



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

EXTRAORDINARY GENERAL MEETING

to be held on 5th January 2026, at 3.00 p.m.

**as a virtual meeting from the NDB Board room, 14th floor, NDB-EDB Tower,
No 42, Nawam Mawatha, Colombo 2**

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National Development Bank PLC – PQ 27

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CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s

ISSUE OF BASEL III COMPLIANT TIER 2 LISTED, RATED, UNSECURED, SUBORDINATED, REDEEMABLE GREEN (INCLUDING BLUE), SOCIAL, SUSTAINABLE AND ANY OTHER LABELS THAT QUALIFY (“GSS+”) BONDS 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 the National Development Bank PLC (Bank) on 14th November 2025 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 14th November 2025 **to raise up to a maximum sum of Rupees Sixteen Billion (LKR 16,000,000,000/-) by an issue of up to a maximum of One Hundred and Sixty Million (160,000,000) Basel III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable GSS+ Bonds, with a Non-Viability Conversion (hereinafter called “the Bonds”), each with a par value of LKR 100/- through a bond issue within a one (01) year time frame from the date of obtaining shareholder approval for the issuance of the Bonds (hereinafter called “the Bond Issue”).** The non-viability conversion option will be invoked upon the occurrence of a Trigger Event referred to in Section 5 hereof, if instructed by the Central Bank of Sri Lanka (CBSL).

The issuance of the Bonds and trading of such Bonds in the secondary market is limited to “Qualified Investors” as per CSE Listing Rule 2.2.1 (q) read together with the ‘Definitions Section’ of the CSE Listing Rules (please refer Section 6 of this Circular for the definition of a Qualified Investor).

THE ABOVE ISSUE IS SUBJECT TO THE APPROVAL OF THE 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 Bonds, 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 Bonds 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 Bond Issue, namely the purpose of a Bond Issue, features of the Bond Issue, the relevance of such Bonds to the shareholders in view of the non-viability conversion of the Bonds to ordinary shares of the Bank in an eventuality, are described below.

1.1 Issuance of Bonds

The proposed issue of up to a maximum of One Hundred and Sixty Million (160,000,000) Bonds of the par value of Rupees One Hundred (LKR 100/-) amounting to up to a maximum value of Rupees Sixteen Billion (LKR 16,000,000,000/-) will be offered/issued in the following manner:

- The Bonds 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 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 Bond Issue prior to the opening of the Bond issue.
- The maturity period (tenure) of the Bond Issue will not be less than five (05) years.

- The Bonds will be listed on the CSE upon issue and allotment and/or in accordance with the minimum features specified in the Banking Act Direction No. 01 of 2016 for inclusion of the Bonds in the Tier 2 Capital of the Bank (Please refer Section 2.1 for the minimum features for the Bonds to be recognized as Tier 2 Capital).

In the event the entire Bonds 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 Bonds to be issued, then the decision to issue the balance Bonds 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 Bonds, subject to fulfilling the regulatory requirements at that time.

1.2 Rating of Bonds

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

2. OBJECTIVES OF THE BOND ISSUE

The Bank proposes to utilize the entirety of the funds raised through the Bond 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 Bond Issue will be utilized to improve the Tier 2 capital of the Bank under the BASEL III regulations.

The Bank has complied with the BASEL III minimum capital adequacy requirement as at 30th September 2025.

The forecasted ratios taking into account the intended proceeds of the Bond Issue computed under BASEL III assuming the aggregate value of BASEL III compliant Bond Issue of LKR 16,000,000,000/- (Rupees Sixteen Billion) will be as follows.

Components/ %	Minimum Regulatory Requirement as at 30 September 2025	As at 30th September 2025*	Expected ratio, subsequent to the Bond Issue of LKR 16.0 Bn based on 30th September 2025*
Common Equity Tier 1 including Capital Conservation Buffer	7.00	11.54	11.54
Total Tier 1 including Capital Conservation Buffer	8.50	11.54	11.54
Total Capital Ratio including Capital Conservation Buffer	12.50	15.41	18.42

*Unaudited

****Total Regulatory Capital consists of Tier 1 Capital and Tier 2 Capital**

The Bank demonstrated sound financial performance as reflected in the most recent unaudited financial statements released to the CSE for the nine months ended 30th September 2025, wherein the Bank posted a post-tax profit of LKR 7,507,735,000/-. The Bank's total assets stood at LKR 904,881,578,000/-. As per the audited financial statements for the financial year ended 31 December 2024, the Bank posted post-tax profit of LKR 9,030,221,000/-. The Bank's total assets stood at LKR 795,686,351,000/-. The Bank disbursed a total of LKR 58,430,803,000 as fresh loans to customers during the three months period from 01 July 2025 to 30 September 2025.

