

Explore the Universe of  
**Infinite Possibilities.**

# NATIONAL DEVELOPMENT BANK PLC



## PROSPECTUS

AN INITIAL ISSUE OF FIFTY MILLION (50,000,000) BASEL III COMPLIANT-TIER 2, LISTED RATED  
UNSECURED SUBORDINATED REDEEMABLE FIVE YEAR DEBENTURES (2020-2025) WITH  
A NON-VIABILITY CONVERSION ("DEBENTURES"), AT THE PAR VALUE OF SRI LANKA RUPEES ONE  
HUNDRED (LKR 100/-) EACH TO RAISE  
SRI LANKA RUPEES FIVE BILLION (LKR 5,000,000,000/-)  
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 NOT EXCEEDING 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

17<sup>th</sup> September 2020

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

Managers to the Issue



Joint Placement Agents to the Issue



*[This page is intentionally left blank]*

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

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

Upon a Non-Viability Conversion;

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

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

This investment instrument is riskier than a bank deposit.

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

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

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

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

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

This Prospectus is dated 09<sup>th</sup> September 2020

### **Responsibility for the Content of the Prospectus**

This Prospectus has been prepared with available information.

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

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

### **FOR ENQUIRIES PLEASE CONTACT MANAGERS AND JOINT PLACEMENT AGENTS TO THE ISSUE**

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

### **Registration of the Prospectus**

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

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



- h) The written consent of the Managers to the Issue for the inclusion of their names in the Prospectus as Managers to the Issue.
- i) The written consent of the Joint Placement Agents to the Issue for the inclusion of their names in the Prospectus as Joint Placement Agents to the Issue.
- j) The declaration made and subscribed to, by each of the Directors of the Bank herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

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

### **Registration of the Prospectus in Jurisdictions Outside of Sri Lanka**

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

### **Representation**

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

### **Forward Looking Statements**

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

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

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

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

### **Presentation of Currency Information and Other Numerical Data**

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

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

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

### **IMPORTANT**

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

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

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 22<sup>nd</sup> November 2010 and Circular No.13/2010 issued by the CDS dated 30<sup>th</sup> 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 (2020 - 2025) with a Non-Viability Conversion.														
Listing	The Debentures will be listed on the Colombo Stock Exchange														
Number of Debentures to be Issued	An initial Issue of Fifty Million (50,000,000) Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 year Debentures (2020 - 2025) 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	A sum of up to Sri Lankan Rupees Five Billion (LKR 5,000,000,000/-) with an option to issue up to a further Sri Lankan 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+ (Ika)/stable)” by Fitch Ratings Lanka Limited														
Issue Rating	“A- (Ika)” by Fitch Ratings Lanka Limited														
Issue Price	Rupees One Hundred (LKR 100/-) per each Debenture														
Par Value	Rupees One Hundred (LKR 100/-) per each Debenture														
Details of Debentures	Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 year Debentures (2020 - 2025) with a Non-Viability Conversion, as described below;														
	<table><tr><th>Type of Interest</th><th>Tenure</th><th>Interest Rate (per annum)</th><th>Annual Effective Rate (AER)</th><th>Interest Payment Frequency</th></tr><tr><td>Fixed Rate</td><td>5 years</td><td>9.50% p.a.</td><td>9.50%</td><td>Annual</td></tr></table>					Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency	Fixed Rate	5 years	9.50% p.a.	9.50%	Annual
	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency										
Fixed Rate	5 years	9.50% p.a.	9.50%	Annual											
Number of Debentures to be Subscribed	The minimum subscription requirement applicable for a Qualified Investor applying for debt Securities shall be Rupees Ten Thousand (LKR 10,000/-).														
	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/-).														
Interest Payment Date(s)	The dates on which payments of interest in 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.														
	Interest would be paid not later than three (03) Working Days from each Interest Payment Date.														
	The final interest payment will be paid together with the Principal Sum within three (03) Working Days from the Date of Redemption.														



<b>Interest Period</b>	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).
<b>Mode of Payment of Principal Sum and Interest</b>	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".
<b>Issue Opening Date</b>	17 <sup>th</sup> September 2020
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
<b>Closure Date of the Subscription List</b>	<p>Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 17<sup>th</sup> September 2020 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 07<sup>th</sup> October 2020.</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"> <li>- The maximum of Sixty Five Million (65,000,000) Debentures being fully subscribed; or</li> <li>- 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.</li> </ul> <p>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 pm.</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 at 4.30 pm. (refer Section 5.2 of this Prospectus).</p>

<b>Basis of Allotment</b>	<p>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> <p><b>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.</b></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>
<b>Non-Viability Conversion</b>	<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>
<b>Conversion Price</b>	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.
<b>Volume Weighted Average Price ( VWAP)</b>	The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange.
<b>Trigger Event</b>	<p>Means a point or event at which the Monetary Board of the Central Bank of Sri Lanka in terms of item 10 (iii)(a) of Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29th December 2016 (as may be amended from time to time) determines:</p> <p>(a) the Bank would become non-viable, without a write-down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the said Directions; or</p> <p>(b) to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable in terms of item 10(iii)(b) of the said Directions.</p>

*[This page is intentionally left blank]*

## TABLE OF CONTENTS

<b>1</b>	<b>CORPORATE INFORMATION .....</b>	<b>1</b>
<b>2</b>	<b>RELEVANT PARTIES TO THE ISSUE .....</b>	<b>2</b>
<b>3</b>	<b>LIST OF ABBREVIATIONS.....</b>	<b>4</b>
<b>4</b>	<b>GLOSSARY OF TERMS RELATED TO THE ISSUE .....</b>	<b>5</b>
<b>5</b>	<b>PRINCIPAL FEATURES OF THE DEBENTURES .....</b>	<b>8</b>
5.1	INVITATION TO SUBSCRIBE .....	8
5.2	SUBSCRIPTION LIST .....	8
5.3	TYPES OF DEBENTURES .....	9
5.4	OBJECTIVES OF THE ISSUE & SPECIFIC RISK RELATING TO THE OBJECTIVES OF THE DEBENTURE ISSUE .....	9
5.5	PAYMENT OF INTEREST .....	13
5.6	APPLICATION OF TAX ON INTEREST PAYMENTS .....	13
5.7	REDEMPTION OF DEBENTURES AND CONSEQUENCE OF A TRIGGER EVENT .....	13
5.8	PAYMENT METHOD.....	15
5.9	TRUSTEE TO THE ISSUE.....	15
5.10	RATING OF THE DEBENTURE .....	16
5.11	RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDERS .....	16
5.12	BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE BANK .....	17
5.13	RISKS INVOLVED IN INVESTING IN THE DEBENTURES .....	17
5.14	TRANSFER OF DEBENTURES .....	22
5.15	LISTING .....	23
5.16	COST OF THE ISSUE .....	23
5.17	BROKERAGE FEE .....	23
5.18	UNDERWRITING .....	23
<b>6</b>	<b>PROCEDURE FOR APPLICATION .....</b>	<b>24</b>
6.1	INSPECTION OF DOCUMENTS .....	24
6.2	ELIGIBLE APPLICANTS .....	24
6.3	HOW TO APPLY.....	25
6.4	NUMBER OF DEBENTURES TO BE SUBSCRIBED.....	28
6.5	MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS .....	28
6.6	REJECTION OF APPLICATIONS .....	30
6.7	BANKING OF PAYMENTS .....	31
6.8	BASIS OF ALLOTMENT OF DEBENTURES .....	31
6.9	REFUNDS .....	31
6.10	CDS ACCOUNTS AND SECONDARY MARKET TRADING .....	32
<b>7</b>	<b>THE BANK.....</b>	<b>33</b>
7.1	FINANCIAL YEAR .....	33
7.2	STATED CAPITAL .....	33
7.3	MAJOR SHAREHOLDERS AS AT 30 <sup>th</sup> June 2020.....	34
7.4	DETAILS OF OTHER DEBENTURES IN ISSUE .....	35
7.5	PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK .....	36
7.6	CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK .....	37

7.7	LITIGATIONS AGAINST THE BANK.....	37
7.8	KEY FINANCIAL RATIOS.....	38
7.9	DEBENTURE INTEREST PAYMENT DETAILS.....	39
7.10	IMPACT OF COVID 19 ON THE BANK AND ITS BUSINESS OPERATIONS.....	39
7.11	TAXATION .....	40
7.12	FINANCIAL STATEMENTS & FINANCIAL SUMMARY .....	40
<b>8</b>	<b>BOARD OF DIRECTORS .....</b>	<b>41</b>
8.1	DETAILS OF THE DIRECTORS.....	41
8.2	BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE .....	41
<b>9</b>	<b>STATUTORY DECLARATIONS.....</b>	<b>42</b>
9.1	STATUTORY DECLARATION BY THE DIRECTORS .....	42
9.2	STATUTORY DECLARATION BY THE MANAGERS TO THE ISSUE.....	43
<b>10</b>	<b>FINANCIAL INFORMATION .....</b>	<b>44</b>
10.1	ACCOUNTANT'S REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS .....	44
	<b>ANNEXURE I - COPY OF THE RATING CERTIFICATE.....</b>	<b>62</b>
	<b>ANNEXURE II - COLLECTION POINTS .....</b>	<b>69</b>
	<b>ANNEXURE III - CUSTODIAN BANKS.....</b>	<b>74</b>
	<b>ANNEXURE IV – FATCA DECLARATION.....</b>	<b>75</b>

