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NATIONAL DEVELOPMENT BANK PLC



PROSPECTUS

AN ISSUE OF FIFTY MILLION (50,000,000) BASEL III COMPLIANT-TIER 2, LISTED RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES WITH A NON-VIABILITY CONVERSION ("DEBENTURES"), AT THE PAR VALUE OF SRI LANKA RUPEES ONE HUNDRED (LKR 100/-) EACH TO RAISE SRI LANKA RUPEES FIVE BILLION (LKR 5,000,000,000/-)

MAXIMUM ISSUE WILL NOT EXCEED FIFTY MILLION (50,000,000) OF SAID DEBENTURES OF A VALUE OF NOT EXCEEDING SRI LANKA RUPEES FIVE BILLION (LKR 5,000,000,000/-)

TO BE LISTED ON THE
COLOMBO STOCK EXCHANGE

Rated BBB (lka) /Stable by Fitch Ratings Lanka Limited

(Please note that this is the minimum rating that is allowed by the CSE for listing debentures. Furthermore, should the rating go below the regulatory requirement of the CSE at a point of time prior to listing, the debenture will not be listed. Should the rating go down post listing, the instrument will be subject to enforcement actions as set out in the listing rules)

ISSUE OPENS ON

05th December 2023

ISSUE IS LIMITED TO "QUALIFIED INVESTORS" ONLY AS DEFINED HEREIN

Managers and Placement Agents to the Issue



The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Bank since the date of this Prospectus. If any material change in the affairs of the Bank occurs subsequent to the Prospectus date and before the Issue opening, same will be notified by way of a market disclosure/an addendum.

By acquiring any Debenture, each Debenture Holder irrevocably consents to the Principal Amount of the Debenture and any accrued and unpaid interest thereon being deemed paid in full by the issuance of ordinary voting shares upon occurrence of a Trigger Event and the resulting Non-Viability Conversion required to be effected by the Bank.

Upon a Non-Viability Conversion:

- i. The Trustees shall not be required to take any further directions from holders/beneficial owners of the Debentures under the Trust Deed and
- ii. The Trust Deed shall impose no duties upon the Trustees whatsoever with respect to conversion of the Debentures into ordinary voting shares upon a Trigger Event
- iii. Upon the occurrence of a Trigger Event, each outstanding Debenture of this Issue will be converted, on a full and permanent basis

We advise you to read the content of the Prospectus carefully prior to investment.

This investment instrument is riskier than a bank deposit.

These Debentures are complex products and have provision for loss absorption in the form of Non-Viability Conversion as set out in the Prospectus. This means that following the occurrence of a Trigger Event as may be determined by the Central Bank of Sri Lanka, the Bank will convert the Debentures into ordinary voting shares. A Qualified Investor will be deemed paid in full the principal plus accrued and unpaid interest due on the Debentures, upon such conversion. The number and value of ordinary voting shares to be received on a Non-Viability Conversion may be worth significantly less than the Par Value of the Debentures and can be variable.

Please refer to the “Risk Factors Section” of the Prospectus for further details.

Each potential Qualified Investor in these Debentures must determine the suitability of investment in light of its own circumstances. In particular, each potential Qualified Investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether the Qualified Investor:

- i. Has sufficient knowledge and experience to make a meaningful evaluation of these Debentures, the merits and risks of investing in the Debentures and the information contained or incorporated by reference in this Prospectus;
- ii. Has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in these Debentures and the impact the Debentures will have on its overall investment portfolio;
- iii. Has sufficient financial resources and liquidity to bear all of the risks of an investment in these Debentures;
- iv. Understands thoroughly the terms of these Debentures, including the provisions relating to the Non-Viability Conversion of the Debentures, and is familiar with the behavior of financial markets; and
- v. Is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in these Debentures unless the Qualified Investor has the expertise (either alone or with its financial and other professional advisors) to evaluate how the Debentures will perform under changing conditions, the resulting effects on the value of the Debentures and the impact this investment will have on the potential Qualified Investor’s overall investment portfolio.

This Prospectus is dated 23rd November 2023

Responsibility for the Content of the Prospectus

This Prospectus has been prepared with available information.

The Directors of National Development Bank PLC (the Bank or the Issuer) have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Bank have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Bank and making assumptions that are considered to be reasonable at the present point in time in its best judgment.

The Bank accepts responsibility for the information contained in this Prospectus. While the Bank has taken reasonable care to ensure full and fair disclosure of pertinent information, it does not assume responsibility for any investment decisions made by the Qualified Investors based on the information contained herein. In making such investment decisions, prospective Qualified Investors are advised to read the Prospectus and rely on their own examination and assessment of the Bank and the terms of the Debentures issued including the risks associated.

FOR ENQUIRIES PLEASE CONTACT MANAGERS AND PLACEMENT AGENTS TO THE ISSUE

The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, CSE assumes no responsibility for accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of Debentures which is decided solely by the Issuer.

Registration of the Prospectus

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of Section 40 of the Companies Act No.7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to Section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Bank.
- b) The written consent of the Rating Agency for the inclusion of their name in the Prospectus as Rating Agency to the Issue and to the Bank.
- c) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- d) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
- e) The written consent of the Company Secretary of the Bank for the inclusion of the name in the Prospectus as Company Secretary to the Bank.
- f) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Managers and Placement Agents to the Issue for the inclusion of their names in the Prospectus as Managers and Placement Agents to the Issue.

- i) The declaration made and subscribed to, by each of the Directors of the Bank herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Bank, Trustee to the Issue, Bankers to the Issue, Company Secretary, Managers and Placement Agents to the Issue, Registrars to the Issue, Lawyers to the Issue, Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar of Companies in Sri Lanka withdrawn such consent.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-Resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

Representation

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person, individual or any other outside party has been authorized to give any information or to make any representation in this connection with the Issue other than the information and representations contained in this Prospectus and if given or made such information or representations must not be relied upon as having been authorized by the Bank.

Forward Looking Statements

Any Statements included in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of forward looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Bank are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Bank operates and its ability to respond to them, the Bank’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Bank.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Bank’s present and future business strategies and the environment in which the Bank will operate in the future.

Given the risk and uncertainties that may cause the Bank’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking statements in this Prospectus, Qualified Investors are advised not to place sole reliance on such statements.

Presentation of Currency Information and Other Numerical Data

The financial statements of the Bank and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to “LKR”, “Rupees” or “Rs.” is the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

All numerical figures given under Section 7.0 of the Prospectus are audited figures unless otherwise stated.

IMPORTANT

All Qualified Investors should indicate in the Application for Debentures, their Central Depository Systems (Private) Limited (CDS) account number.

In the event the name, address or NIC number/passport number/company number of the Qualified Investor mentioned in the Application Form differs from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/ passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Qualified Investor. Therefore, Qualified Investors are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 22nd November 2010 and Circular No.13/2010 issued by the CDS dated 30th November 2010, all Debentures are required to be directly deposited in to the CDS. To facilitate compliance with this directive, all Qualified Investors are required to indicate their CDS account number.

In line with this directive, THE DEBENTURES ALLOTTED TO A QUALIFIED INVESTOR WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH QUALIFIED INVESTOR, the details of which is indicated in their Application Form. If the CDS account number indicated in the Application Form is found to be inaccurate /incorrect or there is no CDS number indicated, the Application will be rejected and no allotments will be made. The Bank may require a Qualified Investor to provide such documentation as is reasonably necessary to satisfy itself that the investor is a Qualified Investor.

PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.

Qualified Investors who wish to open a CDS account, may do so through a Member/Trading Member of the CSE as set out in Annexure II or through any Custodian Bank as set out in Annexure III of this Prospectus.

ISSUE AT A GLANCE

Issuer	National Development Bank PLC					
Instrument	BASEL III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion.					
Listing	The Debentures will be listed on the Colombo Stock Exchange					
Number of Debentures to be Issued	An Issue of Fifty Million (50,000,000) Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion.					
Amount to be Raised	A sum of up to Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-).					
Entity Rating	A- (Ika)/ Stable by Fitch Ratings Lanka Limited					
Issue Rating	BBB (Ika)/ Stable by Fitch Ratings Lanka Limited					
Issue Price	Rupees One Hundred (LKR 100/-) per each Debenture					
Par Value	Rupees One Hundred (LKR 100/-) per each Debenture					
Details of Debentures	Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion, as described below;					
	Debenture Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency
	Type A	Fixed Rate	5 years	15.00% p.a.	15.00%	Annual
	Type B	Fixed Rate	5 years	14.22% p.a.	15.00%	Quarterly
Number of Debentures to be Subscribed	The minimum subscription requirement applicable for a Qualified Investor applying for Debentures shall be Rupees Ten Thousand (LKR 10,000/-). Provided however, the minimum subscription requirement applicable for an individual Investor applying for BASEL III Compliant Debt Securities as per Rule 2.1.1.n of CSE Listing Rules shall be Rupees Five Million (LKR 5,000,000/-). Any Application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (LKR 10,000/-).					
Interest Payment Date(s)	For Type A Debentures: The dates on which payments of interest in respect of the Type A Debentures shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months thereafter from the Date of Allotment until the Date of Redemption and includes the Date of Redemption. For Type B Debentures: The dates on which payments of interest in respect of the Type A Debentures shall fall due, which shall be three (03) months from the Date of Allotment and every three (03) months thereafter from the Date of Allotment until the Date of Redemption and includes the Date of Redemption. Interest would be paid not later than three (03) Working Days from each Interest Payment Date. The final interest payment will be paid together with the Principal Sum within three (03) Working Days from the Date of Redemption.					

Interest Period	For Type A Debentures: The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date). For Type B Debentures: The three (03) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).
Mode of Payment of Principal Sum and Interest	Through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS where accurate bank account details are provided by the Debenture Holders subject to the prevalent limitation with regard to SLIPS and RTGS or by cheque marked "Account Payee Only".
Issue Opening Date	05 th December 2023
Date of Allotment	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
Closure Date of the Subscription List	Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 05th December 2023 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 22nd December 2023. However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the maximum of Fifty Million (50,000,000) Debentures being fully subscribed. In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the Fifty Million (50,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm. (refer Section 5.2 of this Prospectus).

Basis of Allotment	In the event of an over subscription, the Board of Directors of the Bank will endeavour to decide the basis of allotment of the Debentures in a fair manner within seven (07) Market days from the closure of the Issue. The Board however shall reserve the right to allocate up to a maximum of 75% of the Number of Debentures to be allotted under this Prospectus on a preferential basis, to identified institutional investor/s of strategic importance with whom the Bank might have mutually beneficial relationships in the future as future investors, who are Qualified Investors. Number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).
Non-Viability Conversion	In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of Debentures to ordinary voting shares by the Bank without any requirement of approval by the Debenture Holders, in compliance with BASEL III requirements. Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total Par Value of the Debentures and the debenture interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the Conversion Price. 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.
Conversion Price	The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share during the three months (03) period, immediately preceding the date of the Trigger Event.
Volume Weighted Average Price (VWAP)	The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.
Trigger Event	Means a point or event at which the Monetary Board of the Central Bank of Sri Lanka in terms of item 10 (iii)(a) of Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29th December 2016 (as may be amended from time to time) determines: (a) the Bank would become non-viable, without a write-down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the said Directions; or (b) to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable in terms of item 10(iii)(b) of the said Directions.

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1 CORPORATE INFORMATION

Name of the Bank/Issuer	National Development Bank PLC
Legal Status	Established under an Act of Parliament in 1979 and converted to a Public Limited Liability Company under the Companies Act in 2005 and re-registered under the Companies Act No. 07 of 2007 and also regulated under the Banking Act No. 30 of 1988 as amended from time to time.
Company Number	PQ 27
Place of Incorporation	Colombo, Sri Lanka
Registered Address	National Development Bank PLC No. 40, Navam Mawatha Colombo 02 Tel: +94 11 2 448 448 / Fax: +94 11 2 341 044, +94 11 2 440 262
Company Secretary	Ms. Shehani Ranasinghe (Attorney-at-Law) National Development Bank PLC No. 40, Navam Mawatha Colombo 02 Tel: +94 11 2 448 448 (Ext: 33000) / Fax: +94 11 2 341 050
Rating Agency	Fitch Ratings Lanka Limited No.15-04, East Tower World Trade Centre Colombo 01 Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
Auditors	M/s Ernst & Young Chartered Accountants No. 201, De Saram Place Colombo 10 Tel: +94 11 2 463 500 / Fax: +94 11 2 697 369
Board of Directors	Mr. Sriyan Cooray- Chairman – Non-executive / Independent Mr. Dimantha Seneviratne - Chief Executive Officer – Executive / Non-Independent Mr. Bernard Sinniah - Non-executive / Non- Independent Mr. Sujeewa Mudalige - Non-executive / Independent Mr. Kushan D’Alwis, PC - Non-executive / Independent Ms. (Fay) Piyachat Chetnakarnkul - Non-executive / Non- Independent Ms. Chandima Dilrukshi - Non-executive / Non- Independent Ms. Kasturi Angela Wilson - Non-executive / Independent Ms. Shweta Aprameya - Non-executive / Independent Mr. Hasitha Premaratne - Non-executive / Independent

2 RELEVANT PARTIES TO THE ISSUE

Managers and Placement Agents to the Issue	NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04 Tel: + 94 11 2 300 385-90 / Fax: +94 11 2 300 393
Lawyers to the Issue	Legal Department – National Development Bank PLC No.40, Navam Mawatha Colombo 02 Tel: +94 11 2 448 448 / Fax: +94 11 2 440 196 Ext :34000
Registrars to the Issue	S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03, Sri Lanka. Tel: +94 11 2 573 894/ Fax: +94 11 2 573 609
Trustee to the Issue	People's Bank No 75, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 Tel: + 94 11 2 206 740/ Fax: + 94 11 2 458 827
Company Secretary	Ms. Shehani Ranasinghe (Attorney-at-Law) National Development Bank PLC No. 40, Navam Mawatha Colombo 02 Tel: +94 11 2 448 448 (Ext: 33000) / Fax: +94 11 2 341 050
Rating Agency to the Issue	Fitch Ratings Lanka Limited No.15-04, East Tower World Trade Centre Colombo 01 Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
Bankers to the Issue	National Development Bank PLC No. 40, Navam Mawatha Colombo 02 Tel: +94 11 2 448 448 / Fax: +94 11 2 341 049
Auditors and Reporting Accountants to the Issue	M/s Ernst & Young Chartered Accountants No. 201, De Saram Place Colombo 10 Tel: +94 11 2 463 500 / Fax: +94 11 2 697 369

3 LIST OF ABBREVIATIONS

AER	Annual Effective Rate
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Private) Limited
CSE	Colombo Stock Exchange
D-SIBs	Domestically Systemically Important Banks
HLA	Higher Loss Absorbency
IIA	Inward Investment Account
NDB/Issuer/Bank/ Company	National Development Bank PLC
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter Bank Payment System

4 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant	Any person identified as a Qualified Investor who submits an Application Form under this Prospectus.
Application Form/Application	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue.
Bank/ Issuer	National Development Bank PLC
Basel III	A Global Regulatory Framework for More Resilient Banks and Banking System, issued by the Basel Committee on Banking Supervision of the Bank for International Settlement in December 2010 (Revised in June 2011).
Closure Date	Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 05th December 2023 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 22nd December 2023. However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the maximum of Fifty Million (50,000,000) Debentures being fully subscribed. In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the Fifty Million (50,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm. (refer Section 5.2 of this Prospectus).
Conversion Price	The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share during the three months (03) period, immediately preceding the date of the Trigger Event.
Date of Allotment	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
Date of Redemption	The date on which Redemption of the Debentures will take place as referred to in Section 5.7 of this Prospectus.
Debentures	Basel III compliant – Tier 2, Listed Rated Unsecured Subordinated Redeemable Debenture Issue with a Non - Viability Conversion, to be issued pursuant to this Prospectus.
Debenture Holder(s)	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title.
Entitlement Date	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption, in the event a Trigger Event does not occur.
Interest Payment Date(s)	For Type A Debentures: The dates on which payments of interest in respect of the Type A Debentures shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months thereafter from the Date of Allotment until the Date of Redemption and includes the Date of Redemption. For Type B Debentures: The dates on which payments of interest in respect of the Type A Debentures shall fall due, which shall be three (03) months from the Date of Allotment and every three (03) months thereafter from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.

	Interest would be paid not later than three (03) Working Days from each Interest Payment Date. The final interest payment will be paid together with the Principal Sum within three (03) Working Days from the Date of Redemption.
Interest Period	For Type A Debentures: The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date). For Type B Debentures: The three (03) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).
Issue	The offer of Debentures to Qualified Investors pursuant to this Prospectus.
Issue Price	Rupees One Hundred (LKR 100/-) per each Debenture
Market Day	Any day on which trading takes place at the CSE.
Non-Resident(s)	Persons resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka.
Non Viability Conversion	In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of Debentures to ordinary voting shares by the Bank without any requirement of approval by the Debenture Holders in compliance with BASEL III requirements. Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total Par Value of the Debentures and debenture interest accrued and unpaid (if any) as at that date will be permanently converted to ordinary voting shares at the Conversion Price. 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.
Par Value	LKR 100/- per each Debenture
Principal Sum	The product of the number of Debentures allotted and the Par Value
Prospectus	This prospectus dated 23 rd November 2023 issued by National Development Bank PLC
Qualified Investors	(a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).

