

BEHIND EVERYTHING OF VALUE,
IS A RECOGNITION OF ITS POTENTIAL.



National Development Bank PLC
DEBENTURE ISSUE 2019
PROSPECTUS

An Unrivalled Accomplishment

National Development Bank PLC [the Bank] is honoured to have achieved the rare feat of winning the twin awards of The Best Bank in Sri Lanka 2018 by the Global Finance Magazine of USA and The Bank of the Year Sri Lanka 2018 by The Banker Magazine UK.



The total awards tally close to 40, won during the financial year 2018 is testimony to National Development Bank PLC's aspirations to deliver excellence to all its stakeholders and the precision in the Bank's strategic execution.

The Bank pays tribute to all its stakeholders for partnering with them, in the Bank's commitment for their success.

NATIONAL DEVELOPMENT BANK PLC



PROSPECTUS

AN INITIAL 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 LKR 100/- EACH TO RAISE
SRI LANKA RUPEES FIVE BILLION (LKR 5,000,000,000/-)

WITH AN OPTION TO ISSUE UPTO A FURTHER FIFTEEN MILLION (15,000,000) OF SAID DEBENTURES TO
RAISE UP TO
SRI LANKA RUPEES ONE BILLION AND FIVE HUNDRED MILLION (LKR 1,500,000,000/-),
AT THE DISCRETION OF THE BANK IN THE EVENT OF
AN OVERSUBSCRIPTION OF THE INITIAL ISSUE

MAXIMUM ISSUE WILL NOT EXCEED SIXTY FIVE MILLION (65,000,000)
OF SAID DEBENTURES OF A VALUE OF SRI LANKA RUPEES SIX BILLION AND FIVE HUNDRED MILLION
(LKR 6,500,000,000/-)

TO BE LISTED ON THE
COLOMBO STOCK EXCHANGE

Rated 'A (Ika)' by Fitch Ratings Lanka Limited

ISSUE OPENS ON

25th March 2019

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

Financial Advisors and Managers 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 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 the 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 (for non-viability conversion). 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 advisors, whether the 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 behaviour 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 Qualified 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 14th March 2019

Responsibility for the Content of the Prospectus

This Prospectus has been prepared with available information.

The Directors of National Development Bank PLC (Bank or 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 investors based on the information contained herein. In making such investment decisions, prospective 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 FINANCIAL ADVISORS AND MANAGERS 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 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 Financial Advisors and Managers to the Issue for the inclusion of their names in the Prospectus as Financial Advisors and Managers 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 Bank, Trustee to the Issue, Bankers to the Issue, Company Secretary, Financial Advisors and Managers 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, 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.

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 5 year Debentures (2019/24) 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 5 year Debentures (2019/24) with a Non-Viability Conversion, with an option to issue up to a further Fifteen Million (15,000,000) of said Debentures at the discretion of the Bank in the event of an over subscription of the initial issue.					
Amount to be Raised	Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-) with an option to issue up to a further Sri Lanka Rupees One Billion and Five Hundred Million (LKR 1,500,000,000) at the discretion of the Bank in the event of an over subscription of the initial issue.					
Entity Rating	“A+ (lka)/negative” Fitch Ratings Lanka Limited					
Issue Rating	“A (lka)” by Fitch Ratings Lanka Limited					
Issue Price	Sri Lanka Rupees One Hundred (LKR 100/-) per each Debenture					
Par Value	Sri Lanka Rupees One Hundred (LKR 100/-) per each Debenture					
Details of Debentures	Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 year Debentures (2019/24) with a Non-Viability Conversion, as described below.					
	Type	Type of Interest	Interest Frequency	Interest Rate (per annum)	Annual Effective Rate (AER)	Redemption (from the date of allotment)
	A	Fixed	Semi-annually	13.50%	13.96%	60 months (5 years)
	B	Fixed	Annually	13.95%	13.95%	60 months (5 years)
Number of Debentures to be Subscribed	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 Qualified Investor applying for BASEL III Compliant Debt Securities shall be Rupees Five Million (LKR 5,000,000/-).					
Interest Payment Date(s)	in respect of Type A Debentures the dates on which payments of interest in respect of the Type A Debentures shall fall due, which shall be six (06) months from the Date of Allotment and every six (06) months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.					

	in respect of Type B Debentures the dates on which payments of interest in respect of the Type B 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.
Interest Period	<p>in respect of Type A Debentures the six (06) 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).</p> <p>in respect of Type B 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).</p>
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	25 th March 2019
Closure Date of the subscription list	<p>11th April 2019 or such earlier date on which the initial Fifty Million (50,000,000) Debentures are fully subscribed, unless otherwise decided by the Bank to keep the subscription list open until subscription of a further Fifteen Million (15,000,000) Debentures or part thereof as may be decided by the Bank.</p> <p>In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the initial 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. (refer Section 5.2 of this Prospectus)</p>
Date of Allotment	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
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.

	<p>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.</p> <p>The number of Debentures to be issued under Debentures of Type A and Debentures of Type B will be in accordance with the basis of allotment which will be decided at the discretion of the Board of Directors of the Bank in fair manner in the event of an oversubscription.</p> <p>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).</p>
Non-Viability Conversion	<p>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.</p> <p>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.</p>
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 at which the Monetary Board of the CBSL determines (a) that 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 Banking Act Direction No. 1 of 2016 dated 29 th December 2016 (as may be amended from time to time); 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 Direction.

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1 CORPORATE INFORMATION

Name of the Company (Bank)	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 to the Company	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. Ananda W Atukorala - Chairman - Non-executive/ Independent Mr. Ashok Pathirage - Deputy Chairman - Non-executive/ Non Independent Mr. Dimantha Seneviratne - Chief Executive Officer - Executive/ Non Independent Mr. Sarath Wikramanayake – Non-executive/ Non Independent Mrs. Kimarli Fernando - Non-executive/ Non Independent Mrs. Indrani Sugathadasa - Non-executive/ Independent Mr. Dinal Phillips - Non-executive/ Independent Mr. Kavan Ratnayaka - Non-executive/ Independent Mr. Ranasinghe Semasinghe - Non-executive/ Non Independent Mr. Sriyan Cooray - Non-executive/ Independent

Financial Advisors and Managers to the Issue	<p>NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04</p> <p>Tel: + 94 11 2 300 385-90 Fax: +94 11 2 300 393</p>
Lawyers to the Issue	<p>Legal Department – National Development Bank PLC No.40, Navam Mawatha Colombo 02</p> <p>Tel: +94 11 2 448 448 Fax: +94 11 2 440 196 Ext :34000</p>
Registrars to the Issue	<p>S S P Corporate Services (Private) Limited No. 546/7, Galle Road Colombo 03</p> <p>Tel: +94 11 2 573 485 Fax: +94 11 2 573 037</p>
Trustee to the Issue	<p>Bank of Ceylon Head Office Bank Square No 1, Bank of Ceylon Mawatha Colombo 01</p> <p>Tel: + 94 11 2 340 890 Fax: + 94 11 2 340 890</p>
Rating Agency to the Issue	<p>Fitch Ratings Lanka Limited No.15-04, East Tower World Trade Centre Colombo 01</p> <p>Tel: +94 11 2 541 900 Fax: +94 11 2 541 903</p>
Bankers to the Issue	<p>National Development Bank PLC No. 40, Navam Mawatha, Colombo 02</p> <p>Tel: +94 11 2 448 448 Fax: +94 11 2 341 049</p>

AER	Annual Effective Rate
AWPLR	Average Weighted Prime Lending Rate
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CSE	Colombo Stock Exchange
NDB/Issuer/Bank/Company	National Development Bank PLC
IIA	Inward Investment Account
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
SEC	Securities & Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter Bank Payment System

Applicant	Any person 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.
Closure Date	<p>Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 25th March 2019 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 11th April 2019.</p> <p>However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following.</p> <ul style="list-style-type: none"> - The maximum of 65,000,000 Debentures being fully subscribed; or - The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 50,000,000 Debentures becoming fully subscribed <p>In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 15,000,000 Debentures (having subscribed the initial Issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of the further Issue of 15,000,000 Debentures becoming subscribed, 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.</p> <p>In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of the initial 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. (refer Section 5.2 of this Prospectus)</p>
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)
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 Five (05) year Debenture Issue (2019/2024) 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.
Debenture Issue	The issue of a maximum of Sixty Five Million (65,000,000) Basel III compliant – Tier 2, Listed Rated Unsecured Subordinated Redeemable Five (05) year Debentures (2019/24) with a par value of Rupees One Hundred (LKR100/-).
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)	<p>in respect of Type A Debentures the dates on which payments of interest in respect of the Type A Debentures shall fall due, which shall be six (06) months from the Date of Allotment and every six (06) months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>in respect of Type B Debentures the dates on which payments of interest in respect of the Type B Debentures shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months therefrom from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p>
Interest Period	<p>in respect of Type A Debentures the six (06) 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).</p> <p>in respect of Type B 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).</p>
Issue	The offer of Debentures to Qualified Investors pursuant to this Prospectus.
Issue Price	LKR 100/- per each Debenture
Market Day	Any day on which trading takes place at the CSE.

Non - Viability Conversion	<p>In the event of an occurrence of a Trigger Event as determined at the sole discretion of the CBSL, 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,</p> <p>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 as at that date will be permanently converted to ordinary voting shares at the Conversion Price.</p> <p>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.</p>
Non-Resident(s)	Persons resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka.
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 14 th March 2019 issued by National Development Bank PLC.
Qualified Investors	<ul style="list-style-type: none"> (a) A commercial bank licensed by the CBSL in terms of the Banking Act, No. 30 of 1988 (as amended). (b) A specialized bank licensed by the CBSL 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 CBSL in terms of the Finance Business Act. No 42 of 2011 (as amended). (f) A company licensed by the CBSL 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 Sri Lanka Rupees Five Million (LKR 5,000,000/-)
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 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 at which the Monetary Board of the Central Bank of Sri Lanka determines (a) that 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 Banking Act Direction No.1 of 2016 dated 29 th December 2016 (as maybe amended from time to time); 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 Direction
Trust Deed	Trust Deed executed between the Bank and Bank of Ceylon on 25 th February 2019
Trustee	Bank of Ceylon
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.

5.1 INVITATION TO SUBSCRIBE

The Board of Directors of National Development Bank PLC (hereinafter referred to as the “Board”) at the Board Meetings held on 18th December 2018 and 18th February 2019 resolved to raise a sum of Rupees Five Billion (LKR 5,000,000,000/-) by an initial issue of up to Fifty Million (50,000,000) Debentures, each with a par value of Rupees One Hundred (LKR 100/-) and to raise a further sum of Rupees One Billion and Five Hundred Million (LKR 1,500,000,000/-) by an issue of a further Fifteen Million (15,000,000) Debentures, in the event of an over subscription of the initial issue. As such a maximum amount of Rupees Six Billion and Five Hundred Million (LKR 6,500,000,000) would be raised by the issue of a maximum of Sixty Five Million (65,000,000) Debentures each with the par value of Rupees One Hundred (LKR 100/-).

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 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 Share Holders.

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.

Only Qualified Investors would be eligible to invest in the said Debentures in both the primary and secondary markets, provided that an individual Qualified Investor entering the market anew through the secondary market (i.e. without having invested in such Debentures through the primary offer) would also need to invest a minimum a sum of Sri Lanka Rupees Five Million (LKR 5,000,000/-). Accordingly, 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 25th March 2019 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 11th April 2019.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following.

- The maximum of Sixty Five Million (65,000,000) Debentures being fully subscribed; or
- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of Fifty Million (50,000,000) Debentures becoming fully subscribed.

In the event the Board of Directors of the Bank decides to exercise the option to issue further up to Fifteen Million (15,000,000) Debentures [having subscribed the initial Issue of Fifty Million (50,000,000) Debentures] but subsequently decides to close the subscription list upon part of the further Issue of Fifteen Million (15,000,000) Debentures becoming subscribed, 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 p.m.

In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the initial Issue of 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 p.m.

Applications may however be made forthwith in the manner set out in Section 6.0 of this Prospectus and accordingly, duly completed Application Forms will be accepted by Financial Advisors and Managers to the Issue, Registrars to the Issue or by any Member/Trading Member firm of the CSE as set out in the Collection Points of Annex II of this Prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this Prospectus will be accepted in terms of Section 6.3.

5.3 TYPES OF DEBENTURES

The Debenture Issue consists of only two types of Debentures, i.e. Debentures with fixed coupon rates each with a par value of Sri Lanka Rupees One Hundred (LKR 100/-).

Type	Type of Interest	Tenure	Interest Rate	Annual Effective Rate (AER)	Interest Payment frequency
Type A	Fixed	5 years	13.50% p.a.	13.96% p.a.	Semi-annual
Type B	Fixed	5 years	13.95% p.a.	13.95% p.a.	Annual

5.4 OBJECTIVES OF THE ISSUE & SPECIFIC RISKS 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;

5.4.1 Improve and further strengthen the Capital Adequacy Ratio (CAR) in the light of the new regulatory requirements introduced in line with the Basel III accord.

