



NATIONAL DEVELOPMENT BANK PLC
[Company Registration No. PQ 27]

EXTRAORDINARY GENERAL MEETING

to be held on 20th August 2020 at 3.30 pm

at the NDB-EDB Tower, 3rd Floor, No 42, Nawam Mawatha, Colombo 02

CONTENTS

Circular to Shareholders
Notice of Meeting
Form of Proxy

National Development Bank PLC

No 40, Nawam Mawatha, Colombo 02, Sri Lanka
Tel: +94 11 2448888; Fax: +94 11 2341050
Website: www.ndbbank.com; Email: contact@ndbbank.com

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s

This Circular consists of two Parts;

Part 1 - Proposed amendments to the Articles of Association

Part 2 – Proposed Debenture Issue

The purpose of this circular is to seek your approval; (1) to amend the Articles of Association (Articles) of National Development Bank PLC (“NDB” or “Bank”) relating to the method of holding /conducting meetings in a digital era and (2) for the proposed Debenture Issue as per the resolutions to be tabled for adoption at the forthcoming Extraordinary General Meeting (EGM) to be convened.

You are advised to read and consider the contents of this Circular carefully before voting on the resolutions.

PART 1

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF NATIONAL DEVELOPMENT BANK PLC TO AMEND THE METHOD OF HOLDING / CONDUCTING MEETINGS IN A DIGITAL ERA

1. PROPOSAL TO AMEND THE ARTICLES OF NDB

1.1 Background to the Proposal

With the disruption caused to day to day life with the Corona virus pandemic situation in the country, the Colombo Stock Exchange issued Guidelines via CIRCULAR NO: 13-03-2020 on 27 March 2020 whereby listed companies were afforded the option to conduct shareholder meetings via digital means where Articles of Associations permitted same. The Bank having obtained legal advice both internally and externally as required, conducted the Annual General Meeting 2020 as a hybrid meeting where shareholders were given the option to connect virtually or attend the meeting physically. The Board of Directors has hence recommended that the Articles of Association of the Bank should be amended to bring in the required clarity to enable the conduct of shareholder meetings totally by virtual means as well as a progressive step in this digital era.

1.2 Existing Articles regarding the method of holding / conducting meetings

In the aforesaid context, it is proposed that the existing Articles be amended as follows;

- A. The following changes are proposed to enable the conduct of shareholder meetings by digital means –
 - Article 22(i), 25 and 29(i) – inclusion of provisions to enable the conduct of shareholder meetings by means of audio, or audio and visual communications.
 - Article 28 - inclusion of provisions to enable voting by a show of hands when shareholders are virtually connected.
- B. The following changes are proposed regarding dispatching of notices to shareholders –
 - Article 67 - inclusion of provisions to enable the Board to determine that notices to be sent to shareholders, can be sent by email/public notification in the newspapers, on the Bank’s official website and/or the Colombo Stock Exchange (CSE) website or in any other modality whether physically or digitally whereby information shall be accessible to

all shareholders as permitted by law.

- C. The following changes are proposed to the quorum required to conduct a shareholder meeting, as digital connectivity is being enabled -
- Article 26 - Reduction of quorum for general meetings to seven (7) shareholders participating in person or by proxy or attorney or in the case of a corporate by a duly authorized representative or by electronic means; representing at least a total of twenty percentum (20%) of the number of shares issued by the Bank.
- D. In line with the aforesaid changes, it is proposed to amend the following series of Articles to remove any reference made to the phrase “attend / attending or attendance at the meeting” or “present at the meeting” or such other similar phrase / phrases to broadly encompass the term “participate ...” or such other term/s in order to accommodate meetings via digital means -
- Articles 8(ii), 22(i), 23(iv), 26(i), 26(ii), 27, 28(i), 28(v), 28(vi), 29(i), 29(ii), 29(v), 30 and 32(ii).

2. RECOMMENDATION BY THE BOARD OF DIRECTORS TO AMEND THE ARTICLES

As such, the Board of Directors recommends to the shareholders of the Bank the following amendments to the Articles having considered the Articles of the Bank as a whole.