	(b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended). (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund. (d) A venture capital fund/ company and private equity company. (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act. No 42 of 2011 (as amended). (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended) (g) A company licensed by the Insurance Board of Sri Lanka to carry on Insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended) (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No.7 of 2007. (i) An investment trust or investment company (j) A Non-Resident institutional investor (k) An individual with an initial investment amount of LKR 5,000,000/-
Redemption	Repayment of the Principal Sum and unpaid and accrued interest (if any) with regard to a Debenture to a Debenture Holder by the Bank
Registered Address	The address provided by the Debenture Holders to the CDS
Subordinated	Means the claims of the Debenture Holders shall in the event of winding up of the Bank rank after all the claims of depositors and secured and other unsecured creditors of the Bank and any preferential claims under any Statutes governing the Bank, but shall rank <i>pari passu</i> with other subordinated Debenture Holders and in priority to and over the claims and rights of the Shareholder/s of the Bank <u>unless there has been an issuance of ordinary voting shares to the Debentures Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture Holder and become a shareholder of the Bank to the extent of such issuance</u>
Tier 2	Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and general loan loss provision of the Bank
Trigger Event	Means a point or event at which the Monetary Board of the Central Bank of Sri Lanka in terms of item 10 (iii)(a) of Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29th December 2016 (as may be amended from time to time) determines: (a) the Bank would become non-viable, without a write-down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the said Directions; or (b) to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable in terms of item 10(iii)(b) of the said Directions
Trustee	People's Bank
Trust Deed	Trust Deed executed between the Bank and People's Bank on 07 th November 2023
Unsecured	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer
Volume Weighted Average Price (VWAP)	The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange

5 PRINCIPAL FEATURES OF THE DEBENTURES

5.1 INVITATION TO SUBSCRIBE

The Board of Directors of National Development Bank PLC (hereinafter referred to as the “Board”) at the Board Meetings held on 24th January 2023, 12th May 2023, 07th June 2023, 14th August 2023 and 17th October 2023 resolved to raise a sum of Rupees Five Billion (LKR 5,000,000,000/-) by an issue of up to Fifty Million (50,000,000) Debentures, each with a Par Value of LKR 100/-.

A maximum amount of Rupees Five Billion (LKR 5,000,000,000) would be raised by the issue of a maximum of Fifty Million (50,000,000) Debentures each with the Par Value of LKR 100/-.

The Bank will have the option to raise the remaining amount out of the Rupees Ten Billion (LKR 10,000,000,000) which was approved by the shareholders of the Bank by way of a special resolution on 30th March 2023 via a separate Debenture Issue/s. The timing of the said issue/s will be decided by the Board considering the Capital and Liquidity requirements of the Bank together with the market sentiments at the time of such issuance/s. However, the said Issues (if any) will be conducted prior to the expiration of the approval obtained from the shareholders on 30th March 2024.

The rights of the Debenture Holders with respect to payment of the Principal Sum and accrued interest due thereon upon a winding - up of the Bank will rank after all claims of depositors and secured and other unsecured creditors of the Bank and any preferential claims under any Statutes governing the Bank, but shall rank *pari passu* with other subordinated debenture holders and in priority to and over the rights of any ordinary shareholders. However, if there has been an issuance of ordinary voting shares to the Debenture Holders upon the occurrence of a Trigger Event a Debenture Holder would cease to be 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 shareholders.

It is the intention of the Bank to list the Debentures on the Colombo Stock Exchange. The CSE has given its in principle approval for the listing of the Debentures and any ordinary voting shares which would be issued upon the occurrence of a Trigger Event (if any) on the CSE. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules.

As per Section 2.2.1 (n) of the Listing Rules, only Qualified Investors would be eligible to invest in the said Debentures. Further, as set out in Rule 3.3.5 (ii) (a) (ii) of the CSE Listing Rules, the secondary trading of these Debentures shall also be limited to Qualified Investors. Accordingly, the allotment and the secondary market trading of the Debentures are limited to the Qualified Investors.

5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 05th December 2023 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 22nd December 2023.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the maximum of Fifty Million (50,000,000) Debentures being fully subscribed.

In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the Fifty Million (50,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and subscription list will be closed on the following Market Day at 4.30 p.m.

5.3 TYPES OF DEBENTURES

The Debenture Issue comprises of Debentures of Type A and Type B that will carry rates of interest as described below:

Debenture Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment frequency
Type A	Fixed Rate	5 years	15.00% p.a.	15.00%	Annual
Type B	Fixed Rate	5 years	14.22% p.a.	15.00%	Quarterly

Each of the Type A and Type B Debentures shall rank equal and pari passu other than with respect to the Rate of Interest and interest payment frequency.

5.4 OBJECTIVES OF THE ISSUE & SPECIFIC RISK RELATING TO THE OBJECTIVES OF THE DEBENTURE ISSUE

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

a. 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 1st January 2020 is to be 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

The Bank has complied with the BASEL III minimum capital adequacy requirement as at 30th September 2023 with Tier 1 ratio of 11.06% and Total capital ratio of 14.46% respectively.

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

Components	As at 30 th September 2023	Minimum Regulatory Requirement as at 30 th September 2023	Expected (%), subsequent to the Debenture Issue as at 30 th September 2023
Common Equity Tier 1 including Capital Conservation Buffer	11.06%	7.00%	11.06%
Total Tier 1 including Capital Conservation Buffer	11.06%	8.50%	11.06%
Total Capital Ratio including Capital Conservation Buffer	14.46%	12.50%	15.50%

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 is required to and has obtained approval from CBSL to include the Debentures as Tier 2 capital.

Further, the Bank has obtained the shareholder approval by way of a special resolution on 30th March 2023 for the issuance of any ordinary voting shares which may be created by the occurrence of a 'Trigger Event'. Further as per the Rule 2.2.1 (m) of the CSE Listing Rules, the Bank has obtained the shareholder approval by way of a special resolution for the issuance of the Debentures.

The entire quantum of funds raised from the Debenture Issue will be included under the Tier 2 capital base of the Bank upon the allotment of the Debentures.

b. 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 Prospectus 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.

The Bank recorded a monthly average gross loan disbursement of LKR 46 Bn during the quarter ended 30th September 2023 reaching a Gross loans value of LKR 514.4 Bn as of 30th September 2023, this resulted in an expansion of the loan book by 0.94% over the three months period from LKR 509.6 Bn as of 30th June 2023. Furthermore, during the financial year ended 31st 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. Prior to the economic crisis set in, the Bank had been maintaining an average five-year compound annual growth rate (CAGR) of around 15% over the 2017-2022 period. With the gradual recovery of economic activities and largely reduced interest rates resulting from the easing monetary policy stance of the CBSL, it is the understanding of the Bank that the entire quantum of funds will be utilized within a period of twelve (12) months from the Date of Allotment of the Debentures.

The objectives of the issue does not amounts to a major transaction of the Bank.

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 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 is not fully subscribed.

Based on the audited financials, during the year 2022, the Bank's gross loans and receivables recorded a growth of 10% from Sri Lanka Rupees Five Hundred and Twenty Six Billion and One Hundred and Forty One Million and Forty Two Thousand (LKR 526,141,042,000/-) to Sri Lanka Rupees Five Hundred and Seventy Nine Billion and Five Hundred and Sixty Million Nine Hundred and Sixty Four Thousand (LKR 579,560,964,000/-).

Based on the unaudited interim financials, the Bank's gross loans and receivable portfolio recorded a negative growth of 11% during the first nine months of 2023 from the 31st December 2022 position from Sri Lanka Five Hundred and Seventy Nine Billion and Five Hundred and Sixty Million Nine Hundred and Sixty Four Thousand (LKR 579,560,964,000/-) to Sri Lanka Rupees Five Hundred and Fourteen Billion and Three Hundred and Ninety Eight Million Fifty Eight Thousand (LKR 514,398,058,000/-). Negative growth in the loan book was an industry-wide phenomenon mainly due to the subdued business activities reflected in negative GDP growth, reduced customer appetite for loans owing to the increased interest rates, etc., given the turbulent economic environment that prevailed and the exchange impact of an appreciating Rupee affecting the foreign currency denominated loan book. Despite the negative growth in the first nine months, the Bank has maintained a five-year compound annual growth rate (CAGR) of 15.8% in its gross loans over the period 2018 – 2022. Furthermore, with the envisaged capital augmentation plans of the Bank including the proceedings of this Debenture Issue, improvements in the economy and considerable reduction in interest rates which would create greater demand for bank loans, Bank's past experience and the growth plans in place 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 timeline via the proceeds of the Issue up to a maximum of Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-).

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.

The utilization of the proceeds of the Debenture Issue will be disclosed in the Annual Report and the Interim Financial Statements of the Bank in the following format from the Issue Opening Date and until the objectives of the Debenture Issue are achieved.

Debenture Issue proceeds utilization as at (dd-mm-yyyy)

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party.s, etc.)
1	To improve the Capital Adequacy Ratio	Maximum issue of LKR 5.0 Bn	Upon the allotment of the Debentures to include the amount raised via the Debentures under Tier 2 capital base	To be disclosed in the Annual Report and the Interim Financial Statements				
2	To facilitate future expansion of business activities of the Bank		Over a period of 12 months from the Date of Allotment					

In the event the funds raised through the Debenture Issue are fully utilized by the Bank in terms of the objectives disclosed in the Prospectus between two financial periods, the Bank to disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first as per the above template.

5.5 PAYMENT OF INTEREST

The Debentures will carry a fixed rates of interest as described below, payable on the respective Interest Payment Dates:

Debenture Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment frequency
Type A	Fixed Rate	5 years	15.00% p.a.	15.00%	Annual
Type B	Fixed Rate	5 years	14.22% p.a.	15.00%	Quarterly

The interest rate has been determined giving consideration to the National Development Bank PLC's rating as Issuer, the instrument rating, market conditions and features of the instrument, including the "convertible feature".

Interest on the Debentures accruing on a daily basis will be paid annually for Type A Debentures and quarterly for Type B Debentures as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days in such Interest Period (actual/actual) and will be paid not later than three [03] Working Days from each Interest Payment Date.

In order to accommodate the debenture interest cycles in the CDS System of the CSE, the payment of interest on a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date.

Upon the occurrence of the “Trigger Event”, the Bank shall be required and entitled to issue and within twenty (20) days to allot 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 debenture interest. As such upon issuance of ordinary voting shares as above, no interest will be accrued on Debentures thereafter, as the Debentures will cease to exist.

5.6 APPLICATION OF TAX ON INTEREST PAYMENTS

Interest on the Debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable laws prevalent at the time of interest payment to the Debenture Holders.

5.7 REDEMPTION OF DEBENTURES AND CONSEQUENCE OF A TRIGGER EVENT

Redemption of Debentures

Redemption of the Debentures will take place on Five (5) years from the Date of Allotment in accordance with the provisions of the Trust Deed. The Principal Sum and unpaid and accrued interest (if any) payable on the Redemption of Debentures will be paid not later than three (03) Working Days from the Date of Redemption.

If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and interest shall be paid for each calendar day up to the date immediately preceding such Market Day. It should be noted that no interest on interest would be payable for the aforesaid interim period.

These Debentures shall not be redeemed by the Bank prior to maturity for any reason whatsoever except due to the occurrence of an Event of Default contemplated in Clause 10.1 of the Trust Deed. The Debenture Holder shall not have any right or option to call for Redemption of the Debentures before the date of maturity of such Debenture. However, if a Trigger Event occurs prior to maturity, the Debenture will get converted to ordinary voting shares ranking *pari passu* with the existing ordinary voting shares of the Bank.

Trigger Event

A “Trigger Event” is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, 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) “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 Monetary Board”.

Conversion Price

Outstanding balance of the Debentures including the total Par Value of the Debentures and accrued unpaid debenture interest (if any), will be converted at an issue price of such ordinary voting shares which will be based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange during the three (03) months period, immediately preceding the date of the Trigger Event.

Averaging out of the VWAP over a period of Three (03) months preceding the Trigger Event as opposed to a shorter window closer to the Trigger Event, is aimed at smoothing out price effects.

If the prevailing three (03) month Volume Weighted Average Share Price (VWAP) at the time of the Trigger Event is low, it would result in a comparatively higher number of ordinary voting shares being issued to the Debenture Holders. Alternately, where a higher three (03) month VWAP prevails at the time of the Trigger Event it would result in a comparatively lower number of ordinary voting shares being issued to Debenture Holders.

Issuance of ordinary voting shares upon occurrence of a Trigger Event

Based on above conversion mechanism the outstanding balance of the Debentures will get converted to ordinary voting shares. 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.

Applicable timelines

Upon the occurrence of the Trigger Event as determined by the Monetary Board of the Central Bank of Sri Lanka, 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 as of the Trigger Date, up to the outstanding balance of such Debentures including the total Par Value of the Debentures and unpaid and accrued debenture interest (if any) at an issue price for such ordinary voting shares which will be based on the Conversion Price.

The CDS upload pertaining to ordinary voting shares will be completed within 10 Market Days from the Date of Allotment of such shares. 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.

Market Announcements

The Bank on receipt of a Trigger Event notification from the Central Bank of Sri Lanka will immediately make a market announcement of the same and further announce the “Conversion Price” and “dates” (i.e. Trigger Event date, Date of Allotment and CDS upload date) pertaining to such conversion of Debentures to ordinary voting shares.

Compliance with applicable laws and regulations

Issue of any new ordinary voting shares due to occurrence of a Trigger Event, would be carried out in compliance with the applicable laws and regulations of Sri Lanka, including any regulations applicable on ‘material interest that a shareholder may hold’ in terms of the Banking Act No 30 of 1988 (as amended).

Non Occurrence of a Trigger Event

The proposed Debentures will be redeemed after 5 years from the Date of Allotment of such Debentures 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) Working days from the Date of Redemption, unless otherwise a Trigger Event' occurs as detailed above.

5.8 PAYMENT METHOD

Payment of principal and interest will be made after deducting taxes at source, (if applicable) in Sri Lanka Rupees to the registered Debenture Holders only as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and interest will be made to the one whose name stands first in the register of Debenture Holders on the date of payment.

In the event accurate bank account details are provided to the CDS by the Debenture Holders, the payment of Principal Sum and interest shall be made to Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as RTGS (arranged only at the expense of the investor) or SLIPS. RTGS transfers however shall be accommodated only for amounts over and above the maximum value of Rupees Five Million (LKR 5,000,000/-) that can be accommodated via SLIPS transfers.

If the Debenture Holder has not provided to the CDS accurate and correct details of his/her/its/their bank account for the payment of Principal Sum and interest, such payment to the Debenture Holder will be posted to the address registered with the CDS through registered post to the Debenture Holder, by crossed cheques marked "Account Payee Only". Interest payable will be made only by cheques within three (03) Market Days from the end of each period.

It is the responsibility of the Non-Resident and Foreign Investors to ensure that their IIA through which they invest for Debentures is recorded correctly against the records in CDS to dispatch their Debenture interest payments.

5.9 TRUSTEE TO THE ISSUE

Bank has entered into an agreement with People's Bank who will act as Trustee to the Issue. Debenture Holders in their Application Forms for subscription will be required to authorize the Trustee, to act as the agent in entering into such deeds, writings and instruments with the Bank and to act as the Agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed.

The fee payable to the Trustee will be Sri Lanka Rupees Two hundred and Eighty-Eight thousand (LKR 288,000/) per annum (payable semi-annually) plus statutory levies. Trustee has no conflict of interest with the Bank, except that the Trustee is one of the Bank's rendering banking related services to the Bank and may be a Qualified Investor to Debentures.

In the event the Trustee subscribes to the Debenture Issue, the Bank will make an immediate announcement to the market giving out information on the number of Debentures acquired by the Trustee.

5.10 RATING OF THE DEBENTURE

Fitch Ratings Lanka Limited has assigned a credit rating of 'BBB (lka) /Stable ' to the Debentures.

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

Source: <https://www.fitchratings.com/products/rating-definitions#about-rating-definitions>

The Board of Directors will undertake to keep the Trustee of the Debenture Issue and CSE informed on any change to the credit rating of the Debentures when any of the Directors are aware of any changes to the ratings.

You may access the guidelines from Fitch Ratings regarding the Global Bank Rating Criteria (which includes the rating methodology applicable to this particular instrument under the approach set out for going-concern instruments via the link given below;

<https://www.fitchratings.com/research/banks/bank-rating-criteria-28-02-2020>

Fitch Ratings Lanka Limited has downgraded the National Long-Term Rating of National Development Bank PLC to 'A-(lka)'/Rating Watch Negative (from 'A(lka)'/Rating Watch Negative) due to the recalibration of the Sri Lankan National Rating Scale. The outstanding Sri Lankan Rupee denominated Subordinated Debt of the Bank was also revised two notches below the National Rating, i.e. 'BBB(lka)'/RWN from 'BBB+(lka)'/RWN. A market announcement in this regard was made to the Colombo Stock Exchange on 13th January 2023. Subsequently Fitch Ratings Lanka Limited affirmed the Bank's National Long-Term Rating, removed the Rating Watch Negative and assigned a Stable Outlook on 5th October 2023.

A copy of the rating certificate is given in Annexure I of this Prospectus.

5.11 RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDERS

a) Debenture Holders are entitled to the following rights.

- Receive the interest on the Interest Payment Dates at the interest rate set out in Section 5.5 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.7 of this Prospectus.
- Call and attend meetings of Debenture Holders as set out in the Trust Deed.
- Receive a copy of the Annual Report within five (05) months from the financial year end at the same time and in the same manner as an ordinary voting shareholder would receive the same.
- The other rights of the holders of these Debentures as set out in the Trust Deed.

In the event of the Bank winding up, the claims of the Debenture Holders will rank after all the claims of the secured and unsecured creditors of the Bank and the preferential claims under any Statutes governing the Bank, but in priority to and over the claims and rights of the shareholders of the Bank, unless there has been an issuance of ordinary voting shares to the Debenture Holders upon the occurrence of a Trigger Event in which case 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 Shareholders.

b) Debenture Holders do not have the following rights

- Attend and vote at meetings of holders of shares and other Debentures
- Share the profits of the Bank

- Participate in any surplus in the event of liquidation
- Calling for Redemption before maturity, subject to the provisions stated in the Trust Deed
- Convert the Debentures into ordinary shares at their option

However, in the event the Debenture Holders become shareholders of the Bank, due to the occurrence of Trigger Event as described in Section 5.7 above there would be an entitlement to exercise such rights as are exercisable by the shareholders of the Bank.

- c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder shall absolve the Bank from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS. Provided further that the Debenture Holder shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

5.12 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE BANK

- a) Provides an opportunity to diversify the investment portfolio of the Qualified Investor.
- b) Provides the Qualified Investor with a regular cash inflow of interest payments.
- c) Provides the Qualified Investor with an opportunity to invest in Debentures issued by a leading Bank in Sri Lanka.
- d) Being listed on the CSE, the Debentures will have a secondary market subject to secondary market trading of these Debentures being limited to 'Qualified Investors' as defined in the Prospectus, thus providing the Qualified Investor with an opportunity to exit at the market price prevailing at the time of divestiture subject to market conditions.
- e) The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions with the exception of the issuing Bank.