The funds raised through this Bond Issue in compliance with requirements under Basel III, are expected to further improve the CAR 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 Bonds 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 Bonds upon the occurrence of a "Trigger Event" referred to in Section 5 of this Circular.

In order for the Bonds 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 Bonds are required to have the following minimum features:

- Issued and fully paid in cash
- Listed on a recognized Stock Exchange
- Redeemable
- Subordinated to the claims of depositors and general creditors
- Unsecured and not covered by a guarantee or any other arrangement that legally or economically enhances the seniority of the claim above the depositors, creditors and subordinated debt capital instruments issued under Tier 2 capital.
- Of a minimum tenor (maturity period) of 5 years
- Issued with prior approval from the Governing Board for inclusion in Tier 2 capital
- Total approved Tier 2 instrument shall not exceed fifty (50%) per centum of total Common Equity Tier 1 capital
- The investors in the Bonds have no rights to accelerate the repayment of future scheduled payments, except in bankruptcy and liquidation of the Bank
- Neither the bank nor a banking group over which the bank exercises control or significant influence can have purchased the instrument and the bank cannot directly or indirectly have funded the purchase of the instrument.
- Rated by an acceptable Rating Agency
- Having an option where, in the event the Governing Board of the CBSL deeming it appropriate that the Bonds 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 Bonds is in the best interests of the Bank, directs the Bank to convert the Bonds 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 Bonds as per the Trigger Event referred to in Section 5 of this Circular.

2.2 Support the Bank's balance sheet growth through financing GSS+ Projects

The Bank intends to fully utilize the funds generated through the Bond Issue to finance or re-finance new and/or existing eligible Green (including Blue), Social, Sustainable projects and any other labels that qualify as per the Sustainable Bond Framework of the Bank that would be in place at the time of the issuance of the GSS+ Bonds which complies with the Principles and Guidelines issued by the International Capital Market Association and Sri Lanka Green Finance Taxonomy issued by the CBSL (GSS+ Projects).

The Bank has appointed an Independent External Reviewer who will be providing an external review in the form of an independent verification (pre-issuance) of the Sustainable Bond Framework of the Bank. Following the successful issuance of the Bonds, the Bank will appoint an Independent External Reviewer to carry out post issuance verification/s (assurance/s) as required.

It is the understanding of the Bank that the entire quantum of funds will be utilized within a period of 24 months from the date of allotment of the Bonds. In the interim period, these funds will be invested in government securities at zero risk at the prevailing market rates.

The Bank is confident of utilizing the funds generated through the Issue as stated within a period of 24 months.

Expanding the GSS+ lending portfolio will support the Bank's efforts on sustainable initiatives while strengthening the brand image with regards to the same aspect.

Transactions with related parties with regards to the funds raised from the Bond Issue will be carried out in compliance with all applicable statutes, directions, regulations and Section 9 of the CSE listing Rules.

This Bond Issue does not amount to a major transaction of the Bank as defined by Section 185 of the Companies Act No. 07 of 2007 (as amended), based on the asset value of the Bank as at 30 September 2025.

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

The utilization of the proceeds of the Bond Issue will be disclosed in the Annual Report and the Interim Financial Statements from the allotment date and until the objectives of the Bond Issue 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. The above-mentioned disclosures will be in accordance with CSE Listing Rule 7.6 (xviii) and CSE Listing Rule 7.12.4 A. (I).

4. SPECIFIC RISKS RELATING TO OBJECTIVES OF THE BOND 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.

The primary objective of the Bond Issue is to strengthen the Bank's capital position, whilst

supporting asset growth through the financing of GSS+ Projects as an ancillary objective.

Given the growing demand for green and socially sustainable credit in the market and the Bank's track record of lending growth, there is no specific risk factor identified that is likely to prevent the achievement of the stated objectives within stipulated timelines.