## 1 CORPORATE INFORMATION

---

<b>Name of the Bank/Issuer</b>	National Development Bank PLC
<b>Legal Status</b>	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.
<b>Company Number</b>	PQ 27
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	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
<b>Company Secretary</b>	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
<b>Rating Agency</b>	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
<b>Auditors</b>	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
<b>Board of Directors</b>	Mr. Eshana De Silva - Chairman – Non-executive / Independent Mr. Dimantha Seneviratne - Group Chief Executive Officer – Executive / Non-Independent Mr. Sriyan Cooray - Non-executive / Independent Mr. Bernard Sinniah - Non-executive / Non- Independent Dr. Dinusha Panditaratne - Non-executive / Independent Mr. Sujeewa Mudalige - Non-executive / Independent Ms. Hiransa Kaluthanthri - Non-executive / Non- Independent Mr. Hiran Perera - Non-executive / Non- Independent Mr. Kushan D' Alwis - Non-executive / Independent



## 2 RELEVANT PARTIES TO THE ISSUE

---

<b>Managers to the Issue</b>	<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>
<b>Joint Placement Agents to the Issue</b>	<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> <p>Capital Alliance Partners Limited Level 5, “Millennium House”, 46/58, Navam Mawatha, Colombo 02.</p> <p>Tel: +94 11 2317777 Fax: +94 11 2317788</p>
<b>Lawyers to the Issue</b>	<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>
<b>Registrars to the Issue</b>	<p>S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03, Sri Lanka.</p> <p>Tel: +94 11 2 573 894 Fax: +94 11 2 573 609</p>
<b>Trustee to the Issue</b>	<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>

<b>Company Secretary</b>	<p>Ms. Shehani Ranasinghe (Attorney-at-Law) National Development Bank PLC No. 40, Navam Mawatha Colombo 02</p> <p>Tel: +94 11 2 448 448 (Ext: 33000) Fax: +94 11 2 341 050</p>
<b>Rating Agency to the Issue</b>	<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>
<b>Bankers to the Issue</b>	<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>
<b>Auditors and Reporting Accountants to the Issue</b>	<p>M/s Ernst &amp; Young Chartered Accountants No. 201, De Saram Place Colombo 10</p> <p>Tel: +94 11 2 463 500 Fax: +94 11 2 697 369</p>

### 3 LIST OF ABBREVIATIONS

---

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

#### 4 GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant</b>	Any person identified as a Qualified Investor who submits an Application Form under this Prospectus.
<b>Application Form/Application</b>	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue.
<b>Bank/ Issuer</b>	National Development Bank PLC
<b>Basel III</b>	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).
<b>Closure Date</b>	<p>Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 17<sup>th</sup> September 2020 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 07<sup>th</sup> October 2020.</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"> <li>- The maximum of Sixty Five Million (65,000,000) Debentures being fully subscribed; or</li> <li>- 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.</li> </ul> <p>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 pm.</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 at 4.30 pm. (refer Section 5.2 of this Prospectus).</p>
<b>Conversion Price</b>	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.
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.7 of this Prospectus.
<b>Debentures</b>	Basel III compliant – Tier 2, Listed Rated Unsecured Subordinated Redeemable Five Year Debenture Issue (2020 – 2025) with a Non - Viability Conversion, to be issued pursuant to this Prospectus.
<b>Debenture Holder(s)</b>	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title.

<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption, in the event a Trigger Event does not occur.
<b>Interest Payment Date(s)</b>	<p>The dates on which payments of interest in 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> <p>Interest would be paid not later than three (03) Working Days from each Interest Payment Date.</p>
<b>Interest Period</b>	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).
<b>Issue</b>	The offer of Debentures to Qualified Investors pursuant to this Prospectus.
<b>Issue Price</b>	Rupees One Hundred (LKR 100/-) per each Debenture
<b>Market Day</b>	Any day on which trading takes place at the CSE.
<b>Non-Resident(s)</b>	Persons resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka.
<b>Non Viability Conversion</b>	<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 debenture interest accrued and unpaid (if any) 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>
<b>Par Value</b>	LKR 100/- per each Debenture
<b>Principal Sum</b>	The product of the number of Debentures allotted and the Par Value
<b>Prospectus</b>	This prospectus dated 09 <sup>th</sup> September 2020 issued by National Development Bank PLC
<b>Qualified Investors</b>	<p>(a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).</p> <p>(b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended).</p> <p>(c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.</p> <p>(d) A venture capital fund/ company and private equity company.</p>

	<p>(e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act. No 42 of 2011 (as amended).</p> <p>(f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended)</p> <p>(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)</p> <p>(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.</p> <p>(i) An investment trust or investment company</p> <p>(j) A Non-Resident institutional investor</p> <p>(k) An individual with an initial investment amount of LKR 5,000,000/-</p>
<b>Redemption</b>	Repayment of the Principal Sum and unpaid and accrued interest (if any) with regard to a Debenture to a Debenture Holder by the Bank
<b>Registered Address</b>	The address provided by the Debenture Holders to the CDS
<b>Subordinated</b>	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 <b><u>unless there has been an issuance of ordinary voting shares to the Debentures Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture Holder and become a shareholder of the Bank to the extent of such issuance</u></b>
<b>Tier 2</b>	Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and general loan loss provision of the Bank
<b>Trigger Event</b>	<p>Means a point or event at which the Monetary Board of the Central Bank of Sri Lanka in terms of item 10 (iii)(a) of Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29th December 2016 (as may be amended from time to time) determines:</p> <p>(a) the Bank would become non-viable, without a write-down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the said Directions; or</p> <p>(b) to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable in terms of item 10(iii)(b) of the said Directions</p>
<b>Trustee</b>	Bank of Ceylon
<b>Trust Deed</b>	Trust Deed executed between the Bank and Bank of Ceylon on 28 <sup>th</sup> August 2020
<b>Unsecured</b>	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer
<b>Volume Weighted Average Price (VWAP)</b>	The daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange



## 5 PRINCIPAL FEATURES OF THE DEBENTURES

---

### 5.1 INVITATION TO SUBSCRIBE

The Board of Directors of National Development Bank PLC (hereinafter referred to as the “Board”) at the Board Meeting held on 10<sup>th</sup> July 2020 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 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 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 voting shares to the Debenture Holders upon the occurrence of a Trigger Event a Debenture Holder would cease to be Debenture Holder and would become a shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with existing ordinary shareholders.

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

As per CSE Listing Rules Section 2.2.1 (m), 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 sum of 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 17<sup>th</sup> September 2020 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 07<sup>th</sup> October 2020.

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 Fifty Million (50,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and subscription list will be closed on the following Market Day at 4.30 p.m.

### 5.3 TYPES OF DEBENTURES

The Issue consists of only one type of Debentures, i.e. Debentures with fixed coupon rates each with a Par Value of Rupees One Hundred (LKR 100/-).

Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment frequency
Fixed Rate	5 years	9.50% p.a.	9.50%	Annual

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

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

**a. Improve and further strengthen the Capital Adequacy Ratio (CAR) in line with the Basel III guidelines.**

Funds raised from the Debenture Issue 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 01<sup>st</sup> July 2017. Subsequently, on 20<sup>th</sup> December 2019, Banking Act Direction No. 11 of 2019 was issued by CBSL amending the Direction No. 1 of 2016 on capital requirements under BASEL III for licensed commercial banks and licensed specialised banks.

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

The revised requirement for banks commencing from 1<sup>st</sup> January 2020 is as follows:

Components of Capital	BASEL III- Minimum Regulatory Requirement with effect from January 2020 (%)	
	All Licensed Banks	Banks determined as Domestically Systemically Important Banks
Common Equity Tier 1 including Capital Conservation Buffer	7.0	7.0 + HLA
Total Tier 1 including Capital Conservation Buffer	8.5	8.5 + HLA
Total Capital Ratio including Capital Conservation Buffer	12.5	12.5 + HLA

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

Accordingly, the minimum capital requirements from 30<sup>th</sup> March 2020, for NDB is as provided in the table below;

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

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

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

The Bank has complied with the BASEL III minimum capital adequacy requirement as at 30<sup>th</sup> June 2020 with Tier 1 ratio of 9.30% and Total capital ratio of 12.94% respectively.

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

Components	As at 30 <sup>th</sup> June 2020	Minimum Regulatory Requirement as at 30 <sup>th</sup> March 2020	Expected (%), subsequent to the Debenture Issue	
			With LKR 5.0 Billion	With LKR 6.5 Billion
Common Equity Tier 1 including Capital Conservation Buffer	9.30%	6.5%	9.33%	9.33%
Total Tier 1 including Capital Conservation Buffer	9.30%	8.0%	9.33%	9.33%
Total Capital Ratio including Capital Conservation Buffer	12.94%	12.0%	13.84%	14.19%

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

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

The Bank has received 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 20<sup>th</sup> August 2020 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 (I) of the CSE Listing Rules, the Bank has obtained the shareholder approval by way of a special resolution for the issuance of the Debentures.