5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

Subscribers to the Debentures could be exposed to the following risks.

(a) Interest Rate Risk

Provided all other factors are equal, the market price of the Debentures will generally fluctuate in the opposite direction to the fluctuation in market interest rates. Thus, the interest rate risk could be identified as the reduction in the market price of Debentures resulting from a rise in interest rates.

(b) Reinvestment Risk

Interest on the Debentures are payable annually for Type A Debentures and quarterly for Type B Debentures. A Qualified Investor may decide to reinvest these interest payments and earn interest from that point onwards. Depending on the prevailing interest rates at the point of reinvestment, the risk of returns generated by Debenture Holders by reinvesting such interest received being higher or lower than the return offered by the Debentures is known as reinvestment risk.

(c) Duration Risk

Duration is a measure of the price sensitivity of fixed income investments to a change in interest rates based on the time to maturity of principal and coupon payments. The higher the duration, the greater the price volatility or duration risk, while a lower duration carries a lower risk.

(d) Subordinated Risk

The Debentures will be the Bank's direct Unsecured obligations which, if the Bank becomes insolvent or is wound-up (prior to the occurrence of a Trigger Event), will rank equal with the Bank's other subordinated indebtedness and will be Subordinated in right of payment to the claims of the Bank's depositors and other unsubordinated creditors. Therefore, if, prior to the occurrence of a Trigger Event, the Bank becomes insolvent or is wound-up, the assets of the Bank would first be applied to satisfy all rights and claims of holders of senior indebtedness.

If the Bank does not have sufficient assets to settle claims of such senior indebtedness holders in full, the claims of the holders of the Debentures will not be settled and, as a result, the holders will lose the entire amount of their investment in Debentures. The Debentures will share equally in payment with claims under other subordinated indebtedness if the Bank does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, holders could lose all or part of their investment.

In addition, holders should be aware that, upon the occurrence of a Trigger Event, all the Bank's obligations under the Debenture shall be deemed paid in full by the issuance of ordinary voting shares upon a Non-Viability Conversion, and each holder will be effectively further Subordinated due to the change in their status following such a conversion from being the holder of a debt instrument ranking ahead of holders of ordinary voting shares to being the holder of ordinary voting shares. As a result, upon Non-Viability Conversion, the holders could lose all or part of their investment in the Debentures irrespective of whether the Bank has sufficient assets available to settle what would have been the claims of the holders of the Debentures or other securities subordinated to the same extent as the Debentures, in proceedings relating to an insolvency or winding-up.

(e) Credit Risk

Credit risk is also referred to as default risk. This is the risk that the issuer of a debenture may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of rating assigned by different rating agencies. Fitch Ratings Lanka Limited has assigned a Long-term Rating of BBB (lka) to these Debentures and will be periodically reviewing the same.

(f) Liquidity Risk

Liquidity risk is associated with the ease in which an investment can be sold after the initial placement. In order to reduce the liquidity risk of the Debentures, the Bank has applied for a listing of these Debentures on the CSE and has received in-principle approval for such listing whereby Debenture Holders will be able to sell the Debentures through the CSE in order to convert the Debentures to cash and exit from the investment. Furthermore, it should be noted that the secondary debt market is not as developed as the secondary equity market in Sri Lanka.

ADDITIONAL RISKS ARISING FROM THE DEBENTURES BEING A BASEL III NON VIABILITY CONVERSION INSTRUMENT

Risks arising from Non-Viability Conversion features

(i) Conversion Risk

Upon the occurrence of a Trigger Event the Bank shall convert the Debentures into ordinary voting shares and any accrued but unpaid interest will be added to the Par Value of the Debentures and such accrued but unpaid interest, together with the principal amount of the Debentures will be deemed paid in full by the issuance of ordinary voting shares. Upon conversion the Debenture Holders shall have no further rights and the Bank shall have no further obligations to holders of the Debentures under the Trust Deed. Moreover, Non-Viability Conversion upon the occurrence of a Trigger Event is not an event of default under the terms of the Debenture or the Trust Deed.

Potential investors in Debentures should understand that, if a Trigger Event occurs and Debentures are converted into ordinary voting shares, investors are obliged to accept the ordinary voting shares even if they do not at the time consider such ordinary voting shares to be an appropriate investment for them and despite any change in the financial position of the Bank since the Issue of the Debentures or any disruption to the market for those ordinary voting shares or to capital markets generally.

(ii) The number and value of ordinary voting shares to be received on a Non - Viability Conversion may be worth significantly less than the Par Value of the Debentures and can be variable.

Upon the occurrence of Non-Viability Conversion even though ordinary voting shares of equivalent value would be initially issued at the VWAP, yet there is no certainty of the value of such ordinary voting shares to be received by the holders of the Debentures being maintained at such levels and the value of such ordinary voting shares could eventually be significantly less than the Par Value of the Debentures.

Moreover, there may be an illiquid market, or no market at all, in ordinary voting shares received upon the occurrence of a Non-Viability Trigger Event, and investors may not be able to sell the ordinary voting shares at a price equal to the value of their investment and as a result may suffer significant loss.

(iii) The Debentures are loss-absorption instruments that involve risk and may not be a suitable investment for all investors

The Debentures are loss-absorption financial instruments designed to comply with applicable banking regulations and involve certain risks. Each potential Qualified Investor of the Debentures must determine the suitability (either alone or with the help of a financial advisor) of the investment in light of its circumstances. In particular, each potential Qualified Investor should understand thoroughly the terms of the Debentures, such as the provisions governing the Non-Viability Conversion, including under what circumstances a Trigger Event could occur.

A potential Qualified Investor should not invest in the Debentures unless he/she has the knowledge and expertise (either alone or with the financial advisor) to evaluate how the Debentures will perform under changing conditions, the resulting effects on the likelihood of the Non-Viability Conversion into ordinary voting shares and the value of the Debentures, and the impact this investment will have on the potential Qualified Investor's overall investment portfolio. Prior to making an investment decision, potential Qualified Investor should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus.

(iv) Uncertainty regarding the Trigger Event

Due to the inherent uncertainty regarding the determination of when a Trigger Event may occur, it will be difficult to predict when, if at all, the Debentures will be converted into ordinary voting shares. In addition, investors in the Debentures are likely not to receive any advance notice of the occurrence of a Non-Viability Trigger Event. As a result of its uncertainty, trading behavior in respect of the Debentures is not necessarily expected to follow trading behavior associated with other types of convertible and exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Debentures and the ordinary voting shares, whether or not such Trigger Event actually occurs. Therefore, in such circumstances, investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to other types of subordinated debentures, including the Bank's other subordinated debt securities. In addition, a Non-Viability Conversion could drive down the price of ordinary voting shares subsequent to the conversion itself arising from the additional shares in issue of the Bank.

(v) Following a Non-Viability Conversion, the Qualified Investor will no longer have rights as a creditor and will only have rights as a holder of ordinary voting shares

Upon a Non-Viability Conversion, the rights, terms and conditions of the Debentures, including with respect to priority and rights on liquidation, will no longer be relevant as all such Debentures will have been converted on a full and permanent basis into ordinary voting shares ranking *pari passu* with all other outstanding ordinary voting shares. If a Non-Viability Conversion occurs, then the interest of depositors, other creditors of the Bank, and holders of Bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Debentures.

Given the nature of the Non-Viability Trigger Event a Holder of Debentures will become a holder of ordinary voting shares at a time when the Bank's financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Non-Viability Trigger Event, as holders of ordinary voting shares investors may receive substantially less than they might have received had the Debentures not been converted into ordinary voting shares.

(vi) An investor's remedies for the Bank's breach of its obligations under the Debentures are limited

Absent an Event of Default (which shall occur if the Bank becomes insolvent or bankrupt, the Bank goes into liquidation either voluntarily or under an order of a court of competent jurisdiction, or the Bank otherwise acknowledges its insolvency), the Trustees and holders of Debentures shall not be entitled to declare the principal amount of the Debentures due and payable under any circumstance. As a result, the Qualified Investor will have no right of acceleration in the event of a non-payment of interest or a failure or breach in the performance of any other covenant of the Bank, although legal action could be brought to enforce any covenant given by the Bank.

(g) Acknowledgement of the CBSL Resolution Powers

The CBSL retains full discretion regarding the determination that a Trigger Event has occurred; as the resolution authority of banks in Sri Lanka, the CBSL has resolution powers through statute.

The Monetary Board determines the Trigger Event and effects a conversion after considering the other bail-in alternatives available to the Bank. Further, Section 30 and 30(9) of the Monetary Law Act No.58 of 1949 (as amended) and Part VII (A) and Part VIII of the Banking Act No.30 of 1988 (as amended) specify certain events upon which Monetary Board can exercise its resolution mechanism.

In view of the above, based on the statutory authority of the Monetary Board, CBSL retains full discretion to choose or not to choose to trigger for Non-Viability as has been provided for in the Banking Act Direction No.1 of 2016 on Capital Requirements under BASEL III for Licensed Commercial Banks and Licensed Specialized Banks.

As the CBSL retains full discretion to choose not to trigger Non-Viability Conversion notwithstanding a determination that the Bank has ceased, or is about to cease to be viable, under such circumstances, the holders of the Debentures may be exposed to losses through the use of other resolution tools under applicable statutes.

(h) Generic Risks

(i) The ability to transfer the Debentures may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Debentures

In Sri Lanka the secondary trading activity in the corporate debt market is limited. The debentures are a new issue of securities and have no established secondary trading market. Further, the secondary market trading is only limited to Qualified Investors as defined in the Prospectus. There can be no assurance that an active secondary trading market will develop. If the Debentures are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Bank.

Even if an active secondary trading market does develop, it may not be liquid and may not continue. Therefore, Qualified Investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the secondary market for the Debentures is limited, there may be few buyers for the Debentures and this may significantly reduce the relevant market price of the Debentures.

(ii) Credit ratings may not reflect all risks associated with an investment in the Debentures

A credit rating reflects a relative ranking of credit risk and does not reflect the potential impact of all risks related to the structure, market, additional factors discussed herein, and other factors that may affect the value of the Debentures.

(iii) A Downgrade, suspension or withdrawal of the rating assigned by any rating agency to the Debentures could cause the liquidity or market value of the Debentures to decline

Rating initially assigned to the Debentures may be lowered or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes to the Bank's business, so warrant. If the rating agency lowers or withdraws its rating, such event could reduce the liquidity or market value of the Debentures. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

(iv) Changes in law, or changes in regulatory classification may affect the rights of holders as well as the market value of the Debentures

The regulatory regime in connection to these instruments is evolving. Changes in law may include change in statutory, tax and regulatory regimes during the life of the Debentures, which may have an adverse effect on the investment in the Debentures.

5.14 TRANSFER OF DEBENTURES

The Debentures will be transferable and transmittable in the manner set out in the Trust Deed, which is reproduced below;

- (a) These Debentures shall be freely transferable amongst Qualified Investors and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable through the CDS as long as the Debentures are listed in the CSE. Subject to the provisions contained herein the Bank may register without assuming any liability on any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Debenture Holder;
 - (i) The survivor where the deceased was a joint holder; and
 - (ii) The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture Holder was the sole or only surviving holder;shall be the only persons recognized by the Bank as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debentures in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he/she/it sustains the character in respect of which he/she/it proposes to act or his/her title as the Board of Directors of the Bank thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Bank, CDS, CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognized by the Bank.

5.15 LISTING

An Application has been made to the CSE for permission to obtain a listing for the Debentures and any shares which may be issued upon the occurrence of a Trigger Event and the CSE has granted its approval in-principle for the same. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules. It is the intention of the Bank to list the Debentures in the Colombo Stock Exchange upon the allotment thereof. However, the Debentures will be listed, only if compliant with the CSE Listing Rules, at the time of listing .

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. If there is any inconsistency between the contents under the Prospectus and the CSE Listing Rules, the CSE Listing Rules will prevail. Admission to the official list is not to be taken as an indication of the merits of the Bank or of its Debentures.

5.16 COST OF THE ISSUE

The Board of Directors estimates that the total cost of the Issue including fees to professionals, printing, advertising and other costs connected with the Issue will be approximately LKR 18.6 Million which would be approximately 0.40% of the amount raised. Such costs will be financed by the internally generated funds of the Bank.

5.17 BROKERAGE FEE

Brokerage fee of Fifteen Cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any Bank operating in Sri Lanka or a member/trading member of the CSE or any other party identified by the Bank and/or Managers and Placement Agents as involved in the Issue.

5.18 UNDERWRITING

This Issue is not underwritten.

The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Bank is confident that any short fall in the funds required to meet the objectives of the Issue can be financed through internally generated funds and other credit facilities that could be obtained by the Bank, at its discretion depending on the situation.

5.19 INSPECTION OF DOCUMENTS

Articles of Association, the Trust Deed, Auditors' Report and Audited Financial Statements for the five (05) financial years ended 31st December 2022 (i.e. the five (05) financial years immediately preceding the date of this Prospectus), Interim Financial Statements and all other documents referred to in Rule 3.3.13 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank (if any) would be made available for inspection by the public during normal working hours, seven (07) Market Days prior to the date of opening of the subscription list at the registered office of the Bank at No. 40, Navam Mawatha, Colombo 02, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and the Articles of Association of the Bank, will be available on the website of CSE, www.cse.lk and the website of the Bank, www.ndbbank.com from seven (07) Market Days prior to the date of opening of the subscription list until the date of maturity of the Debentures as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

Audited financial statements of National Development Bank PLC made up to 31st December 2022, Interim Financials of National Development Bank PLC made up to 30th September 2023, Accountants Report and the five year summary of financial statements will be available on the website of CSE, www.cse.lk and the website of the Bank, www.ndbbank.com.

Furthermore, copies of the Prospectus and Application Forms will be made available free of charge from the collection points as set out in Annexure II of this Prospectus from seven (07) Market Days prior to the date of opening of the subscription list.

6 PROCEDURE FOR APPLICATION

6.1 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Debentures from the following categories of Qualified Investors.

- (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.
- (d) A venture capital fund/ company and private equity company.
- (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act, No. 42 of 2011 (as amended).
- (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended).
- (g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended).
- (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007.
- (i) An investment trust or investment company.
- (j) A Non-Resident institutional investor.
- (k) An individual with a minimum initial investment amount of LKR 5,000,000/-.

In view of the above, trading of the Debentures on the CSE will also be limited to Qualified Investors.

Applications will not be accepted from individuals and Sri Lankans residing outside Sri Lanka who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts, or bodies of persons. Applications will also not be entertained from any financial institution over which the Bank has control.

“Persons resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act no. 12 of 2017 in Gazette No. 2045/56 dated 17th November 2017.

When permitting non-residents to invest in the Debentures, the Bank will comply with the relevant Foreign Exchange Regulations including, the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Debentures of Companies incorporated in Sri Lanka to persons resident outside Sri Lanka as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17th November 2017.

6.2 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure II of this Prospectus.

The Application Form can also be downloaded from the website of CSE, www.cse.lk, the website of the Bank, www.ndbbank.com and the web site of the Managers and Placement Agents to the Issue, www.ndbib.com until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of CSE, www.cse.lk, the website of the Bank, www.ndbbank.com until the date of redemption of the Debentures and the web site of the Managers and Placement Agents to the Issue, www.ndbib.com until the Closure Date.

Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected. The Bank reserves the right to ask for additional information to satisfy itself that the Applicant is a Qualified Investor.

- (b) Applicants should apply for only one type of Debentures (i.e. either Debentures of Type A or Debentures of Type B) under one Application Form.
- (c) In the event an Applicant wishes to apply for more than one type of Debentures, separate Application Forms should be used. Once an Application Form has been submitted for a particular Type of Debentures, it will not be possible for an Applicant to switch between the types of Debentures.
- (d) More than one Application submitted by an Applicant under the same type of Debentures will not be accepted. If more than one Application Forms are submitted for one type of Debentures from a single Applicant, those would be construed as multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.
- (e) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (f) An Applicant of a joint Application will not be eligible to apply for the Debentures through a separate Application Form either individually or jointly. Such Applicants are also deemed to have made multiple Applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Bank shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (g) Applications by companies, corporate bodies, incorporated societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the Trustee/board of management.

- (h) All Qualified Investors should indicate in the Application for Debentures, their CDS account number.
- In the event the name, address or NIC number/passport number/company number of the Qualified Investor mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/company number as per CDS records will prevail and be considered as the name, address or NIC number/passport number company number of such Qualified Investor. Therefore, Qualified Investors are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/ company number given in the CDS account as mentioned in the Application Form.

In the case of joint Applicants, a joint CDS account in the name of the joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (i) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider / Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can, apply under their own name and such Applications will not be construed as multiple Applications.

- (j) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. Original of the POA should not be attached.

- (k) As per the Foreign Account Tax Compliance Act (FATCA) "US Persons" must provide the duly completed declaration as per the specimen given in Annexure IV together with the Application Form. Under the provisions of FATCA, "US Persons" include;

- US Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
- A lawful citizen of the U.S. (including Green card holders)
- A person residing in the U.S.
- A person who spends certain number of days in the U.S. each year
- U.S. Corporations, estates and trusts
- Any entity that has a linkage or ownership to U.S. or the U.S. territories
- Non U.S. entities that have at least one U.S. Person as a "substantial beneficial owner"

- (l) Funds for the investments in Debentures and the payment for Debentures by Non-Residents should be made only out of funds received as inward remittances or available to the credit of "Inward Investment Account" (IIA) (formerly known as Securities Investment Accounts) of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

Applications not made in line with the instructions will be rejected.

- (m) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application if not remitted through RTGS transfer should be enclosed in an envelope Marked **“NATIONAL DEVELOPMENT BANK PLC - DEBENTURE ISSUE 2023”** on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the Issue or collection points mentioned in Annexure II of this Prospectus.

Scanned copies of duly filled Application Forms or/and digitally signed Application Forms will be accepted. Duly Filled digital Application forms should be emailed to one of the following email address;

Managers and Placement Agents to the issue : ndb.debenture.2023@ndbib.com

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this Prospectus should reach the office of the Registrar to the Issue, S S P Corporate Services (Private) Limited, 101, Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

Applications delivered by hand to the Registrars to the Issue after the Closure Date of the Issue will also be rejected.

Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form.

Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT ALLOTMENT OF DEBENTURES WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the Applicant's CDS account so indicated.

