



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

EXTRAORDINARY GENERAL MEETING

to be held on Thursday 30th March 2023, at 3.30pm

**at the DHPL Training Room, 3rd floor, NDB-EDB Tower,
No 42, Nawam Mawatha, Colombo 2**

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National Development Bank PLC
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CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s

ISSUE OF BASEL III COMPLIANT TIER 2 LISTED, RATED, UNSECURED, SUBORDINATED, REDEEMABLE DEBENTURES WITH A NON-VIABILITY CONVERSION OPTION TO ORDINARY SHARES WITH VOTING RIGHTS (SOLELY IF INSTRUCTED BY THE CENTRAL BANK OF SRI LANKA)

1. BACKGROUND

We refer to the announcement made by National Development Bank PLC (Bank) on 25th January 2023 on the above subject which was published on the website of the Colombo Stock Exchange (CSE), informing the decision of the Board of Directors (the Board) of the Bank at the meeting held on 24th January 2023 to raise up to a maximum sum of Rupees Ten Billion (LKR 10,000,000,000) by an issue of up to a maximum of One Hundred Million (100,000,000) Basel III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures, with a Non-Viability Conversion (hereinafter called “the Debentures”), each with a par value of LKR 100/- through a debenture issue or a series of debenture issues within a one (01) year time frame from the date of obtaining shareholder approval for the issuance of the Debentures (hereinafter called “the Debenture Issue/s”). The non-viability conversion option will be invoked upon the occurrence of a Trigger Event referred to in Section 5, if instructed by the Central Bank of Sri Lanka (CBSL).

The issuance of the Debentures and trading of such Debentures in the secondary market is limited to “Qualified Investors” (please refer Section 6 of this Circular for the 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)

The Bank is required to obtain the prior approval of the shareholders for the issuance of Debentures, as in the event of there being a Trigger Event referred to in Section 5 CBSL will instruct the Bank to convert all or part of the Debentures into ordinary voting shares of the Bank. Therefore, a notice of Extraordinary General Meeting (EGM) accompanies this Circular, for the purpose of seeking the upfront approval of the Shareholders at the EGM in this regard.

Further information on the proposed Debenture Issue/s, namely the purpose of a Debenture Issue/s, features of the Debentures/Issue/s, the relevance of such Debentures to the shareholders in view of the non-viability conversion of the Debentures to ordinary shares of the Bank in an eventuality, are described below.

1.1 Issuance of Debentures

The proposed issue of upto a maximum of One Hundred Million (100,000,000) Debentures of the par value of Rupees One Hundred (LKR 100/-) amounting to upto a maximum value of Rupees Ten Billion (LKR 10,000,000,000.00) will be offered/issued in the following manner:

- The Debentures will be offered only to the “Qualified Investors” as defined under the Listing Rules of the CSE (please refer Section 6 of this Circular)
- The Debentures will be issued by the Bank in one or more issuances
- The size of the issuance, coupon (interest) rate/s, frequency of coupon/s, maturity period/s (tenure/s), issue price, etc., will be determined by the Board and notified and published in the Prospectus of the issue or each issuance (Prospectus) as the case may be prior to the opening of the Debenture issue/s.

- The maturity period (tenure) of each Debenture Issue will not be less than five (05) years.
- The Debentures will be listed on the CSE upon issue and allotment and/or in accordance with the requirements of CBSL for inclusion of the Debentures in the Tier 2 Capital of the Bank.

In the event the entire Debentures are not issued via a single issuance, and a conversion to shares takes place subsequent to the issuance and allotment of a part of the total Debentures to be issued, then the decision to issue the balance Debentures will be taken by the Board of Directors of the Bank depending upon the funding and capital requirements of the Bank and market appetite for such Debentures, subject to fulfilling the regulatory requirements at that time.

1.2 Rating of Debentures

The Bank will be obtaining a rating from a Rating Agency for the Debentures subsequent to receiving the shareholders' approval, but prior to the respective issuance and such rating will be published in the Prospectus of the Debenture Issue/s as the case may be.