**b. 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 twelve months from the Date of Allotment of the Debentures. In the interim period these funds will be invested in Government Securities at zero risk at the current market rates, which would generate a return at the rate of 5.00% p.a. - 5.50% p.a.

**Specific risks relating to objectives of the Debenture Issue**

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

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

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

During the year 2018, the Bank's gross loans and receivable portfolio recorded a growth of 27% from Sri Lanka Rupees Two Hundred Seventy Eight Billion and Eight Hundred and Sixteen Million Five Hundred and Forty Six Thousand (LKR 278,816,546,000/-) to Sri Lanka Rupees Three Hundred and Fifty Three Billion Three Hundred and Sixty Nine Million Six Hundred and

Forty Nine Thousand (LKR 353,369,649,000/-). During the year 2019, the Bank's gross loans and receivables recorded a growth of 16% from Sri Lanka Rupees Three Hundred and Fifty Three Billion Three Hundred and Sixty Nine Million Six Hundred and Forty Nine Thousand (LKR 353,369,649,000/-) to Sri Lanka Rupees Four Hundred Nine Billion Two Hundred Twenty One Million Four Hundred and Thirty Two Thousand (LKR 409, 221,432,000/-). As such, based on Bank's past experience and the growth achieved as at date 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.

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

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party.s, etc.)
1	To improve the Capital Adequacy Ratio	Initial issue of LKR 5 Bn and a maximum issue of LKR 6.5 Bn	Upon the allotment of the Debentures to include the amount raised via the Debentures under Tier 2 capital base	To be disclosed in the Annual Report and the Interim Financial Statements				
2	To facilitate future expansion of business activities of the Bank		Over a period of 12 months from the Date of Allotment					

In the event the 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 of Nine Decimal Five per centum (9.50%) per annum, payable annually on the respective Interest Payment Dates.

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

Interest on the Debentures accruing on a daily basis will be paid annually 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 shares of the Bank ranking equal and *pari passu* with the existing ordinary voting shares, to the Debenture Holders up to the outstanding balance of such Debentures including the total Par Value of the Debentures and debenture interest. As such upon issuance of ordinary voting shares as above, no interest will be accrued on Debentures thereafter, **as the Debentures will cease to exist.**

## 5.6 APPLICATION OF TAX ON INTEREST PAYMENTS

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

## 5.7 REDEMPTION OF DEBENTURES AND CONSEQUENCE OF A TRIGGER EVENT

### Redemption of Debentures

Redemption of the Debentures will take place on the date of which five years from the Date of Allotment expires 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. The Debenture Holder shall not have any right or option to call for Redemption of the Debentures before the date of maturity of such Debenture. However, if a Trigger Event occurs prior to maturity, the Debenture will get converted to ordinary voting shares ranking *pari passu* with the existing ordinary voting shares of the Bank.



### **Trigger Event**

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

a) "Decision that a write down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board OR

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

### **Conversion Price**

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

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

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

### **Issuance of ordinary voting shares upon occurrence of a Trigger Event**

Based on above conversion mechanism the outstanding balance of the Debentures will get converted to ordinary voting shares. In the event of any Debenture Holder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Bank shall settle such sums in cash, based on the issue price of such share.

### **Applicable timelines**

Upon the occurrence of the Trigger Event as determined by the Monetary Board of the Central Bank of Sri Lanka, the Bank shall be required and entitled to issue and within twenty (20) days to allot ordinary voting shares of the Bank ranking equal and *pari passu* with the existing ordinary voting shares to the Debenture Holders as of the Trigger Date, up to the outstanding balance of such Debentures including the total Par Value of the Debentures and unpaid and accrued debenture interest (if any) at an issue price for such ordinary voting shares which will be based on the Conversion Price.

The CDS upload pertaining to ordinary voting shares will be completed within 10 Market Days from the Date of Allotment of such shares. In the event of any Debenture Holder being entitled to a fractional allotment of an ordinary voting share on such issuance and allotment, the Bank shall settle such sums in cash, based on the issue price of such share within fourteen (14) Market Days from the Date of Allotment of the said ordinary voting shares.

### **Market Announcements**

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

### **Compliance with applicable laws and regulations**

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

### **Non Occurrence of a Trigger Event**

The proposed Debentures will be redeemed after 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**

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

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

The fee payable to the Trustee will be Sri Lankan 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 Bank's rendering banking related services to the Bank and may be a Qualified Investor to Debentures.

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

Bank of Ceylon is a shareholder of National Development Bank PLC with a shareholding of 8.36% of the Bank as at 30<sup>th</sup> June 2020.

## **5.10 RATING OF THE DEBENTURE**

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

'A' National Ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

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

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

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

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

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

## **5.11 RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDERS**

a) Debenture Holders are entitled to the following rights.

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

In the event of the Bank winding up, the claims of the Debenture Holders will rank after all the claims of the secured and unsecured creditors of the Bank and the preferential claims under any Statutes governing the Bank, but in priority to and over the claims and rights of the shareholders of the Bank, unless there has been an issuance of ordinary voting shares to the Debenture Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture Holder and would become a shareholder of the Bank to the extent of such issuance and will rank equal and pari passu with existing Ordinary Shareholders.

b) Debenture Holders do not have the following rights

- Attend and vote at meetings of holders of shares and other Debentures
- Share the profits of the Bank
- Participate in any surplus in the event of liquidation
- Calling for Redemption before maturity, subject to the provisions stated in the Trust Deed
- Convert the Debentures into ordinary shares at their option

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

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

## **5.12 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE BANK**

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

## **5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES**

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

### **(a) Interest Rate Risk**

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

**(b) Reinvestment Risk**

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

**(c) Duration Risk**

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

**(d) Subordinated Risk**

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

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

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

**(e) Credit Risk**

Credit risk is also referred to as default risk. This is the risk that the issuer of a debenture may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of rating assigned by different rating agencies. Fitch Ratings Lanka Limited has assigned a Long-term Rating of 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 has the knowledge and expertise (either alone or with the financial advisor) to evaluate how the Debentures will perform under changing conditions, the resulting effects on the likelihood of the Non-Viability Conversion into ordinary voting shares and the value of the Debentures, and the impact this investment will have on the potential Qualified Investor's overall investment portfolio. Prior to making an investment decision, potential Qualified Investor should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus.

#### **(iv) Uncertainty regarding the Trigger Event**

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

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

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

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

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

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

**(g) Acknowledgement of the CBSL Resolution Powers**

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

The Monetary Board determines the Trigger Event and effects a conversion after considering the other bail-in alternatives available to the Bank. Further, Section 30 and 30(9) of the Monetary Law Act No.58 of 1949 (as amended) and Part VII (A) and Part VIII of the Banking Act No.30 of 1988 (as amended) specify certain events upon which Monetary Board can exercise its resolution mechanism. In view of the above, based on the statutory authority of the Monetary Board, CBSL retains full discretion to choose or not to choose to trigger for Non-Viability as has been provided for in the Banking Act Direction No.1 of 2016 on Capital Requirements under BASEL III for Licensed Commercial Banks and Licensed Specialized Banks.

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

**(h) Generic Risks**

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

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

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

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

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

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

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

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

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

#### **5.14 TRANSFER OF DEBENTURES**

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

- (a) These Debentures shall be freely transferable amongst Qualified Investors and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable through the CDS as long as the Debentures are listed in the CSE. Subject to the provisions contained herein the Bank may register without assuming any liability on any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Debenture Holder;
  - (i) The survivor where the deceased was a joint holder; and
  - (ii) The executors or administrators of the deceased or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased where such Debenture Holder was the sole or only surviving holder;shall be the only persons recognized by the Bank as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debentures in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he/she/it sustains the character in respect of which he/she/it proposes to act or his/her title as the Board of Directors of the Bank thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Bank, CDS, CSE and SEC.

- (e) No change of ownership in contravention to these conditions will be recognized by the Bank.

#### **5.15 LISTING**

An Application has been made to the CSE for permission to obtain a listing for the Debentures and any shares which may be issued upon the occurrence of a Trigger Event and the CSE has granted its approval in-principle for the same. It is the intention of the Bank to list the Debentures in the Colombo Stock Exchange 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 26.8 Million which would be approximately 0.5% of the initial issue of LKR 5.0 Billion and 0.4% 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 Managers and Joint Placement Agents as involved in the Issue.

#### **5.18 UNDERWRITING**

This Issue is not underwritten.

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

## 6 PROCEDURE FOR APPLICATION

---

### 6.1 INSPECTION OF DOCUMENTS

Articles of Association, the Trust Deed, Auditors' Report and Audited Financial Statements for the five (05) financial years ended 31<sup>st</sup> December 2019 (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 3.3.12 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank (if any) would be made available for inspection by the public during normal working hours, seven (07) Market Days prior to the date of opening of the subscription list at the registered office of the Bank at No. 40, Navam Mawatha, Colombo 02, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and the Articles of Association of the Bank, will be available on the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.ndbbank.com](http://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 3.3.12 (b) of the CSE Listing Rules.