Hence, DEBENTURE CERTIFICATES SHALL NOT BE ISSUED.

6.3 NUMBER OF DEBENTURES TO BE SUBSCRIBED

Applicants are allowed to invest either;

Debentures of Type A; and/or

Debentures of Type B`

Applicants may invest in the Debentures subject to a minimum of One Hundred (100) Debentures Sri Lanka Rupees Ten Thousand (LKR 10,000/-) and in multiples of One Hundred (100) Debentures Sri Lanka Rupees Ten Thousand (LKR 10,000/-) thereafter.

Provided however, the minimum subscription requirement applicable for an individual Investor applying for BASEL III Compliant Debt Securities as per Rule 2.2.1.n of CSE Listing Rules shall be Sri Lanka Rupees Five Million (LKR 5,000,000/-).

Any Application in excess of the minimum subscription requirement shall be in multiples of Sri Lanka Rupees Ten Thousand (LKR 10,000/-).

6.4 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/ RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to the following:
- (b) Payments for Applications for values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either a;
- Bank guarantee issued by a licensed commercial bank; or
 - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
 - RTGS / Internal Direct transfer with value on the Issue opening date.

Multiple cheques or RTGS transfers will not be accepted for Applications for values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-). In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be accepted.

- (c) **Multiple electronic fund transfers will not be accepted for Applications with any value. As such, in case an Applicant wishes to use electronic fund transfer mechanism recognised by the banking system of Sri Lanka for the payment for the value of Debentures applied;**
- **Payments for Applications for up to and inclusive of Sri Lanka Rupees Five Million (LKR 5,000,000/-) should be supported by either a CEFTS/SLIPS/RTGS transfer; and**
 - **Payments for Applications for values above Sri Lanka Rupees (LKR 5,000,000/-) should be supported by a RTGS/ Internal Direct transfer.**

- (d) Cheques or bank drafts should be made payable to **“NATIONAL DEVELOPMENT BANK PLC - DEBENTURE ISSUE”** and crossed **“Account Payee Only”** and must be honoured on the first presentation.
- (e) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **“NATIONAL DEVELOPMENT BANK PLC - DEBENTURE ISSUE”** in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date (05th December 2023).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (f) In case of electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS, transfers should be made to the credit of the following Bank Account with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

Account Name	NATIONAL DEVELOPMENT BANK PLC – DEBENTURE ISSUE ACCOUNT
Account Number	101000793664
Bank	National Development Bank PLC (Bank Code: 7214)
Branch	Nawam Mawatha (Branch Code - 001)

The Applicant should obtain a confirmation from the Applicant’s bank to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of the above bank account and should be attached with the Application Form.

In case payment for the Application is made via a CEFTS or a SLIPS transfer, the CDS Account Number of the Applicant should be mentioned as the narration of such fund transfers.

For RTGS transfers/ Internal Direct transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/), the Applicants are entitled to an interest at the rate of Four Decimal Zero per centum (4.00%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers/ Internal Direct transfers are not realized before the end of the Closure Date. Furthermore, even if such RTGS transfers/ Internal Direct transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (g) Cash will not be accepted.
- (h) Payment for the Debentures by Non-Residents should be made only out of funds received as inward remittances or available to the credit of **“Inward Investment Account” (IIA)** maintained with any licensed commercial bank in Sri Lanka in accordance with directions given by the Director Department of Foreign Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (i) In the event that cheques are not realized within two (02) Market Days of deposit, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) The amount payable should be calculated by multiplying the number of Debentures applied for by the Par Value Sri Lanka Rupees One Hundred (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/CEFTS/SLIPS, the Application will be rejected.
- (k) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (l) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closure Date.

6.5 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantees or fund transfers through electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Bank.

Applications from individuals and Sri Lankans residing outside Sri Lanka who are under the age of eighteen (18) years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.

Any Application Form, which does not state a valid CDS account number, will be rejected.

More than one Application Form submitted under one type of Debentures by an Applicant will not be accepted. If more than one Application Form is submitted under one type of Debentures by a single Applicant, those would be considered as multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.

Any Application Form from a non-Qualified Investor will also be rejected.

Any Application Form with more than three (03) natural persons as joint Applicants for any type of Debentures will be rejected.

Applications delivered by hand or via email to the Registrars to the Issue after the 'Closure Date' will be rejected. Applications received at the Registrar's office by post or courier after 4.30 p.m. on the Market Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.

Applications delivered to any place mentioned in Annexure II should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closure Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date.

In the event that cheques are not realized within two (02) Market Days of deposit and realized after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

6.6 BANKING OF PAYMENTS

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closure Date as set out in Section 5.2 of this Prospectus, in terms of the CSE Listing Rules.

6.7 BASIS OF ALLOTMENT OF DEBENTURES

The Debentures offered hereunder shall be allotted only to 'Qualified Investors' as defined in the Listing Rules, on a basis to be determined by the Bank.

In the event of an over subscription, the Board of Directors of the Bank will endeavour to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE.

The Board however shall reserve the right to allocate up to a maximum of 75% of the number of Debentures to be allotted under this Issue to institutional and or identified investor/s of strategic importance with whom the Bank might have mutually beneficial relationships in the future.

Number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).

The Bank reserves the right to reject any Application or to accept any Application in part only, without assigning any reason therefor.

A written confirmation informing successful Applicants of the allotment of Debentures will be dispatched within ten (10) Market Days from the Closure Date as required by the CSE.

6.8 REFUNDS

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.6 of this Prospectus; or
- the Application is accepted only in part.

The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque).

If the Applicant has provided accurate and complete details of his/her/its bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent in the event of refunds over Rupees Five Million (LKR 5,000,000/-).

If the Applicant has provided accurate and correct details of his/her bank account refunds will be made via RTGS or if the Applicant has not provided accurate and correct details of his/her bank account in the Application Form, the Bank will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

It is the responsibility of Non-Residents/Foreign Investors to ensure that their IIA details are accurately provided on the Application Form to forward the refund to IIA through which the Application was made.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIPS transfers at the following website;

https://www.lankaclear.com/assets/images/products/products-and-services/slips/file/SLIPS_%20BANK%20BRANCH15022019.xls

Refunds on Applications rejected or partly allotted Debentures would be made within eight (08) Market Days excluding the Closure Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made within this period.

6.9 CDS ACCOUNTS AND SECONDARY MARKET TRADING

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Bank will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Debentures.

Trading of Debentures on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

Further, as per CSE Listing Rule 3.3.5(ii) (a) (ii), the secondary market trading of the Debentures shall be limited to the "Qualified Investors".

7 THE BANK

7.1 OVERVIEW

The Bank was established under an Act of Parliament in 1979 and converted to a Public Limited Liability Company under the Companies Act in 2005 and re-registered under the Companies Act No. 07 of 2007 and also regulated under the Banking Act No. 30 of 1988 as amended from time to time.

The Bank's main business is commercial banking for which the Bank holds a commercial banking license from the Central Bank of Sri Lanka. This license does not have an expiry date.

7.2 FINANCIAL YEAR

The financial year of the Bank commences on 01st January and ends on 31st December.

7.3 STATED CAPITAL

The stated capital of the Bank represents ordinary shares as given below.

	31 st December 2022		30 th September 2023*	
	Number of Shares	LKR '000	Number of Shares	LKR '000
Balance as at 01 st January	357,123,647	18,263,609	380,094,722	19,870,665
Shares issued due to scrip dividend	22,971,075	1,607,056	19,369,640	867,566
Shares issued due to Right Issue and Private Placement	-	-	-	-
Closing Balance	380,094,722	19,870,665	399,464,362	20,738,231

* Unaudited

Scrip Issue

On 19th April 2023, the Board of Directors approved and declared a final scrip Dividend of LKR 2.50 per share for the financial year ended 31st December 2022. Accordingly 19,369,640 ordinary voting shares have been listed as scrip dividends on 08th May 2023. As a result, the stated capital of the Bank increased to LKR 20.74 Bn (31st December 2022 - LKR 19.87 Bn).

7.4 MAJOR SHAREHOLDERS AS AT SEPTEMBER 2023

Twenty (20) largest shareholders of the Bank as at 30th September 2023 are given below:

No	Name	No. of Shares	%
1	STANDARD CHARTERED BANK MAURITIUS S/A NORFUND	39,906,488	9.990
2	EMPLOYEE'S PROVIDENT FUND	37,966,343	9.504
3	BANK OF CEYLON NO. 1 ACCOUNT	31,749,539	7.948
4	RICHARD PIERIS AND CO LTD A/C NO.01	24,745,230	6.195
5	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	24,276,976	6.077
6	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	20,183,453	5.053
7	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	15,834,583	3.964
8	EMPLOYEES TRUST FUND BOARD	13,549,618	3.392
9	BNYM RE-TERRA GLOBAL OPPORTUNITY FUND, L.P	12,000,000	3.004
10	DR.S.YADDEHIGE	11,365,285	2.845
11	HATTON NATIONAL BANK PLC A/C NO 1	11,073,010	2.772
12	PERPETUAL TREASURIES LIMITED	9,772,734	2.447
13	SBI VEN HOLDINGS PTE LTD	9,696,834	2.428
14	COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD	8,369,676	2.095
15	MR.A.K.PATHIRAGE	5,759,918	1.442
16	ASIRI SURGICAL HOSPITAL PLC	5,663,666	1.418
17	AKBAR BROTHERS PVT LTD A/C NO 1	5,565,653	1.393
18	ARPICO INSURANCE PLC-SHARE HOLDERS	3,797,512	0.951
19	DFCC BANK PLC A/C 1	3,628,595	0.908
20	SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND)	3,394,757	0.850
		298,299,870	74.67
	Balance held by Other Shareholders	101,164,492	25.33
	Total number of shares in issue	399,464,362	100.00

Note : Out of the 399,464,362 shares in issue, 38,366 shares amounting to 0.0096% held by one shareholder is not registered in the shareholder register of NDB/held in suspense pending registration.

7.5 DETAILS OF OTHER DEBENTURES IN ISSUE

The details of other debentures issued by National Development Bank PLC as at the date of this Prospectus are given in the table below;

Year of Issuance	CSE listing	Ranking	Debenture Code	Issue Value LKR '000	Interest Rate p.a.	Tenor	Issue Date	Maturity Date
2013	Listed	Subordinated	NDB/BC/19/12/23C13.9	Type C – 3,637,980	13.90% payable annually	120 months	19 Dec 2013	19 Dec 2023
			NDB/BC/19/12/25D14	Type D – 3,590,430	14.00% payable annually	144 months	19 Dec 2013	19 Dec 2025
2019	Listed	Subordinated	NDB-BD30/03/24-C2419-13.5	Type A – 1,243,000	13.50% payable semi-annually	60 months	31 Mar 2019	30 Mar 2024
			NDB-BD30/03/24-C2420-13.95	Type B – 4,318,200	13.95% payable annually	60 months	31 Mar 2019	30 Mar 2024
2020	Listed	Subordinated	NDB-BD-24/09/25-C2452-9.5	Type A – 6,500,000	9.50% payable annually	60 months	25 Sep 2020	24 Sep 2025
2021	Listed	Subordinated	NDB-BD-23/11/26-C2494-11.9	Type A – 7,884,000	11.90% payable semi-annually	60 months	24 Nov 2021	23 Nov 2026
			NDB-BD-23/11/28-C2495-12	Type B – 116,000	12.00% payable semi-annually	84 months	24 Nov 2021	23 Nov 2028

Outstanding Basel III Compliant Tier 2, Debentures with a Non-Viability Conversion as at the date of this Prospectus are as follows;

- NDB-BD30/03/24-C2419-13.5– LKR 1,243,000,000/-
- NDB-BD30/03/24-C2420-13.95– LKR 4,318,200,000/-
- NDB-BD-24/09/25-C2452-9.5 – LKR 6,500,000,000/-
- NDB-BD-23/11/26-C2494-11.9 – LKR 7,884,000,000/-
- NDB-BD-23/11/28-C2495-12 – LKR 116,000,000/-

The Bank does not have any outstanding convertible debt securities other than the Basel III Compliant Tier 2 Debentures with a Non- Viability Conversion issued in 2019, 2020 and 2021.

The debenture holders of the above stated debentures do not have the following rights;

- Sharing in the profits of the Bank
- Participating in any surplus in the event of liquidation or any special rights

The above mentioned debenture holders are at any event not barred from being shareholders of the Bank and if they are shareholders they will enjoy the rights and privileges entitled to shareholders.

In the case of the death of a debenture holder pertaining to above mentioned classes:

- the survivor where the deceased was a joint holder; or
- if not the joint holder the heirs of the deceased/administrators/executors shall be the only person/s recognized by the Bank as having any title to his/her debentures. Any person becoming entitled to debentures in consequence of bankruptcy or winding up of any debenture holder, upon producing proper evidence that it/he/she sustains the character in respect of which it/he/she proposes to act or its/his/her title as the Board of Directors of the Bank thinks sufficient may at the discretion of the Board be substituted and accordingly registered as a debenture holder in respect of such debentures subject to the applicable laws and rules and regulations of the Bank and the CSE.

In the event of liquidation or winding up, the claims of the above mentioned subordinated debenture holders will be ranked after all the claims of the senior debt holders of the Bank and the preferential claims under Section 365 of the Companies Act No.7 of 2007 but in priority to the claims and rights of the Shareholders of the Bank.

7.6 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK

As at 31st December 2022 and 30th September 2023 the outstanding balances are given in the table below;

	LKR '000
Balance as at 31 st December 2021	79,301,300
New borrowings / (settlements)	1,432,794
Balance as at 31 st December 2022	80,734,094

	LKR '000
Balance as at 31 st December 2022	80,734,094
New borrowings / (settlements)	(7,907,081)
Balance as at 30 th September 2023	72,827,013*

*Unaudited

Borrowings of the Bank as at 31st December 2022 and 30th September 2023 comprise of the following;

	As at 31 st December 2022 LKR '000	As at 30 th September 2023 LKR'000*
Due to banks	20,251,657	3,934,984
Due to other borrowers	32,372,265	26,186,945
Financial liabilities at amortized cost - Due to debt security holders	130,541	13,991,138
Debt securities issued	27,979,631	28,713,945
Total	80,734,094	72,827,012

*Unaudited

7.7 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK

The details of the contingent liabilities as at 31st December 2022 and 30th September 2023 are given below;

Commitments and Contingencies	As at 31 st December 2022 LKR '000	As at 30 th September 2023 LKR '000*
Contingencies		
Guarantees	47,386,645	41,994,887
Performance Bonds	25,810,093	19,503,249
Documentary Credits	7,745,122	9,429,406
Other Contingencies		
- Forward Exchange Contracts	27,739,854	34,008,889
- Acceptances	6,388,781	9,323,149
- Currency Options	-	
Commitments		
Undrawn commitments	178,539,261	177,526,784
Total	293,609,756	291,786,365
Less: Impairment allowance	1,368,885	1,655,447
Net of impairment	292,240,871	290,130,918

*Unaudited

7.8 LITIGATIONS AGAINST THE BANK

In the normal course of business, the Bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. As of 30th September 2023, there were sixty three (63) cases directly filed against the Bank and there were thirty eight (38) other cases where the Bank is made a party with no direct implication. The Bank's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or the future operations of the Bank. Further, as at 30th September 2023, there were no arbitration or mediation proceedings which have significant effect on the Bank's financial position or profitability.

7.9 KEY FINANCIAL RATIOS

Capital Adequacy Ratio (CAR)

	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.09.2023**
Capital adequacy - Tier 1 Capital Ratio % *	9.17	9.18	9.17	10.01	9.34	11.06
Capital adequacy - Total capital ratio % *	12.63	13.43	14.32	15.42	13.35	14.46

* Minimum Statutory requirement of Tier 1 Capital Ratio and total capital ratio for the year 2018 was 7.875% and 11.875% respectively.

* With effect from 01.01.2019, the required minimum capital adequacy ratios of Tier 1 Capital Ratio and Total Capital Ratios were increased to 8.50% and 12.50% respectively.

* 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.

**Unaudited

Interest Cover and Debt to Equity Ratio

	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.09.2023***
Debt / Equity Ratio (%) *	12.08	12.09	12.73	10.71	11.85	9.75
Interest Cover Ratio (Times) **	1.50	1.50	1.50	1.70	1.46	1.35

$$\text{* Debt/ Equity Ratio} = \frac{\text{Borrowings of the Bank including customer deposits}}{\text{Shareholder Funds}}$$

$$\text{** Interest Cover Ratio} = \frac{\text{interest income}}{\text{Interest Expense}}$$

(A deviation from the standard formula (EBIT divided by interest charges) is seen here owing to the fact that bank's main income and expense sources are interest income and interest expense respectively.)

***Unaudited

7.10 DEBENTURE INTEREST PAYMENT DETAILS

	2018	2019	2020	2021	2022
Gross interest due on debentures (LKR '000)	2,032,758	1,750,932	1,004,127	2,396,032	3,348,149
Debenture interest paid on or before due date (LKR '000)	2,032,758	1,750,932	1,004,127	2,396,032	3,348,149
Debenture interest paid after the due date (LKR '000)	-	-	-	-	-
Debenture interest not paid as of to date (LKR '000)	-	-	-	-	-

7.11 TAXATION

The Bank is not enjoying any tax exemptions as at the date of the Prospectus.

7.12 FINANCIAL STATEMENTS & FINANCIAL SUMMARY

The following financial information is hosted on the Bank's web site, www.ndbbank.com and CSE web site www.cse.lk;

- Audited financial statements of National Development Bank PLC as at 31st December 2022
- Interim financial statements of National Development Bank PLC as at 30th September 2023
- Summarized financial statement for the five years ended 31st December 2018 to 31st December 2022 preceding the date of the Application stating the accounting policies adopted by the Bank certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

8 BOARD OF DIRECTORS

8.1 DETAILS OF THE DIRECTORS

The details of the Board of Directors of National Development Bank PLC as at the date of this Prospectus are given below:

Name of Director	Executive / Non – Executive/ Independent/ Non- Independent*
Mr. Sriyan Cooray	Chairman – Non-executive / Independent
Mr. Dimantha Seneviratne	Group Chief Executive Officer – Executive / Non-Independent
Mr. Bernard Sinniah	Non-executive / Non- Independent
Mr. Sujeewa Mudalige	Non-executive / Independent
Mr. Kushan D’Alwis, PC	Non-executive /Independent
Ms. (Fay) Piyachat Chetnakarnkul	Non-executive / Non- Independent
Ms. Chandima Dilrukshi	Non-executive / Non- Independent
Ms. Kasturi Angela Wilson	Non-executive / Independent
Ms. Shweta Aprameya	Non-executive / Independent
Mr. Hasitha Premaratne	Non-executive / Independent

**In terms of the Banking Act Direction No 11 of 2007 Corporate Governance for Licensed Commercial Banks in Sri Lanka*

8.2 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The primary objective of the Committee is to assess and consider all transactions with related parties of the Bank in line with Section 9 of the Listing Rules.