- (a) The deletion of Article 8(ii) to replace the same with new Article 8(ii) detailed in the Notice of Meeting.
- (b) The deletion of Article 22(i) to replace the same with new Article 22(i) detailed in the Notice of Meeting.
- (c) The deletion of Article 23(iv) to replace the same with new Article 23(iv) detailed in the Notice of Meeting.
- (d) The deletion of Article 25 to replace the same with new Article 25 detailed in the Notice of Meeting.
- (e) The deletion of Articles 26(i) and 26(ii) to replace the same with new Articles 26(i) and 26(ii) detailed in the Notice of Meeting.
- (f) The deletion of Article 27 to replace the same with new Article 27 detailed in the Notice of Meeting.
- (g) The deletion of Articles 28(i), 28(v) and 28(vi) to replace the same with new Articles 28(i), 28(v) and 28(vi) detailed in the Notice of Meeting.
- (h) The deletion of Articles 29(i), 29(ii) and 29(v) to replace the same with new Articles 29(i), 29(ii) and 29(v) detailed in the Notice of Meeting.
- (i) The deletion of Article 30 to replace the same with new Article 30 detailed in the Notice of Meeting.
- (j) The deletion of Article 32(ii) to replace the same with new Article 32(ii) detailed in the Notice of Meeting.
- (k) The deletion of Article 67(i) to replace the same with new Article 67(i) detailed in the Notice of Meeting.

subject however to receipt of the approval of the Monetary Board of the Central Bank of Sri Lanka (CBSL).

PART 2

ISSUE OF 5 YEAR BASEL III COMPLIANT TIER 2 LISTED, RATED, UNSECURED, SUBORDINATED, REDEEMABLE DEBENTURES WITH A NON-VIABILITY CONVERSION OPTION TO ORDINARY SHARES WITH VOTING RIGHTS

1. BACKGROUND

The Board of Directors of the Bank having identified the need to strengthen the Tier 2 Capital Base as per BASEL III requirements which will facilitate the Bank's forecasted asset growth, decided and recommended the following via circulation of papers on 10th July 2020 :

To raise a sum of Rupees Five Billion (LKR 5,000,000,000) by an issue of up to Fifty Million (50,000,000) BASEL III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a term of 5 years, with a Non-Viability Conversion option to ordinary shares with voting rights, each with a Par Value of LKR 100/- and to raise a further sum of Rupees One Billion and Five Hundred Million (LKR 1,500,000,000) by an issue of a further Fifteen Million (15,000,000) of such Debentures in the event of an over subscription of the initial issue, at the discretion of the Bank (hereinafter called "the Debentures"). The non-viability conversion option will be invoked upon the occurrence of a Trigger Event referred to in Section 5, if instructed by the CBSL.

As such a maximum amount of Rupees Six Billion and Five Hundred Million (LKR 6,500,000,000) would be raised by the issue of a maximum of Sixty Five Million (65,000,000) Debentures each with a par value of LKR 100/- (Debenture Issue).

Given the available options, the Bank chose to proceed with the issue of a BASEL III compliant convertible Debenture taking into consideration that capital raised through such an issue will enhance the Tier 2 capital of the Bank.

The issuance of the Debentures and trading of such Debentures in the secondary market is limited to "Qualified Investors" (please refer Section 6 for definition of Qualified Investor).

THE ABOVE ISSUE IS SUBJECT TO THE APPROVAL OF THE COLOMBO STOCK EXCHANGE (CSE), CBSL AND ANY OTHER REGULATORY APPROVALS (AS APPLICABLE)

Fitch Ratings Lanka Limited has assigned an expected National Long-Term Rating of A- (lka) (EXP) for the proposed Debenture Issue which will have a convertible option in compliance with BASEL III requirements. The final rating will be issued by Fitch Ratings Lanka Limited, subsequent to the special resolution being passed by the shareholders at the Extra Ordinary General Meeting (EGM) convened and the final rating will be incorporated in the Debenture Prospectus.

2. OBJECTIVES OF THE ISSUE

The Bank proposes to utilize the entirety of the funds raised through this Debenture Issue for the purpose of achieving the following objectives;

2.1 Improve and further strengthen the Capital Adequacy Ratio (CAR) in line with the BASEL III guidelines.

Funds raised from the Debenture Issue will be utilized to improve the Tier 2 capital of the Bank under the BASEL III Regulations.

In December 2016, CBSL issued Banking Act Direction No. 1 of 2016 revising the minimum capital requirement for Banks with effect from 01st July 2017. Subsequently, on 20th December 2019, Banking Act Direction No. 11 of 2019 was issued by CBSL amending the Directions on capital requirements under BASEL III for Licensed Commercial Banks and Licensed Specialised Banks.

In terms of the Direction No. 11 of 2019, Banks which are determined as Domestically Systemically Important Banks (D-SIBs) will require to maintain an additional Higher Loss Absorbency (HLA) requirement in the form of Common Equity Tier 1.