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

In December 2016, CBSL issued Banking Act Direction No. 1 of 2016 revising the minimum capital requirement for Banks with effect from 01st July 2017. With this new requirement the minimum Capital Adequacy Ratios applicable to the Bank for Tier 1 capital ratio and Total capital ratio increased in two stages to 8.5% and 12.5% by 01st January 2019.

The requirement for banks with assets less than Sri Lanka Rupees Five Hundred Billion (LKR 500,000,000,000/-) commencing from 01st July 2017 is to be as follows

Components of Capital	Minimum Regulatory Requirements %		
	01.07.2017	01.01.2018	01.01.2019
Common Equity Tier 1 capital with buffers (CCB*)	5.75	6.375	7.00
Total Tier 1 capital with buffers (CCB*)	7.25	7.875	8.50
Total Capital Ratio (Tier 1 + Tier 2) with buffers (CCB*)	11.25	11.875	12.50

*CCB – Capital Conservation Buffer

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

The Bank has complied with the BASEL III minimum capital adequacy requirement as at 1st January 2018 and 31st December 2018 with Tier 1 ratios of 8.85% and 9.17% and Total capital ratio of 13.89% and 12.63% respectively.

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

Components	As at 31 st December 2018	Minimum Regulatory Requirement as at 01 st January 2019	Expected (%), subsequent to the Debenture Issue	
			With LKR 5.0 Billion	With LKR 6.5 Billion
Common Equity Tier 1 capital with buffers (CCB*)	9.17%	7.00%	9.01%	9.01%
Total Tier 1 capital with buffers (CCB*)	9.17%	8.50%	9.01%	9.01%
Total Capital Ratio (Tier 1 + Tier 2) with buffers (CCB*)	12.63%	12.50%	13.64%	14.06%

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

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

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

Further, the Bank has obtained the shareholder approval by way of a special resolution on 18th February 2019 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 (k) of the CSE Listing Rules, the Bank has obtained the shareholder approval by way of a special resolution for the issuance of the Debentures.

5.4.2 To facilitate future expansion of business activities of the Bank

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

Any lending to/with related parties will be carried out in compliance with all applicable statutes, direction and regulations. The Bank, as at the date of this 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 in the ordinary course of business. However, in the event, funds are lent to related parties in future, such lending will be done in accordance with Section 9 of the CSE Listing Rules.

It is the understanding of the Bank that the entire quantum of funds will be utilized within a period of 12 months from the Date of Allotment of the Debentures. In the interim period these funds will be invested in Government Securities at zero risk at the current market rates, which would generate a return at the rate of 10.00% p.a.- 10.50% p.a.

Specific risks relating to the objectives of the Debenture Issue

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

Further, the risk of under subscription of the Debenture Issue will be greatly mitigated through appointing experienced Financial Advisors and Managers to the Issue, pre-marketing and building a pipeline of potential investors.

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

The Bank's gross loans and receivables recorded a growth of 19% from Sri Lanka Rupees Two Hundred and Thirty Three Billion and Six Hundred and Seventy Nine Million (LKR 233,679,000,000/-) in 2016 to Sri Lanka Rupees Two Hundred and Seventy Eight Billion and Eight Hundred and One Million (LKR 278, 801,000,000/-) during the year 2017. During the year 2018, the Bank's loans and receivable portfolio indicated a growth of 27% from Sri Lanka Rupees Two Hundred Seventy Eight Billion and Eight Hundred and One Million (LKR 278,801,000,000/-) to Sri Lanka Rupees Three Hundred and Fifty Three Billion and Three Hundred and Seventy Million (LKR 353,370,000,000/-). As such, based on Bank's past experience and the growth achieved as at date there is no specific risk factor that may lead to non-achievement of expanding the Bank's loans and advances portfolio within the specified time line via the proceeds of the Issue up to a maximum of Sri Lanka Rupees Six Billion and Five Hundred Million (LKR 6,500,000,000/-). 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.

Objective number	Objective as Per Prospectus	Amount allocated as Per Prospectus in LKR	Proposed date of utilization as Per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in 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.)
5.4.1	To improve the Capital Adequacy Ratio	Initial issue of LKR 5 Bn and a maximum issue of LKR 6.5 Bn	Upon the allotment of the Debentures and the receipt of CBSL approval to include the amount raised via the Debentures under Tier 2 capital base	—	—	—	—	—
5.4.2	To facilitate future expansion of business activities of the Bank		over a period of twelve months from the Date of Allotment	—	—	—	—	—

To be disclosed in the Annual Report and the Interim Financial Statements

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the Prospectus prior to submission of the Bank's next immediate financial statements (i.e. either Interim Financial Statements or Annual Report), the Bank to disclose the fact that proceeds have been utilized in its entirety as per the above template.

5.5 PAYMENT OF INTEREST

The Debentures will carry a fixed rate of interest as described below on the Interest Payment Dates:

Type	Tenure	Coupon Payment Frequency	Interest Rate (fixed)	Annual Effective Rate (AER)
Type A	5 years	Payable Semi-Annually on the Interest Payment Dates	13.50% p.a.	13.96% p.a.
Type B	5 years	Payable Annually on the Interest Payment Dates	13.95% p.a.	13.95% p.a.

The interest rate has been determined giving consideration to the National Development Bank's rating as the 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 semi-annually for Type A Debentures and annually for Type B Debentures 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 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 ordinary voting shares of the Bank ranking equal and *pari passu* with the existing ordinary voting shares, to the Debenture Holders up to the outstanding balance of such Debentures including the total par value of the Debentures and accrued 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. As at the date of this Prospectus, the applicable Withholding Tax (WHT) rate is 5%.

5.7 REDEMPTION OF DEBENTURES AND CONSEQUENCE OF A TRIGGER EVENT

Redemption of Debentures

Redemption of the Debentures will take place on the respective Date of Redemption as described below 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.

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. If redemption is to be done before maturity, it will be done subject to the prior written approval from the Director Bank Supervision of the CBSL and the approval of the Debenture Holders of each type representing $\frac{3}{4}$ in nominal value of the Debentures outstanding when the Principal Sum is repaid before maturity. 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 CBSL, and is defined in the Banking Act Direction No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1 (10) (ii) (a & b) as a point/event is the earlier of;

a) “a decision that a write down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board or

b) the decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board”.

Conversion Price

Outstanding balance of the Debentures including the total par value of the Debentures and debenture interest, 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 CSE 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 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 CBSL, 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 ten (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 CBSL will immediately make a market announcement of the same and further announce the “price” and “dates” (i.e. Trigger Event date, Date of allotment 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.

Non Occurrence of a Trigger Event

The proposed Debentures will be redeemed after five (05) 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

The Bank has entered into an agreement with Bank of Ceylon who will act as the 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 Three hundred and Ninety thousand (LKR 390,000/-) 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 banks 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.

Bank of Ceylon is a shareholder of National Development Bank PLC holding 8.36% of the shareholding of the Bank as at 31st December 2018.

5.10 RATING OF THE DEBENTURES

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

'A' National Ratings denote expectations of low default risk relative to other issuers or obligations in the same country. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

Source: https://www.fitchratings.com/creditrating/public/ratings_definitions/index.cfm?rd_file=uspf

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/site/re/891051>

The Board of Directors would 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.

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 rates 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 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 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 a 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 above in Section 5.7 of this Prospectus 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

The following are some of the main benefits in investing in Debentures

- (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 the Debentures resulting from a rise in interest rates.

(b) Reinvestment Risk

Interest on the Debentures payable semi-annually for Type A and annually for Type B. 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 the 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 of 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 'A(Ika)' 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.

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/it 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 investor's overall investment portfolio.

Prior to making an investment decision, potential investors 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 behaviour in respect of the Debentures is not necessarily expected to follow trading behaviour 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 in to ordinary voting shares.

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

Save and Except for 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 amongst Qualified Investors as long as the Debentures are listed on 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. It is the intention of the Bank to list the Debentures on the CSE upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. 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 6.1 Million which would be approximately 0.12% of the initial Issue of LKR 5 Billion and 0.09% if the entire LKR 6.5 Billion is issued. 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 Financial Advisors and Managers as involved in the Issue.

5.18 UNDERWRITING

This Issue is not underwritten.

In the event of the Issue being under subscribed, the subscribers will be allotted in full and the quantum of the funds generated from the Issue will be utilised for purposes detailed in Section 5.4 of this Prospectus. In the event the Issue is under subscribed, the Bank will use other sources of funds including the internally generated funds, to achieve the specified objective.

6 PROCEDURE FOR APPLICATION

6.1 INSPECTION OF DOCUMENTS

The Articles of Association, the Trust Deed, Auditors' Report and Audited Financial Statements for the five (05) financial years ended 31st December 2018 (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 3.3.11 (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 web site 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 3.3.11 (b) of the CSE Listing Rules.

Audited Financial Statements of National Development Bank PLC made up to 31st December 2018, Interim Financial Statements and Accountants Report and the Five (05) Year Summary of Financial statements will be available on the web site 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.

6.2 ELIGIBLE APPLICANTS

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

- (a) A commercial bank licensed by the CBSL in terms of the Banking Act, No. 30 of 1988 (as amended).
- (b) A specialized bank licensed by the CBSL 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 CBSL in terms of the Finance Business Act. No. 42 of 2011 (as amended).
- (f) A company licensed by the CBSL 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 Sri Lanka Rupees Five Million (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 Order published under Section 31 (3) of the Foreign Exchange Act No. 12 of 2017 in Government Gazette (Extraordinary) 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.

6.3 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 websites of Financial Advisors and Managers 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 and the website of the Bank, www.ndbbank.com until the Date of Redemption of the Debentures and from the websites of Financial Advisors and Managers 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 respective Common Seals 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/ passport 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 Account) 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 2019” 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.

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, No.546/7, Galle 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.

6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED

Applicants are allowed to invest in 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 Qualified Investor applying for BASEL III Compliant Debt Securities 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/-). An Applicant should apply only for one type of Debentures under one Application Form.

6.5 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 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 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) 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.
- (d) 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 (25th March 2019).

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.

- (e) In case of RTGS transfers [only for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-),] such transfers should be made to the credit of **“National Development Bank PLC – Debenture Issue”** bearing Account Number **10100793664** at National Development Bank PLC with value on the issue opening date (i.e. the funds to be made available to the above account on the issue opening date).

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 **"National Development Bank PLC – Debenture Issue"** bearing Account Number **10100793664** at National Development Bank PLC with value on issue opening date (i.e. the funds to be made available to the above account on the issue opening date) and should be attached with the Application Form.

For RTGS 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 Three Decimal Five per centum (3.50%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realized before the end of the Closure Date. Furthermore, even if such RTGS transfers are effected prior to the issue opening date, no interest will be paid for the period prior to the issue opening date.

- (f) Cash will not be accepted.
- (g) 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.

- (h) 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, the Application will be rejected.
- (i) 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.

6.6 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantees or RTGS transfers, 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 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 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. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

6.7 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.

6.8 BASIS OF ALLOTMENT OF DEBENTURES

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. In compliance with CSE Listing Rules the Debentures will be allotted only to “Qualified Investors” as defined under Section 6.2 of this Prospectus. 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 Seventy Five percentum (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 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).

The number of Debentures to be issued under Debentures of Type A and Debentures of Type B will be in accordance with the basis of allotment which will be decided at the discretion of the Board of Directors of the Bank in a fair manner in the event of an oversubscription.

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.

6.9 REFUNDS

Monies will be refunded where;

- an Application is rejected for reasons given in 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 complete details of his/her bank account refunds will be made via RTGS or if the Applicant has not provided accurate and complete details of his/her bank account in the Application or if the Applicant has not provided details of the 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 Applications, 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;

http://www.lankaclear.com/product_service/8-guidelines

Refunds on Applications rejected or partly allotted Debentures would be made within ten (10) 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 CBSL or any other authority (in the event that the CBSL ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made within this period.

6.10 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 eighteen (18) 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".

7.1 BACKGROUND

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 the Bank is licensed by the CBSL under the Banking Act as a Licensed Commercial Bank.

7.2 STATED CAPITAL

The stated capital of the Bank represents ordinary voting and non-voting ordinary shares as given below.

Ordinary Voting Shares	31st December 2017	31st December 2018
Balance (LKR 000's)	2,208,520	6,469,323
Number of Shares (No.)	171,485,705	210,317,117

During the year, the Bank proposed to issue 59,154,354 shares by way of a Rights Issue at an issue price of LKR 105/- per ordinary voting share in the proportion of 1 (one) new ordinary share for every 3 (three) ordinary voting shares held for the purpose of further strengthening the equity base of the Bank and thereby to improve the common equity Tier 1 capital requirements. The proceeds will be used to part finance the growth in the loans and receivables of the Bank.

Accordingly, 35,723,443 shares were subscribed as rights and 345,497 additional rights were applied for. However, shares amounting to 32,854,055 were converted as ordinary shares as a result of complying with the regulatory thresholds for shareholding in banks as mandated by the Banking Act No 30 of 1988 (as amended), which in turn, translates to LKR 3,449 Million . Accordingly the stated capital of the Bank increased to LKR 6,469 Mn as at 31st December 2018.