The Committee carries out the following duties and responsibilities:-

1. Reviewing to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.5 of the Listing Rules, that require consideration by the Committee under the Related Party Policy of the Bank;
2. Approving or rejecting Related Party Transactions upon the required internal approvals being obtained.
3. Determining whether the relevant Related Party Transaction is fair to, and in the best interests of, the Bank and its stakeholders; and
4. Recommending to the full Board what action, if any, should be taken by the Board with respect to any Related Party Transaction.
5. Recommending to the full Board where necessary that the approval of the shareholders of the Bank be obtained by way of a Special Resolution prior to the concerned transaction being entered into as specified in Section 9.1 and 9.4 of the Listing Rules, where necessary.

The Board appointed Related Party Transaction Review Committee comprises of 4 Non- Executive directors inclusive of the Chairperson who is an Independent Director. The Group Chief Executive Officer has been present at meetings only if invited by the Committee.

Composition of the Related Party Transactions Review Committee is as follows;

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. Sriyan Cooray	Chairman	Non-executive / Independent
Mr. Sujeewa Mudalige	Member	Non-executive / Independent
Mr. Kushan D’Alwis, PC	Member	Non-executive / Independent
Ms. Chandima Dilrukshi	Member	Non-executive / Non-Independent

9 STATUTORY DECLARATIONS

9.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named herein as Directors of National Development Bank PLC (Company) hereby declare and confirm that we have read the provisions of Colombo Stock Exchange (CSE) Listing Rules and of the Companies Act No.7 of 2007 and any amendments thereto relating to the issue of the Prospectus and those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

The parties to the Debenture Issue including Lawyers, Auditors, Rating Company and Managers and Placement Agents have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company. Nevertheless, NDB Investment Bank Limited, Managers and Placement Agents to the Issue is a fully owned subsidiary of NDB Capital Holdings Limited, which is in turn a 99.89% owned subsidiary of National Development Bank PLC. Further, the Company Secretaries to the said Issue has also submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to them.

An application has been made to the CSE for permission to deal in and for a listing of Debentures issued by the Company and those Debentures which are the subject of this Issue. Such permission will be granted when Debentures are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Debentures issued.

Name of Directors	Designation	Signature
Mr. Sriyan Cooray	Chairman – Non-executive / Independent	Sgd.
Mr. Dimantha Seneviratne	Chief Executive Officer – Executive / Non-Independent	Sgd.
Mr. Bernard Sinniah	Non-executive / Non- Independent	Sgd.
Mr. Sujeewa Mudalige	Non-executive / Independent	Sgd.
Mr. Kushan D’Alwis, PC	Non-executive /Independent	Sgd.
Ms. (Fay) Piyachat Chetnakarnkul	Non-executive / Non- Independent	Sgd.
Ms. Chandima Dilrukshi	Non-executive / Non- Independent	Sgd.
Ms. Kasturi Angela Wilson	Non-executive / Independent	Sgd.
Ms. Shweta Aprameya	Non-executive / Independent	Sgd.
Mr. Hasitha Premaratne	Non-executive / Independent	Sgd.

9.2 STATUTORY DECLARATION BY THE MANAGERS AND PLACEMENT AGENTS TO THE ISSUE

We, NDB Investment Bank Limited of No 135, Bauddhaloka Mawatha, Colombo 04, who are named in the Prospectus as the Managers and Placement Agents to the Issue hereby declare and confirm that to the best of our knowledge and belief, the Prospectus constitutes full and true disclosure of all material facts about the Issue and National Development Bank PLC whose Debentures are being listed.

Signed by two Directors of NDB Investment Bank Limited, being duly authorised thereto, at Colombo on this 22nd November 2023.

Sgd.
Director

Sgd.
Director

10.1 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eyst@k.ey.com
ey.com

AdeS/BV/JW

Board of Directors
National Development Bank PLC
No. 40, Nawam Mawatha
Colombo 02

27 October 2023

Accountants' Report National Development Bank PLC

Dear Sirs/Mesdames

Introduction

This report has been prepared for the purpose of the prospectus issued in connection with the Issue of Fifty Million (50,000,000) Basel III Compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion aggregating to a value of up to Rupees Five Thousand Million (LKR 5,000,000,000/-) of National Development Bank PLC.

We have examined the Financial Statements of the National Development Bank PLC (the "Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries (the "Group") for the years ended 31 December 2018 to 31 December 2022, and report as follows.

1. Incorporation

Bank

The Bank was incorporated in Sri Lanka on 15 June 2005 as a public limited liability company under the National Development Bank of Sri Lanka Act no 1 of 2005. The Bank was re-registered pursuant to the provisions of The Companies Act No 07 of 2007. The shares of the Bank have a primary listing on the Colombo Stock Exchange.

The registered office of the Bank is located at No 40, Nawam Mawatha, Colombo 02. The principal activities of the Bank involve providing financial services encompassing retail banking, small and medium enterprise (SME) banking, corporate banking, project and infrastructure financing, investment banking, leasing, housing finance, cash management, correspondent banking, remittance services, margin trading, pawning, treasury and investment services, bancassurance and card operations.

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Statements of Financial Position of the Bank and a summary of Consolidated Profit or Loss and Consolidated Financial Position of the Group for the financial years ended 31 December 2018 to 31 December 2022, based on the audited Financial Statements are set out on annexure of this Accountants' Report.

Partners: D K Hulanpamu FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhiveli B.Com (Sp)

A member firm of Ernst & Young Global Limited

2.2 Audited Financial Statements for the Year Ended 31 December 2022

Our audit report on the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its Subsidiaries for the year ended 31 December 2022 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is available on the websites of CSE, www.cse.lk, where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Audit Reports

We have audited the Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2018 to 31 December 2022. Unmodified audit opinions have been issued for the said financial years by our reports dated 18 February 2019, 18 February 2020, 18 February 2021, 22 February 2022 and 21 February 2023 respectively.

2.4 Accounting Policies

The Financial Statements of the Bank and the Consolidated Financial Statements of the Bank and its subsidiaries for the years ended 31 December 2018 to 31 December 2022 comply with Sri Lanka Accounting Standards.

The accounting policies of the Bank and its Subsidiaries are stated in detail in the audited Financial Statements of National Development Bank PLC for the year ended 31 December 2022.

2.5 Dividends

2.5.1 Bank has paid dividend for the years ended 31 December 2018 to 31 December 2022 as follows.

Year	Dividend Per Share (Rs.)	Dividend Paid (LKR'000)
2018*	7	1,200,400
2019**	8	1,682,537
2020***	7	1,552,599
2021	1.5	348,956
2022	5.50	1,964,180

* Dividend paid on ordinary shares includes LKR 5.00 paid as scrip dividends in 2018.

** Dividend paid on ordinary shares includes LKR 6.50 paid as scrip dividends in 2019.

*** Dividend paid on ordinary shares includes LKR 5.00 paid as scrip dividends in 2020.

**** Dividend paid on ordinary shares includes LKR 4.50 paid as scrip dividends in 2022.

2.5.2 Dividend details for the year ended 2022 is described in the section 2.6 of this report.

2.6 Events after Reporting Date

Proposed Dividends

On 19 April 2023, Board of Directors of NDB approved and declared final scrip dividend of LKR 2.50 per share for the financial year ended 31 December 2022.

Proposed Debenture Issue

The Bank announced to the Colombo Stock Exchange on 25 January 2023 that the Board of Directors of the Bank at its meeting held on 24 January 2023 approved that the Bank issues 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 referred to as "Debentures") of Rupees Hundred (Rs.100/-) each, to raise a maximum sum of Rupees Ten Billion (LKR 10,000,000,000/-) as follows;

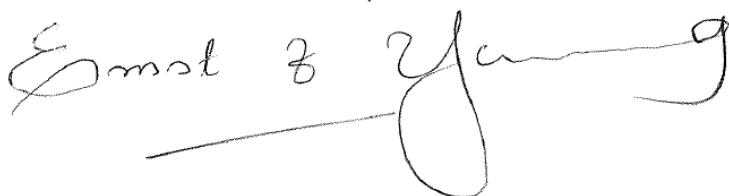
- The Debentures will be offered to "Qualified Investors" as defined under the Listing Rules of the CSE.
- The 100,000,000 Debentures will be issued in multiple issuances, the timing of which is within one year time frame from the date of obtaining shareholder approval for the issuance of the Debentures, subject to the approval of the Colombo Stock Exchange and will be decided by the Board of Directors of the Bank based on the requirements of the Bank and the prevailing market conditions.
- The size, tenure/maturity period (minimum five years), coupon rate/s, frequency of coupon/s, etc., as determined by the Board as per the requirements of the Bank, will be notified prior to the opening of such multiple issuances planned.

The aforesaid multiple issues will be carried out subject to necessary regulatory approvals therefore and the Bank proposes to have these Basel III Compliant. Debentures quoted on the Colombo Stock Exchange.

3. Restriction on Use

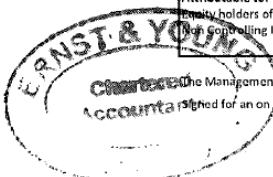
This report is made solely for the purpose of the Board of Directors of National Development Bank PLC for usage in the application for the purpose of Issue of Fifty Million (50,000,000) Basel III Compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-Viability Conversion aggregating to a value of up to Rupees Five Thousand Million (LKR 5,000,000,000/-) of National Development Bank PLC.

Yours faithfully,



STATEMENT OF PROFIT OR LOSS						
	Bank			Group		
	Year ended 31/12/2022 (Audited) LKR '000	Year ended 31/12/2021 (Audited) LKR '000	Change %	Year ended 31/12/2022 (Audited) LKR '000	Year ended 31/12/2021 (Audited) LKR '000	Change %
Gross Income	109,902,478	62,110,531	77	111,551,511	64,082,873	74
Interest Income	97,917,822	52,692,866	86	98,217,310	52,794,763	86
Interest Expenses	67,174,164	31,070,098	116	67,086,940	31,053,468	116
Net Interest Income	30,743,658	21,622,768	42	31,130,370	21,741,295	43
Fee and Commission Income	6,274,698	5,634,797	11	7,438,752	7,384,660	1
Less: Fee and commission Expenses	16,929	33,260	(49)	16,929	33,260	(49)
Net Fee and Commission Income	6,257,769	5,601,537	12	7,421,823	7,351,400	1
Net gain/(loss) from trading	(340,346)	2,096,455	(116)	(340,346)	2,096,455	(116)
Net gain/(loss) from financial assets at fair value Through Profit or Loss	(389,767)	433,106	(190)	(340,388)	560,482	(161)
Net gains/(losses) from derecognition of financial assets	15,127	186,248	(92)	15,127	186,248	(92)
Other operating income	6,424,944	1,067,059	502	6,561,056	1,060,265	519
Total Operating Income	42,711,385	31,007,173	38	44,447,642	32,996,145	35
Less : Impairment Charges	29,291,660	10,264,662	185	29,276,538	10,252,695	186
Net operating income	13,419,725	20,742,511	(35)	15,171,104	22,743,450	(33)
Operating Expenses						
Personnel Expenses	5,736,522	5,672,007	1	6,363,374	6,322,751	1
Depreciation and amortization	846,634	831,643	2	926,034	914,111	1
Other Expenses	4,800,490	3,930,728	22	5,209,758	4,277,910	22
Total operating expenses	11,383,646	10,434,378	9	12,499,166	11,514,772	9
Operating Profit Before Tax on Financial Services	2,036,079	10,308,133	(80)	2,671,938	11,228,678	(76)
Less: Taxes on Financial services	1,203,092	2,014,671	(40)	1,203,092	2,014,671	(40)
Operating Profit After Tax on Financial Services	832,987	8,293,462	(90)	1,468,846	9,214,007	(84)
Share of associate companies' profits/(losses)						
Profit before Taxation	832,987	8,293,462	(90)	1,468,846	9,214,007	(84)
Less : Income tax expenses/ (reversal)	(2,076,058)	1,930,986	(208)	(1,606,957)	2,151,277	(175)
Profit for the year	2,909,045	6,362,476	(54)	3,075,803	7,062,730	(56)
Profit Attributable to:						
Equity Holders of the parent	2,909,045	6,362,476	(54)	3,008,737	6,904,263	(56)
Non Controlling Interests	-	-	-	67,066	158,467	(58)
	2,909,045	6,362,476	(54)	3,075,803	7,062,730	(56)
Basic Earnings per share (in LKR)	7.65	19.24	(60)	7.92	20.88	(62)
Diluted Earnings per share (in LKR)	7.65	19.24	(60)	7.92	20.88	(62)

STATEMENT OF COMPREHENSIVE INCOME						
	Bank			Group		
	Year ended 31/12/2022 (Audited) LKR '000	Year ended 31/12/2021 (Audited) LKR '000	Change %	Year ended 31/12/2022 (Audited) LKR '000	Year ended 31/12/2021 (Audited) LKR '000	Change %
Profit for the year	2,909,045	6,362,476	(54)	3,075,803	7,062,730	(56)
Items that will be reclassified to Statement of Profit or loss						
Exchange differences on translation of foreign operations	-	-	-	220,997	22,916	864
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	2,420,880	(2,353,240)	203	2,391,542	(2,367,024)	201
Changes in Impairment allowance for Expected credit losses	(181,155)	135,574	(234)	(181,155)	135,574	(234)
Cash Flow Hedge Reserve-SWAP	4,385,238	-	100	4,385,238	-	100
Less :Tax expense relating to items that will be reclassified to Income Statements	(1,991,003)	593,038	(436)	(1,991,003)	589,819	(438)
	4,633,960	(1,624,628)	385	4,825,619	(1,618,715)	398
Items that will not be reclassified to Statement of Profit or Loss						
Net Gains/(losses) on Investments in equity Instruments measured at fair value through other Comprehensive Income	(304,245)	(49,407)	(516)	(304,245)	(49,407)	(516)
Revaluation of Land & Buildings	249,651	27,794	995	316,789	54,102	486
Actuarial Gains/(losses) on defined benefit plans	68,094	316,361	(78)	58,168	350,150	(83)
Less :Tax expense relating to items that will not be reclassified to Income Statements	(143,537)	(51,674)	(178)	(172,657)	(60,755)	(184)
	(130,037)	238,074	(155)	(101,945)	294,090	(135)
Total Other Comprehensive Income after Tax	4,503,923	(1,386,554)	425	4,723,674	(1,324,625)	457
Total Comprehensive Income for the year	7,412,968	4,975,922	49	7,799,477	5,738,105	36
Attributable to:						
Equity holders of the parent	7,412,968	4,975,922	49	7,685,034	5,575,671	38
Non Controlling Interests	-	-	-	114,443	162,434	(30)
	7,412,968	4,975,922	49	7,799,477	5,738,105	36



The Management is responsible for the Financial Information extracted from the audited financial statements given above.
Signed for and on behalf of the Management of the Bank.

BY NATIONAL DEVELOPMENT BANK PLC
PO 27

Telephone : 94 11 2448448 Fax : 94 11 2440262 E-mail : contact@ndbbank.com Website : www.ndbbank.com

National Development Bank PLC.

(Company Reg No. PQ 27)



P. O. Box 1825
40, Navam Mawatha,
Colombo - 2, Sri Lanka.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Year	Previous Year		Current Year	Previous Year	
	As at 31/12/2022 (Audited) LKR '000	As at 31/12/2021 (Audited) LKR '000	Change %	As at 31/12/2022 (Audited) LKR '000	As at 31/12/2021 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	34,849,521	13,411,819	160	35,727,665	13,765,270	160
Balances with the Central Bank of Sri Lanka	18,187,547	16,403,362	11	18,187,547	16,403,362	11
Placements with banks	4,108,989	8,299,403	(50)	4,108,989	8,299,403	(50)
Derivative Financial Instruments	7,909,252	1,338,204	491	7,909,252	1,338,204	491
Financial assets recognized through profit or loss measured at fair value	19,318,483	2,441,833	691	20,788,523	4,784,124	335
Financial assets at amortised cost - loans and receivables to other customers	545,873,027	504,538,968	8	545,919,824	504,374,296	8
Financial assets at amortised cost - debt and other instruments	135,047,886	54,262,976	149	135,047,886	54,262,976	149
Financial assets measured at fair value through other comprehensive income	44,685,230	89,552,196	(50)	45,454,490	89,696,611	(49)
Investments in subsidiary companies	1,115,794	1,130,916	(1)	-	-	-
Investment Property	-	-	-	2,879,091	2,528,228	14
Intangible assets	1,804,321	1,203,940	50	1,813,213	1,217,111	49
Property, plant & equipment	3,261,362	3,143,829	4	3,907,994	3,735,298	5
Right of Use Assets	1,170,763	1,094,607	7	1,323,368	1,285,385	3
Current Tax Assets	-	-	-	43,488	27,701	57
Deferred tax Assets	9,004,747	3,417,315	164	9,048,896	3,443,207	163
Other assets	6,435,328	4,693,249	37	7,037,671	5,670,716	24
Total assets	832,772,250	704,932,617	18	839,197,897	710,831,892	18
Liabilities						
Due to Banks	20,251,657	24,770,644	(18)	20,298,844	24,821,158	(18)
Derivative Financial Instruments	96,246	1,048,644	(91)	96,246	1,048,644	(91)
Financial Liabilities at amortised cost - due to depositors	672,314,023	552,039,792	22	671,713,337	551,256,595	22
Financial Liabilities at amortised cost						
- due to debt securities holders	130,541	1,341,060	(90)	130,541	1,341,060	(90)
- due to other borrowers	32,372,265	25,228,865	28	32,372,265	25,228,865	28
Debt securities issued	27,979,631	27,960,731	0	27,979,631	27,960,731	0
Retirement benefit obligations	916,007	735,666	25	1,019,294	829,873	23
Current Tax Liabilities	6,470,353	2,407,243	169	6,635,188	2,585,975	157
Deferred Tax Liabilities	-	-	-	873,280	569,213	53
Other liabilities	8,606,663	10,375,943	(17)	9,084,114	11,031,413	(18)
Dividends payable	99,001	91,823	8	99,001	91,823	8
Total liabilities	769,236,387	646,000,411	19	770,301,741	646,765,350	19
Equity						
Stated Capital	19,870,665	18,263,609	9	19,870,665	18,263,609	9
Statutory Reserve Fund	2,746,479	2,571,479	7	2,746,479	2,571,479	7
Retained Earnings	37,381,043	39,134,379	(4)	41,145,983	42,730,949	(4)
Other Reserves	3,537,676	(1,037,261)	441	3,741,771	(838,868)	546
Total shareholders' equity	63,535,863	58,932,206	8	67,504,898	62,727,169	8
Non Controlling Interests	-	-	-	1,391,258	1,339,373	4
Total Equity	63,535,863	58,932,206	8	68,896,156	64,066,542	8
Total liabilities and equity	832,772,250	704,932,617	18	839,197,897	710,831,892	18
Net Book Value Per Share (LKR)	167.16	165.02	1	177.60	175.65	1
Contingent liabilities and commitments	293,609,756	312,072,435	(6)	294,376,706	311,978,390	(6)

The Management is responsible for the Financial Information extracted from the audited financial statements given above.
Signed for and on behalf of the Management of the Bank.