The revised requirement for banks commencing from 20th December 2019 is as follows:

Components of Capital	BASEL III- Minimum Regulatory Requirement with effect from 20th December 2019	
	All Licensed Banks	Banks determined as Domestically Systemically Important Banks
Common Equity Tier 1 including Capital Conservation Buffer	7.0%	7.0% + HLA
Total Tier 1 including Capital Conservation Buffer	8.5%	8.5%+ HLA
Total Capital Ratio including Capital Conservation Buffer	12.5%	12.5%+ HLA

Further, through the press release dated 30th March 2020, as an extraordinary regulatory measure to facilitate Banks to support COVID-19 affected Businesses and Individuals, the CBSL decided to allow D-SIBs and non D-SIBs to drawdown their Capital Conservation Buffers by 100 bps and 50 bps, based on an annual assessment carried out by the CBSL.

Accordingly, the minimum capital requirements from 30th March 2020, applicable for NDB is as provided in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained
Common Equity Tier 1 including Capital Conservation Buffer	6.5%
Total Tier 1 including Capital Conservation Buffer	8.0%
Total Capital Ratio including Capital Conservation Buffer	12.0%

However, it should be noted that the Bank has taken an internal policy decision to comply with the minimum capital adequacy ratios excluding the release of the Capital Conservation Buffer, on a prudence basis.

Banks Capital Adequacy Ratio (CAR) under BASEL III

The Bank has complied with the BASEL III minimum capital adequacy requirement as at 31st March 2020 with Tier 1 ratio of 9.03% and Total capital ratio of 12.96% respectively.

The forecasted ratios taking into account the intended proceeds of the Debenture Issue computed under BASEL III will be as follows.

Components	As at 31 st March 2020	Minimum Regulatory Requirement as at 30 th March 2020	Expected (%), subsequent to the Debenture Issue	
			With LKR 5.0 Billion	With LKR 6.5 Billion
Common Equity Tier 1 including Capital Conservation Buffer	9.03%	6.5%	9.33%	9.33%
Total Tier 1 including Capital Conservation Buffer	9.03%	8.0%	9.33%	9.33%
Total Capital Ratio including Capital Conservation Buffer	12.96%	12.0%	13.84%	14.19%

The Bank is of the view that the CAR of the Bank should be maintained at a level above the minimum requirement in order to accommodate the projected asset growth.

In the unlikely event of any shortfall of funds to be generated from the proposed Debenture Issue, the Bank will adjust the asset growth to maintain the desired level of CAR.

The Bank has sought approval from CBSL to include the Debentures as Tier 2 capital.

The Bank's intention herein is to obtain shareholders' approval for the issuance of any shares which may be created by the CBSL instructing the Bank to exercise the convertible option attached to these Debentures upon the occurrence of a "Trigger Event" referred to in Section 5.

In order for the Debentures to be recognized as Tier 2 capital of the Bank under BASEL III as detailed in the Banking Act Direction 01 of 2016 and Banking Act Direction No. 11 of 2019 issued by the CBSL, the Debentures are required to have the following minimum features:

- Listed on a recognized Stock Exchange
- Redeemable
- Subordinated
- Of a minimum tenor of 5 years
- Rated by an acceptable Rating Agency
- Having an option where, in the event the Monetary Board of the CBSL (Monetary Board) deeming it appropriate that the Debentures being converted into ordinary voting shares of the Bank (ranking equal and *pari passu* with the existing ordinary voting shares of the Bank) through issuance of new shares to cover the total outstanding under the debentures is in the best interests of the Bank, directs the Bank to convert the Debentures into ordinary voting shares of the Bank (ranking equal and *pari passu* with the existing ordinary voting shares of the Bank) through issuance of new shares to cover the total outstanding under the Debentures as per the Trigger Event referred to in Section 5.

2.2 To facilitate future expansion of business activities of the Bank

Funds generated through the Debenture Issue will also be used to facilitate future expansion of business activities of the Bank. Accordingly, the Bank will use these funds to mobilize/ raise medium term funds to match medium term lending of the Bank and to minimize the interest rate risk and manage the gap exposures of the Bank's assets and liabilities.

Any lending to/with related parties will be carried out in compliance with all applicable statutes, direction and regulations. The Bank, as at the date of this Shareholder Circular has not recognized related parties for the lending of the proceeds of the Issue. As such, the Bank will disburse the proceeds of the Issue in the ordinary course of business. However, in the event, funds are lent to related parties in future, such lending will be done in accordance with Section 9 of the CSE Listing Rules.

It is the understanding of the Bank that the entire quantum of funds will be utilized within a period of twelve months from the Date of Allotment of the Debentures. In the interim period these funds will be invested in Government Securities at zero risk at the current market rates, which would generate a return at the rate of 5.00% p.a. - 5.50% p.a.