Audited financial statements of National Development Bank PLC made up to 31<sup>st</sup> December 2019, Accountants Report and the five year summary of financial statements will be available on the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.ndbbank.com](http://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 Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.
- (d) A venture capital fund/ company and private equity company.
- (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act, No. 42 of 2011 (as amended).
- (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended).
- (g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended).
- (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007.
- (i) An investment trust or investment company.
- (j) A Non-Resident institutional investor.
- (k) An individual with a minimum initial investment amount of LKR 5,000,000/-.

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

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

“Persons resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act no. 12 of 2017 in Gazette No. 2045/56 dated 17<sup>th</sup> 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 17<sup>th</sup> 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](http://www.cse.lk) and the website of the Bank, [www.ndbbank.com](http://www.ndbbank.com), until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.ndbbank.com](http://www.ndbbank.com) until the Date of Redemption of the Debentures.

**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) An Applicant can apply for the Debentures only under one Application Form. If an Applicant has applied under more than one Application Form it will be construed as multiple Applications. An Applicant of a joint Application, applying through another Application Form, either individually or jointly for the Debentures, is also deemed to have made multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.
- (c) 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.
- (d) 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.

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

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

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

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

- (g) 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.

- (h) 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.



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

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

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

- (k) 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 2020**” 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, 101, Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

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



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

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

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

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

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

**Hence, DEBENTURE CERTIFICATES SHALL NOT BE ISSUED.**

#### **6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED**

Applicants may invest in the Debentures subject to a minimum of One Hundred (100) Debentures Sri Lankan Rupees Ten Thousand (LKR 10,000/-) and in multiples of One Hundred (100) Debentures Sri Lankan 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 Sri Lankan Rupees Five Million (LKR 5,000,000/-).

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

#### **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 / Internal Direct transfer with value on the Issue opening date.

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

- (c) 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 (17<sup>th</sup> September 2020).

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/ Internal Direct 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 ACCOUNT”** bearing Account Number **101000793664** 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 ACCOUNT”** bearing Account Number **101000793664** 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/ Internal Direct transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/), the Applicants are entitled to an interest at the rate of Three Decimal Zero per centum (3.00%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers/ Internal Direct transfers are not realized before the end of the Closure Date. Furthermore, even if such RTGS transfers/ Internal Direct transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

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

## **6.7 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. Upon the allotments being decided, an announcement will be made to the CSE.

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

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

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

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

## **6.9 REFUNDS**

Monies will be refunded where;

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

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

If the Applicant has provided accurate and complete details of his/her/its bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent in the event of refunds over Rupees Five Million (LKR 5,000,000/-). If the Applicant has provided accurate and correct details of his/her bank account refunds will be made via RTGS or if the Applicant has not provided accurate and correct details of his/her bank account in the Application Form, the Bank will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

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

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

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

<https://www.lankaclear.com/assets/images/downloads/bank-branch-list/20200210-bank-branch-directory.xls>

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

## **6.10 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 twelve (12) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

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

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

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

## 7 THE BANK

### 7.1 FINANCIAL YEAR

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

### 7.2 STATED CAPITAL

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

	31 <sup>st</sup> December 2019		30 <sup>th</sup> June 2020*	
	Number of Shares	LKR'000	Number of Shares	LKR'000
Issued and fully paid	210,317,117	6,469,323	221,799,756	7,685,334
Shares issued due to scrip dividend	11,482,639	1,216,011	10,837,475	1,108,999
Total	221,799,756	7,685,334	232,637,231	8,794,333

\* Unaudited

#### Scrip Issue

On 22<sup>nd</sup> 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. (In 2018, the Bank declared a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 5.00 per share for the year 2017 as a final dividend). Accordingly 11,482,639 ordinary shares amounting to LKR 1,216 Mn were issued as a result of scrip dividend issued for the year ended 31<sup>st</sup> December 2018.

On 18<sup>th</sup> February 2020, the Bank paid a first and final dividend of LKR 7.00 per share comprising of a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 5.00 per share, for the financial year 2019. As per the Notice dated 18<sup>th</sup> February 2020 published by the Department of Inland Revenue, the above dividend payment was not subject to withholding tax. Accordingly, the stated capital of the Bank as at 30<sup>th</sup> June 2020 increased to LKR 8,794 Mn (LKR 7,685 Mn as at 31<sup>st</sup> December 2019), as a result of the scrip dividends declared for the year ended 31<sup>st</sup> December 2019.

### 7.3 MAJOR SHAREHOLDERS AS AT 30<sup>th</sup> June 2020

Twenty (20) largest shareholders of the Bank as at 30<sup>th</sup> June 2020 are given below:

No	Name	No. of Shares	%
1	EMPLOYEES PROVIDENT FUND	23,263,721	10.00
2	BANK OF CEYLON NO. 1 ACCOUNT	19,454,400	8.36
3	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	14,875,617	6.39
4	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	12,367,328	5.32
5	DR. S.YADDEHIGE	10,160,638	4.37
6	SOFTLOGIC LIFE INSURANCE PLC ACCOUNT NUMBER 03/LIFE SHAREHOLDERS FUND	9,702,577	4.17
7	EMPLOYEES TRUST FUND BOARD	9,054,503	3.89
8	PERPETUAL TREASURIES LIMITED	8,736,886	3.76
9	RICHARD PIERIS AND CO LTD - ACCOUNT NO. 01	8,606,626	3.70
10	BNYMSANV RE-LF RUFFER INVESTMENT FUNDS : LF RUFFER PACIFIC AND EMERGING MARKETS FUND	7,684,594	3.30
11	HATTON NATIONAL BANK PLC A/C NO 1	6,784,942	2.92
12	PHOENIX VENTURES PRIVATE LIMITED	6,769,999	2.91
13	RUSH JAPAN CORPORATION	6,724,630	2.89
14	SBI VEN HOLDINGS PTE LTD	5,941,696	2.55
15	MR. A.K.PATHIRAGE	3,529,367	1.52
16	ASIRI SURGICAL HOSPITAL PLC	3,470,389	1.49
17	AKBAR BROTHERS PVT LTD A/C NO 1	3,453,692	1.49
18	DFCC BANK PLC A/C 1	3,168,904	1.36
19	MR. M.J.FERNANDO	2,732,800	1.18
20	PERPETUAL EQUITIES (PRIVATE) LIMITED	2,532,828	1.09
		<b>169,016,137</b>	<b>72.65</b>
	Balance held by Other Shareholders	63,621,094	27.35
	Total number of shares in issue	<b>232,637,231</b>	<b>100.00</b>

#### 7.4 DETAILS OF OTHER DEBENTURES IN ISSUE

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

Year of Issuance	CSE listing	Ranking	Debenture Code	Issue Value LKR '000	Interest Rate p.a.	Tenor	Issue Date	Maturity Date
2013	Listed	Subordinated	NDB/BC/19/12/23C13.9	Type C – 3,637,980	13.90% payable annually	120 months	19 December 2013	19 December 2023
			NDB/BC/19/12/25D14	Type D – 3,590,430	14.00% payable annually	144 months	19 December 2013	19 December 2025
2019	Listed	Subordinated	NDB-BD30/03/24-C2419-13.5	Type A – 1,243,000	13.50% payable semi-annually	60 months	31 March 2019	30 March 2024
			NDB-BD30/03/24-C2420-13.95	Type B – 4,318,200	13.95% payable annually	60 months	31 March 2019	30 March 2024

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

- NDB-BD30/03/24-C2419-13.5– LKR 1,243,000,000/-
- NDB-BD30/03/24-C2420-13.95– LKR 4,318,200,000/-

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

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

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

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

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

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



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

## 7.5 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK

As at 31<sup>st</sup> December 2019 and 30<sup>th</sup> June 2020 the outstanding balances are given in the table below;

	LKR '000
Balance as at 31 <sup>st</sup> December 2018	75,294,488
New borrowings / (settlements)	(3,065,303)
Balance as at 31 <sup>st</sup> December 2019	72,229,185

	LKR '000
Balance as at 31 <sup>st</sup> December 2019	72,229,185
New borrowings / (settlements)	8,909,667
Balance as at 30 <sup>th</sup> June 2020	81,138,852*

\*Unaudited

Borrowings of the Bank as at 31<sup>st</sup> December 2019 and 30<sup>th</sup> June 2020 comprise of the following;

	As at 31 <sup>st</sup> December 2019 LKR '000	As at 30 <sup>th</sup> June 2020 LKR'000*
Due to banks	18,380,356	32,904,833
Due to other borrowers	29,342,027	25,992,219
Financial liabilities at amortized cost - Due to debt security holders	1,398,068	8,821,051
Debt securities issued	23,108,734	13,420,749
<b>Total</b>	<b>72,229,185</b>	<b>81,138,852</b>