Telephone : 94 11 2440262 Fax : 94 11 2440262 E-mail : contact@ndbbank.com Website : www.ndbbank.com

National Development Bank PLC.

(Company Reg No. PQ27)

For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY									
	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Share Based Payment Reserves	Fair Value Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total	Non Controlling Interests	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	Equity LKR '000
BANK										
Balance as at 01 January 2021	8,794,333	2,196,479	1,311,992	-	(648,360)	-	33,126,579	44,781,023	-	44,781,023
Total Comprehensive Income for the year	-	-	-	-	-	-	6,362,476	6,362,476	-	6,362,476
Profit for the year	-	-	-	-	-	-	6,362,476	6,362,476	-	6,362,476
Other Comprehensive Income before Tax	-	-	22,794	-	(2,402,647)	-	451,935	(1,927,918)	-	(1,927,918)
Tax on Other Comprehensive Income	-	-	67,409	-	567,069	-	(93,114)	541,364	-	541,364
Total Comprehensive Income for the year	-	-	90,203	-	(1,835,578)	-	6,721,297	4,975,922	-	4,975,922
Transactions with equity holders										
Transfer from share based payment reserves	-	-	-	44,479	-	-	-	44,479	-	44,479
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Transfer to statutory reserve fund	-	375,000	-	-	-	-	(375,000)	-	-	-
Interim Dividend for year 2020 - Cash	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	18,263,609	2,571,479	1,402,195	44,479	(2,483,938)	-	39,134,382	58,932,206	-	58,932,206
BANK										
Balance as at 01 January 2022	18,263,609	2,571,479	1,402,195	44,479	(2,483,938)	-	39,134,382	58,932,206	-	58,932,206
Charge relating to surcharge tax	-	-	-	-	-	-	(2,456,403)	(2,456,403)	-	(2,456,403)
Restated Balance as at 01 January 2022	18,263,609	2,571,479	1,402,195	44,479	(2,483,938)	-	36,677,979	56,475,803	-	56,475,803
Total Comprehensive Income for the year	-	-	-	-	-	-	2,909,045	2,909,045	-	2,909,045
Profit for the year	-	-	-	-	-	-	2,909,045	2,909,045	-	2,909,045
Other Comprehensive Income before Tax	-	-	249,651	-	2,116,635	4,385,238	(113,061)	6,638,463	-	6,638,463
Tax on Other Comprehensive Income	-	-	(185,581)	-	(675,432)	(1,315,571)	42,045	(2,134,539)	-	(2,134,539)
Total Comprehensive Income for the year	-	-	64,070	-	1,441,203	3,069,667	2,838,029	7,412,969	-	7,412,969
Transactions with equity holders										
Transfer to statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
Issue of Shares - Scrip Dividends	1,607,056	-	-	-	-	-	-	1,607,056	-	1,607,056
Final Dividends for year 2021	-	-	-	-	-	-	(1,964,180)	(1,964,180)	-	(1,964,180)
Reversal of dividends declared in prior years	-	-	-	-	-	-	4,215	4,215	-	4,215
Balance as at 31 December 2022	19,870,665	2,746,479	1,466,265	44,479	(1,042,735)	3,069,667	37,381,043	63,535,863	-	63,535,863

The Management is responsible for the Financial Information extracted from the audited financial statements given above.

Signed for and on behalf of the Management of the Bank.



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Share Based Payment Reserves	Other Reserves			Total	Non Controlling Interests	Total Equity
					Fair Value Reserve	Cash Flow Hedge Reserve	Retained Earnings			
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
GROUP										
Balance as at 01 January 2021	8,794,333	2,196,479	1,463,115	-	(621,038)	-	36,143,348	47,976,238	1,227,155	49,203,393
Total Comprehensive Income for the year	-	-	-	-	-	-	6,904,263	6,904,263	158,467	7,062,730
Profit for the year	-	-	54,102	-	(2,416,431)	-	504,673	(1,857,656)	3,967	(1,853,689)
Other Comprehensive Income before Tax	-	-	66,614	-	570,288	-	(107,838)	529,064	-	529,064
Tax on Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	120,716	-	(1,846,143)	-	7,301,098	5,575,671	162,434	5,738,105
Transactions with equity holders:										
Adjustment to share based payment reserves	-	-	-	44,479	-	-	-	44,479	-	44,479
Transfer to statutory reserve fund	-	375,000	-	-	-	-	(375,000)	-	-	-
Issue of Shares	9,469,276	-	-	-	-	-	-	9,469,276	-	9,469,276
Dividends Paid	-	-	-	-	-	-	(338,494)	(338,494)	-	(338,494)
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(50,216)	(50,216)
Balance as at 31 December 2021	18,263,609	2,571,479	1,583,831	44,479	(2,467,181)	-	42,730,952	62,727,169	1,339,373	64,066,542
Balance as at 01 January 2022	18,263,609	2,571,479	1,583,831	44,479	(2,467,181)	-	42,730,952	62,727,169	1,339,373	64,066,542
Charge relating to surcharge tax	-	-	-	-	-	-	(2,554,396)	(2,554,396)	(21,781)	(2,576,177)
Restated Balance as at 01 January 2022	18,263,609	2,571,479	1,583,831	44,479	-	-	40,176,556	60,172,773	1,317,592	61,490,365
Total Comprehensive Income for the year	-	-	-	-	-	-	3,008,737	3,008,737	67,066	3,075,803
Profit for the year	-	-	316,789	-	2,087,297	4,385,238	50,633	6,839,957	47,378	6,887,335
Other Comprehensive Income before Tax	-	-	(217,678)	-	(675,432)	(1,315,571)	45,023	(2,163,659)	-	(2,163,659)
Tax on Other Comprehensive Income	-	-	99,110	-	1,411,865	3,069,667	3,104,392	7,685,034	114,444	7,799,477
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders										
Transfer to statutory reserve fund	-	175,000	-	-	-	-	(175,000)	-	-	-
Issue of Shares - Scrip Dividends	1,607,056	-	-	-	-	-	-	1,607,056	-	1,607,056
Final Dividends for year 2021	-	-	-	-	-	-	(1,964,180)	(1,964,180)	-	(1,964,180)
Reversal of dividends declared in prior years	-	-	-	-	-	-	4,215	4,215	-	4,215
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(40,778)	(40,778)
Balance as at 31 December 2022	19,870,665	2,746,479	1,682,941	44,479	(1,055,316)	3,069,667	41,145,983	67,504,898	1,391,258	68,896,156

The Management is responsible for the Financial Information extracted from the audited financial statements given above.

Signed for and on behalf of the Management of the Bank.



STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	92,732,700	53,092,776	92,930,324	53,119,744
Fee based income received	6,350,791	5,619,088	7,715,104	7,239,763
Dividend income received	345,679	279,634	56,010	88,036
Other Operating income received	5,576,726	2,859,551	5,773,126	3,340,113
Interest paid	(51,885,500)	(30,571,312)	(51,895,768)	(30,587,546)
Personnel costs paid	(5,591,768)	(5,515,441)	(6,124,495)	(5,938,969)
Other expenses paid	(4,625,884)	(3,686,369)	(5,003,505)	(4,281,674)
Operating Profit before changes in operating assets and liabilities	42,902,744	22,077,927	43,450,796	22,979,467
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purposes	(1,784,185)	(9,591,263)	(1,784,185)	(9,591,263)
Financial Assets at amortised cost - loans and receivables to other customers	(49,031,658)	(85,091,814)	(49,266,112)	(85,319,264)
Net (increase)/decrease in operating assets	(3,667,367)	(998,290)	(2,656,530)	(1,936,083)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	106,277,952	61,744,822	106,460,463	61,744,822
Financial liabilities at amortised cost - due to debt securities holders	(1,210,519)	(158,947)	(1,210,519)	(158,947)
Financial liabilities at amortised cost - due to other borrowers	(6,005,726)	(6,463,987)	(6,005,726)	(6,463,987)
Repayment of principal portion of lease liabilities	(420,768)	(417,479)	(485,967)	(478,738)
Net increase/(decrease) in other liabilities	(2,705,274)	547,569	(3,618,581)	1,360,858
Net cash generated/(used in) from operating activities before taxation	84,355,199	(18,351,462)	84,883,639	(17,863,135)
Tax on Financial Services paid	(1,355,643)	(2,220,632)	(1,355,643)	(2,220,632)
Income taxes paid	(1,582,804)	(2,821,270)	(1,787,164)	(3,106,562)
Surcharge tax paid	(2,456,403)	-	(2,576,176)	-
Net cash generated/(used in) from operating activities	78,960,349	(23,393,364)	79,164,656	(23,190,329)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(67,543,861)	8,510,963	(67,104,545)	8,476,433
Purchase of Intangible assets	(828,626)	(432,197)	(828,626)	(437,758)
Purchase of property, plant & equipment	(342,319)	(610,610)	(420,773)	(669,403)
Proceeds from sale of property, plant & equipment	-	8,503	74	16,338
Net cash generated/(used in) from investing activities	(68,714,806)	7,476,659	(68,353,870)	7,385,610
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary of shares (as a right issue/private placement)	-	9,469,276	-	9,469,276
Interest paid on debts securities issued	(3,348,149)	8,000,000	(3,348,149)	8,000,000
Proceed/(Repayment) of Institutional borrowings	10,704,804	(2,396,033)	10,704,804	(2,396,033)
Dividends paid to non-controlling interests	-	-	(40,549)	(49,875)
Dividends paid to shareholders of the Bank	(345,731)	(333,024)	(345,731)	(333,024)
Net cash provided by/(used in) financing activities	7,010,924	14,740,219	6,970,375	14,690,344
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,256,467	(1,176,487)	17,781,161	(1,114,375)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21,711,222	22,890,469	22,064,673	23,181,808
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38,967,689	21,713,982	39,845,833	22,067,433
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	34,849,521	13,411,819	35,727,665	13,765,270
Placements with banks	4,108,989	8,299,403	4,108,989	8,299,403
Cash and cash equivalents at the end of the year (Net)	38,958,510	21,711,222	39,836,654	22,064,673
Add: Impairment allowance	9,179	2,760	9,179	2,760
Cash and cash equivalents at the end of the year (Gross)	38,967,689	21,713,982	39,845,833	22,067,433

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Signed for on behalf of the Management of the Bank.



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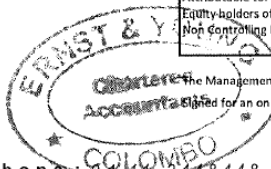
National Development Bank PLC.

(Company Reg No. PQ 27)

P. O. Box 1825
40, Navam Mawatha
Colombo - 2, Sri Lanka.

STATEMENT OF PROFIT OR LOSS						
	Bank			Group		
	Period ended 31/12/2020 Audited LKR '000	Period ended 31/12/2019 Audited LKR '000	Change %	Period ended 31/12/2020 Audited LKR '000	Period ended 31/12/2019 Audited LKR '000	Change %
Gross Income	60,657,705	59,113,537	3	61,632,070	60,237,165	2
Interest Income	53,003,875	53,174,791	(0)	53,153,100	53,401,614	(0)
Interest Expenses	35,255,426	35,467,033	(1)	35,228,223	35,430,833	(1)
Net Interest Income	17,748,449	17,707,758	0	17,924,877	17,970,781	(0)
Net Fee and Commission Income	4,250,284	3,909,229	9	5,434,045	4,868,944	12
Net gain/(loss) from trading	967,284	990,160	(2)	967,284	990,160	(2)
Net gain/(loss) from financial assets at fair value Through Profit or Loss	96,353	23,437	311	113,683	79,072	44
Net gains/(losses) from derecognition of financial assets	1,486,023	695,547	114	1,486,300	695,547	114
Other operating income	853,886	320,373	167	477,658	201,828	137
Total Operating Income	25,402,279	23,646,504	7	26,403,847	24,806,332	6
Impairment charges						
Individual Impairment	3,840,595	2,721,578	41	3,840,595	2,721,578	41
Collective Impairment	2,390,546	1,123,979	113	2,390,546	1,123,979	113
Others	565,195	312,224	81	562,506	559,919	0
	6,796,336	4,157,781	63	6,793,647	4,405,476	54
Net operating Income	18,605,943	19,488,723	(5)	19,610,200	20,400,856	(4)
Operating Expenses						
Personnel Expenses	5,171,547	4,957,146	4	5,748,453	5,459,822	5
Depreciation and amortization	818,582	761,019	8	931,599	883,323	5
Other Expenses	3,409,324	3,716,314	(8)	3,720,998	4,065,345	(8)
Total operating expenses	9,399,453	9,434,479	(0)	10,401,050	10,408,490	(0)
Operating Profit Before VAT, NBT & DRL on Financial Services	9,206,490	10,054,244	(8)	9,209,150	9,992,366	(8)
Less: Value Added Tax (VAT) on Financial services	1,818,832	1,837,750	(1)	1,818,832	1,837,750	(1)
Nation Building Tax (NBT) on Financial services	-	230,710	(100)	-	230,710	(100)
Debit Repayment Levy	-	1,002,980	(100)	-	1,002,980	(100)
Operating Profit After Tax on Financial Services	7,387,658	6,982,804	6	7,390,318	6,920,926	7
Share of associate companies' profits/(losses)	-	-	-	-	-	-
Profit Before Taxation	7,387,658	6,982,804	6	7,390,318	6,920,926	7
Less : Income tax expenses	1,857,182	1,871,204	(1)	2,172,970	2,033,915	7
Profit for the year	5,530,476	5,111,600	8	5,217,348	4,885,011	7
Profit Attributable to:						
Equity Holders of the parent	5,530,476	5,111,600	8	5,116,806	4,775,932	7
Non Controlling Interests	-	-	-	100,542	109,079	(8)
	5,530,476	5,111,600	8	5,217,348	4,885,011	7
Basic Earnings per share (in LKR)	23.77	21.97	8	21.99	20.53	7
Diluted Earnings per share (in LKR)	23.77	21.97	8	21.99	20.53	7

STATEMENT OF COMPREHENSIVE INCOME						
	Period ended 31/12/2020 Audited LKR '000	Period ended 31/12/2019 Audited LKR '000	Change %	Period ended 31/12/2020 Audited LKR '000	Period ended 31/12/2019 Audited LKR '000	Change %
Profit for the year	5,530,476	5,111,600	8	5,217,348	4,885,011	7
Items that will be reclassified to Income Statement						
Exchange differences on translation of foreign operations	-	-	-	10,880	(7,052)	254
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	8,188	1,227,304	(99)	5,866	1,219,194	(100)
Changes in impairment allowance for Expected credit losses	(4,193)	33,469	(113)	(311,450)	264,848	(218)
Net Gains/(losses) on cash flow hedges	1,613	(102,924)	102	1,613	(102,924)	102
Less :Tax expense relating to items that will be reclassified to Income Statements	340,178	(668,675)	151	332,575	(619,856)	154
	345,786	489,174	(29)	39,484	754,210	(95)
Items that will not be reclassified to Income Statement						
Net Gains/(losses) on Investments in equity Instruments measured at fair value through other Comprehensive Income	(143,533)	(376,829)	62	(143,533)	(376,829)	62
Revaluation of Land & Buildings	68,804	307,211	(78)	90,499	320,991	(72)
Actuarial losses on defined benefit plans	(58,565)	(287,717)	80	(53,822)	(307,371)	82
Less :Tax expense relating to items that will not be reclassified to Income Statements	(11,020)	(47,923)	77	(19,404)	(41,315)	53
	(144,314)	(405,258)	64	(126,260)	(404,524)	69
Total Other Comprehensive Income after Tax A + B	201,472	83,916	140	(86,776)	349,686	(125)
Total Comprehensive Income for the year	5,731,948	5,195,516	10	5,130,572	5,234,697	(2)
Attributable to:						
Equity-holders of the parent	5,731,948	5,195,516	10	5,027,648	5,125,737	(2)
Non Controlling Interests	-	-	-	102,924	108,960	(6)
	5,731,948	5,195,516	10	5,130,572	5,234,697	(2)



The Management is responsible for the Financial Information extracted from the audited financial statement
Signed for and on behalf of the Management of the Bank.

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National Development Bank PLC.