3. DISCLOSURE IN THE INTERIM FINANCIAL STATEMENTS AND THE ANNUAL REPORT

The utilization of the proceeds of the Debenture Issue will be disclosed in the Annual Report and the Interim Financial Statements from the allotment date and until the objectives of the Debenture Issue are achieved. The Bank has utilized the proceeds of all previous debenture issues towards achieving the objectives of the respective issues. Further information and relevant disclosures on utilization of proceeds will be more fully disclosed in the prospectus to the Debenture Issue.

4. SPECIFIC RISKS RELATING TO OBJECTIVES OF THE DEBENTURE ISSUE

Dependence of proceeds of the Debenture Issue to achieve the objectives is marginal, as the Bank in the ordinary course of business has access to multiple sources of funds such as different types of deposits and borrowings.

Further, the risk of under subscription of the Debenture Issue will be greatly mitigated through appointing experienced Managers and Joint Placement Agents to the Issue, pre-marketing and building a pipeline of potential Qualified Investors.

No further shareholder approval will need to be sought in the event the Debenture Issue is not fully subscribed.

During the year 2018, the Bank's gross loans and receivable portfolio recorded a growth of 27% from Sri Lanka Rupees Two Hundred Seventy Eight Billion and Eight Hundred and Sixteen Million Five Hundred and Forty Six Thousand (LKR 278,816,546,000/-) to Sri Lanka Rupees Three Hundred and Fifty Three Billion Three Hundred and Sixty Nine Million Six Hundred and Forty Nine Thousand (LKR 353,369,649,000/-). During the year 2019, the Bank's gross loans and receivables recorded a growth of 16% from Sri Lanka Rupees Three Hundred and Fifty Three Billion and Three Hundred and Sixty Nine Million Six Hundred and Forty Nine Thousand (LKR 353,369,649,000/-) to Sri Lanka Rupees Four Hundred Nine Billion and Two Hundred Twenty One Million Four Hundred and Thirty Two Thousand (LKR 409, 221,432,000/-). As such, based on Bank's past experience and the growth achieved as at date the Bank does not perceive any risk factor that may lead to non-achievement of expanding the Bank's loans and advances portfolio within the specified time line via the proceeds of the Issue up to a maximum of Sri Lanka Rupees Six Billion and Five Hundred Million (LKR 6,500,000,000/-). Possible impacts (if any) on the Bank's growth and performance due to the current COVID – 19 pandemic would be disclosed to the market via the interim financial statements for the period ended 30th June 2020 to be released to the CSE shortly by the Bank.

However, in the highly unlikely event of the Bank failing to lend these funds due to an unforeseen reason, these funds would be invested in Government Securities at zero risk at the current market rates.

5. OCCURRENCE OF A TRIGGER EVENT

A 'Trigger Event' is determined by and at the sole discretion of the Monetary Board of CBSL, and is defined in the Banking Act Direction No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1. (10) (iii) (a & b) as a point /event is the earlier of;

- (a) “ A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, **OR**
- (b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board.”

Upon the occurrence of a Trigger Event, the non-viability conversion option will be invoked and the Bank shall be required and entitled to issue and within twenty (20) days to allot ordinary voting shares of the Bank ranking equal and *pari-passu* with the existing ordinary voting shares to the Debenture Holders up to the outstanding balance of such Debentures including the total par value of the Debentures and unpaid accrued Debenture Interest at an issue **price for such ordinary voting shares which will be based on the Volume Weighted Average Price (VWAP) of an ordinary voting share of the Bank during the three months (03) period, immediately preceding the date of the Trigger Event.** The calculation of the VWAP would be based on the simple average of the daily VWAP of an ordinary voting share as published by the CSE during the said three (3) month period. In the event of any Debenture Holder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Bank shall settle such sums in cash, based on the issue price of such share within fourteen (14) market days from the date of allotment of the said ordinary voting shares.

Averaging out of the VWAP over a period of three (3) months preceding a Trigger Event as opposed to a shorter window closer to the Trigger Event, is aimed at smoothening out changes in price movements thus minimizing the extent of the dilution impact of the conversion.

However, if there is an issuance of ordinary voting shares to the Debenture Holders upon the occurrence of a Trigger Event, a Debenture Holder would cease to be a Debenture Holder and would become a shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with existing ordinary voting shareholders with voting rights after the date of allotment of new shares to such shareholders (i.e. the previous debenture holders). In the event of the conversion, the shares will be allotted to the respective Debenture Holders in accordance with the applicable laws and regulations as guided by the instructions of the Monetary Board.

The ordinary shares (with voting rights) arising from the conversion of Debentures will be listed on the CSE.