2. OBJECTIVES OF THE DEBENTURE ISSUE/S

Financial and market rationale for the Debenture Issue/s

As reflected in the published financial statements for the financial year ended 31 December 2021, the Bank performed well with a post-tax profit for the year of Rupees Six Billion Three Hundred and Sixty Two Million Four Hundred and Seventy Six Thousand (LKR 6,362,476,000/-), which was a 15% growth over the prior year. Total assets at the Bank level exceeded the Rupees Seven Hundred Billion (LKR 700,000,000,000/-) mark to Rupees Seven Hundred and Two Billion Nine Hundred and Three Million One Hundred and Seven Thousand (702,903,107,000/-) with 12% growth. As per the Unaudited Interim Financials for the financial year ended 31 December 2022, the Bank recorded post-tax profit amounts to Rupees Two Billion Nine Hundred and Nine Million and Forty Five Thousand (LKR 2,909,045,000/-). Total assets of the Bank as of 31 December 2022 was Rupees Eight Hundred and Thirty Two Billion Seven Hundred and Seventy Two Million Two Hundred and Fifty Thousand (LKR 832,772,250,000/-). The Bank also strengthened its capital position during 2021, with a Tier I equity capital infusion netting Nine Billion Four Hundred and Sixty Nine Million Two Hundred and Seventy Five Thousand Six Hundred and Fifty Two and Cents Fifty (LKR9,469,275,652/50) comprising a Rights Issue and a Private Placement of Rupees Eight Billion Eight Million Five Hundred and Thirty Six Thousand Six Hundred and Seventy Five (LKR 8,008,536,675/-) and Rupees One Billion Four Hundred and Sixty Million Seven Hundred and Thirty Eight Thousand Nine Hundred and Seventy Seven and Cents Fifty (1,460,738,977/50) respectively and a Basel III compliant Tier II Debenture Issue of Rupees Eight Billion (LKR 8,000,000,000/-). Resultantly, the Bank's capital adequacy ratios stood above the regulator mandated minimum requirements as follows.

Regulatory Capital Ratios (%)	Minimum Requirement as of 31 December 2021	Capital Adequacy Ratio as of 31 December 2021 (%)
Common Equity Tier 1 Capital Ratio	6.5%	10.01
Tier 1 Capital Ratio	8.00%	10.01
Total Capital Ratio	12.00%	15.42

With the development of challenging macro-economic conditions in Sri Lanka in 2022, on the back of ongoing effects of the COVID-19 pandemic, the Bank is facing added requirements for capital. With the floating of the exchange rate in early March 2022, the Sri Lankan Rupee has seen a sharp depreciation which has increased the LKR value of the Bank's foreign currency denominated lending portfolio and the foreign currency denominated borrowings which in turn increased the Bank's Balance Sheet. Furthermore, the Bank is required to make increased provisions on the loan book in response to reduced debt serviceability of customers in the prevailing challenged operating

environment and on the Bank's investment book in response to ongoing debt restructuring efforts of the Government of Sri Lanka. All of these have impacted the Bank's capital adequacy levels. Whilst the Bank remains to be adequately capitalized, with the Bank's capital adequacy ratios above the regulator mandated levels, as per the published unaudited financial statements for the financial year ended 31 December 2022, the Bank wishes to augment its capital position to face added capital requirements projected to the future.

This Debenture Issue does not amount to a major transaction.

Accordingly, the Bank proposes to utilize the entirety of the funds raised through the Debenture Issue/s 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/s 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 and on the 23rd May 2022 Banking Act Direction No.04 of 2022 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 was as follows:

Components of Capital	BASEL III- Minimum Regulatory Requirement with effect from January 2020	
	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

The Banking Act Direction No. 04 of 2022, dated 23rd May 2022, allows licensed banks to drawdown on the Capital Conservation Buffer (CCB) up to 2.5% subject to the conditions stipulated in the Banking Act Direction No. 01 of 2016 (as amended) on Capital Requirements under Basel III for licensed commercial banks and licensed specialised banks. If a bank draws down the CCB, a Board approved capital augmentation plan on rebuilding the CCB to 2.5% within 3 years is required to be submitted to the CBSL. The Bank has not drawn down the CCB.

NDB's Capital Adequacy Ratio (CAR) under BASEL III

As previously mentioned, the Bank has complied with the BASEL III minimum capital adequacy

requirement as at 31 December 2022.

The forecasted ratios taking into account the intended proceeds of the Debenture Issue/s computed under BASEL III assuming the aggregate value of BASEL III compliant Debenture Issues being limited to Rupees Five Billion (LKR 5,000,000,000.00), Rupees Eight Billion (LKR 8,000,000,000/-) and Rupees Ten Billion (LKR 10,000,000,000/-) will be as follows.