MAJOR SHAREHOLDERS AS AT 31st December 2018

Twenty (20) largest shareholders of the Bank as at 31st December 2018 are given below:

No	Name	No. of Shares	%
1	EMPLOYEES PROVIDENT FUND	21,031,711	10.00%
2	BANK OF CEYLON NO. 1 ACCOUNT	17,587,870	8.36%
3	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	13,448,393	6.39%
4	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	11,180,760	5.32%
5	DR. S. YADDEHIGE	9,185,790	4.37%
6	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	8,771,675	4.17%
7	EMPLOYEES TRUST FUND BOARD	8,185,780	3.89%
8	PERPETUAL TREASURIES LIMITED	7,898,636	3.76%
9	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	7,328,846	3.48%
10	BNYMSANV RE-LF RUFFER INVESTMENT FUNDS : LF RUFFER PACIFIC AND EMERGING MARKETS FUND	6,947,305	3.30%
11	HATTON NATIONAL BANK PLC A/C NO 1	6,133,969	2.92%
12	PHOENIX VENTURES PRIVATE LIMITED	6,120,460	2.91%
13	SBI VEN HOLDINGS PTE LTD	5,371,628	2.55%
14	RUSH JAPAN CORPORATION	5,144,490	2.45%
15	MR. A.K. PATHIRAGE	4,086,426	1.94%
16	AYENKA HOLDINGS PRIVATE LIMITED	3,262,994	1.55%
17	ASIRI SURGICAL HOSPITAL PLC	3,137,427	1.49%
18	AKBAR BROTHERS PVT LTD A/C NO 1	3,058,993	1.45%
19	DFCC BANK PLC A/C 1	2,864,868	1.36%
20	MR. M.J. FERNANDO	2,466,085	1.17%
Sub Total		153,214,106	72.83%
Other		57,103,011	27.17%
Total		210317117	100.00%

7.3 DETAILS OF OTHER DEBENTURES IN ISSUE

The details of other debentures issued by National Development Bank PLC as at 31st December 2018 are given in the table below;

Year of Issuance	CSE listing	Ranking	Issue Value LKR '000	Interest Rate p.a.	Tenor	Issue Date	Maturity Date
2013	Listed	Subordinated	Type C – 3,637,980	13.90% Payable annually	120 months	19 December 2013	19 December 2023
			Type D – 3,590,430	14.00% Payable annually	144 months	19 December 2013	19 December 2025
2015	Listed	Subordinated	Type A – 7,000,000	9.40% Payable annually	60 months	24 June 2015	24 June 2020
			Type B – 1,914,408	9.40% annual compounding on the issue price of LKR 63.8136 per debenture payable on the date of redemption	60 months	24 June 2015	24 June 2020

The above mentioned debenture holders of the Bank will not be entitled to any of the rights and privileges available to the shareholders of the Bank including right to receive, to attend and vote at General Meetings of the shareholders of the Bank. Debenture holders' rights in respect of calling and attending meetings of debenture holders are stated in the respective Trust Deeds.

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 with respect to their shares.

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

- i) the survivor where the deceased was a joint holder; or
- ii) if not the joint holder the heirs of the deceased shall be the only person/s recognized by the Bank as having any title to his/her/its debentures upon the production of required evidence.

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 he/she/it proposes to act or his/her/its 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.

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

As at 31st December 2017 and 31st December 2018 the outstanding balances are given in the tables below.

	As at 31st December 2017 LKR '000
Balance as at 31 st December 2016	95,804,709
New borrowings / (settlements)	(28,124,090)
Balance as at 31 st December 2017	67,680,619

	As at 31st December 2018 LKR '000
Balance as at 31 st December 2017	67,680,619
New borrowings / (settlements)	7,601,681
Balance as at 31 st December 2018	75,294,488

The borrowings of the Bank as at 31st December 2017 and 31st December 2018 comprise of the following.

	As at 31st December 2017 LKR '000	As at 31st December 2018 LKR '000
Due to Banks	20,236,719	15,047,481
Other Borrowings	19,387,802	37,040,987
Debt Securities	8,719,243	6,394,211
Subordinated Term Debt	19,336,855	16,811,808
Total	67,680,619	75,294,488

7.5 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK

The details of the contingent liabilities as at 31st December 2017 and 31st December 2018 and litigation against the Bank as at the date of the Prospectus are given below.

CONTINGENT LIABILITIES

Commitments and Contingencies of the Bank	As at 31 st December 2017 LKR '000	As at 31 st December 2018 LKR '000
Contingencies		
Guarantees	24,121,887	28,525,622
Performance Bonds	8,342,200	13,250,796
Documentary Credits	13,222,730	9,907,038
Other Contingencies		
- Forward Exchange Contracts	96,607,160	121,944,610
- Currency Swap	5,737,500	5,204,340
- Acceptances	6,768,126	11,125,067
Commitments		
Undrawn commitments	114,360,796	98,791,307
Others	-	-
-Currency options		134,087
Total	269,160,399	288,882,867

CAPITAL COMMITMENTS (as at 31st December 2017 and 31st December 2018)

The details of the capital expenditures approved by the Board of Directors are given below.

Capital Commitments	As at 31 st December 2017 LKR '000	As at 31 st December 2018 LKR '000
Approved and contracted but not provided for	22,400	62,100
Approved and not contracted for	-	-
Total	22,400	62,100

LITIGATION AGAINST THE BANK

Position as at 31st December 2018

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 loan agreements. As of the date of the Statement of Financial Position, thirty one clients have filed cases against the Bank. 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.

7.6 DETAILS OF CONVERTIBLE DEBT SECURITIES

The Bank does not have any existing convertible debt securities in issue as at the date of this Prospectus.

7.7 FINANCIAL RATIOS

Capital Adequacy Ratio (CAR)

Capital Ratios	Basel II	Basel III	Basel III
	31.12.2016	31.12.2017	31.12.2018
Tier 1 Capital Ratio	9.31%	8.85%	9.17%
Total Capital Ratio	12.95%	13.89%	12.63%

Interest Cover and Debt to Equity Ratio

	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
*Interest Cover (Times)	1.49	1.58	1.55	1.42	1.41	1.50
**Debt to Equity Ratio (%)	8.99	10.43	12.19	12.19	11.87	12.08

* **INTEREST COVER** - A ratio showing the number of times interest charges is covered by earnings before interest and tax. Includes interest paid on Borrowings and Debentures

Interest Cover Ratio = Interest income/ Interest expense

** DEBT TO EQUITY RATIO

Debt to Equity Ratio = Borrowings of the Bank excluding customer deposits/ Shareholders Fund

7.8 DETAILS OF PENALTIES IMPOSED BY REGULATORY AND STATE AUTHORITIES

There were no penalties imposed by regulatory and state authorities on the Bank as at the date of this Prospectus.

7.9 TRANSACTIONS RELATING TO PROPERTY

There is no transaction relating to the property of the Bank, completed within the two (02) preceding years in which any vendor of the property sold to the Bank was any person who is or was at the time of the transaction, a promoter or a director or proposed director of the Bank who had any interest direct or indirect.

7.10 DIVIDEND POLICY

The Board has adopted a policy of paying out dividends to the shareholders based on factors including but not limited to the Bank's earnings and capital requirements and overall macro financial conditions. Dividends paid and payable are subject to the Banking Act requirements.

As at 31 st December	2014	2015	2016	2017	2018
Dividend Per Share (LKR)	11/-	11/-	8/-	9/-	8/-
Dividends paid (LKR Mn)	1,980	1,817	661	1,664	1,200

On 22nd February 2019, the Bank declared a first and final dividend of LKR 8.00 per share comprising of a cash dividend of LKR 1.50 per share and a scrip dividend of LKR 6.50 per share, for the financial year .Out of the dividend LKR 5.13 per share will be liable to dividend tax at 14% and the balance LKR 2.87 per share will be paid out of dividend income, exempt from tax.

Accordingly, the total dividend payment will be amounted to LKR 1,682 Mn for the year ended 31st December 2018 and the stated capital of the Bank will be increased to LKR 7,685 Mn (LKR 6,469 Mn as at 31st December 2018), as a result of the scrip dividends declared for the year ended 31st December 2018.

7.11 DEBENTURE INTEREST PAYMENT DETAILS

As at 31st December	2014 LKR '000	2015 LKR '000	2016 LKR '000	2017 LKR '000	2018 LKR '000
Gross interest due on debentures	1,374,762	1,719,085	2,032,762	2,032,762	2,032,758
Debenture interest paid on due date	1,374,762	1,719,085	2,032,762	2,032,762	2,032,758
Debenture interest paid after the due	-	-	-	-	
Debenture interest not paid as of to date	-	-	-	-	

7.12 TAXATION

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

7.13 GROUP COMPANIES AND THEIR PRINCIPAL ACTIVITIES

The details of group companies of the Bank are given in the table below:

Name of Company	Relationship	Principal Activity	Country of incorporation	Shareholding % (as at 31 st December 2018)
NDB Capital Holdings Limited	Subsidiary	Full service investment banking	Sri Lanka	99.9% [Direct]
NDB Investment Bank Limited	Sub-subsidiary	Investment banking	Sri Lanka	99.9% [Indirect]
NDB Wealth Management Limited	Sub-subsidiary	Wealth management	Sri Lanka	99.9% [Indirect]
NDB Securities [Pvt] Limited	Sub-subsidiary	Investment advisory and securities trading	Sri Lanka	99.9% [Indirect]
NDB Zephyr Partners Limited	Sub-subsidiary	Management of private equity funds	Mauritius	60% [Indirect]
NDB Zephyr Partners Lanka [Pvt] Limited	Sub-subsidiary	Management of private equity funds	Sri Lanka	60% [Indirect]
NDB Capital Limited	Subsidiary	Investment banking	Bangladesh	41.76% [Direct] 42.4%[Indirect]
Development Holdings [Pvt] Limited	Subsidiary	Property management	Sri Lanka	58.7% [Direct]
Ayojana Fund [Pvt] Limited [Under liquidation]	Associate	Venture Capital	Sri Lanka	50% [Direct]

7.14 INDEPENDENT DIRECTORS

The board comprises of ten (10) directors out of whom nine (9) are non-executive directors and one (1) is an executive director. Out of the nine (9) non-executive Directors, five (5) have been declared as independent as at the date of this Prospectus, they are as follows;

Mr. Ananda W Atukorala	Independent
Mrs. Indrani Sugathadasa	Independent
Mr. Dinal Phillips	Independent
Mr. Kavan Ratnayaka	Independent
Mr. Sriyan Cooray	Independent

8 BOARD OF DIRECTORS

8.1 DETAILS OF THE DIRECTORS

Name of Director	Executive / Non – Executive/ Independent*
Mr. Ananda W Atukorala	Chairman - Non-executive/ Independent
Mr. Ashok Pathirage	Deputy Chairman - Non-executive/ Non Independent
Mr. Dimantha Seneviratne	Chief Executive Officer - Executive/ Non Independent
Mr. Sarath Wikramanayake	Non-executive/ Non Independent
Mrs. Kimarli Fernando	Non-executive/ Non Independent
Mrs. Indrani Sugathadasa	Non-executive/ Independent
Mr. Dinal Phillips	Non-executive/ Independent
Mr. Kavan Ratnayaka	Non-executive/ Independent
Mr. Ranasinghege Semasinghe	Non-executive/ Non Independent
Mr. Sriyan Cooray	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 DIRECTORS' INTEREST IN ASSETS

The Directors of the Bank hold no interest in acquisition, disposal or lease of any asset of the Bank during the past two (02) years preceding the Issue and have not proposed to acquire, dispose or lease any asset of the Bank during the two (02) years succeeding the Issue.

8.3 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The primary objective of the Related Party Transactions Review Committee (the committee), which has been established by the Board in line with the provisions contained in the Listing Rules of the Colombo Stock Exchange, is to assess and consider all transactions with related parties of the Bank in order to ensure that related parties are treated on par with other shareholders and constituents of the Bank.

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 CSE 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 Committee is comprised of 5 board members including the chairman of the Committee who is an independent director.

Composition of the Related Party Transactions Review Committee as at 31st December 2018 is as follows.

Name of the Board Subcommittee Member	Membership Status
Mr. Ananda W Atukorala	Chairman
Mr. Sarath Wikramanayake	Member
Mrs. Kimarli Fernando	Member
Mrs. Indrani Sugathadasa	Member
Mr. Ranasinghege Semasinghe	Member

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 and Rating Company 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, Financial Advisors and Managers 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 Director	Designation	Signature
Mr. Ananda W Atukorala	Chairman - Non-executive/ Independent	Sgd.
Mr. Ashok Pathirage	Deputy Chairman - Non-executive/ Non Independent	Sgd.
Mr. Dimantha Seneviratne	Chief Executive Officer - Executive/ Non Independent	Sgd.
Mr. Sarath Wikramanayake	Non-executive/ Non Independent	Sgd.
Mrs. Kimarli Fernando	Non-executive/ Non Independent	Sgd.
Mrs. Indrani Sugathadasa	Non-executive/ Independent	Sgd.
Mr. Dinal Phillips	Non-executive/ Independent	Sgd.
Mr. Kavan Ratnayaka	Non-executive/ Independent	Sgd.
Mr. Ranasinghege Semasinghe	Non-executive/ Non Independent	Sgd.
Mr. Sriyan Cooray	Non-executive/ Independent	Sgd.

