholders) will not be allotted and be proportionately valued on the same basis above and the value thereof will be paid out in cash to the entitled shareholders, and such payment in cash being full and final satisfaction of the entitlement of shareholders to such share fractions as aforementioned.

3. To re-elect/elect three following Directors ;
 - To re-elect as a Director, Mr.K.G.Wijerathne who retires at the 23rd AGM by rotation in terms of Article 6 (4) of the Articles of Association who represents SANASA Federation Limited.
 - To re-elect as a Director, Mr.B.R.A.Bandara who retires at the 23rd AGM by rotation in terms of Article 6 (4) of the Articles of Association who represents Polgahawela SANASA Societies Union Limited.
 - To elect as a Director, Mr.J.A.L.G.Jayasinghe who represents Kegalle SANASA Shareholders Trust Company Limited.
4. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the Financial Year 2020 and to authorise the Board to determine their remuneration.
5. To authorise the Directors to determine donations for the year 2020.

Manner of Holding the Annual General Meeting

The Annual General Meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and as per the applicable laws. The AGM is scheduled for July 15, 2020, and will be held on the said date notwithstanding such day being declared a public holiday or a curfew being imposed and any participants who were entitled to be present at the location would be entitled to join the meeting virtually as mentioned hereinafter.

In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by authorities, the 23rd Annual General Meeting of the Bank will be held by participants assembling physically and through audio or audio and visual means in the manner set forth below:

- i. The Chairman, Members of the Board of Directors, the Chief Executive Officer, the Company Secretary, the Bank's Auditor and the Legal Counsel and Senior Officials of the Bank will be assembled at the place specified in Paragraph (1) of this Notice.
- ii. A maximum of 25 shareholders or such number of shareholders together holding ten per centum (10%) of the issued shares of the Bank, whichever is higher (who registers with the Bank for the participation in the Annual General Meeting on the first come first serve basis) will also be allowed to assemble physically and participate the meeting at the place set out in Paragraph (1) above either in person or by proxy.
- iii. Attendance of shareholders at the physical meeting would be subject to complying with any regulatory requirements, Health and Safety guidelines issued by authorities or recommendations with regard to the presence of multiple persons at a given location.
- iv. All shareholders who, on registration as referred to in (ii) above, do not get the opportunity to participate in the meeting by assembling physically at the place referred to in the Paragraph (1) above and shareholders who wish to participate at the meeting remotely through audio or audio and visual means, may participate in the Annual General Meeting via zoom meeting platform. The shareholders referred to herein who wish to participate at the meeting through audio or audio and visual means, should forward their email addresses and mobile number to sdbagm@sdb.lk not less than 24 hours prior to the time fixed for the meeting to enable the Bank to share the meeting login information.
- v. Those shareholders participating at the meeting remotely through audio or audio and visual means are required to identify themselves at the time of voting. Further, individuals must also identify themselves when speaking at the Annual General Meeting during the time allotted for comments by shareholders as directed by the Chairman. At that point, the individual will be required to give his/her name and address for the purpose of identification as a shareholder or proxy.
- vi. The notice of meeting will be published in the website of Colombo Stock Exchange (<https://www.cse.lk/home/market>) and the website (<https://www.sdb.lk/en/>) and the Facebook page of the Bank along with the proxy format.

- vii. For the shareholders who wish to submit their proxies, the format of the proxies uploaded to website of the CSE and the Bank can be duly completed as per the instructions given therein and sent to the following email address sdbagm@sdb.lk or fax to the facsimile No. 011-2514256 to enable the Bank to receive same not less than 24 hours prior to the time fixed for the meeting.
- viii. The Board of Directors encourages that the shareholders appoints an independent director in the Board as their proxy, having marked their preferences in respect of agenda items. This is to avoid potential health issues which could arise in light of the prevailing situation in the Country if the shareholders are to participate at the meeting physically.
- ix. The shareholders participating at the meeting are encouraged to send their queries, if any, to email address sdbagm@sdb.lk any time before the meeting time and the Board will respond to the same during the course of the meeting. The summary Minutes of the AGM will be uploaded immediately after the Annual General Meeting in the Bank's Website (<https://www.sdb.lk/en/>) as well as at the Colombo Stock Exchange Website (<https://www.cse.lk/home/market>)

By Order of the Board

SANASA DEVELOPMENT BANK PLC



Company Secretary
June 22, 2020

Note:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Form of Proxy need not be a member of the Bank.
3. A Form of Proxy accompanies this notice.
4. In the event you require any assistance regarding this notice you may contact Company Secretary Department on 011- 2832590-91 /email- comsec@sdb.lk/ fax – 011- 2514256 at any time between 10.00 a.m. to 4.00 p.m. on working days.