In the unlikely event of any shortfall of funds raised from the proposed Bond Issue, the Bank will adjust asset growth to maintain the desired level in CAR. However, the Bank does not anticipate an under-subscription of the issue.

Further, the risk of under-subscription will be mitigated by appointing experienced Managers and Placement Agents to the Issue, pre-marketing the Bonds, and building a pipeline of potential investors.

As at date, the Bank has not identified any related parties for the allocation of Bonds. In the event, the funds raised are deployed with related parties in the future, such deployment will be done in accordance with Rule 9 of the CSE Listing Rules. The Bank, as at the date of this Circular has not recognized related parties for the lending of the proceeds of the Bond Issue.

No further shareholder approval will be required in the event the Bond Issue is not fully subscribed.

In the event of the occurrence of the trigger event prior to redemption, in the interest of the shareholders, the then existing shareholders will be first called upon to bring in additional capital (subject to CSE & Securities and Exchange Commission (SEC) approvals as applicable), and only if they are unable to infuse fresh capital, will the proposed Bond/s get converted to ordinary share capital.

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 Governing Board of CBSL, and is defined in the Banking Act Direction No. 1 of 2016, dated 29th December 2016 (as amended from time to time) 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 Governing 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 Governing 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 Bond Holders up to the outstanding balance of such Bonds including the total par value of the Bonds and unpaid accrued Bond Interest **without any requirement of approval by the Bond 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 Bond 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 (03) 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 Bond Holders upon the occurrence of a Trigger Event, a Bond Holder would cease to be a Bond 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 after the date of allotment of new shares to such shareholders (i.e. the previous Bond holders). In the event of the conversion, the shares will be allotted to the respective Bond Holders in accordance with the applicable laws and regulations including any regulations applicable on “material interest that a shareholder may hold” in terms of the Banking Act No 30 of 1998 (as amended), as guided by the instructions of the Governing Board of the CBSL with regard to the application of the Single Holder Limit.

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

In the event of the Bond 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 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 Bond.

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 SEC approvals as applicable), and only **if they are unable to infuse fresh capital (i.e.; Tier 1 Capital), will the proposed Bonds get converted to ordinary voting share capital (Tier 1 capital) upon the determination of the non-viability point by the Governing Board of CBSL.**

Reduction of the Bond 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 Bond 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 Bonds to ordinary voting shares.

6. QUALIFIED INVESTOR

In terms of ‘Definitions Section’ of the Listing Rules of the CSE ‘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. REDMEPTION OF BONDS

The proposed Bonds will be redeemed at maturity and the principal sum and unpaid accrued interest (if any) payable on the redemption of Bonds 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 (p) of the Listing Rules of the CSE and the Articles of Association of the Bank, National Development Bank PLC is required to obtain the approval of the shareholders for the proposed Bond Issue by way of a special resolution. 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 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.

An Extraordinary General Meeting of the Bank (EGM) is being convened in accordance with the Notice of Meeting attached hereto and will be conducted via digital means / virtually, for the purpose of passing the special resolution set out therein.

If Shareholders wish to connect to the EGM, as the meeting is to be held via digital means through a Microsoft Teams meeting platform or a similar method, you are requested to forward the duly completed Form 1 (attached hereto) by depositing or forwarding same via post to the Registered Office of the Bank or preferably, by forwarding via email, a signed, scanned version to the Company Secretary (**companysecretary@ndbbank.com**) not less than twenty four (24) hours before the time appointed for the meeting to enable the Bank to share login information for the meeting.

Shareholders who cannot connect to the virtual EGM via digital means detailed in the Notice of Meeting are encouraged to opt to duly complete the Form of Proxy clearly setting out their preferences 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 participating at the meeting. The Shareholders can deposit or forward via post the enclosed Form of Proxy (in accordance with the instructions specified herein) to the Registered Office of the Bank or preferably, email a signed, scanned version of the Form of Proxy to the Company Secretary (**companysecretary@ndbbank.com**) not less than twenty four (24) hours before the time appointed for the meeting. It is recommended that Shareholders/Proxyholders join the EGM at least Fifteen (15) minutes before the start of the EGM. The digital platform will be active Thirty (30) minutes before the start of the EGM.

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.
Devrangee Weerasinghe	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

14th November 2025

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