9.2 STATUTORY DECLARATION BY THE FINANCIAL ADVISORS AND MANAGERS TO THE ISSUE

We, NDB Investment Bank Limited of No 135, Bauddhaloka Mawatha, Colombo 04, who are named in the Prospectus as the Financial Advisors and Managers 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 14th March 2019.

Sgd.
Director

Sgd.
Director

SPF/DMI/UP

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

5 March 2019

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 each with the option to issue a further One Thousand Five Hundred million (LKR 1,500,000,000) of the said Debentures in the event of an oversubscription.

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 2014 to 31 December 2018, and report as follows.

1. Incorporation

Bank

The Bank was incorporated in Sri Lanka on 15 June 2015 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 2014 to 31 December 2018, based on the audited Financial Statements are set out on annexure of this Accountants' Report.

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principal T P M Rubera FCA FCCA

A member firm of Ernst & Young Global Limited

2.2 Audited Financial Statements for the Year Ended 31 December 2018

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 2018 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 2014 to 31 December 2018. Unmodified audit opinions have been issued for the said financial years by our reports dated 13 February 2015, 12 February 2016, 21 February 2017, 20 February 2018 and 18 February 2019 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 2014 to 31 December 2018 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 2018.

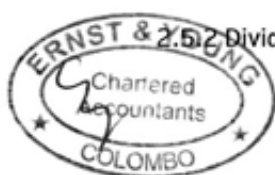
2.5 Dividends

2.5.1 Bank has paid dividend for the years ended 31 December 2014 to 31 December 2017 as follows.

Year	Dividend Per Share (Rs.)	Dividend Paid (LKR'000)
2014	11	1,979,832
2015	11	1,816,547
2016	8	660,669
2017*	9	1,664,455

* Dividend paid on ordinary shares includes LKR 5.00 paid as scrip dividends in 2017.

2.5.2 Dividend details for the year ended 2018 is described in the section 2.6 of this report.



2.6 Events after Reporting Date

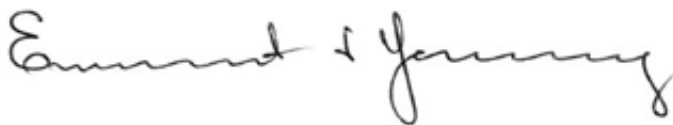
On 22 February 2019, the Bank declared a first and final dividend of LKR 8.00 per share comprising of a cash dividend of LKR 1.50 per share and a scrip dividend of LKR 6.50 per share, for the financial year 2018 (2017- cash dividend of LKR 4.00 per share and a scrip dividend of LKR 5.00 per share). Out of the dividend LKR 5.13 per share will be liable to dividend tax at 14% and the balance LKR 2.87 per share will be paid out of dividend income, exempt from tax. Accordingly, stated capital of the Bank will be increased to LKR 7,685 Mn (LKR 6,469 Mn as at 31 December 2018), as a result of the scrip dividends declared for the year ended 31 December 2018.

On 18 February 2019, at an Extra ordinary General Meeting, the shareholders of the Bank present in person and proxy approved and passed the special resolution for the issue of the five year Basel 111 compliant Tier 2, listed rated unsecured, subordinated, Redeemable debentures issue with a non viability conversion, to raise LKR 5 Billion with an option to raise a further LKR 1.5 Billion.

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 each with the option to issue a further One Thousand Five Hundred million (LKR 1,500,000,000) of the said Debentures in the event of an oversubscription.

Yours faithfully,



STATEMENT OF PROFIT OR LOSS						
	Bank			Group		
	Year ended 31/12/2015 LKR '000	Year ended 31/12/2014 LKR '000	Change %	Year ended 31/12/2015 LKR '000	Year ended 31/12/2014 LKR '000	Change %
Gross Income	25,855,311	24,961,945	4	26,915,863	26,204,626	3
Interest Income	21,167,848	20,974,578	1	21,431,932	21,151,976	1
Interest Expenses	13,646,025	13,299,977	3	13,624,555	13,238,571	3
Net Interest Income	7,521,823	7,674,601	(2)	7,807,377	7,913,405	(1)
Net Fee and Commission Income	2,016,260	1,866,242	8	3,156,841	2,564,095	23
Net gain/(loss) from trading	1,088,464	910,027	20	1,088,464	910,027	20
Net gain/(loss) from financial investments	262,048	716,507	(63)	493,739	1,250,884	(61)
Other operating income	1,320,691	494,591	167	744,887	327,644	127
Total Operating Income	12,209,286	11,661,968	5	13,291,308	12,966,055	3
Impairment charges for loans and other losses						
Individual Impairment	561,163	141,433	297	561,163	141,433	297
Collective Impairment	150,670	387,276	(61)	150,670	387,276	(61)
Other provision	-	87,294	(100)	34,312	-	100
	711,833	566,003	26	746,145	528,708	41
Net operating income	11,497,453	11,095,965	4	12,545,163	12,437,347	1
Operating Expenses						
Personnel Expenses	3,204,229	2,872,738	12	3,633,627	3,172,387	15
Depreciation and amortization	370,417	323,590	14	421,396	387,975	9
Other Expenses	2,474,933	2,112,864	17	2,774,857	2,350,253	18
Total operating expenses	6,049,578	5,309,192	14	6,829,880	5,910,615	16
Operating Profit Before Tax on Financial Services	5,447,875	5,786,773	(6)	5,715,283	6,526,732	(12)
Tax on Financial Services	(910,442)	(1,029,250)	(12)	(910,442)	(1,029,250)	(12)
Operating Profit After Tax on Financial Services	4,537,433	4,757,523	(5)	4,804,841	5,497,482	(13)
Share of associate companies' profits/(losses)	-	-	-	77,818	97,274	(20)
Profit Before Taxation	4,537,433	4,757,523	(5)	4,882,659	5,594,756	(13)
Taxation	(1,026,002)	(1,339,459)	(23)	(1,212,564)	(1,348,784)	(10)
Profit for the period	3,511,431	3,418,064	3	3,670,095	4,245,972	(14)
Profit Attributable to:						
Equity Holders of the parent	3,511,431	3,418,064	3	3,542,040	4,133,932	(14)
Non Controlling Interests	-	-	-	128,055	112,040	14
	3,511,431	3,418,064	3	3,670,095	4,245,972	(14)

STATEMENT OF COMPREHENSIVE INCOME						
	Year ended 31/12/2015 LKR '000	Year ended 31/12/2014 LKR '000	Change %	Year ended 31/12/2015 LKR '000	Year ended 31/12/2014 LKR '000	Change %
Profit for the period	3,511,431	3,418,064	3	3,670,095	4,245,972	(14)
Other comprehensive income /(expenses) to be reclassified to profit or loss in subsequent period						
Exchange differences on translation of foreign operations	-	-	-	16,225	481	3,273
Gains from Available for Sale Investments	(391,286)	(35,110)	(1,014)	(380,673)	(21,950)	(1,634)
Gains and losses on cash flow hedges	(287,692)	397,852	(172)	(287,692)	397,852	(172)
Other comprehensive income /(expenses) not to be reclassified to profit or loss in subsequent period						
Revaluation of Land & Buildings	-	1,084,185	(100)	95,339	1,084,185	(91)
Actuarial losses on defined benefit plans	94,353	(139,735)	168	99,431	(139,735)	171
Total Other Comprehensive Income /(expenses)	(584,625)	1,307,192	(145)	(457,370)	1,320,833	(135)
Less : Tax expenses relating to components of other comprehensive income	71,434	(180,141)	140	71,434	(180,141)	140
Total Other Comprehensive Income after Tax	(513,191)	1,127,051	(146)	(385,936)	1,140,692	(134)
Total Comprehensive Income for the period	2,998,240	4,545,115	(34)	3,284,159	5,386,664	(39)
Attributable to:						
Equity holders of the parent	2,998,240	4,545,115	(34)	3,150,530	5,274,475	(40)
Non Controlling Interests	-	-	-	133,629	112,189	19
	2,998,240	4,545,115	(34)	3,284,159	5,386,664	(39)



Management is responsible for the financial information extracted from the audited Financial Statement and signed for and on behalf of the Management of the Bank.

NATIONAL DEVELOPMENT BANK PLC

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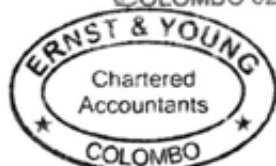
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Period	Previous Period	Change	Current Period	Previous Period	Change
	As at 31/12/2015 (Audited) LKR '000	As at 31/12/2014 (Audited) LKR '000		As at 31/12/2015 (Audited) LKR '000	As at 31/12/2014 (Audited) LKR '000	
Assets						
Cash and cash equivalents	11,821,503	3,104,391	281	11,848,575	3,274,036	262
Balances with Central Bank	6,999,898	6,740,590	4	6,999,898	6,740,590	4
Placements with banks	1,153,619	2,721,891	(58)	1,153,619	2,721,891	(58)
Derivative Financial Instruments	1,903,573	1,903,781	(0)	1,903,573	1,903,781	(0)
Financial Assets - Held for trading	2,985,262	2,785,277	7	5,229,493	6,028,558	(13)
Loans and Receivables to banks	102,632	311,144	(67)	102,632	311,144	(67)
Loans and Receivables to other customers	209,602,069	175,175,203	20	209,665,561	175,235,906	20
Financial Investments - Loans and receivables	35,830,311	38,302,428	(6)	37,368,705	38,683,476	(3)
Financial Investments - Available for sale	28,501,517	17,060,302	67	28,964,820	18,057,852	60
Financial Investments - Held to maturity	4,436,973	8,970,963	(51)	5,660,868	10,167,325	(44)
Investments - Held for sale	18,526	18,525	0	33,302	33,301	0
Investments in subsidiary companies	2,104,117	2,000,290	5	-	-	-
Investment Property	-	-	-	1,672,000	1,545,693	8
Intangible assets	240,234	253,132	(5)	274,746	297,070	(8)
Property, plant & equipment	2,030,003	1,927,496	5	2,454,880	2,252,647	9
Other assets	1,427,368	1,453,733	(2)	2,021,061	1,876,335	8
Total assets	309,157,605	262,729,146	18	315,353,733	269,129,605	17
Liabilities						
Due to Banks	11,620,003	7,029,342	65	11,620,003	7,029,342	65
Derivative Financial Instruments	639,272	663,186	(4)	639,272	663,186	(4)
Due to other Customers	184,933,230	151,823,715	22	184,152,280	151,485,201	22
Debt Securities issued and other borrowed funds	60,527,844	61,955,460	(2)	60,497,844	61,925,802	(2)
Current Tax Liabilities	486,503	826,687	(41)	524,020	806,220	(35)
Deferred Tax	702,378	619,467	13	712,823	609,935	17
Other liabilities	7,913,620	6,372,229	24	8,172,876	6,610,634	24
Dividends payable	60,014	51,429	17	60,014	51,429	17
Subordinated Term Debts	19,573,883	11,149,439	76	19,573,883	11,149,439	76
Total liabilities	286,456,747	240,490,954	19	285,953,016	240,331,186	19
Equity						
Stated Capital	1,242,772	1,225,162	1	1,162,963	1,145,353	2
Statutory Reserve Fund	1,242,772	1,010,785	23	1,242,772	1,010,785	23
Retained Earnings	19,444,385	18,625,444	4	24,975,975	24,245,824	3
Other Reserves	770,929	1,376,801	(44)	1,000,494	1,473,811	(32)
Total shareholders' equity	22,700,858	22,238,192	2	28,382,204	27,875,773	2
Non Controlling Interests	-	-	-	1,018,513	922,646	10
Total Equity	22,700,858	22,238,192	2	29,400,717	28,798,419	2
Total liabilities and equity	309,157,605	262,729,146	18	315,353,733	269,129,605	17
Net Book Value Per Share (LKR)	137.44	134.70	2	172.35	169.35	2
Contingent liabilities and commitments	237,748,413	231,143,633	3	238,589,573	231,148,862	3
Memorandum Information						
Number of Employees	1,960	1,744				
Number of Branches	93	83				

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.