In the event of the Debenture Holders becoming shareholders of the Bank due to the occurrence of a Trigger Event, they would be entitled to exercise such rights as are exercisable by the other shareholders of the Bank holding ordinary voting shares. In the event of conversion to ordinary voting shares, there would be a dilution of the existing shareholding percentage held by the existing shareholders. However the extent of dilution will be dependent on several factors that cannot be determined at this point, due to the following;

- (a) the number of shares to be issued resulting from such conversion will be determined by the 'conversion price' at the 'Trigger point' as detailed above.
- (b) the extent of dilution of existing shareholders will need to be determined by how many shares are in issue at the time of such conversion. Such a number can vary due to issuance of new shares by way of scrip dividends, capitalization of reserves or rights issues during the tenure of the subject debenture.

In the event the conversion price based on the above VWAP formula at the time of the Trigger Event is low, this would result in a comparatively higher number of ordinary shares (with voting rights) being required to be issued by the Bank which would further dilute the holding percentage of existing shareholders. On the contrary, if a higher VWAP prevails at the time of a Trigger Event, this would result in comparatively low number of ordinary shares (with voting rights) requiring to be issued which would lead to a lesser degree of dilution in the holding percentage of existing shareholders.

In the event of there being a likelihood of an occurrence of a ‘Trigger Event’, then the existing shareholders will be first called upon to bring in additional capital (subject to CSE and Securities and Exchange Commission approval as applicable), and only, **if they are unable to infuse fresh capital, (i.e.; Tier I Capital) will the proposed Debentures get converted to ordinary voting share capital (Tier I capital) upon the determination of the non-viability point by the Monetary Board of CBSL.**

Reduction of the Debenture liability of the Bank will reduce the strain on the assets of the Bank in the event of liquidation. i.e. there will be more assets leftover for distribution to the shareholders though on a diluted basis with the inclusion of newly converted Debenture Holders (existing shareholders plus newly converted shareholders).

With the reduction of the interest bearing liabilities as stated above, the financing cost will reduce and improve the bottom line of the Bank.

The Bank on receipt of a Trigger Event notification from the CBSL will immediately make a market announcement of the same and further announce the “price” and “dates” (i.e. Trigger Event date, date of allotment) pertaining to such conversion of Debentures to ordinary voting shares.

However, it is unlikely that a ‘Trigger Event’ would occur given the high credit rating of the Bank (i.e. A+ (Ika)/Stable by Fitch Ratings Lanka Ltd.) and the strong performance of the Bank as per the previously published financial statements.

6. QUALIFIED INVESTOR

‘Qualified Investor’ shall mean,

- a Commercial Bank licensed by the CBSL in terms of the Banking Act No. 30 of 1988 (as amended);
- a Specialized Bank licensed by the CBSL in terms of the Banking Act No. 30 of 1988 (as amended);
- a mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund;
- a venture capital fund/company and private equity company;
- a finance company licensed by the CBSL in terms of the Finance Business Act No. 42 of 2011 (as amended);
- a company licensed by the CBSL to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended);
- a company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended);
- a corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007;
- an investment trust or investment company;
- a non-resident institutional investor; and,
- an individual with a minimum initial investment of Rupees five million (LKR 5,000,000/-).

7. REDMPTION OF DEBENTURES

The proposed Debentures will be redeemed at maturity and the principal sum and unpaid and accrued interest (if any) payable on the redemption of Debentures will be paid not later than three (03) Market Days from the date of redemption, unless a ‘Trigger Event’ occurs as detailed above.

8. EXTRAORDINARY GENERAL MEETING

As per Rule No.2.2.1.1 of the Listing Rules of the CSE and the Articles of Association of the Bank, the Bank is required to obtain the approval of the shareholders for the proposed Debenture Issue by way of a Special Resolution subject to obtaining required regulatory approvals, due to the proposed ordinary share issue (with voting rights) which may arise pursuant to the conversion of the Debentures, which may affect the rights attached to the Bank’s existing ordinary voting shares, in compliance with Section 99 of the Companies Act No. 7 of 2007 (as amended).

Further, the approval of the shareholders are also required to be obtained by way of duly passed Special Resolutions, for the purpose of amending the Articles of Association of the Bank.

Accordingly, an EGM has been convened for the purpose of passing the Special Resolutions detailed in the Notice of EGM as set out herein (which resolutions are subject to the required regulatory approvals being received).

9. NOTE TO SHAREHOLDERS

Accordingly an EGM is being convened for 20th August 2020 in accordance with the Notice of Meeting attached hereto, for the purpose of passing special resolutions set out herein.