Components	As at 31 December 2022	Minimum Regulatory Requirement as at 31 st December 2022	Expected (%), subsequent to the Debenture Issue as at 31 st December 2022		
			With LKR 5.0 Billion	With LKR 8.0 Billion	With LKR 10.0 Billion
Common Equity Tier 1 including Capital Conservation Buffer	9.34%	7.00%	9.34%	9.34%	9.34%
Total Tier 1 including Capital Conservation Buffer	9.34%	8.50%	9.34%	9.34%	9.34%
Total Capital Ratio including Capital Conservation Buffer	13.35%	12.50%	14.30%	14.87%	15.25%

The funds raised through this Debenture Issue/s in compliance with requirements under Basel III, are expected to further improve the Capital Adequacy Ratio of the Bank by increasing its Tier 2 Capital base thus strengthening its Total Eligible Capital as per Basel III requirements as depicted in the table above.

The Bank will seek necessary approval from CBSL to include the Debentures as Tier 2 capital.

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

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 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 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 of this Circular.

2.2 To facilitate future expansion of business activities of the Bank

Funds generated through the Debenture Issue/s will also be used to facilitate future business opportunities available for the Bank. Accordingly, the Bank will use these funds to mobilize/ raise medium/long term funds to match medium/long 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/s 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 and Section 47 of the Banking Act.

It is the understanding of the Bank that the entire quantum of funds will be utilized within a period of twenty four (24) months from the Date of Allotment of the Debentures per each tranche of issuance. In the interim period these funds will be invested in Government Securities, which would generate a return at the market rates prevailing at the time of raising the funds.

Furthermore, during the financial year ended 31 December 2022, the Bank recorded an increase in the loan book to Rupees Five Hundred and Seventy Nine Billion Five Hundred and Sixty Million Nine Hundred and Sixty Four Thousand (LKR 579,560,964,000/-) from Rupees Five Hundred and Twenty Six Billion One Hundred and Forty One Thousand and Forty Two Thousand (LKR 526,141,042,000/-) in end 2021, which was a 10.2% increase. This increase was inclusive of the inflation of the foreign currency denominated loan book resulting from the sharp depreciation of the Sri Lankan Rupee with the floating of the exchange rate by the CBSL in early March 2022.

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

The utilization of the proceeds of the Debenture Issue/s will be disclosed in the Annual Report and the Interim Financial Statements from the allotment date and until the objectives of the Debenture Issue/s are achieved. The Bank has utilized the proceeds of all previous debenture issues towards achieving the objectives of the respective issues. Please refer the past Annual Reports and interim financial statements of the Bank, for further details in this regard. Further information and relevant disclosures on utilization of proceeds will be more fully disclosed in the Prospectus.

4. SPECIFIC RISKS RELATING TO OBJECTIVES OF THE DEBENTURE ISSUE

Dependence of proceeds of the 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 Financial Advisors and Managers 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/s is not fully subscribed.

However, in the event of the Bank failing to lend these funds due to an unforeseen reason, these funds would be invested in Short Term Securities 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 without any requirement of approval by the Debenture Holders (as mentioned in item 10(iii) of Rule 20.2.3.1.1.1 of the Banking Act Direction No.1 of 2016 dated 29th December 2016 as amended from time to time) and the shareholders of the Bank. The issue price for such ordinary voting shares 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.

The Board of Directors of the Bank at the Board Meeting held on 24 January 2023 has resolved that the above price mechanism pertaining to the issue of shares at the point of non-viability conversion is fair and reasonable to the existing shareholders and the Bank.

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 of the CBSL.

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.

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 Debentures issued will be redeemed at the end of the tenure of the Debentures (date of redemption) which will not be less than five (05) years from the date of allotment of the issue or each issue as the case may be unless a Trigger Event as morefully described in this Circular occurs prior to such date.

8. EXTRAORDINARY GENERAL MEETING

As per rule No.2.2.1.1 of the Listing Rules of the CSE, the Bank is required to obtain the approval of the shareholders for the Debenture Issue which contains the viability option, by way of a special resolution subject to obtaining required regulatory approvals. Further, it will also be necessary to obtain, by way of a duly passed special resolution, the approval of the shareholders for the proposed ordinary share issue (with voting rights) which may arise pursuant to conversion of the Debentures, which will 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) and the Articles of Association of the Bank.

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

Shareholders who are unable to attend the meeting in person are kindly requested to complete the enclosed Form of Proxy (in accordance with the instructions specified herein) and deposit it at the Registered Office of the Bank or otherwise email a signed, scanned version of the Form of Proxy to the Company Secretary (companysecretary@ndbbank.com) or to facsimile number – 011 2341050 not less than twenty four (24) hours before the time appointed for the meeting.

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 Ex 35010
Hansani Nawagamuwage	0112 448448 Ex 35012
Koshila Wanasinghe	0112 448448 Ex 35011

Any additional arrangements (if any / in the event of any unexpected occurrences) made by the Bank, apart from the details set out above, will be communicated via announcements on the websites of the CSE (www.cse.lk) and of the Bank (www.ndbbank.com).