 NATIONAL DEVELOPMENT BANK PLC

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NATIONAL DEVELOPMENT BANK PLC

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	for the period ended 31 December 2015	STATEMENT OF CHANGES IN EQUITY										Total	
		Stated Capital LKR '000	Reserves								Non Controlling Interests LKR '000		Total LKR '000
			Statutory Reserve Fund LKR '000	General Reserve LKR '000	Revaluation Reserve LKR '000	Investment Fund Account LKR '000	Payment Reserves LKR '000	Share Based Reserves LKR '000	Available For Sale Reserves LKR '000	Cash Flow Hedge Reserve LKR '000			
BANK													
Balance as at 1 January 2014		1,172,904	958,527	5,805,707	-	1,706,751	22,367	106,669	-	9,847,553	-	-	19,620,478
Total Comprehensive Income for the year		-	-	-	-	-	-	-	-	3,418,064	-	-	3,418,064
Profit for the year		-	-	-	-	-	-	-	-	3,418,064	-	-	3,418,064
Other Comprehensive Income before Tax		-	-	-	1,084,185	-	-	(35,110)	397,852	(139,735)	-	-	1,307,192
Tax on Other Comprehensive Income		-	-	-	(230,729)	-	-	33,691	-	16,897	-	-	(180,141)
Total Comprehensive Income for the year		-	-	-	853,456	-	-	(1,419)	397,852	3,295,226	-	-	4,545,115
Transactions with equity holders													
Issue of Shares		52,258	-	-	-	-	-	-	-	-	-	-	52,258
Transfer from Investment Fund Account		-	-	-	(1,706,751)	-	-	-	-	1,706,751	-	-	-
Fair value of share options		-	-	-	-	-	(2,124)	-	-	-	-	(2,124)	-
Transfer to statutory reserve fund		-	52,258	-	-	-	-	-	-	(52,258)	-	-	-
Dividend to equity holders		-	-	-	-	-	-	-	-	(1,977,535)	-	-	(1,977,535)
Balance as at 31 December 2014		1,225,162	1,010,785	5,805,707	853,456	-	20,243	105,250	397,852	12,819,737	-	-	22,238,192
Balance as at 1 January 2015		1,225,162	1,010,785	5,805,707	853,456	-	20,243	105,250	397,852	12,819,737	-	-	22,238,192
Super gain tax		-	-	-	-	-	-	-	-	(732,081)	-	-	(732,081)
Adjusted Opening Balance as at 1 January 2015		1,225,162	1,010,785	5,805,707	853,456	-	20,243	105,250	397,852	12,087,656	-	-	21,506,111
Total Comprehensive Income for the year		-	-	-	-	-	-	-	-	3,511,431	-	-	3,511,431
Profit for the year		-	-	-	-	-	-	-	-	3,511,431	-	-	3,511,431
Other Comprehensive Income before Tax		-	-	-	-	-	-	(391,286)	(287,692)	94,353	-	-	(584,625)
Tax on Other Comprehensive Income		-	-	-	-	-	-	78,759	-	(7,325)	-	-	71,434
Total Comprehensive Income for the year		-	-	-	-	-	-	(312,527)	(287,692)	3,598,459	-	-	2,998,240
Transactions with equity holders													
Issue of Shares		11,957	-	-	-	-	-	-	-	-	-	-	11,957
Transfer from share based payment reserves		5,653	-	-	-	-	(5,653)	-	-	-	-	-	-
Transfer to statutory reserve fund		-	231,987	-	-	-	-	-	-	(231,987)	-	-	-
Dividend to equity holders		-	-	-	-	-	-	-	-	(1,815,450)	-	-	(1,815,450)
Balance as at 31 December 2015		1,242,772	1,242,772	5,805,707	853,456	-	14,590	(207,277)	110,160	13,638,678	-	-	22,700,858

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.

NATIONAL DEVELOPMENT BANK PLC
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COLOMBO 02.



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for the period ended 31 December 2015	STATEMENT OF CHANGES IN EQUITY											Total Equity LKR '000	
	Stated Capital LKR '000	Reserves								Total LKR '000	Non Controlling Interests LKR '000		
		Statutory Reserve Fund LKR '000	General Reserve LKR '000	Revaluation Reserve LKR '000	Investment Fund Account LKR '000	Share Based Payment Reserves LKR '000	Available For Sale Reserves LKR '000	Cash Flow Hedge Reserve LKR '000	Retained Earnings LKR '000				
GROUP													
Balance as at 1 January 2014	943,746	958,527	5,805,707	-	1,706,751	22,367	150,614	-	14,926,094	24,513,806	847,848	25,361,654	
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	4,133,932	4,133,932	112,040	4,245,972	
Other Comprehensive Income before Tax	-	-	-	1,084,185	-	-	(21,950)	397,852	(139,403)	1,320,684	149	1,320,833	
Tax on Other Comprehensive Income	-	-	-	(230,729)	-	-	33,691	-	16,897	(180,141)	-	(180,141)	
Total Comprehensive Income for the year	-	-	-	853,456	-	-	11,741	397,852	4,013,426	5,274,475	112,189	5,386,664	
Transactions with equity holders													
Issue of Shares	52,258	-	-	-	-	-	-	-	-	52,258	-	52,258	
Transfer to Investment Fund Account	-	-	-	(1,706,751)	-	-	-	-	1,706,751	-	-	-	
Adjustment for reversal of ESOP consolidation	229,158	-	-	-	-	-	-	-	(161,059)	68,099	-	68,099	
Adjustment to share based payment reserves	(79,809)	-	-	-	-	37,781	-	-	(13,802)	(55,330)	-	(55,330)	
Transfer to statutory reserve fund	-	52,258	-	-	-	-	-	-	(52,258)	-	-	-	
Dividend to equity holders	-	-	-	-	-	-	-	-	(1,977,535)	(1,977,535)	(37,191)	(2,014,926)	
Balance as at 31 December 2014	1,145,353	1,010,785	5,805,707	853,456	-	60,148	162,355	397,852	18,440,117	27,875,773	922,646	28,798,419	
Balance as at 1 January 2015	1,145,353	1,010,785	5,805,707	853,456	-	60,148	162,355	397,852	18,440,117	27,875,773	922,646	28,798,419	
Super gain tax	-	-	-	-	-	-	-	-	(833,548)	(833,548)	(21,123)	(854,671)	
Adjusted Opening Balance as at 1 January 2015	-	-	-	-	-	-	-	-	-	-	-	-	
Total Comprehensive Income for the year	1,145,353	1,010,785	5,805,707	853,456	-	60,148	162,355	397,852	17,606,569	27,042,225	901,523	27,943,748	
Profit for the year	-	-	-	-	-	-	-	-	3,542,040	3,542,040	128,055	3,670,095	
Other Comprehensive Income before Tax	-	-	-	95,339	-	-	(380,673)	(287,692)	110,083	(462,943)	5,573	(457,370)	
Tax on Other Comprehensive Income	-	-	-	-	-	-	78,759	-	(7,335)	71,434	-	71,434	
Total Comprehensive Income for the year	-	-	-	95,339	-	-	(301,914)	(287,692)	3,644,798	3,150,531	133,628	3,284,159	
Transactions with equity holders													
Issue of Shares	11,957	-	-	-	-	-	-	-	-	11,957	-	11,957	
Adjustment due to changes in group companies	-	-	-	-	-	-	-	-	(33,662)	(33,662)	24,645	(9,017)	
Transfer from share based payment reserves	5,653	-	-	-	-	(5,653)	-	-	-	-	-	-	
Transfer to statutory reserve fund	-	231,987	-	-	-	-	-	-	(231,987)	-	-	-	
Adjustment to share based payment reserves	-	-	-	-	-	26,603	-	-	(1,815,450)	26,603	-	26,603	
Dividend to equity holders	-	-	-	-	-	-	-	-	(1,815,450)	(1,815,450)	(41,283)	(1,856,733)	
Balance as at 31 December 2015	1,162,963	1,242,772	5,805,707	948,795	-	81,098	(139,559)	110,160	19,170,268	28,382,204	1,018,513	29,400,717	

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.

NATIONAL DEVELOPMENT BANK PLC

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STATEMENT OF CASH FLOW				
For the Period ended 31 December	BANK		GROUP	
	2015 LKR '000	2014 LKR '000	2015 LKR '000	2014 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	20,765,613	20,919,252	21,038,450	21,111,971
Fee based income received	2,016,259	1,856,202	2,765,456	2,319,114
Dividend income received	942,293	339,962	(636)	(13,856)
Other Operating income received	1,700,796	1,671,597	1,870,590	1,671,965
Interest paid	(13,134,957)	(13,195,780)	(13,134,957)	(13,197,274)
Personnel costs paid	(3,162,861)	(2,857,403)	(3,280,182)	(2,857,404)
Other expenses paid	(2,415,887)	(2,100,602)	(2,519,663)	(2,351,710)
Operating Profit before changes in operating assets and liabilities	6,711,256	6,633,228	6,739,058	6,682,805
Net increase in loans and receivable to other customers	(34,473,636)	(38,496,570)	(34,473,636)	(38,496,570)
Net increase in deposits from customers	32,941,814	22,505,047	32,941,814	22,505,047
Net (increase)/decrease in other assets	(95,262)	(570,535)	(179,272)	(375,769)
Net increase/(decrease) in other liabilities	1,587,663	2,215,279	1,640,174	2,157,575
Net cash inflow/(outflow) from operating activities before taxation	6,671,835	(7,713,551)	6,668,137	(7,526,912)
Tax on Financial Services paid	(1,005,492)	(955,652)	(1,005,492)	(955,652)
Income taxes paid	(1,211,841)	(652,006)	(1,254,368)	(699,930)
Super Gain Tax Paid by the Bank /Group	(732,081)	-	(833,548)	-
Super Gain Tax Paid by non controlling interests	-	-	(21,123)	-
Net cash provided by/(used in) operating activities	3,722,421	(9,321,209)	3,553,606	(9,182,494)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	(5,078,640)	(17,009,180)	(5,078,362)	(16,959,756)
Disposal of subsidiaries/associates	(103,826)	147,068	(53,947)	147,068
Expenditure on property, plant & equipment	(594,790)	(392,997)	(637,259)	(443,312)
Proceeds from sale of property, plant & equipment	15,817	14,765	42,580	14,765
Net cash used in investing activities	(5,761,439)	(17,240,344)	(5,726,988)	(17,241,235)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	11,957	52,258	45,031	52,258
Net Proceeds from issue of subordinated debts	8,914,408	-	8,914,408	-
Interest paid on subordinated debts	(1,719,085)	(1,573,625)	(1,719,085)	(1,573,625)
(Decrease)/ Increase in other borrowings	4,164,980	34,403,497	4,164,980	34,403,501
Dividends paid to non-controlling interests	-	-	(41,283)	(25,377)
Dividends paid to shareholders of the Bank	(1,806,863)	(1,966,761)	(1,806,863)	(1,966,755)
Net cash provided by /(used in) financing activities	9,565,397	30,915,369	9,557,188	30,890,002
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,526,379	4,353,816	7,383,806	4,466,274
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,431,750	8,077,934	12,601,395	8,135,121
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19,958,129	12,431,750	19,985,201	12,601,395
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	11,821,503	3,104,391	11,848,575	3,274,036
Balances with Central Bank	6,999,898	6,740,590	6,999,898	6,740,590
Placements with banks	1,153,619	2,721,891	1,153,619	2,721,891
	19,975,020	12,566,872	20,002,092	12,736,517
Amount due to foreign Banks	(16,891)	(135,122)	(16,891)	(135,122)
	19,958,129	12,431,750	19,985,201	12,601,395

The Management is responsible for the financial information extracted from the audited Financial Statements given above.
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 **NATIONAL DEVELOPMENT BANK PLC**

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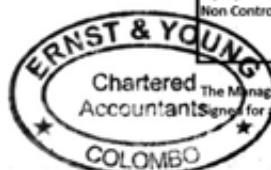
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NATIONAL DEVELOPMENT BANK PLC



STATEMENT OF PROFIT OR LOSS				
	Bank		Group	
	Year ended 31/12/2017 LKR '000	Year ended 31/12/2016 LKR '000	Year ended 31/12/2017 LKR '000	Year ended 31/12/2016 LKR '000
Gross Income	42,520,594	33,281,736	43,017,759	33,776,905
Interest income	37,118,699	28,618,247	37,421,114	28,960,606
Interest Expenses	26,368,585	20,130,935	26,334,787	20,099,837
Net Interest Income	10,750,114	8,487,312	11,086,327	8,860,769
Net Fee and Commission Income	2,520,532	2,253,226	3,416,002	3,046,132
Net gain/(loss) from trading	1,063,944	982,123	1,063,944	982,123
Net gain/(loss) from financial investments	569,557	211,370	733,679	440,748
Other operating income	1,247,862	1,216,770	383,020	347,296
Total Operating Income	16,152,009	13,150,801	16,682,972	13,677,068
Impairment charges for loans and other losses				
Individual Impairment	586,488	1,101,589	586,488	1,101,589
Collective Impairment	662,238	277,097	662,238	277,097
Other provision - charge/(release)	9,829	(11,733)	41,571	45,887
	1,258,554	1,366,953	1,290,297	1,424,573
Net operating income	14,893,455	11,783,848	15,392,675	12,252,495
Operating Expenses				
Personnel Expenses	3,611,339	3,434,550	4,024,851	3,792,589
Depreciation and amortization	417,339	434,792	471,941	490,987
Other Expenses	3,317,357	2,579,502	3,704,143	2,875,373
Total operating expenses	7,346,035	6,448,844	8,200,935	7,158,949
Operating Profit Before Tax on Financial Services	7,547,420	5,335,004	7,191,740	5,093,546
Less: Tax on Financial Services	1,547,450	1,048,000	1,547,450	1,048,000
Operating Profit After Tax on Financial Services	5,999,970	4,287,004	5,644,290	4,045,546
Share of associate companies' profits/(losses)	-	-	-	-
Profit Before Taxation	5,999,970	4,287,004	5,644,290	4,045,546
Less :Taxation	1,648,341	1,116,733	2,211,987	1,230,587
Profit for the period	4,351,629	3,170,271	3,432,303	2,814,959
Profit Attributable to:				
Equity Holders of the parent	4,351,629	3,170,271	3,489,752	2,691,014
Non Controlling Interests	-	-	(57,449)	123,945
	4,351,629	3,170,271	3,432,303	2,814,959