FORM OF PROXY

23rd Annual General Meeting

1. Full Name of Shareholder
2. Company/Society Registration No/National Identity Card Number of the Shareholder
.....
3. Address of the Shareholder
.....
4. To participate via Zoom ;

email address / Mobile No

Being a member of the SANASA Development Bank PLC hereby appoint,

5. Name of Proxy Holder
.....
6. National Identity Card Number of Proxy Holder
.....
7. Address of Proxy Holder
.....
8. To participate via Zoom ;

email address / Mobile No

Failing him / her, Chairman Mr.Lakshman Abeysekera, or failing him Director Prof.Sampath Amaratunge, or failing him Director Mr.Prabhash Subasinghe, or failing him Director Mr.S.Lionel Thilakarathne, or failing him Director Mr.K.G.Wijerathne, or failing him Director Mr.Chaaminda Kumarasiri, or failing him Director Mr.Prasanna Premaratna, or failing him Director Mr.B.R.A.Bandara, or failing him Director Ms.Dinithi Ratnayake as my/our proxy to speak /vote for me / us on my /our behalf at the 23rd Annual General Meeting of the Bank to be held on the July 15, 2020 at 9.00 a.m. at "Lavender Hall", Bandaranaike Memorial International Conference Hall (BMICH) , Bauddhaloka Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in connection with such meeting and to vote as indicated below:

Please indicate your preference by placing "X" against the resolutions.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Bank for the year ended December 31, 2019 together with Auditors Report thereon.	☐	☐
2. To declare a final dividend of LKR 7.00 per share as recommended by the Board of Directors and to pass the Ordinary Resolution set out in the Notice of Meeting.	☐	☐
3. To re-elect as a Director, Mr.K.G.Wijerathne who retires at the 23 rd AGM by rotation in terms of Article 6 (4) of the Articles of Association who represents SANASA Federation Limited.	☐	☐
4. To re-elect as a Director, Mr.B.R.A.Bandara who retires at the 23 rd AGM by rotation in terms of Article 6 (4) of the Articles of Association who represents Polgahawela Sanasa Societies Union Limited.	☐	☐

	For	Against
5. To elect as a Director, Mr.J.A.L.G.Jayasinghe who represents Kegalle SANASA Shareholders Trust Company Limited.	☐	☐
6. To appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the Financial Year 2020 and to authorize the Board to determine their remuneration.	☐	☐
7. To authorize the Directors to determine donations for the year 2020.	☐	☐

For Societies / Union / Companies

.....
Chairman

Seal

.....
Vice Chairman / Secretary

.....
Date

.....
Proxy Holder's Signature

For Individuals

.....
Date

.....
Signature

.....
Proxy Holder's Signature

INSTRUCTION

- 1) In perfecting Form of Proxy please ensure that all details are legible
- 2) The completed Form of Proxy should be received at the address given below, not less than 24 hours before the time fixed for the meeting
- 3) Please fold this form properly and post to the following address
- 4) The instrument appointing a proxy may be in writing under the hand of the appointer or of his / her attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney or duly authorised person and together with the instrument appointing a proxy should be deposited at the registered office of the Bank.

The Company Secretary
SANASA Development Bank PLC
No. 12, Edmonton Road
Kirulapone
Colombo 06

FORM OF REQUEST

To: The Company Secretary
SANASA Development Bank PLC
No. 12, Edmonton Road
Kirulapone
Colombo 06.

Request for the printed copy of the Annual Report 2019 of SANASA Development Bank PLC

Please forward the printed copy of the "Annual Report" for the financial year ended 31st December 2019 of SANASA Development Bank PLC, in addition to the CD-ROM issued to me.

My / Our details are as follows;

Full Name of the Shareholder :

Shareholder's NIC/Passport/Company Registration No :

Shareholder's Folio Number (Please refer the address label) :

Shareholder's Address :

Contact Number :

Jointly With :

.....

Signature of the Shareholder/s

.....
Date

Notes:

1. If you need a printed version please complete the Form of Request by filling in legibly the required information, signing the space provided and filling in the date of signature.
2. If the Form of Request is signed by an Attorney, the relative Power of Attorney should accompany the Form of Request.
3. In the event the shareholder is a Company, the Form of Request should be signed under its Common Seal or by a duly authorised officer of the Company in accordance with its Articles of Association.
4. In the case of the joint shareholding, the request may be executed by the principal holder.