(Company Reg No. PQ27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Year	Previous Year		Current Year	Previous Year	
	As at 31/12/2020 (Audited) LKR '000	As at 31/12/2019 (Audited) LKR '000	Change %	As at 31/12/2020 (Audited) LKR '000	As at 31/12/2019 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	10,487,608	5,703,468	84	10,778,947	6,081,359	77
Balances with the Central Bank of Sri Lanka	6,812,099	13,886,575	(51)	6,812,099	13,886,575	(51)
Placements with banks	12,401,533	6,291,047	97	12,401,533	6,291,047	97
Derivative Financial Instruments	1,429,470	1,596,359	(10)	1,429,470	1,596,359	(10)
Financial assets recognized through profit or loss measured at fair value	5,574,175	932,253	498	7,713,222	3,488,735	121
Financial assets at amortised cost - loans and receivables to other customers	425,605,508	396,648,811	7	425,681,832	396,672,022	7
Financial assets at amortised cost - debt and other instruments	44,711,640	27,485,885	63	44,711,640	27,485,885	63
Financial assets measured at fair value through other comprehensive income	108,593,183	67,018,254	62	108,762,972	68,430,331	59
Investments in subsidiary companies	1,142,884	2,144,774	(47)	-	-	-
Investment Property	-	-	-	2,361,535	2,272,881	4
Intangible assets	1,048,326	687,785	52	1,061,673	700,908	51
Property, plant & equipment	2,968,993	3,012,213	(1)	3,541,018	3,565,166	(1)
Right of Use Assets	1,060,843	960,849	10	1,289,749	1,229,414	5
Current Tax Assets	-	-	-	45,098	23,396	93
Deferred tax Assets	1,875,720	599,215	213	1,945,730	647,444	201
Other assets	3,124,716	2,626,940	19	3,595,101	3,228,104	11
Total assets	626,836,698	529,594,428	18	632,131,618	535,599,626	18
Liabilities						
Due to Banks	24,173,318	18,380,356	32	24,173,318	18,380,356	32
Derivative Financial Instruments	1,016,787	728,873	40	1,016,787	728,873	40
Financial Liabilities at amortised cost - due to depositors	490,278,126	405,048,024	21	489,658,746	404,667,529	21
Financial Liabilities at amortised cost						
- due to debt securities holders	1,500,007	1,398,068	7	1,500,007	1,398,068	7
- due to other borrowers	34,284,109	29,342,027	17	34,284,109	29,342,027	17
Debt securities issued	19,880,891	23,108,734	(14)	19,880,891	23,108,734	(14)
Retirement benefit obligations	709,294	583,933	21	820,109	718,983	14
Current Tax Liabilities	2,297,296	2,247,997	2	2,563,345	2,342,373	9
Deferred Tax Liabilities	-	-	-	596,112	566,983	5
Other liabilities	7,829,493	9,197,776	(15)	8,348,447	9,732,266	(14)
Dividends payable	86,354	74,804	15	86,354	74,804	15
Total liabilities	582,055,675	490,110,592	19	582,928,225	491,060,996	19
Equity						
Stated Capital	8,794,333	7,685,334	14	8,794,333	7,685,334	14
Statutory Reserve Fund	2,196,479	1,896,479	16	2,196,479	1,896,479	16
Retained Earnings	33,126,578	29,495,550	12	36,143,349	33,230,404	9
Other Reserves	663,633	406,473	63	842,077	571,133	47
Total shareholders' equity	44,781,023	39,483,836	13	47,976,238	43,383,350	11
Non Controlling Interests	-	-	-	1,227,155	1,155,280	6
Total Equity	44,781,023	39,483,836	13	49,203,393	44,538,630	10
Total liabilities and equity	626,836,698	529,594,428	18	632,131,618	535,599,626	18
Net Book Value Per Share (LKR)	192.49	178.02	8	206.23	195.60	5
Contingent liabilities and commitments	343,949,526	293,145,821		344,053,658	293,267,959	

The Management is responsible for the Financial Information extracted from the audited financial statements given above.
Signed for and on behalf of the Management of the Bank.

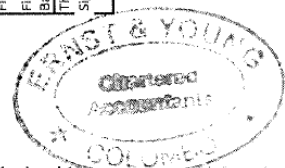
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National Development Bank PLC.

(Company Reg No. PQ27)

For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY										
	Stated Capital	Statutory Reserve Fund	Other Reserves				General Reserve	Retained Earnings	Total	Non Controlling Interests	Total
			Revaluation Reserve	Fair Value Reserve	Cash Flow Hedge Reserve						
BANK (Audited)	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	Equity LKR '000
Balance as at 1 January 2019	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	-	5,805,707	20,966,190	34,998,042	-	34,998,042
Transitional Impact on the adoption of SLFRS 9	-	-	-	-	-	-	-	(259,925)	(259,925)	-	(259,925)
Restated opening balance under SLFRS 9	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	-	5,805,707	20,706,265	34,738,117	-	34,738,118
Total Comprehensive Income for the year	-	-	-	-	-	-	-	5,111,600	5,111,600	-	5,111,600
Profit for the year	-	-	307,211	850,474	(102,924)	-	-	(254,248)	800,513	-	800,513
Other Comprehensive Income before Tax	-	-	(86,019)	(682,613)	-	-	-	52,034	(716,598)	-	(716,598)
Tax on Other Comprehensive Income	-	-	221,192	167,862	(102,924)	-	-	4,909,386	5,195,516	-	5,195,516
Total Comprehensive Income for the year	-	-	-	-	-	-	-	(260,000)	-	-	-
Transfer to statutory reserve fund	1,216,011	-	-	-	-	-	-	(1,367,061)	(151,050)	-	(151,049)
Final Dividend for the year 2018 - Scrip	-	-	-	-	-	-	-	(298,747)	(298,747)	-	(298,747)
Balance as at 31 Dec 2019	7,685,334	1,896,479	1,262,453	(854,367)	(1,613)	-	5,805,707	23,689,843	39,483,836	-	39,483,836
Balance as at 1 January 2020	7,685,334	1,896,479	1,262,453	(854,367)	(1,613)	-	5,805,707	23,689,843	39,483,836	-	39,483,836
Total Comprehensive Income for the year	-	-	-	-	-	-	-	5,530,476	5,530,476	-	5,530,476
Profit for the year	-	-	68,804	(135,344)	1,613	-	-	(62,758)	(127,686)	-	(127,686)
Other Comprehensive Income before Tax	-	-	(19,265)	341,352	-	-	-	7,071	329,158	-	329,158
Tax on Other Comprehensive Income	-	-	49,539	206,007	1,613	-	-	5,474,789	5,731,948	-	5,731,948
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders	-	300,000	-	-	-	-	-	(300,000)	-	-	-
Transfer to statutory reserve fund	1,108,999	-	-	-	-	-	-	-	-	-	-
Final Dividend for the year 2019 - Scrip	-	-	-	-	-	-	-	-	-	-	-
Final Dividend for the year 2019 - Cash	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 Dec 2020	8,794,333	2,196,479	1,311,992	(648,360)	-	-	5,805,707	27,320,873	44,781,024	-	44,781,023
The Management is responsible for the Financial Information extracted from the audited financial statements given above.											
Signed for on behalf of the Management of the Bank.											

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NATIONAL DEVELOPMENT BANK PLC
P.O. BOX 1825
40, NAVAM MAWATHA
COLOMBO - 02

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National Development Bank PLC.

(Company Reg No. PQ27)

For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY										Total Equity LKR '000
	Stated Capital LKR '000	Statutory Reserve Fund LKR '000	Other Reserves			General Reserve LKR '000	Retained Earnings LKR '000	Total LKR '000	Non Controlling Interests LKR '000		
			Revaluation Reserve LKR '000	Fair Value Reserve LKR '000	Cash Flow Hedge Reserve LKR '000						
GROUP (Audited)											
Balance as at 1 January 2019	6,469,323	1,636,479	1,166,840	(1,029,596)	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,488	
Transitional Impact on the adoption of SLFRS 9	-	-	-	-	-	-	(305,036)	(305,036)	(37)	(305,073)	
Restated opening balance under SLFRS 9	6,469,323	1,636,479	1,166,840	(1,029,596)	101,311	5,805,707	24,557,346	38,707,410	1,099,005	39,806,415	
Total Comprehensive Income for the year											
Profit for the year	-	-	-	-	-	-	4,775,932	4,775,932	109,079	4,885,011	
Other Comprehensive Income before Tax	-	-	320,991	842,365	(102,924)	-	(49,456)	1,010,976	(119)	1,010,857	
Tax on Other Comprehensive Income	-	-	(89,876)	(637,978)	-	-	66,683	(661,171)	-	(661,171)	
Total Comprehensive Income for the year	-	-	231,115	204,387	(102,924)	-	4,793,159	5,125,737	108,960	5,234,697	
Transactions with equity holders											
Transfer to statutory reserve fund	-	260,000	-	-	-	-	(260,000)	-	-	-	
Final Dividend for the year 2018-Script	1,216,011	-	-	-	-	-	(1,367,061)	(151,050)	-	(151,050)	
Final Dividend for the year 2018 - Cash	-	-	-	-	-	-	(298,747)	(298,747)	-	(298,747)	
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(52,685)	(52,685)	
Balance as at 31 Dec 2019	7,685,334	1,896,479	1,397,955	(825,209)	(1,613)	5,805,707	27,424,697	43,383,350	1,155,280	44,538,630	
Balance as at 1 January 2020	7,685,334	1,896,479	1,397,955	(825,209)	(1,613)	5,805,707	27,424,697	43,383,350	1,155,280	44,538,630	
Profit for the year	-	-	-	-	-	-	5,116,806	5,116,806	100,542	5,217,348	
Other Comprehensive Income before Tax	-	-	90,499	(137,667)	1,613	-	(356,773)	(402,328)	2,381	(999,947)	
Tax on Other Comprehensive Income	-	-	(25,340)	341,838	-	-	(3,328)	313,171	-	313,171	
Total Comprehensive Income for the year	-	-	65,159	204,171	1,613	-	4,756,706	5,027,649	102,923	5,130,572	
Transactions with equity holders											
Transfer to statutory reserve fund	-	300,000	-	-	-	-	(300,000)	-	-	-	
Final Dividend for the year 2019- Scrip	1,108,999	-	-	-	-	-	(1,108,999)	-	-	-	
Final Dividend for the year 2019- Cash	-	-	-	-	-	-	(434,761)	(434,761)	-	(434,761)	
Adjustment to Non controlling Interest	-	-	-	-	-	-	-	-	(2,382)	(2,382)	
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	(28,667)	(28,667)	
Balance as at 31 Dec 2020	8,794,334	2,196,479	1,463,115	(621,038)	-	5,805,707	30,337,642	47,976,238	1,227,155	49,203,393	

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National Development Bank PLC.

(Company Reg No. PQ27)

STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	50,953,861	48,177,253	51,107,977	48,357,057
Fee based income received	4,257,929	3,927,886	5,443,759	4,716,160
Dividend income received	572,267	419,938	97,941	76,462
Other Operating income received	2,738,510	1,562,829	2,761,515	1,569,068
Interest paid	(35,090,639)	(32,959,532)	(35,092,828)	(32,965,191)
Personnel costs paid	(5,016,210)	(4,867,086)	(5,591,500)	(5,226,060)
Other expenses paid	(3,659,444)	(4,223,990)	(4,022,492)	(4,568,110)
Operating Profit before changes in operating assets and liabilities	14,756,274	12,037,298	14,704,372	11,959,387
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purposes	7,074,476	1,659,812	7,074,476	1,659,812
Financial Assets at amortised cost - loans and receivables to other customers	(33,757,683)	(50,965,915)	(33,757,688)	(50,966,827)
Net (increase)/decrease in operating assets	(286,208)	898,225	(155,786)	848,053
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	84,678,922	55,691,828	84,678,922	55,691,828
Financial liabilities at amortised cost - due to debt securities holders	49,383	(5,613,250)	49,383	(5,613,250)
Financial liabilities at amortised cost - due to other borrowers	11,746,713	(1,924,850)	11,746,713	(1,924,850)
Repayment of principal portion of lease liabilities	(366,601)	(344,416)	(427,069)	(403,516)
Net increase/(decrease) in other liabilities	(646,463)	(1,942,494)	(152,338)	(1,888,487)
Net cash generated from operating activities before taxation	83,248,813	9,496,238	83,760,985	9,362,150
Tax on Financial Services paid	(1,618,514)	(1,906,763)	(1,618,514)	(1,906,763)
Income taxes paid	(2,755,230)	(2,956,685)	(2,929,687)	(3,017,590)
Net cash provided by/(used in) operating activities	78,875,069	4,632,790	79,212,784	4,437,797
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(62,059,135)	(16,792,449)	(62,435,858)	(16,657,444)
Purchase of Intangible assets	(525,167)	(477,826)	(525,167)	(479,066)
Purchase of property, plant & equipment	(471,235)	(650,538)	(489,939)	(698,430)
Proceeds from sale of property, plant & equipment	2,762	994	2,921	3,050
Net cash (used in) from investing activities	(63,052,775)	(17,919,819)	(63,448,043)	(17,831,892)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debts securities issued	(10,000,000)	-	(10,000,000)	-
Interest paid on debts securities issued	(1,004,127)	(1,750,930)	(1,004,127)	(1,750,930)
Proceeds from debt securities issued	6,500,000	5,561,200	6,500,000	5,561,200
Dividends paid to non-controlling interests	-	-	(28,999)	(48,902)
Dividends paid to shareholders of the Bank	(423,212)	(302,077)	(423,212)	(302,077)
Net cash provided by/(used in) financing activities	(4,927,339)	3,508,193	(4,956,338)	3,459,291
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,894,955	(9,778,836)	10,808,403	(9,934,804)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	11,994,515	21,774,885	12,372,406	22,308,744
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22,889,470	11,996,050	23,180,809	12,373,941
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	10,487,608	5,703,468	10,778,947	6,081,359
Placements with banks	12,401,862	6,292,582	12,401,862	6,292,582
Cash and cash equivalents at end of the period (Gross)	22,889,470	11,996,050	23,180,809	12,373,941
Less: Impairment Charges	(329)	(1,535)	(329)	(1,535)
Cash and cash equivalents as per Statement of Financial Position (Net)	22,889,141	11,994,515	23,180,480	12,372,406

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National Development Bank PLC.

(Company Reg No. PQ27)

STATEMENT OF PROFIT OR LOSS		
	Bank	Group
	Year ended 31/12/2018	Year ended 31/12/2018
	LKR '000	LKR '000
Gross Income	51,103,421	52,071,241
Interest Income	44,354,296	44,621,712
Interest Expenses	29,549,656	29,517,983
Net Interest Income	14,804,640	15,103,729
Net Fee and Commission Income	3,136,329	3,947,738
Net gain/(loss) from trading	1,218,338	1,218,338
Net gain/(loss) from financial investments at fair value Through Profit or Loss	(6,713)	56,194
Net gains/(losses) from derecognition of financial assets	383,565	449,880
Other operating income	2,017,605	1,777,379
Total Operating Income	21,553,765	22,553,258
Impairment charges		
Individual Impairment	2,827,052	2,827,052
Collective Impairment	770,069	770,069
Other provision - charge/(release)	(16,112)	167,737
	3,581,009	3,764,858
Net operating income	17,972,756	18,788,400
Operating Expenses		
Personnel Expenses	4,443,795	4,896,398
Depreciation and amortization	442,169	506,895
Other Expenses	3,592,763	3,959,287
Total operating expenses	8,478,727	9,366,580
Operating Profit Before VAT & NBT & DRL on Financial Services	9,494,029	9,421,820
Less: Value Added Tax (VAT on Financial services)	1,710,172	1,710,172
National Building Tax (NBT) on Financial services	227,923	227,923
Debt repayment Levy	235,426	235,426
Operating Profit After Tax on Financial Services	7,320,508	7,248,299
Share of associate companies' profits/(losses)	-	-
Profit Before Taxation	7,320,508	7,248,299
Less :Taxation	1,772,116	1,972,312
Profit for the year	5,548,392	5,275,987
Profit Attributable to:		
Equity Holders of the parent	5,548,392	5,136,168
Non Controlling Interests	-	139,819
	5,548,392	5,275,987
Basic Earnings per share (in LKR)	28.44	26.33
Diluted Earnings per share (in LKR)	28.44	26.33

	Year ended 31/12/2018	Year ended 31/12/2018
	LKR '000	LKR '000
Profit for the year	5,548,392	5,275,987
Items that will be reclassified to Income Statement		
Exchange differences on translation of foreign operations	-	58,443
Net Gains/(losses) on Investments in debt Instruments at fair value through other Comprehensive Income		
Net change in fair value during the year	(1,210,600)	(1,198,934)
Changes in Impairment allowance for Expected credit losses	16,308	98,275
Net Gains/(losses) on cash flow hedges	115,502	115,502
Less :Tax expense relating to items that will be reclassified to Income Statements	562,442	554,595
	(516,349)	(372,119)
Items that will not be reclassified to Income Statement		
Net Gains/(losses) on Investments in equity Instruments	(148,875)	(148,875)
Revaluation of Land & Buildings	-	30,186
Actuarial Gains/(losses) on defined benefit plans	76,492	74,874
Less :Tax expense relating to items that will not be reclassified to Income Statements	2,308	2,308
	(70,075)	(41,507)
Total Other Comprehensive Income after Tax (A + B)	(586,423)	(413,526)
Total Comprehensive Income for the year	4,961,969	4,862,361
Attributable to:		
Equity holders of the parent	4,961,969	4,709,202
Non Controlling Interests	-	153,159
	4,961,969	4,862,361

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National Development Bank PLC.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	BANK	Group
	Current Period	Current Period
	As at	As at
	31/12/2018	31/12/2018
	LKR '000	LKR '000
Assets		
Cash and cash equivalents	6,537,579	7,071,438
Balances with the Central Bank of Sri Lanka	15,546,386	15,546,386
Placements with banks	15,237,306	15,237,306
Derivative Financial Instruments	3,937,847	3,937,847
Financial Assets measured at fair value through profit or loss	1,947,242	4,052,409
Financial Assets at amortised cost - loans and receivables to other customers	344,203,289	344,276,363
Financial Assets at amortised cost - debt instruments	24,070,365	24,175,346
Financial Investments - Loans and receivables	-	-
Financial Assets measured at fair value through		
Other comprehensive income	52,908,306	54,487,227
Financial Investments - Available for sale	-	-
Financial Investments - Held to maturity	-	-
Investments - Held for sale	-	-
Investments in subsidiary companies	2,166,714	-
Investment Property	-	2,110,661
Intangible assets	379,896	396,742
Property, plant & equipment	2,569,873	3,144,359
Deferred tax Assets	1,059,485	1,059,485
Other assets	2,347,642	2,932,641
Total assets	472,911,930	478,428,210
Liabilities		
Due to Banks	15,047,481	15,047,481
Derivative Financial Instruments	2,906,572	2,906,572
Financial Liabilities at amortised cost - due to depositors	347,511,223	347,169,564
Financial Liabilities at amortised cost		
- due to debt securities holders	6,394,211	6,382,024
- due to other borrowers	37,040,987	37,040,987
Debt securities issued	16,811,808	16,811,808
Retirement benefit obligations	408,308	501,531
Current Tax Liabilities	3,077,151	3,147,224
Deferred Tax Liabilities	-	471,281
Other liabilities	8,638,014	8,760,117
Dividends payable	78,133	78,133
Total liabilities	437,913,888	438,316,722
Equity		
Stated Capital (Bank & Group - 210,317,117 shares)	6,469,323	6,469,323
Statutory Reserve Fund	1,636,479	1,636,479
General Reserve	5,805,707	5,805,707
Retained Earnings	20,966,190	24,862,382
Other Reserves	120,343	238,555
Total shareholders' equity	34,998,042	39,012,446
Non Controlling Interests	-	1,099,042
Total Equity	34,998,042	40,111,488
Total liabilities and equity	472,911,930	478,428,210
Net Book Value Per Share (LKR)	166.41	185.49
Contingent liabilities and commitments	288,882,867	289,758,239

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National Development Bank PLC.