STATEMENT OF COMPREHENSIVE INCOME				
	Year ended 31/12/2017 LKR '000	Year ended 31/12/2016 LKR '000	Year ended 31/12/2017 LKR '000	Year ended 31/12/2016 LKR '000
Profit for the period	4,351,629	3,170,271	3,432,303	2,814,959
Other comprehensive Income /(expenses) to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	-	-	(371)	7,537
Gains/(losses) from Available for Sale Investments	648,763	(372,240)	604,471	(436,305)
Gains /(losses) on cash flow hedges	(70,339)	(54,012)	(70,339)	(54,012)
Other comprehensive Income /(expenses) not to be reclassified to profit or loss in subsequent periods				
Revaluation of Land & Buildings	361,948	-	378,100	21,000
Actuarial Gains/(losses) on defined benefit plans	(99,429)	(73,151)	(99,021)	(79,530)
Total Other Comprehensive Income /(expenses)	840,943	(499,403)	812,841	(541,310)
Less : Tax expenses relating to components of other comprehensive income	(485,398)	24,320	(512,409)	44,806
Total Other Comprehensive Income after Tax	355,546	(475,083)	300,431	(496,504)
Total Comprehensive Income for the period	4,707,174	2,695,188	3,732,734	2,318,455
Attributable to:				
Equity holders of the parent	4,707,174	2,695,188	3,790,029	2,192,078
Non Controlling Interests	-	-	(57,295)	126,377
	4,707,174	2,695,188	3,732,734	2,318,455



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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CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 31/12/2017 (Audited) LKR '000	As at 31/12/2016 (Audited) LKR '000	Change %	As at 31/12/2017 (Audited) LKR '000	As at 31/12/2016 (Audited) LKR '000	Change %
Assets						
Cash and cash equivalents	5,274,466	5,018,438	5	5,343,314	5,139,389	4
Balances with the Central Bank of Sri Lanka	15,364,920	11,815,277	30	15,364,920	11,815,277	30
Placements with banks	840,684	3,297,262	(75)	840,684	3,297,262	(75)
Derivative Financial Instruments	2,471,706	1,544,621	60	2,471,706	1,544,621	60
Financial Assets - Held for trading	1,216,439	832,694	46	2,659,883	3,661,530	(27)
Loans and Receivables to banks	15,478	37,032	(58)	15,478	37,032	(58)
Loans and Receivables to other customers	274,013,970	227,639,844	20	274,063,310	227,679,939	20
Financial Investments - Loans and receivables	21,171,508	41,992,533	(50)	23,316,328	43,896,593	(47)
Financial Investments - Available for sale	52,620,584	31,500,020	67	52,975,690	31,899,259	66
Financial Investments - Held to maturity	3,524,051	4,137,601	(15)	4,077,096	4,946,120	(18)
Investments -Held for sale	18,526	18,526	-	33,302	33,302	-
Investments in subsidiary companies	2,106,021	2,115,850	(0)	-	-	-
Investment Property	-	-	-	1,894,848	1,776,000	7
Intangible assets	384,369	368,083	4	397,053	384,742	3
Property, plant & equipment	2,356,679	2,078,570	13	2,917,017	2,528,258	15
Other assets	1,693,641	2,148,384	(21)	2,274,809	2,092,444	9
Total assets	383,073,042	334,544,735	15	388,645,438	340,731,768	14
Liabilities						
Due to Banks	20,236,719	17,124,944	18	20,236,719	17,124,944	18
Derivative Financial Instruments	936,754	474,770	97	936,754	474,770	97
Due to other Customers	273,369,023	203,866,547	34	273,041,417	203,515,828	34
Debt Securities issued and other borrowed funds	28,107,045	59,233,264	(53)	28,107,045	59,233,264	(53)
Current Tax Liabilities	1,578,447	845,660	87	1,575,091	852,454	85
Deferred Tax	1,371,658	791,791	73	1,796,492	744,880	141
Other liabilities	9,326,502	7,966,275	17	9,564,889	8,275,898	16
Dividends payable	72,203	49,933	45	72,203	49,933	45
Subordinated Term Debts	19,336,855	19,446,501	(1)	19,336,855	19,446,501	(1)
Total liabilities	354,335,207	309,799,685	14	354,667,465	309,718,472	15
Equity						
Stated Capital	2,208,520	1,246,479	77	2,208,520	1,246,479	77
Statutory Reserve Fund	1,336,479	1,246,479	7	1,336,479	1,246,479	7
General Reserve	5,805,707	5,805,707	-	5,805,707	5,805,707	-
Retained Earnings	18,585,256	16,088,681	16	22,775,446	21,140,725	8
Other Reserves	801,874	357,704	124	886,076	497,197	78
Total shareholders' equity	28,737,835	24,745,050	16	33,012,228	29,936,587	10
Non Controlling Interests	-	-	-	965,745	1,076,709	(10)
Total Equity	28,737,835	24,745,050	16	33,977,973	31,013,296	10
Total liabilities and equity	383,073,042	334,544,735	15	388,645,438	340,731,768	14
Net Book Value Per Share (LKR)	167.58	149.80	12	192.51	181.23	6
Contingent liabilities and commitments	269,160,399	234,221,049	15	269,877,849	235,130,473	15

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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For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY										Total
	Stated Capital LKR '000	Reserves							Non Controlling Interests LKR '000	Total LKR '000	
		Statutory Reserve Fund LKR '000	General Reserve LKR '000	Revaluation Reserve LKR '000	Share Based Payment Reserves LKR '000	Available For Sale Reserves LKR '000	Cash Flow Hedge Reserve LKR '000	Retained Earnings LKR '000			
BANK											
Balance as at 1 January 2016	1,242,772	1,242,772	5,805,707	853,456	-	(207,277)	110,160	13,638,678	-	22,700,858	22,700,858
Profit for the period	-	-	-	-	-	-	-	3,170,271	-	3,170,271	3,170,271
Other Comprehensive Income before Tax	-	-	-	-	-	(372,240)	(54,012)	(73,151)	-	(499,403)	(499,403)
Tax on Other Comprehensive Income	-	-	-	-	-	13,775	-	10,544	-	24,319	24,319
Total Comprehensive Income for the period	-	-	-	-	-	(358,465)	(54,012)	3,107,664	-	2,695,187	2,695,188
Transactions with equity holders											
Issue of Shares	2,958	-	-	-	-	-	-	-	-	2,958	2,958
Transfer from share based payment reserves	749	-	-	-	(749)	-	-	-	-	-	-
Transfer to statutory reserve fund	-	3,707	-	-	-	-	-	(3,707)	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	(653,954)	-	(653,954)	(653,954)
Balance as at 31 December 2016	1,246,479	1,246,479	5,805,707	853,456	13,841	(565,742)	56,148	16,088,681	-	24,745,051	24,745,050
BANK											
Balance as at 1 January 2017	1,246,479	1,246,479	5,805,707	853,456	13,841	(565,741)	56,148	16,088,681	-	24,745,050	24,745,050
Profit for the period	-	-	-	-	-	-	-	4,351,629	-	4,351,629	4,351,629
Other Comprehensive Income before Tax	-	-	-	361,948	-	648,763	(70,339)	(99,429)	-	840,943	840,943
Tax on Other Comprehensive Income	-	-	-	(174,143)	-	(308,218)	-	(3,037)	-	(485,398)	(485,398)
Total Comprehensive Income for the period	-	-	-	187,805	-	340,545	(70,339)	4,249,162	-	4,707,174	4,707,174
Transactions with equity holders											
Issue of Shares	962,041	-	-	-	-	-	-	-	-	962,041	962,041
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	(90,000)	-	-	-
Expiry of the ELCP option exercise period	-	-	-	-	(13,841)	-	-	-	-	(13,841)	(13,841)
Dividend to equity holders	-	-	-	-	-	-	-	(1,662,589)	-	(1,662,589)	(1,662,589)
Balance as at 31 December 2017	2,208,520	1,336,479	5,805,707	1,041,261	-	(225,196)	(14,191)	18,585,255	-	28,737,835	28,737,835

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.

 NATIONAL DEVELOPMENT BANK PLC

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For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY									
	Stated Capital	Reserves								Total
		Statutory Reserve Fund	General Reserve	Revaluation Reserve	Share Based Payment Reserves	Available For Sale Reserves	Cash Flow Hedge Reserve	Retained Earnings	Non Controlling Interests	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	Equity LKR '000
GROUP										
Balance as at 1 January 2016	1,162,963	1,242,772	5,805,707	948,795	81,098	(139,559)	110,160	19,170,268	1,018,513	29,400,717
Profit for the period	-	-	-	-	-	-	-	2,691,014	123,945	2,814,959
Other Comprehensive Income before Tax	-	-	-	21,000	-	(436,305)	(54,012)	(74,425)	2,432	(541,310)
Tax on Other Comprehensive Income	-	-	-	-	-	33,277	-	11,529	-	44,806
Total Comprehensive Income for the period	-	-	-	21,000	-	(403,028)	(54,012)	2,628,118	126,377	2,318,455
Transactions with equity holders										
Issue of Shares	2,958	-	-	-	-	-	-	-	-	2,958
Adjustment due to changes in group companies	-	-	-	-	-	-	-	-	(17,976)	(17,976)
Transfer from share based payment reserves	749	-	-	-	(749)	-	-	-	-	-
Adjustment to share based payment reserves	79,809	-	-	-	(66,508)	-	-	-	-	13,301
Transfer to statutory reserve fund	-	3,707	-	-	-	-	-	(3,707)	-	-
Dividend to equity holders	-	-	-	-	-	-	-	(653,954)	-	(653,954)
Balance as at 31 December 2016	1,246,479	1,246,479	5,805,707	969,795	13,841	(542,587)	56,148	21,140,725	1,076,709	31,013,296
Balance as at 1 January 2017	1,246,479	1,246,479	5,805,707	969,795	13,841	(542,587)	56,148	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	(70,399)	(99,547)	154	812,840
Tax on Other Comprehensive Income	-	-	-	(211,241)	-	(298,266)	-	(2,902)	-	(512,409)
Total Comprehensive Income for the period	-	-	-	166,859	-	306,205	(70,399)	3,387,303	(57,295)	3,732,734
Transactions with equity holders										
Issue of shares	962,041	-	-	-	-	-	-	-	-	962,041
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	(90,000)	-	-
Expiry of the EIPC option exercise period	-	-	-	-	(13,841)	-	-	-	-	(13,841)
Dividend to equity holders	-	-	-	-	-	-	-	(1,662,588)	(53,668)	(1,716,257)
Balance as at 31 December 2017	2,208,520	1,336,479	5,805,707	1,136,654	-	(236,382)	(14,191)	22,775,440	965,746	33,977,973

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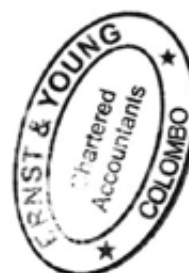
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STATEMENT OF CASH FLOW				
For the Year ended 31 December	BANK		GROUP	
	2017 LKR '000	2016 LKR '000	2017 LKR '000	2016 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	37,419,186	26,492,391	37,731,389	26,770,059
Fee based income received	2,520,532	2,253,226	3,260,952	3,273,243
Dividend income received	1,098,879	481,457	119,119	81,208
Other Operating income received	1,606,826	1,370,942	1,626,502	1,377,172
Interest paid	(24,292,670)	(19,700,090)	(24,300,757)	(19,705,603)
Personnel costs paid	(3,519,151)	(3,387,278)	(3,747,676)	(3,488,904)
Other expenses paid	(3,193,195)	(2,574,442)	(3,603,669)	(3,121,736)
Operating Profit before changes in operating assets and liabilities	11,640,407	4,936,206	11,085,860	5,185,439
Net increase in loans and receivables to other customers	(47,719,008)	(17,564,396)	(47,727,740)	(17,568,625)
Net increase in deposits from customers	66,892,475	18,271,867	66,892,475	18,271,867
Net (increase)/decrease in other assets	(328,380)	130,036	(364,477)	174,537
Net increase/(decrease) in other liabilities	(16,578,994)	3,360,318	(16,575,923)	3,338,970
Net cash inflow/(outflow) from operating activities before taxation	13,906,500	9,134,031	13,310,195	9,402,188
Tax on Financial Services paid	(1,631,150)	(985,188)	(1,631,150)	(985,188)
Income taxes paid	(821,084)	(643,843)	(994,077)	(732,167)
Net cash provided by/(used in) operating activities	11,454,267	7,505,000	10,684,968	7,684,833
CASH FLOWS FROM INVESTING ACTIVITIES				
Net changes in financial Investments	545,200	(6,741,637)	1,509,406	(6,740,813)
Expenditure on property, plant & equipment	(588,010)	(612,468)	(736,476)	(654,471)
Proceeds from sale of property, plant & equipment	21,027	10,557	22,224	11,759
Net cash used in investing activities	(21,783)	(7,343,548)	795,154	(7,383,525)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of shares	-	2,958	-	2,958
Repayment of subordinated debts	(326,700)	(296,374)	(326,700)	(296,374)
Interest paid on subordinated debts	(2,061,507)	(2,091,831)	(2,061,507)	(2,091,831)
Repayment of other borrowing	(26,459,112)	(4,831,670)	(26,430,039)	(4,831,670)
Proceeds from borrowing	19,413,133	7,892,343	19,413,133	7,892,343
Dividends paid to non-controlling interests	-	-	(99,740)	(45,977)
Dividends paid to shareholders of the Bank	(649,206)	(664,029)	(678,279)	(664,029)
Net cash provided by/(used in) financing activities	(10,083,392)	11,397	(10,183,132)	(34,580)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,349,093	172,848	1,296,990	266,727
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	20,130,977	19,958,129	20,251,928	19,985,201
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21,480,070	20,130,977	21,548,918	20,251,928
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	5,274,466	5,018,438	5,343,314	5,139,389
Balances with the Central Bank of Sri Lanka	15,364,920	11,815,277	15,364,920	11,815,277
Placements with banks	840,684	3,297,262	840,684	3,297,262
	21,480,070	20,130,977	21,548,918	20,251,928

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.