By Order of the Board
NATIONAL DEVELOPMENT BANK PLC


Shehani Ranasinghe
Company Secretary

24th February 2023

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 (EGM) of National Development Bank PLC will be held at the DHPL Training Room, 3rd Floor, NDB-EDB Tower, No 42, Navam Mawatha, Colombo 2 at 3.30pm on Thursday, 30 March 2023 for the purpose of considering, and if thought fit, to pass the following Special Resolution.

SPECIAL RESOLUTION

“THAT the Directors of the National Development Bank PLC (Bank) be and are hereby authorized to issue up to a maximum of One Hundred Million (100,000,000) **Basel III compliant - Tier 2**, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures of Rupees One Hundred (LKR 100/-) each **with a non-viability conversion option to ordinary shares with voting rights through a Debenture Issue or a series of Debenture Issues within a one (01) year time frame from the date of obtaining shareholder approval for the issuance of the Debentures** (“Debentures”) subject to Banking Act Direction 01 of 2016 dated 29.12.2016, Banking Act Direction No. 11 of 2019 dated 20.12.2019, Banking Act Direction No. 03 of 2021 dated on 25.01.2021 and Banking Act Direction No.04 of 2022 dated 23.05.2022 issued by the Central Bank of Sri Lanka (CBSL), the laws and regulations of the Colombo Stock Exchange (CSE) 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 said Banking Act Direction No. 1 of 2016 dated 29.12.2016, Banking Act Direction No. 11 of 2019 dated 20.12.2019, Banking Act Direction No. 03 of 2021 dated on 25.01.2021 and Banking Act Direction No.04 of 2022 dated 23.05.2022 (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 CSE 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/s is subject to regulatory approvals from the CBSL, the CSE 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 said Banking Act Direction No. 1 of 2016 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

- Have an option where, in the event the Monetary Board of the CBSL 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

24th February 2023

NATIONAL DEVELOPMENT BANK PLC
PQ 27

FORM OF PROXY

I/We.....
(holder/s of NIC/s OR bearing company registration No)
of.....

being a Shareholder/Shareholders of the above-named Bank, hereby
appoint
(holder of NIC No.....)
of
.....or failing him/her

Sriyan Cooray (Chairman of the Bank) of Colombo or failing him,
Bernard Sinniah of Colombo or failing him,
Sujeewa Mudalige of Colombo or failing him,
Kushan D'Alwis P.C of Colombo or failing him,
(Fay) Piyachat Chetnakarnkul of Colombo or failing her,
Chandima Dilrukshi of Colombo or failing her,
Kasturi Wilson of Colombo or failing her,
Dimantha Seneviratne (CEO/Director of the Bank) of Colombo

as my/our Proxy to represent me/us and to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Bank to be held on 30 March 2023 at 3.30pm and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

	For	Against
To pass the Special Resolution set out in the notice convening the meeting	☐	☐

Signed this day of

.....
Signature(s) of Shareholder(s)

Instructions for Completion of Form of Proxy

1. In order to appoint a Proxy holder, kindly complete the Form of Proxy. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy and should be signed and dated by the shareholder. The duly completed Form of Proxy must be deposited at the Registered Office of the Bank, at No. 40, Nawam Mawatha, Colombo 2 or via email to the Company Secretary (companysecretary@ndbbank.com) or by facsimile No. 0112 341050, not less than twenty four (24) hours before the time appointed for the meeting.

Shareholders should duly complete the Form of Proxy clearly setting out their preference of vote in the Form of Proxy.

Please indicate an “X” in the cage provided how your proxy should vote the resolution. If no indication is given, or if there is, in the view of the proxy holder, any doubt (by reason of the manner in which the instructions contained in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder in his/her discretion may vote as he/she thinks fit.

2. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney, if executed prior to 25th October 2022, should be duly registered at the Registrar General’s office (RGO) and if executed after 25th October 2022, should be duly executed and attested in terms of the Power of Attorney (Amendment) Act No 28 of 2022 and registered at the RGO. A certified copy thereof duly certified by the Registrar General, should also accompany the completed Form of Proxy.
3. If you wish to appoint a person other than the Chairman or a Director of the Bank as your proxy, please insert the relevant information in the Form of Proxy
4. The proxy holder appointed need not be a shareholder of the Bank.
5. In case of a corporate member, the proxy must be executed under its Common Seal (if applicable) or in such other manner prescribed by its Articles of Association or other constitutional documents.
6. The first joint holder shall have the power to sign the Form of Proxy without the concurrence of the other joint holder/s.