(Company Reg No. PQ27)

For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY										Total Equity LKR '000
	Stated Capital LKR '000	Statutory Reserve Fund LKR '000	Other Reserves						Total LKR '000	Non Controlling Interests LKR '000	
			Revaluation Reserve LKR '000	Share Based Payment Reserves LKR '000	Available for Sale Fair Value Reserve LKR '000	Cash Flow Hedge Reserve LKR '000	General Reserve LKR '000	Retained Earnings LKR '000			
GROUP											
Balance as at 1 January 2017	1,246,479	1,246,479	969,795	13,841	(542,587)	-	56,148	5,805,707	21,140,725	1,076,709	31,013,296
Profit for the period	-	-	-	-	-	-	-	-	3,489,752	(57,449)	3,432,303
Other Comprehensive Income before Tax	-	-	378,100	-	604,471	-	(70,339)	-	(99,546)	812,686	154
Tax on Other Comprehensive Income	-	-	(211,241)	-	(298,266)	-	-	-	(2,992)	(512,409)	(512,409)
Total Comprehensive Income for the period	-	-	166,859	-	306,205	-	(70,339)	-	3,387,204	(57,295)	3,732,734
Transactions with equity holders											
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-	-
Expiry of the ELCP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)	(13,841)
Final Dividend for year 2016 - Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(53,668)	(82,740)
Final Dividend for year 2016 - Cash	-	-	-	-	-	-	-	-	(328,505)	-	(328,505)
Interim Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(342,971)	-	(342,971)
Balance as at 31 December 2017	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,131)	5,805,707	22,775,440	965,746	33,977,973
Balance as at 1 January 2018	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,131)	5,805,707	22,775,440	965,746	33,977,973
Transitional adjustment on the implementation of SLFRS 9	-	-	-	-	236,382	-	-	-	(2,456,277)	2	(2,456,275)
Deferred tax on Transitional adjustments	-	-	-	-	-	-	-	-	688,663	-	688,663
Restated Balance as at 1 January 2018 under SLFRS 9	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,131)	5,805,707	21,007,826	965,748	32,210,361
Total Comprehensive Income for the period	-	-	-	-	-	-	-	-	5,136,168	139,819	5,275,987
Profit for the period	-	-	-	-	-	-	-	-	218,252	13,340	(970,529)
Other Comprehensive Income before Tax	-	-	30,186	-	(1,347,809)	115,502	-	-	(983,869)	-	(983,869)
Tax on Other Comprehensive Income	-	-	-	-	554,595	-	-	-	2,308	556,903	556,903
Total Comprehensive Income for the period	-	-	30,186	-	(793,214)	115,502	-	-	5,356,728	153,159	4,862,361
Transactions with equity holders											
Issue of Shares	3,449,676	-	-	-	-	-	-	-	3,449,676	-	3,449,676
Adjustment due to changes in group companies	-	-	-	-	-	-	-	-	(8,657)	30,660	22,003
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	-	(300,000)	-	-
Final Dividend for year 2017- Scrip	811,127	-	-	-	-	-	-	-	(857,429)	(46,302)	(46,302)
Final Dividend for year 2017- Cash	-	-	-	-	-	-	-	-	(336,087)	(50,525)	(386,612)
Balance as at 31 December 2018	6,469,323	1,636,479	1,166,840	-	(1,029,596)	101,311	5,805,707	24,862,381	39,012,445	1,099,042	40,111,487

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STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	40,951,417	37,419,186	41,252,618	37,731,389
Fee based income received	3,165,779	2,520,532	4,068,512	3,260,952
Dividend income received	568,518	1,098,879	123,146	119,119
Other Operating income received	2,943,489	1,606,826	2,943,489	1,626,502
Interest paid	(28,022,485)	(24,292,670)	(28,031,190)	(24,300,757)
Personnel costs paid	(4,348,634)	(3,519,150)	(4,691,092)	(3,747,676)
Other expenses paid	(3,404,759)	(2,825,077)	(3,821,127)	(3,235,552)
Operating Profit before changes in operating assets and liabilities	11,853,325	12,008,526	11,844,356	11,453,977
(Increase)/decrease in operating assets				
Deposits held for regulatory or monetary control purpose	(181,466)	(3,549,643)	(181,466)	(3,549,643)
Financial Assets at amortised cost - loans and receivables to other customers	(73,574,161)	(47,719,008)	(73,574,161)	(47,727,740)
Net (increase)/decrease in operating assets	(1,557,659)	(328,380)	(1,516,458)	(364,477)
(Increase)/decrease in operating liabilities				
Financial liabilities at amortised cost - due to depositors	72,511,339	66,892,475	72,511,339	66,892,475
Financial liabilities at amortised cost - due to debt securities holders	(3,132,870)	(16,569,615)	(3,132,870)	(16,569,615)
Financial liabilities at amortised cost - due to other borrowers	(2,491,485)	(1,794,077)	(2,487,007)	(1,794,077)
Net increase/(decrease) in other liabilities	1,244,708	1,784,698	1,157,400	1,787,769
Net cash generated from operating activities before taxation	4,671,731	10,724,976	4,621,133	10,128,669
Tax on Financial Services paid	(1,893,940)	(1,631,150)	(1,893,940)	(1,631,150)
Income taxes paid	(1,451,843)	(821,084)	(1,531,746)	(994,077)
Net cash provided by/(used in) operating activities	1,325,948	8,272,742	1,195,447	7,503,442
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(1,002,720)	545,200	(358,785)	1,509,406
Net cash flow from liquidation of associate company	23,400	-	23,400	-
Purchase of Intangible assets	(218,304)	(295,216)	(231,436)	(118,798)
Purchase of property, plant & equipment	(724,174)	(292,794)	(763,420)	(617,678)
Proceeds from sale of property, plant & equipment	40,690	21,027	40,690	22,224
Net cash (used in) from investing activities	(1,881,108)	(21,783)	(1,289,551)	795,154
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	3,449,676	-	3,499,677	-
Repayment of subordinated debts	(2,771,590)	(326,700)	(2,771,590)	(326,700)
Interest paid on subordinated debts	(2,032,758)	(2,061,507)	(2,032,758)	(2,061,507)
Repayment of Institutional borrowings	(6,922,794)	(26,459,112)	(6,922,794)	(26,459,112)
Proceeds from Institutional borrowings	24,822,518	19,045,016	24,822,518	19,045,016
(Decrease)/ Increase in other borrowings	-	-	(0)	-
Dividends paid to non-controlling interests	-	-	(46,046)	(99,740)
Dividends paid to shareholders of the Bank	(330,157)	(649,206)	(330,157)	(649,206)
Net cash provided by/(used in) financing activities	16,214,895	(10,451,509)	16,218,850	(10,551,249)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,659,735	(2,200,550)	16,124,746	(2,252,653)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,115,150	8,315,700	6,183,998	8,436,651
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21,774,885	6,115,150	22,308,744	6,183,998
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	6,537,579	5,274,466	7,071,438	5,343,314
Dues from banks and other financial institutions	15,237,306	840,684	15,237,306	840,684
	21,774,885	6,115,150	22,308,744	6,183,998

The Management is responsible for the Financial Information extracted from the audited financial statements given above.
Signed for and on behalf of the Management of the Bank.



Telephone : 94 11 2448448 Fax : 94 11 2440262 E-mail : contact@ndbbank.com Website : www.ndbbank.com

National Development Bank PLC.

(Company Reg. No. PQ27)

11/15/23, 5:06 PM

Fitch Assigns National Development Bank's Basel III Subordinated Debt Final 'BBB(Ika)'

FitchRatings

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received.

Signature
16/11/2023
Secretary
NATIONAL DEVELOPMENT BANK PLC
P. O. 27
SRI LANKA

RATING ACTION COMMENTARY

Fitch Assigns National Development Bank's Basel III Subordinated Debt Final 'BBB(Ika)'

Wed 15 Nov, 2023 - 2:26 AM ET

Fitch Ratings - Colombo - 15 Nov 2023: Fitch Ratings has assigned National Development Bank PLC's (NDB, A-(Ika)/Stable) proposed Sri Lankan rupee-denominated Basel III-compliant subordinated debentures of up to LKR5 billion a final National Long-Term Rating of 'BBB(Ika)'.

The final rating is the same as the expected rating assigned on 1 September 2023 and follows the receipt of documents conforming to information already received. This is with the exception of the reduction in the size of the issuance to LKR5 billion, from LKR10 billion under the draft documentation.

The proposed debentures will mature in five years and will be listed on the Colombo Stock Exchange. NDB plans to use the proceeds to strengthen its Tier 2 capital base and to support its loan growth. The bank expects the proposed debentures to qualify as Basel III-compliant regulatory Tier 2 capital. The debentures include a non-viability clause whereby they convert to ordinary voting shares upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

KEY RATING DRIVERS

NDB's Sri Lankan rupee-denominated subordinated debt is rated two notches below the bank's National Long-Term Rating anchor. This reflects Fitch's baseline notching for loss severity for this type of debt and expectation of poor recoveries. There is no additional notching for non-performance risk, as the notes do not incorporate going-concern loss-absorption features.

NDB's National Long-Term Rating is used as the anchor rating for this instrument because it reflects the bank's standalone financial strength and best indicates the risk of the bank

<https://www.fitchratings.com/research/banks/fitch-assigns-national-development-bank-basel-iii-subordinated-debt-final-bbb-ika-15-11-2023>

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becoming non-viable.

Fitch affirmed NDB's National Long-Term Rating, removed the Rating Watch Negative and assigned a Stable Outlook on 5 October 2023; see "Fitch Affirms Ratings on 15 Sri Lankan Banks; Removes Watch Negative; CBL on Negative Outlook".

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

NDB's subordinated debt would be downgraded if the bank's National Long-Term Rating is downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

NDB's subordinated debt would be upgraded if the bank's National Long-Term Rating is upgraded.

DATE OF RELEVANT COMMITTEE

04 October 2023

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
National Development Bank PLC				
subordinated	Natl LT	BBB(Ika)	New Rating	BBB(EXP) (Ika)

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

<https://www.fitchratings.com/research/banks/fitch-assigns-national-development-bank-basel-iii-subordinated-debt-final-bbb-ika-15-11-2023>

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Bank Rating Criteria (pub. 02 Sep 2023) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

Potential Conflicts Resulting from Revenue Concentrations

ENDORSEMENT STATUS

National Development Bank PLC

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verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

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ANNEXURE II - COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

Issuer National Development Bank PLC No. 40, Navam Mawatha, Colombo 02 Tel: +94 11 2 448 448 Fax: +94 11 2 341 044, +94 11 2 440 262	Managers and Placement Agents to the Issue NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04 Tel: + 94 11 2 300 385-90 Fax: +94 11 2 300 393
Registrars to the Issue S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03, Sri Lanka. Tel: +94 11 2 573 894 Fax: +94 11 2 573 609	Bankers to the Issue National Development Bank PLC No. 40, Navam Mawatha, Colombo 02 Tel: +94 11 2 448 448 Fax: +94 11 2 341 044, +94 11 2 440 262

Branch Network of National Development Bank PLC

Copies of the Application Form can be obtained free of charge from all branches/customer centers of National Development Bank PLC.

Members of the CSE

Acuity Stockbrokers (Private) Limited 53, Dharmapala Mawatha Colombo 03 Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: sales@acuitystockbrokers.com	Asha Securities Limited No. 60, 5th Lane, Colombo 03 Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net
Asia Securities (Private) Limited 4th Floor, Lee Hedges Tower No. 349, Galle Road Colombo 03 Tel: +94 11 7 722 000 Fax: +94 11 258 4864 E-mail: inquiries@asiasecurities.lk	Almas Equities (Pvt) Ltd Westin Tower, 5th Level, No 2 - 4/1, Lake Drive, Colombo 8. Tel: +94 707 144 551 Fax: +94 11 2 673 908 E-mail: info@almasequities.com
Bartleet Religare Securities (Private) Limited Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02 Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetreligare.com	Capital Trust Securities (Private) Limited 42, Sir Mohamed Macan Markar Mawatha Colombo 03 Tel: +94 11 2 174 174/ 75 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk
CT CLSA Securities (Private) Limited 4-14, Majestic City 10, Station Road Colombo 04 Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk	First Capital Equities (Pvt) Limited No.2, Deal Place, Colombo 03. Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-mail: equity@firstcapital.lk

J B Securities (Private) Limited No. 150, St. Joseph Street Colombo 14 Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk	John Keells Stock Brokers (Private) Limited 186, Vauxhall Street, Colombo 02. Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com
Lanka Securities (Private) Limited 3 rd Floor," M2M Veranda Offices", No34, W.A.D. Ramanayeke Mawatha, Colombo 2. Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com	Somerville Stockbrokers (Private) Limited No. 1A, Park way, Park Road, Colombo 05. Tel: +94-11 2 502 852/ 54/ 58/ 62 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk
NDB Securities (Private) Limited Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04 Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk	SC Securities (Private) Limited 5 th Floor, No. 26B, Alwis Place Colombo 03 Tel: +94 11 4 711 000/ 1 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk
Nation Lanka Equities (Pvt) Ltd. No. 44, Guildford Crescent, Colombo 07 Tel: +94 11 789 8302 E-mail: info@nlequities.com	

Trading Members

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Ambeon Securities (Pvt) Limited 2 nd Floor No. 10, Gothami Road Colombo 08 Tel: +94 11 5 328 200 / +94 11 5 328 100 Fax: +94 11 5 328 177 E-mail: info@ambeonsecurities.lk	First Guardian Equities (Private) Limited 32 nd Floor, East Tower World Trade Centre Echelon Square, Colombo 01 Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: info@fge.lk
Senfin Securities Limited 4 th Floor, No.180, Buddhaloka Mawatha, Colombo 04. Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info@senfinsecurities.com	LOLC Securities (Private) Limited No.481, T.B. Jayah Mawatha Colombo 10 Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: info@lolcsecurities.com
Enterprise Ceylon Capital (Private) Limited 2 nd Floor-4B, Liberty Plaza, 250, R A De Mel Mawatha, Colombo 3 Tel: +94 11 2 445 644 E-mail: info@ecc.lk	Nestor Stock Brokers (Pvt) Limited No. 428, 2/1, R.A. De Mel Mawatha, Colombo 3. Tel: +94 11 4 758 813 Fax: +94 11 2 550 100 E-mail: info@nestorstockbrokers.lk
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Trading Members – Debt

NSB Fund Management Limited No. 400, Galle Road Colombo 3 Tel: +94 11 242 5010 Fax: +94 11 2 574 387	Capital Alliance Limited Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 2 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 E-mail: info@cal.lk
Wealthtrust Securities Limited No. 102/1 Dr. N. M. Perera Mawatha Colombo 08. Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-mail: info@wealthtrust.lk	Seylan Bank PLC Level 3, Seylan Towers, 90, Galle Road, Colombo 03. Tel: +94 11 245 6300 Fax: +94 11 245 2215 E-Mail: info@seylan.lk

ANNEXURE III - CUSTODIAN BANKS

Bank of Ceylon (Head Office) 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2 448 348, 2 338 742/55, 2 544 333	Citi Bank, N A 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 2 447 316/8, 2 447 318, 2 449 061
Commercial Bank of Ceylon PLC Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: +94 11 2 445 010-15, 238 193-5, 430 420	Deutsche Bank AG 86, Galle Road, Colombo 03 T: +94 11 2 447 062, 2 438 057
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 11 2 661 762	The Hong Kong and Shanghai Banking Corporation Limited 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
People's Bank (Head Office) 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2 206 782	Standard Chartered Bank 37, York Street, Colombo 01 T: +94 11 4 794 400, 2480 450
Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5 600 374	State Bank of India 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 4 622 350
Seylan Bank PLC Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 2 456 789, 4 701 812, 4 701 819	Union Bank of Colombo PLC 64, Galle Road, Colombo 03 T: +94 11 2 374 100
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Public Bank Berhard 340, R.A. De Mel Mawatha, Colombo 03 T: +94 11 2 576 289	Banque Indosuez C/o Hatton National Bank Limited, Cinnamon Garden Branch, 251, Dharmapala Mawatha, Colombo 07. T: +94 11 2 686 537, 011 2 689 176

ANNEXURE IV – FATCA DECLARATION

Manager
National Development Bank PLC
.....

I/We.....
.....and.....
.....of.....

(address).....holder/s of Passport Number/
NIC Number..... who fall under definition of a US Persons under the provision of the Foreign Account
Tax Compliance Act (“FATCA”) which is a US legislation aimed at preventing tax evasion by US persons through
overseas assets. I/We confirm that I/We understand FATCA is extraterritorial by design and requires “US
Persons” to report their financial assets held overseas.

I/We hereby request National Development Bank PLC which is recognized as a Foreign Financial Institutions (FFIs)
in terms of the FATCA to report all information pertaining to the accounts and investments held by me/us in the
National Development Bank PLC and to remit any tax payable to the Internal Revenue Services (IRS) of the United
States of America. I/We further confirm that this request is made by me/us with full knowledge and
understanding of FATCA.

Date:.....

Signature/s of Applicants