 **NATIONAL DEVELOPMENT BANK PLC**
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COLOMBO 02.

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STATEMENT OF PROFIT OR LOSS				
	Bank		Group	
	Year ended 31/12/2018	Year ended 31/12/2017	Year ended 31/12/2018	Year ended 31/12/2017
	LKR '000	LKR '000	LKR '000	LKR '000
Gross Income	51,109,421	42,526,594	52,071,241	43,017,758
Interest Income	44,354,296	37,118,699	44,621,712	37,421,114
Interest Expenses	29,549,656	26,368,585	29,517,983	26,334,787
Net Interest Income	14,804,640	10,750,114	15,103,729	11,086,327
Net Fee and Commission Income	3,136,329	2,520,532	3,947,738	3,416,002
Net gain/(loss) from trading	1,218,338	1,063,944	1,218,338	1,063,944
Net gain/(loss) from financial investments at fair value Through Profit or Loss	(6,711)	8,935	56,194	97,155
Net gain/(losses) from derecognition of financial assets	383,565	513,710	449,889	572,400
Other operating income	2,017,605	1,294,774	1,777,379	447,144
Total Operating Income	21,553,765	16,152,069	22,553,258	16,662,972
Impairment charges				
Individual Impairment	2,827,052	586,488	2,827,052	586,488
Collective Impairment	770,069	662,238	770,069	662,238
Other provision - charge/(release)	(16,112)	9,829	167,757	41,571
	3,581,009	1,258,554	3,764,878	1,290,297
Net operating income	17,972,756	14,893,455	18,788,400	15,392,675
Operating Expenses				
Personnel Expenses	4,443,795	3,611,339	4,298,398	4,024,851
Depreciation and amortization	442,169	423,248	508,895	477,699
Other Expenses	3,592,763	3,311,448	3,959,287	3,698,385
Total operating expenses	8,478,727	7,346,035	8,766,580	8,200,935
Operating Profit Before VAT & NBT & DRL on Financial Services	9,494,029	7,547,420	9,421,820	7,191,740
Less: Value Added Tax (VAT) on Financial services	1,710,172	1,364,410	1,710,172	1,364,410
National Building Tax (NBT) on Financial services	227,923	183,040	227,923	183,040
Debit repayment Levy	235,426	-	235,426	-
Operating Profit After Tax on Financial Services	7,320,508	5,999,970	7,248,299	5,644,290
Share of associate companies' profits/(losses)	-	-	-	-
Profit Before Taxation	7,320,508	5,999,970	7,248,299	5,644,290
Less: Taxation	1,772,116	1,648,341	1,972,312	2,211,987
Profit for the year	5,548,392	4,351,629	5,275,987	3,432,303
Profit Attributable to:				
Equity Holders of the parent	5,548,392	4,351,629	5,136,168	3,489,752
Non Controlling Interests	-	-	139,819	(57,449)
	5,548,392	4,351,629	5,275,987	3,432,303

	Year ended 31/12/2018	Year ended 31/12/2017	Year ended 31/12/2018	Year ended 31/12/2017
	LKR '000	LKR '000	LKR '000	LKR '000
Profit for the year	5,548,392	4,351,629	5,275,987	3,432,303
Items that will be reclassified to Income Statement				
Gains/(losses) from Available for Sale Investments	-	648,763	-	604,471
Exchange differences on translation of foreign operations	-	-	58,443	(171)
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	(70,339)	115,502	(70,339)
Less: Tax expense relating to items that will be reclassified to Income Statements	562,442	(308,218)	554,595	(298,266)
A	(516,349)	270,206	(372,119)	235,495
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	-	361,948	30,186	378,100
Actuarial Gains/(losses) on defined benefit plans	76,482	(99,429)	74,874	(99,021)
Less: Tax expense relating to items that will not be reclassified to Income Statements	2,306	(177,180)	2,306	(214,143)
B	(70,075)	85,339	(41,507)	64,936
Total Other Comprehensive Income after Tax (A + B)	(586,423)	355,545	(413,626)	300,432
Total Comprehensive Income for the year	4,961,969	4,707,174	4,862,361	3,732,735
Attributable to:				
Equity holders of the parent	4,961,969	4,707,174	4,709,202	3,790,029
Non Controlling Interests	-	-	153,159	(57,295)
	4,961,969	4,707,174	4,862,361	3,732,734



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NATIONAL DEVELOPMENT BANK PLC

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NATIONAL DEVELOPMENT BANK PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
	BANK		Group	
	Current Period	Previous Period	Current Period	Previous Period
	As at 31/12/2018 (Audited) LKR '000	As at 31/12/2017 (Audited) LKR '000	As at 31/12/2018 (Audited) LKR '000	As at 31/12/2017 (Audited) LKR '000
Assets				
Cash and cash equivalents	6,537,579	5,274,466	7,071,438	5,343,314
Balances with the Central Bank of Sri Lanka	15,546,386	15,364,920	15,546,386	15,364,920
Placements with banks	15,237,306	840,684	15,237,306	840,684
Derivative Financial Instruments	3,937,847	2,471,706	3,937,847	2,471,706
Financial Assets measured at fair value through profit or loss	1,947,242	1,216,439	4,052,409	2,659,883
Financial Assets at amortised cost - loans and receivables to other customers	344,203,289	274,029,448	344,276,363	274,078,788
Financial Assets at amortised cost - debt instruments	24,070,365	-	24,175,346	-
Financial Investments - Loans and receivables	-	21,171,508	-	23,316,328
Financial Assets measured at fair value through				
Other comprehensive income	52,908,306	-	54,487,227	-
Financial Investments - Available for sale	-	52,620,584	-	52,975,690
Financial Investments - Held to maturity	-	3,524,051	-	4,077,096
Investments - Held for sale	-	18,526	-	33,302
Investments in subsidiary companies	2,166,714	2,106,021	-	-
Investment Property	-	-	2,110,661	1,894,848
Intangible assets	379,896	384,369	396,742	397,053
Property, plant & equipment	2,569,873	2,356,679	3,144,359	2,917,017
Deferred tax Assets	1,059,485	-	1,059,485	-
Other assets	2,347,642	1,693,641	2,932,641	2,274,809
Total assets	472,911,930	383,073,042	478,428,210	388,645,438
Liabilities				
Due to Banks	15,047,481	20,236,719	15,047,481	20,236,719
Derivative Financial Instruments	2,906,572	936,754	2,906,572	936,754
Financial Liabilities at amortised cost - due to depositors	347,511,223	273,369,023	347,169,564	273,041,417
Financial Liabilities at amortised cost				
- due to debt securities holders	6,394,211	8,719,243	6,382,024	8,719,243
- due to other borrowers	37,040,987	19,387,802	37,040,987	19,387,802
Debt securities issued	16,811,808	19,336,855	16,811,808	19,336,855
Retirement benefit obligations	408,308	363,138	501,531	460,080
Current Tax Liabilities	3,077,151	1,578,447	3,147,224	1,575,091
Deferred Tax Liabilities	-	1,371,659	471,281	1,796,492
Other liabilities	8,638,014	8,963,364	8,760,117	9,177,012
Dividends payable	78,133	72,203	78,133	72,203
Total liabilities	437,913,888	354,335,207	438,316,722	354,667,465
Equity				
Stated Capital	6,469,323	2,208,520	6,469,323	2,208,520
Statutory Reserve Fund	1,636,479	1,336,479	1,636,479	1,336,479
General Reserve	5,805,707	5,805,707	5,805,707	5,805,707
Retained Earnings	20,966,190	18,585,255	24,862,382	22,775,440
Other Reserves	120,343	801,874	238,555	886,081
Total shareholders' equity	34,998,042	28,737,835	39,012,446	33,012,227
Non Controlling Interests	-	-	1,099,042	965,746
Total Equity	34,998,042	28,737,835	40,111,488	33,977,973
Total liabilities and equity	472,911,930	383,073,042	478,428,210	388,645,438
Net Book Value Per Share (LKR)	166.41	167.58	185.49	192.51
Contingent liabilities and commitments	288,882,867	269,160,399	289,758,239	269,877,849

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 **NATIONAL DEVELOPMENT BANK PLC**
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COLOMBO 02.

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NATIONAL DEVELOPMENT BANK PLC

For this year ended 31 December	STATEMENT OF CHANGES IN EQUITY											
	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	Total Equity 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	Reserve LKR '000					
BANK												
Balance as at 1 January 2017	1,246,479	1,246,479	853,456	13,841	(565,741)	-	56,148	5,805,707	16,088,681	24,745,050	-	24,745,050
Profit for the period	-	-	-	-	-	-	-	-	4,351,629	4,351,629	-	4,351,629
Other Comprehensive Income before Tax	-	-	361,948	-	648,763	-	(70,339)	-	(99,429)	840,943	-	840,943
Tax on Other Comprehensive Income	-	-	(174,143)	-	(308,218)	-	-	-	(3,037)	(685,398)	-	(685,398)
Total Comprehensive Income for the period	-	-	187,805	-	340,545	-	(70,339)	-	4,249,162	4,707,173	-	4,707,173
Transactions with equity holders												
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-	-	-
Expiry of the EICP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)	-	(13,841)
Final Dividend for year 2016 - Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(29,072)	-	(29,072)
Final Dividend for year 2016 - Cash	-	-	-	-	-	-	-	-	(328,505)	(328,505)	-	(328,505)
Interim Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(342,971)	(342,971)	-	(342,971)
Balance as at 31 December 2017	2,208,520	1,336,479	1,041,261	-	(225,196)	-	(14,191)	5,805,707	18,585,254	28,737,834	-	28,737,835
BANK												
Balance as at 1 January 2018	2,208,520	1,336,479	1,041,261	-	(225,196)	-	(14,191)	5,805,707	18,585,255	28,737,835	-	28,737,835
Transitional adjustment on the Implementation of SLFRS 9	-	-	-	-	225,196	-	(225,196)	-	(2,457,013)	(2,457,013)	-	(2,457,013)
Deferred tax on Transitional adjustments	-	-	-	-	-	-	-	-	687,964	687,964	-	687,964
Restated Balance as at 1 January 2018 under SLFRS 9	2,208,520	1,336,479	1,041,261	-	-	-	(14,191)	5,805,707	16,816,206	26,968,785	-	26,968,786
Total Comprehensive Income for the period	-	-	-	-	-	-	-	-	5,548,392	5,548,392	-	5,548,392
Profit for the period	-	-	-	-	-	-	-	-	92,800	(1,151,173)	-	(1,151,173)
Other Comprehensive Income before Tax	-	-	-	-	(1,356,475)	-	115,502	-	2,308	564,750	-	564,750
Tax on Other Comprehensive Income	-	-	-	-	562,442	-	-	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	-	(797,033)	-	115,502	-	5,643,500	4,961,968	-	4,961,969
Transactions with equity holders												
Issue of Shares	3,449,676	-	-	-	-	-	-	-	-	3,449,676	-	3,449,676
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)	(336,087)	-	(336,087)
Balance as at 31 December 2018	6,469,323	1,636,479	1,041,261	-	(1,022,229)	-	101,311	5,805,707	20,966,190	34,998,041	-	34,998,042

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NATIONAL DEVELOPMENT BANK PLC

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COLOMBO 02.



