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April 5, 2021

Mr. Renuke Wijeyawardhane
Chief Regulatory Officer
Colombo Stock Exchange
04 - 01, West Block
World Trade Centre
Echelon Square
Colombo 01

Dear Sir,

SANASA DEVELOPMENT BANK PLC– PROPOSED SECONDARY PUBLIC OFFERING (SPO)

Having successfully embarked on the first phase of capital raising exercise in FY 2020 via the LKR 1.5 Bn Rights Issue, the Board of Directors of SANASA Development Bank PLC (SDB or the Bank) at the meeting held on April 05, 2021 resolved to raise further capital through the issuance of new Ordinary Voting Shares to the public via a Secondary Public Offering (SPO or the Issue) as per terms detailed herein.

The SPO under consideration constitutes of an invitation to the public, by way of a Prospectus, to subscribe up to Sixty Eight Million (68,000,000) new Ordinary Voting Shares of the 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 the Bank at the discretion of the Board of Directors of SDB (Further Issue) resulting in a total issuance of up to Eighty Eight Million (88,000,000) new Ordinary Voting Shares of the Bank (Total Issue).

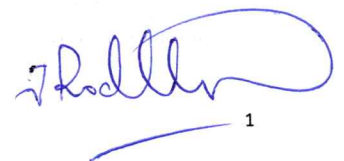
The issue price is to be determined three (03) market days prior to the date of the Extraordinary General Meeting (Price Determination Date) based on the one month (01) Volume Weighted Average Price (VWAP) of SDB share as at such date (Issue Price).

As required by the Companies Act No.7 of 2007, the Board also resolved that in its opinion, the price at which the new Ordinary Voting Shares to be issued via the SPO, i.e. the One (01) month VWAP for the period ending on the Price Determination Date would be fair and reasonable to the Bank and all its existing shareholders.

The proceeds of the said SPO would be utilised to further strengthen the equity base of the Bank and thereby improve the capital adequacy ratios in line with Basel III Guidelines of the Central Bank of Sri Lanka (CBSL) and to part finance the growth in the loan portfolio of the Bank envisaged during FY 2021 to FY 2022.

Considering the expected size of the SPO, the Board of SDB shall reserve the right to allot new Ordinary Voting Shares under the SPO on a preferential basis, to identified investor/s and to the existing shareholders of SDB as decided by the Board of Directors of SDB, in consultation with the Colombo Stock Exchange ("CSE").

The new Ordinary Voting Shares to be allotted through the Issue shall upon due payment rank equal and *pari passu* in all respects with the existing Ordinary Voting Shares of the Bank including the right to participate in any dividend declared upon the final allotment which shall be after the last date of acceptance and payment and subject to the limits set out in the Banking Act No. 30 of 1988 (as amended).


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The current stated capital of the Bank is LKR 7,727,941,021/- represented by 91,576,032 Ordinary Voting Shares.

The issue of shares by way of the SPO is subject to the shareholding restrictions in the Banking Act No. 30 of 1988 (as amended), CSE approving in principle the issue and listing of shares of SDB and obtaining shareholder approval at an Extraordinary General Meeting.

Yours faithfully,

For and on behalf of

SANASA DEVELOPMENT BANK PLC



Tamarika Rodrigo
Company Secretary

Copy to: Chief Executive Officer, NDB Investment Bank Limited, Financial Advisors and Managers to SPO