In the current circumstances due to the Covid-19 pandemic, shareholders are strongly encouraged to opt to duly complete the Form of Proxy clearly setting out their preference of vote in the Form of Proxy and to appoint one of the Directors of the Bank to act on their behalf in order that each shareholder’s vote may be identified and recorded as if such shareholder were present at the meeting.

This option is being proposed to all shareholders in the best interest of protecting society against the spread of Covid-19 and with a view to maintaining social distancing at the EGM, as advised by the authorities.

The Bank will be taking steps to extend an opportunity to shareholders who wish to connect the EGM via digital means through Microsoft Teams meeting platform or similar methods and such shareholders are requested to forward the duly completed Form 1 (attached hereto as Annexure 1) via email to the Company Secretary (shehani.ranasinghe@ndbbank.com) or to facsimile number – 011 2341050 no later than 12 noon on 13th August 2020 to enable the Bank to share login information for the meeting.

In the event shareholders prefer to physically attend the meeting, the Bank has taken steps to accommodate the required number of shareholders sufficient to meet the quorum (in order that the maximum number present, including the presence of relevant officers of the Bank will be in line with the directives issued by the Health Authorities). All shareholders keen to participate at the meeting physically in the manner hereby set out are requested to forward the duly completed Form 2 (attached hereto as Annexure 2) via email to the Company Secretary (shehani.ranasinghe@ndbbank.com) or to facsimile number – 011 2341050 no later than 12 noon on 13th August 2020

Whilst the Bank takes all required steps to ensure health and safety measures within the premises, the Bank cannot take responsibility for any negligence by individuals who arrive at the location.

For further queries on the arrangements made by the Bank you may contact one of the following persons who will be happy to assist you.

Name	Contact No.
Shehani Benjamin	0112 448448 Ex35010
Teloma Liyanage	0112 448448 Ex35012

Any additional arrangements made by the Bank, apart from the details set out above, will be communicated via announcements on the websites of the Colombo Stock Exchange and of the Bank. We request all shareholders to check the CSE (www.cse.lk) or NDB (www.ndbbank.com) websites for further updates as published by the Bank.

By Order of the Board
NATIONAL DEVELOPMENT BANK PLC



Shehani Ranasinghe
Company Secretary

21st July 2020

National Development Bank PLC

No 40, Nawam Mawatha, Colombo 02, Sri Lanka

Tel: +94 11 2448888; Fax: +94 11 2341050

Website: www.ndbbank.com; Email: contact@ndbbank.com

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of National Development Bank PLC will be held at the NDB-EDB Tower, 3rd Floor, No 42, Nawam Mawatha, Colombo 2 at 3.30 pm on 20th August 2020 for the purpose of considering, and if thought fit, to pass the following Special Resolutions.

1. SPECIAL RESOLUTION NO 01

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 8(ii) be rescinded with effect from the date of this resolution and replaced with new Article 8(ii) set out below;

“**Article 8 (ii)** – In the event that a meeting is to be convened to pass such a Special Resolution, the provisions in These Presents relating to general meetings of the Company shall mutatis mutandis apply to such meeting. This shall be subject to the exception that the necessary quorum shall be at least two (2) persons participating as per Article 28(i) in person or represented by a proxy or an attorney or an authorized representative, together holding a total of twenty percent (20%) of the number of shares of that class issued by the Company.”

2. SPECIAL RESOLUTION NO 02

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 22(i) be rescinded with effect from the date of this resolution and replaced with new Article 22(i) set out below;

“**Article 22 (i)** – Written notice of the date, time and place of a meeting of shareholders including a meeting held virtually shall be given to every shareholder entitled to receive notice of the meeting and to every director and the auditor of the Company –

- (a) not less than fifteen (15) Working Days before the meeting, if the meeting is an annual general meeting or it is intended to propose a resolution as a Special Resolution at the meeting;
- (b) not less than ten (10) Working Days before the meeting, in the case of any other meetings.”

3. SPECIAL RESOLUTION NO 03

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 23(iv) be rescinded with effect from the date of this resolution and replaced with new Article 23(iv) set out below;

“**Article 23 (iv)** – A person named in a list prepared under Sub-Article 23 (iii) hereof of this Article is entitled to participate in the meeting and vote in person or by proxy or through an attorney or an authorized representative in terms of Articles 28(i), as the case may be, in respect of the shares shown opposite his name. Provided however, if

- (a) such person has, since the date on which the notice of the meeting is dispatched, transferred any of his shares to some other person; and
- (b) the transferee of those shares has been registered as the holder of those shares at least one (01) day prior to the date fixed for the meeting, then the transferor shall not be entitled to vote in respect of the shares so transferred.

In such a situation the transferee shall be entitled to vote in respect of such shares.”

4. SPECIAL RESOLUTION NO 04

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 25 be rescinded with effect from the date of this resolution and replaced with new Article 25 set out below;

“Article 25- Subject to the provisions of the Act and as decided by the Board of Directors for the time being, a meeting of shareholders, including a meeting where it is intended to propose a resolution as a Special Resolution, may be held by a number of shareholders who constitute a quorum by;

a) assembling together at the place, date and time appointed for the meeting; or

b) means of audio, or audio and visual communications by which all shareholders participating and constituting a quorum can simultaneously hear each other at the meeting.

As determined by the Board the aforesaid method of holding a meeting may be also considered in a hybrid form which could be a combination of a) and b) above. “

5. SPECIAL RESOLUTION NO 05

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 26(1) and Article 26(2) be rescinded with effect from the date of this resolution and replaced with new Article 26 (1) and Article 26(2) set out below;

“Article 26 (i) – Subject to Article 26(ii) hereof no business shall be transacted at any general meeting unless a quorum is available when the meeting proceeds to business. Seven (7) shareholders participating as per Article 25 in person or by proxy or attorney or in the case of a corporate by a duly authorized representative or by electronic means as provided by Article 30 representing at least a total of twenty per centum (20%) of the number of shares issued by the Bank shall be a quorum for all purposes.

Article 26 (ii) – If a quorum is not available within thirty (30) minutes after the time appointed for the meeting, the meeting shall be adjourned to the same day in the following week at the same time and place, or to such other date, time and place as the Directors may appoint. If at the adjourned meeting, a quorum is not available within thirty (30) minutes after the time appointed for the meeting, the shareholders participating or their proxies, if more than one, shall be deemed to form a quorum.”

6. SPECIAL RESOLUTION NO 06

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 27 be rescinded with effect from the date of this resolution and replaced with new Article 27 set out below;

“Article 27 – CHAIRMAN OF MEETINGS OF SHAREHOLDERS

The Chairman elected by the Board in terms of Article 49 shall preside as Chairman at meetings of the shareholders. If a Chairman has not been appointed, or if at any meeting the Chairman is not present/participating within five (05) minutes after the time appointed for holding the meeting, the Directors present/participating may choose one of their number to be the Chairman of the meeting.”

7. SPECIAL RESOLUTION NO 07

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Articles 28(i), 28(v) and 28(vi) be rescinded with effect from the date of this resolution and replaced with new Articles 28(i), 28(v) and 28(vi) set out below;

“Article 28 (1) - In the case of a meeting of shareholders held under Article 25, unless a poll is demanded, shareholders may vote at the meeting by any one (1) of the following methods as determined by the Chairman of the meeting –

a) voting by voice
b) voting by show of hands
c) by a vote cast by electronic means whereby each shareholder's response can be identified (as done by a show of hands), where the meeting is facilitated by electronic means
Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands or voting by voice or by electronic means as aforesaid, every member who is participating in person or is represented by a proxy or attorney or an authorized representative shall have one (01) vote.

Article 28 (v) – If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder participating in terms of Article 28(i) and voting.

Article 28 (vi) – In the case of an equality of votes including on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.”

8. SPECIAL RESOLUTION NO 08

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Articles 29(i), 29(ii) and 29(v) be rescinded with effect from the date of this resolution and replaced with new Articles 29(i), 29(ii) and 29(v) set out below;

“Article 29 (i) – A shareholder may exercise the right to vote by participating in person or by proxy or by electronic means.

Article 29 (ii) – A proxy for a shareholder is entitled to vote, participate and be heard at a meeting of shareholders as if the proxy were the shareholder.

Article 29 (v) – An instrument of proxy shall be in the following form or a form as near thereto as circumstances permit:-

“National Development Bank PLC”

“I/We of being a shareholder/shareholders of National Development Bank PLC hereby appoint of or failing him..... as my/our proxy to participate and vote and speak at the (Annual or Extraordinary as the case may be) General Meeting of the Company to be held on the..... day of 20.. and at any adjournment thereof. Signed this..... day of..... 20...”

9. SPECIAL RESOLUTION NO 09

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 30 be rescinded with effect from the date of this resolution and replaced with new Article 30 set out below;

“Article 30 – A body corporate, which is a shareholder, may appoint or authorize a representative to participate, vote and be heard at a meeting of shareholders on its behalf in the same manner as it could appoint a proxy. “

10. SPECIAL RESOLUTION NO 10

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 32(ii) be rescinded with effect from the date of this resolution and replaced with new Article 32(ii) set out below;

“Article 32 (ii) – Where there are several executors or administrators of a deceased shareholder in whose sole name any shares are registered any one (01) of such executors or administrators may vote in respect of such shares, unless any of the other executors or administrators participate at the meeting

at which such a vote is tendered and objects to the vote. In such an event, a vote in relation to such shares on any matter shall not be accepted unless all such executors or administrators agree thereto.”

11. SPECIAL RESOLUTION NO 11

IT IS HEREBY RESOLVED THAT (subject to the required regulatory approval) existing Article 67(1) be rescinded with effect from the date of this resolution and replaced with new Article 67(1) set out below;

“Article 67 (1) –

Subject to the provision of these Articles, where the Company is required to send any document to a shareholder or to give notice of any matter to a shareholder, it shall be sufficient for the Company to send the document or notice to the registered address of the shareholder by ordinary post or as determined by the Board by email to shareholders / public notification in the newspapers (as detailed in Article 67(vi) hereunder), public notification on the Bank’s official website, the Colombo Stock Exchange website or any other modality whether physically or digitally whereby information shall be accessible to all shareholders as permitted by law. Any document or notice so sent is deemed to have been received by the shareholder upon dispatching to the post a properly addressed and prepaid letter containing the document or notice and in the case of electronic means of communication, no sooner the information is dispatched by the Bank. “

12. SPECIAL RESOLUTION NO 12

“ THAT (subject to the required regulatory approval) the Directors of the National Development Bank PLC (Bank) be and are hereby authorized to issue a maximum of sixty five million (65,000,000) **Basel III compliant - Tier 2**, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures of Rupees One Hundred (LKR 100/-) each with a term of five (5) years **with a non-viability conversion option to ordinary shares with voting rights** (“Debentures”) subject to Banking Act Direction 01 of 2016 dated 29.12.2016 and Banking Act Direction No. 11 of 2019 dated 20.12.2019 issued by the Central Bank of Sri Lanka, the laws and regulations of the Colombo Stock Exchange and the Securities Exchange Commission of Sri Lanka, the Companies Act of Sri Lanka and such other applicable laws and regulations .

The Directors of the Bank are hereby further authorized to issue and allot ordinary voting shares of the Bank to the holders of the said Debentures in the event the Monetary Board of Sri Lanka considers that a ‘Trigger Event’ has occurred and has deemed it appropriate that the total outstanding of the Debentures be converted to ordinary voting shares of the Bank (ranking equal and pari passu with the existing ordinary voting shares of the Bank) in the best interests of the Bank, without which the Bank would become non-viable, to cover the total outstanding under the Debentures. The consequent conversion of the Debentures to ordinary voting shares and issuance of new ordinary voting shares to cover the total outstanding under the Debentures is required under the Banking Act Direction No. 1 of 2016 dated 29 December 2016 (as may be amended from time to time), and that the issue price for such conversion (conversion price) to ordinary voting shares shall be the Volume Weighted Average Price (VWAP) of an ordinary voting share of the Bank during the three (03) months period (The calculation of the VWAP would be based on the simple average of the daily VWAP of an ordinary voting share as published by the Colombo Stock Exchange during the said 3 month period), immediately preceding the date on which the CBSL has determined as aforesaid and that such shares be offered to the holders of the Debentures on the aforesaid basis in lieu of the amounts due and payable on the Debentures without such shares being in the first instance offered to the then existing ordinary voting shareholders of the Bank with voting rights pari passu to their shareholding.

The Subject BASEL III compliant Debenture Issue is subject to regulatory approvals from the CBSL, the Colombo Stock Exchange and any other regulatory approvals (as applicable).

In order for the Debentures to be recognized as Tier 2 Capital of the Bank under BASEL III as detailed in the Banking Act Direction No. 1 of 2016 issued by the Central Bank of Sri Lanka, the Debentures are required to have the following minimum features:

- Listed on a recognized Stock Exchange
- Redeemable
- Subordinated
- Of a minimum tenor of 5 years
- Rated by an acceptable Rating Agency
- Having an option where, in the event the Monetary Board of the Central Bank of Sri Lanka deeming it appropriate that the Debentures being converted into ordinary voting shares of the Bank (ranking equal and pari passu with the existing ordinary voting shares of the Bank) through issuance of new shares to cover the total outstanding under the Debenture is in the best interest of the Bank, directs the Bank to convert the Debentures into ordinary voting shares of the Bank (ranking equal and pari passu with the existing ordinary voting shares of the Bank) through issuance of new shares to cover the total outstanding under the Debentures (the Trigger Event above referred to).

By Order of the Board



Shehani Ranasinghe
Company Secretary

21st July 2020