For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY										Total		
	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	Equity 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							
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	29,936,587	1,076,709	31,013,296	
Profit for the period	-	-	-	-	-	-	-	-	3,489,752	3,489,752	(57,449)	3,432,303	
Other Comprehensive Income before Tax	-	-	378,100	-	604,471	-	(70,339)	-	(99,546)	811,686	114	812,840	
Tax on Other Comprehensive Income	-	-	(211,241)	-	(238,266)	-	-	-	(2,902)	(512,409)	-	(512,409)	
Total Comprehensive Income for the period	-	-	166,859	-	306,205	-	(70,339)	-	3,387,804	3,387,804	(57,335)	3,732,735	
Transactions with equity holders													
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-	-	-	
Expiry of the ELP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)	-	(13,841)	
Fiscal Dividend for year 2016 - Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(29,072)	(53,668)	(82,740)	
Fiscal Dividend for year 2016 - Cash	-	-	-	-	-	-	-	-	(328,505)	(328,505)	-	(328,505)	
Interim Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(342,971)	(342,971)	-	(342,971)	
Balance as at 31 December 2017	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,191)	5,805,707	22,775,440	33,012,227	965,746	33,977,973	
Balance as at 1 January 2018													
Transitional adjustment on the implementation of SLFRS 9	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,191)	5,805,707	22,775,440	33,012,227	965,746	33,977,973	
Deferred tax on Transitional adjustments	-	-	-	-	236,382	-	-	-	(2,456,276)	(2,456,276)	2	(2,456,274)	
Restated Balance as at 1 January 2018 under SLFRS 9	2,208,520	1,336,479	1,136,654	-	-	-	(14,191)	5,805,707	688,663	688,663	-	688,663	
Total Comprehensive Income for the period													
Profit for the period	-	-	-	-	-	-	-	-	5,136,168	5,136,168	139,819	5,275,987	
Other Comprehensive Income before Tax	-	-	30,186	-	-	-	115,502	-	(981,869)	(951,683)	13,340	(970,529)	
Tax on Other Comprehensive Income	-	-	-	-	(1,347,809)	-	-	-	2,308	556,903	-	556,903	
Total Comprehensive Income for the period	-	-	30,186	-	(793,214)	-	115,502	-	5,356,728	4,709,202	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)	(8,657)	30,660	22,003	
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	-	(300,000)	-	-	-	
Fiscal Dividend for year 2017 - Scrip	811,127	-	-	-	-	-	-	-	(857,429)	(46,302)	-	(46,302)	
Fiscal Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(336,087)	(336,087)	(50,515)	(386,602)	
Balance as at 31 December 2018	6,469,323	1,636,479	1,166,840	-	(1,029,596)	101,311	-	5,805,707	24,862,882	39,012,446	1,099,042	40,111,488	

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NATIONAL DEVELOPMENT BANK PLC

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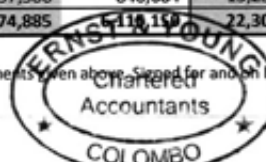


STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2018 LKR '000	2017 LKR '000	2018 LKR '000	2017 LKR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	40,951,417	37,419,186	41,252,618	37,731,389
Fee based income received	3,165,779	2,520,532	4,068,512	3,260,952
Dividend 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
NATIONAL DEVELOPMENT BANK PLC	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 shown above. Signed for and on Behalf of the Management

P.O. BOX: 1825
40, NAWAM MAWATHA,
COLOMBO 02.

NATIONAL DEVELOPMENT BANK PLC



2/28/2019

Press Release

FitchRatings

Fitch Rates National Development Bank's Basel III Sub Debt Final 'A(lka)'

Fitch Ratings - Colombo - 28 February 2019: Fitch Ratings has assigned National Development Bank PLC's (A+(lka)/Negative) proposed Basel III-compliant subordinated debentures a final National Long-Term Rating of 'A(lka)'.

The notes, which total up to LKR6.5 billion with maturities of five years, include a non-viability clause and qualify as regulatory Tier II capital for the bank. The bank plans to use the proceeds to strengthen its Tier II capital base and support loan-book expansion. The debentures are to be listed on the Colombo Stock Exchange.

The final rating is the same as the expected rating assigned on 15 February 2019, and follows the receipt of documents conforming to information already received.

Key Rating Drivers

Fitch rates the proposed Tier II instrument one notch below the bank's National Long-Term Rating to reflect the notes' subordinated status and higher loss-severity risks relative to senior unsecured instruments. The notes would convert to equity upon the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka.

NDB's National Long-Term Rating is used as the anchor rating for these instruments, as it reflects its standalone financial strength and best indicates the risk of the bank becoming non-viable.

Fitch has not applied additional notching to the proposed notes for non-performance risk, as they have no going-concern loss-absorption features, in line with the agency's criteria.

NDB's National Long-Term Rating reflects its developing franchise and satisfactory asset quality relative to peers, which are balanced against declining capitalisation and above-sector loan growth.

The Negative Outlook reflects our expectation of continued pressure on NDB's capitalisation from its rising risk appetite in terms of high loan growth and increasing exposure to riskier retail and SME customer segments. Fitch believes the bank could continue to face challenges in the medium term in maintaining capital buffers that are commensurate with its risk appetite, even with capital raising, due to its above-sector growth aspirations - loan growth has averaged at 18% annually since 2014 - and probable higher regulatory requirements as a domestic systemically important bank (D-SIBs). Capitalisation has been weakening, with the group's Tier 1 capital ratio declining to 10.4% by end-2018 (end-2014: 12.9%), while the bank's ratio stood at 9.2% (2014: 10.0%).

Rating Sensitivities

The rating of the notes would move in tandem with NDB's National Long-Term Rating.

NDB's National Long-Term Rating could be downgraded if the bank cannot sustain its capitalisation at a level that is commensurate with its rising risk appetite. Fitch would revise the Outlook to Stable if the bank maintains sufficient capital buffers that are commensurate with its risk profile and similarly rated peers.

FITCH RATINGS LANKA LTD.



Authorised Signatory.

Date of Relevant Committee

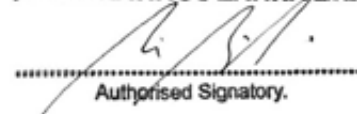
11-Feb-2019

RATING ACTIONS

ENTITY/DEBT		RATING	
National Development Bank PLC			
subordinated	Natl LT A(lka) New Rating		

Additional information is available on www.fitchratings.com**FITCH RATINGS ANALYSTS**

Primary Rating Analyst
 Rukshana Thalgodapitiya
 Director
 +94 11 2541 900
 Fitch Ratings Lanka Ltd.
 15-04 East Tower World Trade Center
 Colombo 00100

FITCH RATINGS LANKA LTD.


Authorised Signatory.

Secondary Rating Analyst
 Jeewanthi Malagala
 Analyst
 +9411 2541 900

Committee Chairperson
 Grace Wu
 Senior Director
 +852 2263 9919

MEDIA CONTACTS

Bindu Menon
 Mumbai
 +91 22 4000 1727
bindu.menon@fitchratings.com

Leslie Tan
 Singapore
 +65 6796 7234
leslie.tan@thefitchgroup.com

Applicable Criteria

National Scale Ratings Criteria (pub. 18 Jul 2018)
 Bank Rating Criteria (pub. 12 Oct 2018)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Policy

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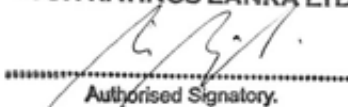
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FITCH RATINGS LANKA LTD.


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Authorized Signatory.

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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	Financial Advisors and Managers 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 No. 546/7, Galle Road Colombo 03 Tel: +94-11 2 573 485 Fax: +94-11 2 573 037	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

Members of the CSE

Acuity Stockbrokers (Private) Limited Level 6, Acuity House 53, Dharmapala Mawatha Colombo 03. Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: sales@acuitystockbrokers.com	Asha Phillip Securities Limited No.60 5 th Lane Colombo 03. Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: apsl@ashaphillip.net
Asia Securities (Private) Limited 4 th Floor, Lee Hedges Tower No.349, Galle Road Colombo 03. Tel: +94 11 7 722 000 Fax: +94 11 2 372 280 E-mail: marketinfo@asiasecurities.lk	Assetline Securities (Private) Limited 120, 120A, Pannipitiya Road Battaramulla. Tel: +94 11 4 700 100 Fax: +94 11 4 700 112 E-mail: info@assetline.lk
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@bartleetstock.com	Capital Trust Securities (Private) Limited 42, Sir Mohamed Macan Markar Mawatha Colombo 03 Tel: +94 11 2 174 174 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

<p>J B Securities (Private) Limited</p> <p>150, St. Joseph Street Colombo 14.</p> <p>Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk</p>	<p>John Keells Stockbrokers (Private) Limited</p> <p>186, Vauxhall Street Colombo 02.</p> <p>Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com</p>
<p>Lanka Securities (Private) Limited</p> <p>228/1, Galle Road Colombo 04.</p> <p>Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com</p>	<p>Nation Lanka Equities (Private) Limited</p> <p>44, Guildford Crescent Colombo 07.</p> <p>Tel: +94 77 7 630 624/77 3 030 885/77 6 521 001 Fax: +94 11 2 688 899 E-mail: info@nlequities.com</p>
<p>NDB Securities (Private) Limited</p> <p>Level 2, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04.</p> <p>Tel: +94 11 2 314 170-8 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk</p>	<p>SC Securities (Private) Limited</p> <p>5th Floor No. 26B, Alwis Place Colombo 03.</p> <p>Tel: +94 11 4 711 000 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk</p>
<p>Somerville Stockbrokers (Private) Limited</p> <p>No. 1A, Park way, Park Road Colombo 05.</p> <p>Tel: +94-11 2 502 852/ 54/ 58/ 62 Fax: +94 11 2 502 596 E-mail: ssb-web@slt.net.lk</p>	

Trading Members

Softlogic Stockbrokers (Private) Limited No.06, 37th Lane Queens Road Colombo 03. Tel: +94 11 7 277 000-98 Fax: +94 11 7 277 099 Email: ssb.inquiry@softlogic.lk	Capital Alliance Securities (Private) Limited Level 5, “Millennium House” 46/58, Navam Mawatha Colombo 02. Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: info@cal.lk
Navara Securities (Private) Limited No.12B, Gregory’s Road Colombo 07. Tel: +94 11 2 358 700/20, Fax: +94 11 5 005 551 E-mail: info@navarasecurities.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
Candor Equities Limited Level 8, South Wing Millennium House 46/58, Navam Mawatha Colombo 02. Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info@candorh.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
SMB Securities (Private) Limited No. 02 Gower Street Colombo 05. Tel: +94 11 5 886 971 Fax: +94 112 550 100 E-mail: info@smbsecurities.lk	Richard Pieris Securities (Pvt) Limited 55/20, Vauxhall Lane Colombo 02. Tel: +94 11 7 448 900, +94 11 5 900 800 Fax: +94 11 2 330 711 E-mail: rpfsi@rpsecurities.com

Taprobane Securities (Private) Limited 2 nd Floor 10, Gothami Road Colombo 08. Tel: +94 11 5 328 200 Fax: +94 11 5 328 177 E-mail: info@taprobane.lk	TKS Securities (Private) Limited 4 th Floor No. 245, Dharmapala Mawatha Colombo 07. Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: info@tks.lk
Enterprise Ceylon Capital (Private) Limited No.73/1 Dharmapala Mawatha Colombo 07. Tel: +94 11 2 445 644 Fax: +94 11 2 372 541 E-mail: info@ecc.lk	

Trading Members – Debt

NSB Fund Management Company Limited No. 255, 1 st Floor NSB Head Office Galle Road Colombo 03. Tel: +94 -11 2 564 601 Fax: +94 11 2 574 387	Capital Alliance Limited Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 02. Tel: +94 11 2 317 777 Fax: +94 11 2 317 788
Wealthtrust Securities Limited No. 32 Dudley Senanayake Mawatha Colombo 08. Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-Mail: info@wealthtrust.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 Limited 64, Galle Road Colombo 03. T: +94 11 2 374 100
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha Colombo 15. T: +94 11 4 711 411	Pan Asia Banking Corporation PLC (Head Office) 450, Galle Road Colombo 03. T: +94 11 2 565 565
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..... hereby declare and confirm that I/we fall under the definition of a US Person under the provisions 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 that FATCA is extra-territorial by design and requires "US Persons" to report their financial assets held overseas. (other than in U.S.)

I/We hereby request and authorize the National Development Bank PLC which is recognized as a Foreign Financial Institution (FFI) 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 including the NDB Debentures (2019/2024) to the Internal Revenue Services of the United States of America (IRS). I /we further authorize NDB to remit any taxes or levies payable to the IRS as may be required in terms of the FACTA and/or corresponding legislation /regulation.

I/We further confirm that this concurrence is granted by me/us with full knowledge and understanding of FATCA and in terms of the provisions of Section 77 of the Banking Act No 30 of 1988 of Sri Lanka.

Date:.....

Name of Applicant/s:

No of NDB Debentures:

Place of Birth :

Sri Lankan with dual citizenship *: Yes/No

Sri Lankan Origin with citizenship in another country *: Yes/No

Permanent Resident /Green Cardholder of USA: Yes/No

Tax Identification/Social Security Number:

Signature/s of Applicants

Name

Date

*Please name the country:

