

5 March 2021

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

Dear Sir,

NATIONAL DEVELOPMENT BANK PLC - RIGHTS ISSUE AND PROPOSED PRIVATE PLACEMENT OF SHARES

Reference is made to the corporate disclosure dated 20 October 2020 with regard to the Rights Issue of National Development Bank PLC ("NDB" or the "Bank") to issue up to 106,780,489 Ordinary Voting Shares in the proportion of Twenty Eight (28) New Ordinary Voting Shares for every Sixty One (61) Ordinary Voting Shares held in the capital of the Bank at a price of LKR 75/- per Ordinary Voting Share (the Rights Issue) raising up to LKR 8,008,536,675/- through the Rights Issue.

The Board of Directors of NDB noting the interest expressed by several potential investors including Development Financial Institutions (DFIs) to acquire a shareholding in the Bank, and further, with the intention of attracting the requisite subscriptions for the Rights Issue, has received an expression of interest from a leading DFI, Norfund, the Norwegian Investment Fund for developing countries, to invest in a maximum of 9.99% of the Ordinary Voting Shares of the Bank by subscribing for any unsubscribed rights under the Rights Issue at the price of LKR 75/- per Ordinary Voting Share and/or by subscribing for Ordinary Voting Shares at a price of LKR 82.50 per Ordinary Voting Share (being a 10% premium to the Rights Issue price of LKR 75/- per share), by way of a private placement so that Norfund will hold a maximum of 9.99% of the Ordinary Voting shares in issue of the Bank post Rights Issue and such private placement as the case may, as resolved by the Board of Directors of NDB subject to entering into relevant agreements with Norfund.

Accordingly, on 5 March 2021 the Board of Directors of NDB has entered into relevant agreements with Norfund to offer a maximum of 9.99% of the issued capital of the Bank as aforesaid, subject to requisite approvals from regulatory authorities and shareholders of the Bank.

The maximum number of shares to be issued to Norfund via the private placement would amount to 37,671,181 Ordinary Voting Shares of the Bank (9.99% of the issued capital of the Bank) amounting to a maximum investment value of c. LKR 3,107,872,452/-. The private placement will take place only in the event Norfund does not secure the maximum of 9.99% of the Ordinary Voting Shares of the Bank via the said Rights Issue.

The Ordinary Voting Shares to be issued to Norfund under the said private placement shall rank *pari passu* in all respects with the existing Ordinary Voting Shares of the Bank including (i) one vote on a poll at a meeting

of the Bank (ii) an equal share in dividends paid by the Bank (iii) an equal share in the distribution of the surplus assets of the Company on liquidation *on any resolution* (iv) the right to participate in any dividend declared upon the final allotment and subject to the limits set out in the Banking Act No.10 of 1988 (as amended) (Banking Act).

In the event the eligible employees of the Bank exercise their entitlement under the on-going ESOS 2016 scheme (which was approved by the shareholders of NDB on March 30, 2016) and resulting shares are uploaded to the respective CDS accounts of the eligible employees two market days prior to the Extraordinary General Meeting (EGM) to be convened to obtain approval for the said Rights Issue and Private Placement, , the number of shares to be issued under the Rights Issue and the private placement will be adjusted accordingly.

The proceeds of the said private placement would be utilised to further strengthen the equity base of the Bank and thereby improve 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.

The current stated capital of the Company is LKR 8,794,333,011.44 (represented by 232,637,231 ordinary voting shares).

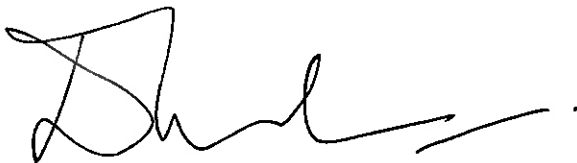
The issue of shares by way of the private placement to Norfund is subject to the shareholding restrictions in the Banking Act No. 30 of 1988 (as amended), the approval in principle by the Colombo Stock Exchange ("CSE") for the issue and the listing of shares and obtaining the requisite shareholder approval at a general meeting.

An Extraordinary General Meeting shall be convened to obtain shareholder approval for the Rights Issue and the aforesaid private placement, upon the receipt of the approval of the CSE therefor.

Yours faithfully,

For and on behalf of

NATIONAL DEVELOPMENT BANK PLC

A handwritten signature in black ink, appearing to be 'Dimantha Seneviratne', with a long horizontal stroke extending to the right.

Dimantha Seneviratne

Director/Group Chief Executive Officer