\*Unaudited

## 7.6 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK

The details of the contingent liabilities as at 31<sup>st</sup> December 2019 and 30<sup>th</sup> June 2020 are given below;

Commitments and Contingencies	As at 31 <sup>st</sup> December 2019 LKR '000	As at 30 <sup>th</sup> June 2020 LKR '000*
<b>Contingencies</b>		
Guarantees	40,561,409	38,465,270
Performance Bonds	15,289,376	17,710,393
Documentary Credits	10,875,348	8,618,765
Other Contingencies		
- Forward Exchange Contracts	103,498,298	103,135,709
- Currency Swap Agreement	3,074,620	3,074,620
- Acceptances	8,759,962	5,342,062
- Currency Options	-	-
<b>Commitments</b>		
Undrawn commitments	111,086,808	104,712,814
<b>Total</b>	<b>293,145,821</b>	<b>278,202,913</b>
Less: Impairment allowance	775,259	813,058
<b>Net of impairment</b>	<b>292,370,562</b>	<b>277,389,855</b>

\*Unaudited

## 7.7 LITIGATIONS AGAINST THE BANK

In the normal course of business, the Bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. As of 31<sup>st</sup> December 2019, there are thirty seven (37) cases filed 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. Further, as at 31<sup>st</sup> December 2019, there are no arbitration or mediation proceedings which have significant effect on the Bank's financial position or profitability.

## 7.8 KEY FINANCIAL RATIOS

### Capital Adequacy Ratio (CAR)

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020**
Capital adequacy - Tier 1 Capital Ratio % *	8.51	9.31	8.85	9.17	9.18	9.30
Capital adequacy - Total capital ratio % *	12.59	12.95	13.89	12.63	13.43	12.94

\* Minimum Statutory requirement of Tier 1 Capital Ratio and total capital ratio for the years 2015 and 2016 were 5.0 % and 10.0% respectively.

\* With effect from 01<sup>st</sup> July 2017, the required minimum capital adequacy ratios of Tier 1 Capital Ratio and Total Capital Ratios were increased to 7.25% and 11.25% respectively.

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

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

\* With effect from 30<sup>th</sup> March 2020, CBSL decided to allow Domestically Systemically Important Banks (D-SIBs) and non D-SIBs to drawdown their Capital Conservation Buffers by 100 bps and 50 bps. Accordingly, Minimum Statutory requirement of Tier 1 Capital Ratio and total capital ratios stood at 8.00% and 12.00% respectively. However, it should be noted that the Bank has taken an internal policy decision to comply with the minimum capital adequacy ratios excluding the release of the Capital Conservation Buffer, on a prudence basis.

\*\*Unaudited

### Interest Cover and Debt to Equity Ratio

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020***
Debt / Equity Ratio (%) *	12.19	12.11	11.87	12.08	12.09	11.87
Interest Cover Ratio (Times) **	1.55	1.42	1.41	1.50	1.50	1.48

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

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

\*\*\*Unaudited

## 7.9 DEBENTURE INTEREST PAYMENT DETAILS

	2015	2016	2017	2018	2019
Gross interest due on debentures (LKR '000)	1,719,085	2,032,762	2,032,762	2,032,758	1,750,932
Debenture interest paid on or before due date (LKR '000)	1,719,085	2,032,762	2,032,762	2,032,758	1,750,932
Debenture interest paid after the due date (LKR '000)	-	-	-	-	-
Debenture interest not paid as of to date (LKR '000)	-	-	-	-	-

## 7.10 IMPACT OF COVID 19 ON THE BANK AND ITS BUSINESS OPERATIONS

The pandemic caused by COVID-19 has affected the banking industry, predominantly via the debt serviceability of the customers, envisaged growth prospects, liquidity and banks' capital and profitability levels. National Development Bank PLC has also been impacted by the pandemic on these aspects. The Bank continued its business operations to the maximum possible extent during the lockdown period, with the aid of its digital channels, deployment of three mobile ATMs and by functioning branches in selected localities.

All functions up to date and beyond are carried out within the highest standards of health guidelines ensuring the protection and wellbeing of our customers and staff members.

The impact of the pandemic on the business operations of the Bank and prospects are strategically addressed by the Bank's leadership at the Board level as well as the executive level. The Bank's business plans have been duly reviewed and revised to ensure that the Bank extends maximum support to the affected customers, supports wider economic growth of the country and well manages the impact of the pandemic on the Bank's overall performance. Globally, the future of the pandemic and how same will evolve is uncertain. The Bank is closely monitoring the situation to respond promptly as required, to ensure continuation of business operations.

The Bank is also functioning as per the directions issued by the Central Bank of Sri Lanka [CBSL] and other regulators in this extraordinary situation. Keeping in line with various monetary policy easing measures and other relief measures introduced by the CBSL, the Bank has reduced its lending rates across all products. The Bank is also actively approving and disbursing loan facilities to customers affected by the pandemic out of its own funds and those received under the CBSL Saubhagya COVID-19 Renaissance refinancing scheme. The Bank is also duly implementing various other relief measures introduced by the CBSL for the benefit of various sectors. Financial support is amplified with non-financial advisory support, often for the benefit of SMEs and with professional contribution of third parties such as the Export Development Board, Ceylon Chamber of Commerce, Daraz e-platform, etc.

The Bank has also launched a special program called "Jayagamu Sri Lanka" (translating to "Bringing Victory to Sri Lanka") to support SMEs, exporters and innovators through financial as well as non-financial advisory support.

Internally, the Bank has combined its technology driven internal process efficiency enhancement initiatives already in place with further strategic cost management initiatives to ensure costs are well managed and returns are preserved.

## **7.11 TAXATION**

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

## **7.12 FINANCIAL STATEMENTS & FINANCIAL SUMMARY**

The following financial information is hosted on the Bank's web site, [www.ndbbank.com](http://www.ndbbank.com) and CSE web site [www.cse.lk](http://www.cse.lk);

- Audited financial statements of National Development Bank PLC as at 31<sup>st</sup> December 2019
- Interim financial statements of National Development Bank PLC as at 30<sup>th</sup> June 2020
- Summarized financial statement for the five years ended 31<sup>st</sup> December 2015 to 31<sup>st</sup> December 2019 preceding the date of the Application stating the accounting policies adopted by the Bank certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

## 8 BOARD OF DIRECTORS

### 8.1 DETAILS OF THE DIRECTORS

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

Name of Director	Executive / Non – Executive/ Independent/ Non-Independent*
Mr. Eshana De Silva	Chairman – Non-executive / Independent
Mr. Dimantha Seneviratne	Group Chief Executive Officer – Executive / Non-Independent
Mr. Sriyan Cooray	Non-executive / Independent
Mr. Bernard Sinniah	Non-executive / Non- Independent
Dr. Dinusha Panditaratne	Non-executive / Independent
Mr. Sujeewa Mudalige	Non-executive / Independent
Ms. Hiransa Kaluthanthri	Non-executive / Non- Independent
Mr. Hiran Perera	Non-executive / Non- Independent
Mr. Kushan D’Alwis	Non-executive /Independent

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

### 8.2 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The primary objective of the Committee is to assess and consider all transactions with related parties of the Bank in 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 Board appointed Related Party Transaction Review Committee comprises of 4 Non-Executive directors inclusive of the Chairperson who is an Independent Director. The Group Chief Executive Officer has been present at meetings only if invited by the Committee.

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

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. Eshana de Silva	Chairman	Non-executive / Independent
Mr. Sriyan Cooray	Member	Non-executive / Independent
Dr. Dinusha Panditaratne	Member	Non-executive / Independent
Mr. Sujeewa Mudalige	Member	Non-executive / Independent

## 9 STATUTORY DECLARATIONS

### 9.1 STATUTORY DECLARATION BY THE DIRECTORS

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

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

The parties to the Debenture Issue including Lawyers, Auditors 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, Managers and Joint Placement Agents to the Issue is a fully owned subsidiary of NDB Capital Holdings Limited, which is in turn a 99.89% owned subsidiary of National Development Bank PLC. Further, the Company Secretaries to the said Issue has also submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to them.

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

Name of Directors	Designation	Signature
Mr. Eshana De Silva	Chairman – Non-executive / Independent	Sgd.
Mr. Dimantha Seneviratne	Group Chief Executive Officer – Executive / Non-Independent	Sgd.
Mr. Sriyan Cooray	Non-executive / Independent	Sgd.
Mr. Bernard Sinniah	Non-executive / Non- Independent	Sgd.
Dr. Dinusha Panditaratne	Non-executive / Independent	Sgd.
Mr. Sujeewa Mudalige	Non-executive / Independent	Sgd.
Ms. Hiransa Kaluthanthri	Non-executive / Non- Independent	Sgd.
Mr. Hiran Perera	Non-executive / Non- Independent	Sgd.
Mr. Kushan D’Alwis	Non-executive /Independent	Sgd.

## 9.2 STATUTORY DECLARATION BY THE MANAGERS TO THE ISSUE

We, NDB Investment Bank Limited of No 135, Bauddhaloka Mawatha, Colombo 04, who are named in the Prospectus as the 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 09<sup>th</sup> September 2020.

Sgd.  
Director

Sgd.  
Director



## 10.1 ACCOUNTANT'S REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



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

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@k.ey.com  
ey.com

AdeS/PATR/UP

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

16 July 2020

### 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 Fifteen Million (15,000,000) 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 2015 to 31 December 2019, and report as follows.

#### 1. Incorporation

##### Bank

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

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

#### 2. Financial Information

##### 2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Statements of Financial Position of the Bank and a summary of Consolidated Profit or Loss and Consolidated Financial Position of the Group for the financial years ended 31 December 2015 to 31 December 2019, based on the audited Financial Statements are set out on annexure of this Accountants' Report.

Partners: W R H Fernando FCA FCMA, B I de Saigim ACA FCMA, M. N. A. De Silva FCA, M. Y. A. De Silva FCA, W R H De Silva ACA ACMA, W K B S P Fernando FCA FCMA, M. A. R. M. Fernando FCA ACMA, M. L. K. H. L. Fonseka FCA, A. P. A. Gunasekera FCA FCMA, A. Herath FCA, D. K. Hulanaparkula FCA FCMA LLB (1st and 2nd), H. M. A. Jayasinghe FCA FCMA, M. A. A. Lathapalle FCA FCMA, M. G. S. Marikurtiga FCA, M. P. V. K. N. Saparamadu FCA, N. M. Sulaiman ACA ACMA, B. E. Wijesuriya FCA FCMA  
Principals: G. B. Goudarzi ACMA, A. A. J. R. Perera ACA ACMA, T. P. M. Ruberu FCA FCMA  
A member firm of Ernst & Young Global Limited

## 2.2 Audited Financial Statements for the Year Ended 31 December 2019

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 2019 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](http://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 2015 to 31 December 2019. Unmodified audit opinions have been issued for the said financial years by our reports dated 12 February 2016, 21 February 2017, 20 February 2018, 18 February 2019 and 18 February 2020 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 2015 to 31 December 2019 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 2019.

## 2.5 Dividends

2.5.1 Bank has paid dividend for the years ended 31 December 2015 to 31 December 2018 as follows.

Year	Dividend Per Share (Rs.)	Dividend Paid (LKR'000)
2015	11	1,816,547
2016	8	660,669
2017*	9	1,664,455
2018**	8	1,200,400

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

\*\* Dividend paid on ordinary shares includes LKR 6.50 paid as scrip dividends in 2018

2.5.2 Dividend details for the year ended 2019 is described in the section 2.6 of this report.



## 2.6 Events after Reporting Date

On 18 February 2020, the Bank declared a first and final dividend of LKR 7.00 per share comprising of a cash dividend of LKR 2.00 per share and a scrip dividend of LKR 5.00 per share, for the financial year 2019 (2018- 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).

As per the Notice dated 18 February 2020 published by the Department of Inland Revenue, the above dividend payment is not subject to withholding tax.

Accordingly, the stated capital of the Bank will increase to LKR 8,794 Mn, as a result of the scrip dividends declared for the year ended 31 December 2019.

## 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 Fifteen Million (15,000,000) of the said Debentures in the event of an oversubscription.

Yours faithfully,





STATEMENT OF PROFIT OR LOSS						
	Bank			Group		
	year ended 31/12/2016 LKR '000	year ended 31/12/2015 LKR '000	Change %	year ended 31/12/2016 LKR '000	year ended 31/12/2015 LKR '000	Change %
Gross Income	33,281,736	25,855,311	29	33,776,905	26,915,863	25
Interest Income	28,618,247	21,167,848	35	28,960,606	21,431,932	35
Interest Expenses	20,130,935	13,646,025	48	20,099,837	13,624,555	48
Net Interest Income	8,487,312	7,521,823	13	8,860,769	7,807,377	13
Net Fee and Commission Income	2,253,226	2,016,260	12	3,046,132	3,156,841	(4)
Net gain/(loss) from trading	982,123	1,088,464	(10)	982,123	1,088,464	(10)
Net gain/(loss) from financial investments	211,370	262,048	(19)	440,748	493,739	(11)
Other operating income	1,216,770	1,320,691	(8)	347,296	744,887	(53)
Total Operating Income	13,150,801	12,209,286	8	13,677,068	13,291,308	3
Less: Impairment for loans and receivables and other losses	1,366,953	711,833	92	1,424,573	746,145	91
Net operating income	11,783,848	11,497,453	2	12,252,495	12,545,163	(2)
Operating Expenses						
Personnel Expenses	3,434,550	3,204,228	7	3,792,590	3,633,627	4
Other Expenses	3,014,294	2,845,350	6	3,366,359	3,196,253	5
Total operating expenses	6,448,844	6,049,578	7	7,158,949	6,829,880	5
Operating Profit Before Tax on Financial Services	5,335,004	5,447,875	(2)	5,093,546	5,715,283	(11)
Less: Tax on Financial Services	1,048,000	910,442	15	1,048,000	910,442	15
Operating Profit After Tax on Financial Services	4,287,004	4,537,433	(6)	4,045,546	4,804,841	(16)
Share of associate companies' profits/(losses)	-	-	-	-	77,818	(100)
Profit Before Taxation	4,287,004	4,537,433	(6)	4,045,546	4,882,659	(17)
Less :Taxation	1,116,733	1,026,002	9	1,230,587	1,212,564	1
Profit for the year	3,170,271	3,511,431	(10)	2,814,959	3,670,095	(23)
Profit Attributable to:						
Equity Holders of the parent	3,170,271	3,511,431	(10)	2,691,014	3,542,040	(24)
Non Controlling Interests	-	-	-	123,945	128,055	(3)
	3,170,271	3,511,431	(10)	2,814,959	3,670,095	(23)
Basic Earnings per share (in LKR)	19.19	21.26	(10)	16.29	21.51	(24)
Diluted Earnings per share (in LKR)	19.19	21.26	(10)	16.29	21.51	(24)

STATEMENT OF COMPREHENSIVE INCOME						
	year ended 31/12/2016 LKR '000	year ended 31/12/2015 LKR '000	Change %	year ended 31/12/2016 LKR '000	year ended 31/12/2015 LKR '000	Change %
Profit for the year	3,170,271	3,511,431	(10)	2,814,959	3,670,095	(23)
Other comprehensive income /(expenses) to be reclassified to profit or loss in subsequent period						
Exchange differences on translation of foreign operations	-	-	-	7,537	16,225	(54)
Gains/(losses) from Available for Sale Investments	(372,240)	(391,286)	5	(436,305)	(380,673)	(15)
Deferred tax effect on fair value adjustment of available for sale investments	13,776	78,759	(83)	33,277	78,759	(58)
Net gains/(losses) on available for sale investments	(358,464)	(312,527)	(15)	(403,028)	(301,914)	(33)
Gains /(losses) on cash flow hedges	(54,012)	(287,692)	81	(54,012)	(287,692)	81
Other comprehensive income /(expenses) not to be reclassified to profit or loss in subsequent period						
Revaluation of owner occupied portion of freehold buildings	-	-	-	21,000	95,339	(78)
Actuarial Gains/(losses) on defined benefit plans	(73,151)	94,353	(178)	(79,530)	99,431	(180)
Deferred tax effect on actuarial gains/(losses)	10,544	(7,325)	244	11,529	(7,325)	257
Net actuarial gains/(losses) on defined benefit plans	(62,607)	87,028	(172)	(68,001)	92,106	(174)
Total Other Comprehensive Income for the year, net of taxes	(475,083)	(513,191)	7	(496,504)	(385,936)	(29)
Total Comprehensive Income for the year	2,695,188	2,998,240	(10)	2,318,455	3,284,159	(29)
Attributable to:						
Equity holders of the parent	2,695,188	2,998,240	(10)	2,192,078	3,150,531	(30)
Non Controlling Interests	-	-	-	126,377	133,628	(5)
	2,695,188	2,998,240	(10)	2,318,455	3,284,159	(29)

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

PQ 27

P. O. BOX: 1825

40, NAWAM MAWATHA,

COLOMBO 02.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Period	Previous Period		Current Period	Previous Period	
	As at 31/12/2016 LKR '000	As at 31/12/2015 (Audited) LKR '000	Change %	As at 31/12/2016 LKR '000	As at 31/12/2015 (Audited) LKR '000	Change %
<b>Assets</b>						
Cash and cash equivalents	5,018,438	11,821,503	(58)	5,139,389	11,848,575	(57)
Balances with the Central Bank of Sri Lanka	11,815,277	6,999,898	69	11,815,277	6,999,898	69
Placements with banks	3,297,262	1,153,619	186	3,297,262	1,153,619	186
Derivative Financial Instruments	1,544,621	1,903,573	(19)	1,544,621	1,903,573	(19)
Financial Assets - Held for trading	832,694	2,985,262	(72)	3,661,530	5,229,493	(30)
Loans and Receivables to banks	37,032	102,632	(64)	37,032	102,632	(64)
Loans and Receivables to other customers	227,639,844	209,602,069	9	227,679,939	209,665,561	9
Financial Investments - Loans and receivables	41,992,533	35,830,311	17	43,896,593	37,368,705	17
Financial Investments - Available for sale	31,500,020	28,501,518	11	31,899,259	28,964,820	10
Financial Investments - Held to maturity	4,137,601	4,436,973	(7)	4,946,120	5,660,868	(13)
Investments -Held for sale	18,526	18,526	0	33,302	33,302	0
Investments in subsidiary companies	2,115,850	2,104,117	1	-	-	-
Investment Property	-	-	-	1,776,000	1,672,000	6
Intangible assets	368,083	240,234	53	384,742	274,746	40
Property, plant & equipment	2,078,570	2,030,005	2	2,528,258	2,454,883	3
Other assets	2,148,384	1,427,365	51	2,092,444	2,021,058	4
<b>Total assets</b>	<b>334,544,735</b>	<b>309,157,605</b>	<b>8</b>	<b>340,731,768</b>	<b>315,353,733</b>	<b>8</b>
<b>Liabilities</b>						
Due to Banks	17,124,944	11,620,003	47	17,124,944	11,620,003	47
Derivative Financial Instruments	474,770	639,272	(26)	474,770	639,272	(26)
Due to other Customers	203,866,547	184,933,230	10	203,515,828	184,152,280	11
Debt Securities issued and other borrowed funds	59,233,264	60,527,844	(2)	59,233,264	60,497,844	(2)
Tax Liabilities	845,660	486,503	74	852,454	524,020	63
Deferred Tax liabilities	791,791	702,378	13	744,880	712,823	4
Employee Benefit liabilities	331,211	252,825	31	394,666	297,152	33
Other liabilities	7,684,997	7,720,809	-	7,931,165	7,935,739	-
Subordinated Term Debts	19,446,501	19,573,883	(1)	19,446,501	19,573,883	(1)
<b>Total liabilities</b>	<b>309,799,685</b>	<b>286,456,747</b>	<b>8</b>	<b>309,718,472</b>	<b>285,953,016</b>	<b>8</b>
<b>Equity</b>						
Stated Capital (Bank & Group - 165,185,506 shares )	1,246,479	1,242,772	-	1,246,479	1,162,963	7
Statutory Reserve Fund	1,246,479	1,242,772	-	1,246,479	1,242,772	-
Retained Earnings	21,894,388	19,444,385	13	26,946,432	24,975,975	8
Other Reserves	357,704	770,929	(54)	497,197	1,000,494	(50)
<b>Total shareholders' equity</b>	<b>24,745,050</b>	<b>22,700,858</b>	<b>9</b>	<b>29,936,587</b>	<b>28,382,204</b>	<b>5</b>
Non Controlling Interests	-	-	-	1,076,709	1,018,513	6
<b>Total Equity</b>	<b>24,745,050</b>	<b>22,700,858</b>	<b>9</b>	<b>31,013,296</b>	<b>29,400,717</b>	<b>5</b>
<b>Total liabilities and equity</b>	<b>334,544,735</b>	<b>309,157,605</b>	<b>8</b>	<b>340,731,768</b>	<b>315,353,733</b>	<b>8</b>
<b>Net Book Value Per Share (LKR)</b>	<b>149.80</b>	<b>137.44</b>	<b>9</b>	<b>181.23</b>	<b>172.35</b>	<b>5</b>
<b>Contingent liabilities and commitments</b>	<b>234,221,049</b>	<b>237,748,413</b>	<b>(1)</b>	<b>235,130,473</b>	<b>238,589,573</b>	<b>(1)</b>

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**  
PQ 27  
P. O. BOX: 1825  
40, NAWAM MAWATHA,  
COLOMBO 02.



STATEMENT OF CHANGES IN EQUITY										
for the period ended 31 December 2016	Stated Capital LKR '000	Reserves						Total LKR '000	Non Controlling Interests LKR '000	Total Equity 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		
<b>BANK</b>										
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
<b>Total Comprehensive Income for the year</b>										
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
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	(312,527)	(287,692)	3,598,459	-	2,998,240
<b>Transactions with equity holders</b>										
Issue of Shares	17,610	-	-	-	(5,653)	-	-	-	-	11,957
Transfer from share based payment reserves	-	-	-	-	-	-	-	-	-	-
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
<b>Balance as at 1 January 2016</b>	1,242,772	1,242,772	5,805,707	853,456	14,590	(207,277)	110,160	13,638,678	-	22,700,858
<b>Total Comprehensive Income for the year</b>										
Profit for the year	-	-	-	-	-	-	-	3,170,271	-	3,170,271
Other Comprehensive Income before Tax	-	-	-	-	-	(372,240)	(54,012)	(73,151)	-	(499,403)
Tax on Other Comprehensive Income	-	-	-	-	-	13,776	-	10,544	-	24,320
<b>Total Comprehensive Income for the year</b>	-	-	-	-	-	(358,464)	(54,012)	3,107,664	-	2,695,188
<b>Transactions with equity holders</b>										
Issue of Shares	3,707	-	-	-	-	-	-	-	-	3,707
Transfer to statutory reserve fund	-	3,707	-	-	-	-	-	(3,707)	-	-
Transfer from share based payment reserves	-	-	-	-	(749)	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	(653,954)	-	(653,954)
Balance as at 31 December 2016	1,246,479	1,246,479	5,805,707	853,456	13,841	(565,741)	56,148	16,088,681	-	24,745,050

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**  
PQ 27

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

STATEMENT OF CHANGES IN EQUITY											
for the period ended 31 December 2016	Stated Capital LKR '000	Reserves							Total LKR '000	Non Controlling Interests LKR '000	Total Equity 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			
GROUP											
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	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
Total Comprehensive Income for the year	-	-	-	-	-	-	-	3,542,040	3,542,040	128,055	3,670,095
Profit for the year	-	-	-	-	-	-	-	110,083	(462,943)	5,573	(457,370)
Other Comprehensive Income before Tax	-	-	-	95,339	-	(380,673)	(287,692)	(7,325)	71,434	-	71,434
Tax on Other Comprehensive Income	-	-	-	-	-	78,759	-	-	-	-	-
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	17,610	-	-	-	-	-	-	-	11,957	-	11,957
Adjustment due to changes in group companies	-	-	-	-	-	-	-	(33,662)	(33,662)	24,645	(9,017)
Adjustment to share based payment reserves	-	-	-	-	26,603	-	-	-	26,603	-	26,603
Transfer to statutory reserve fund	-	231,987	-	-	-	-	-	(231,987)	-	-	-
Transfer from share based payment reserves	-	-	-	-	(5,653)	-	-	-	-	-	-
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
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	28,382,204	1,018,513	29,400,717
Total Comprehensive Income for the year	-	-	-	-	-	-	-	2,691,014	2,691,014	123,945	2,814,959
Profit for the year	-	-	-	21,000	-	(436,305)	(54,012)	(74,425)	(543,742)	2,432	(541,310)
Other Comprehensive Income before Tax	-	-	-	-	-	33,277	-	11,529	44,806	-	44,806
Tax on Other Comprehensive Income	-	-	-	-	-	(403,028)	(54,012)	-	-	-	-
Total Comprehensive Income for the year	-	-	-	21,000	-	(403,028)	(54,012)	2,628,118	2,192,078	126,377	2,318,455
Transactions with equity holders											
Issue of shares	3,707	-	-	-	-	-	-	-	2,958	-	2,958
Adjustment due to changes in group companies	-	-	-	-	-	-	-	-	-	(17,976)	(17,976)
Transfer from share based payment reserves	-	-	-	-	(749)	-	-	-	-	-	-
Transfer to statutory reserve fund	-	3,707	-	-	-	-	-	(3,707)	-	-	-
Adjustment to share based payment reserves	79,809	-	-	-	(66,508)	-	-	-	13,301	-	13,301
Dividend to equity holders	-	-	-	-	-	-	-	(653,954)	(653,954)	(50,205)	(704,159)
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	29,936,587	1,076,709	31,013,296

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**

PO 27

P. O. BOX: 1826  
40, NAWAM MAWATHA,  
COLOMBO 02.



STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2016	2015	2016	2015
	LKR '000	LKR '000	LKR '000	LKR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	26,492,391	20,765,613	26,770,059	21,038,450
Fee based income received	2,253,226	2,016,259	3,273,243	2,765,456
Dividend income received	481,457	942,293	81,208	(636)
Other Operating income received	1,370,942	1,700,796	1,377,172	1,870,590
Interest paid	(19,700,090)	(13,134,957)	(19,705,603)	(13,134,957)
Personnel costs paid	(3,387,278)	(3,162,861)	(3,488,904)	(3,280,182)
Other expenses paid	(2,574,442)	(2,415,887)	(3,121,736)	(2,519,663)
<b>Operating Profit before changes in operating assets and liabilities</b>	<b>4,936,207</b>	<b>6,711,256</b>	<b>5,185,439</b>	<b>6,739,058</b>
Net increase in loans and receivables to other customers	(17,564,396)	(34,473,636)	(17,568,625)	(34,473,636)
Net Increase in deposits from customers	18,271,867	32,941,814	18,271,867	32,941,814
Net (increase)/decrease in other assets	130,036	(95,262)	174,537	(179,272)
Net increase/(decrease) in other liabilities	(297,687)	1,587,663	(319,036)	1,640,173
<b>Net cash inflow/(outflow) from operating activities before taxation</b>	<b>5,476,026</b>	<b>6,671,835</b>	<b>5,744,182</b>	<b>6,668,137</b>
Tax on Financial Services paid	(985,188)	(1,005,492)	(985,188)	(1,005,492)
Income taxes paid	(643,843)	(1,211,841)	(732,167)	(1,254,368)
Super Gain Tax Paid by the Bank /Group	-	(732,081)	-	(833,548)
Super Gain Tax Paid by non controlling interests	-	-	-	(21,123)
<b>Net cash provided by/(used in) operating activities</b>	<b>3,846,995</b>	<b>3,722,421</b>	<b>4,026,827</b>	<b>3,553,606</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net changes in financial Investments	(6,741,637)	(5,078,640)	(6,740,813)	(5,078,362)
Disposal of subsidiaries/associates	-	(103,826)	-	(53,947)
Expenditure on property, plant & equipment	(612,468)	(594,790)	(654,471)	(637,259)
Proceeds from sale of property, plant & equipment	10,556	15,817	11,759	42,580
<b>Net cash used in investing activities</b>	<b>(7,343,549)</b>	<b>(5,761,439)</b>	<b>(7,383,525)</b>	<b>(5,726,988)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issue of shares	2,958	11,957	2,958	45,031
Net Proceeds from issue of subordinated debts	-	8,914,408	-	8,914,408
Interest paid on subordinated debts	(2,032,761)	(1,719,085)	(2,032,761)	(1,719,085)
(Decrease)/ Increase in other borrowings	6,363,234	4,164,980	6,363,234	4,164,980
Dividends paid to non-controlling interests	-	-	(45,977)	(41,283)
Dividends paid to shareholders of the Bank	(664,029)	(1,806,863)	(664,029)	(1,806,863)
<b>Net cash provided by/(used in) financing activities</b>	<b>3,669,402</b>	<b>9,565,397</b>	<b>3,623,425</b>	<b>9,557,188</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>172,848</b>	<b>7,526,379</b>	<b>266,727</b>	<b>7,383,806</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>19,958,129</b>	<b>12,431,750</b>	<b>19,985,201</b>	<b>12,601,395</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>20,130,977</b>	<b>19,958,129</b>	<b>20,251,928</b>	<b>19,985,201</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	5,018,438	11,821,503	5,139,389	11,848,575
Balances with the Central Bank of Sri Lanka	11,815,277	6,999,898	11,815,277	6,999,898
Placements with banks	3,297,262	1,153,619	3,297,262	1,153,619
	<b>20,130,977</b>	<b>19,975,020</b>	<b>20,251,928</b>	<b>20,002,092</b>
Amount due to foreign Banks	-	(16,891)	-	(16,891)
	<b>20,130,977</b>	<b>19,958,129</b>	<b>20,251,928</b>	<b>19,985,201</b>

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**

PQ 2/

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



STATEMENT OF PROFIT OR LOSS						
	Bank			Group		
	Year ended 31/12/2018	Year ended 31/12/2017	Change	Year ended 31/12/2018	Year ended 31/12/2017	Change
	LKR '000	Audited LKR '000	%	LKR '000	Audited LKR '000	%
Gross Income	51,103,421	42,520,594	20	52,071,241	43,017,759	21
Interest Income	44,354,296	37,118,699	19	44,621,712	37,421,114	19
Interest Expenses	29,549,656	26,368,585	12	29,517,983	26,334,787	12
Net Interest Income	14,804,640	10,750,114	38	15,103,729	11,086,327	36
Net Fee and Commission Income	3,136,329	2,520,532	24	3,947,738	3,416,002	16
Net gain/(loss) from trading	1,218,338	1,063,944	15	1,218,338	1,063,944	15
Net gain/(loss) from financial investments at fair value Through Profit or Loss	(6,712)	8,935	(175)	56,194	97,155	(42)
Net gains/(losses) from derecognition of financial assets	383,565	513,710	(25)	449,880	572,400	(21)
Other operating income	2,017,605	1,294,774	56	1,777,379	447,144	297
Total Operating Income	21,553,765	16,152,009	33	22,553,258	16,682,972	35
Less: Impairment for loans and receivables and other losses	3,581,009	1,258,554	185	3,764,858	1,290,297	192
Net operating income	17,972,756	14,893,455	21	18,788,400	15,392,675	22
Operating Expenses						
Personnel Expenses	4,443,795	3,611,339	23	4,898,398	4,024,851	22
Depreciation and amortization	442,169	423,248	4	508,895	477,699	7
Other Expenses	3,592,763	3,311,448	8	3,959,287	3,698,385	7
Total operating expenses	8,478,727	7,346,035	15	9,366,580	8,200,935	14
Operating Profit Before VAT & NBT & DRI on Financial Services	9,494,029	7,547,420	26	9,421,820	7,191,740	31
Less: Tax on financial services	2,173,521	1,547,450	40	2,173,521	1,547,450	40
Operating Profit After Tax on Financial Services	7,320,508	5,999,970	22	7,248,299	5,644,290	28
Share of associate companies' profits/(losses)	-	-	-	-	-	-
Profit Before Taxation	7,320,508	5,999,970	22	7,248,299	5,644,290	28
Less :Taxation	1,772,116	1,648,341	8	1,972,312	2,211,987	(11)
Profit for the year	5,548,392	4,351,629	28	5,275,987	3,432,303	54
Profit Attributable to:						
Equity Holders of the parent	5,548,392	4,351,629	28	5,136,168	3,489,752	47
Non Controlling Interests	-	-	-	139,819	(57,449)	343
	5,548,392	4,351,629	28	5,275,987	3,432,303	54
Basic Earnings per share (in LKR)	28.44	24.52	16	26.33	19.66	34
Diluted Earnings per share (in LKR)	28.44	24.52	16	26.33	19.66	34

	Year ended 31/12/2018 LKR '000	Year ended 31/12/2017 LKR '000	Change %	Year ended 31/12/2018 LKR '000	Year ended 31/12/2017 LKR '000	Change %
Profit for the year	5,548,392	4,351,629	28	5,275,987	3,432,303	54
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	(371)	15,853
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)	-	(100)	(1,198,934)	-	(100)
Changes in Impairment allowance for Expected credit losses	16,308	-	100	98,275	-	100
Net Gains /(losses) on cash flow hedges	115,502	(70,339)	264	115,502	(70,339)	264
Less :Tax expense relating to items that will be reclassified to Income Statements	562,442	(308,218)	282	554,595	(298,266)	286
	(516,348)	270,206	(291)	(372,119)	235,495	(258)
Items that will not be reclassified to Income Statement						
Net Gains/(losses) on Investments in equity Instruments	(148,875)	-	(100)	(148,875)	-	(100)
Revaluation of Land & Buildings	-	361,948	(100)	30,186	378,100	(92)
Actuarial Gains/(losses) on defined benefit plans	76,492	(99,429)	177	74,874	(99,021)	176
Less :Tax expense relating to items that will not be reclassified to Income Statements	2,308	(3,037)	176	2,308	(2,902)	180
	(70,075)	85,339	(182)	(41,507)	64,939	(164)
Total Other Comprehensive Income after Tax (A + B)	(586,423)	355,545	(265)	(413,626)	300,431	(238)
Total Comprehensive Income for the year	4,961,969	4,707,174	5	4,862,361	3,732,734	30
Attributable to:						
Equity holders of the parent	4,961,969	4,707,174	5	4,709,202	3,790,029	24
Non Controlling Interests	-	-	-	153,159	(57,295)	367
	4,961,969	4,707,174	5	4,862,361	3,732,734	30

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  
 PQ 27  
 P. O. BOX: 1829  
 40, NAWAM MAWATHA,  
 COLOMBO 02.

  
 ERNST & YOUNG  
 Chartered  
 ACCOUNTANTS  
 COLOMBO

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BANK			Group		
	Current Period	Previous Period	Change	Current Period	Previous Period	Change
	As at 31/12/2018	As at 31/12/2017 (Audited)		As at 31/12/2018	As at 31/12/2017 (Audited)	
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
<b>Assets</b>						
Cash and cash equivalents	6,537,579	5,274,466	24	7,071,438	5,343,314	32
Balances with the Central Bank of Sri Lanka	15,546,386	15,364,920	1	15,546,386	15,364,920	1
Placements with banks	15,237,306	840,684	1,712	15,237,306	840,684	1,712
Derivative Financial Instruments	3,937,847	2,471,706	59	3,937,847	2,471,706	59
Financial Assets measured at fair value through profit or loss	1,947,242	1,216,439	60	4,052,409	2,659,883	60
Financial Assets at amortised cost - loans and receivables to other customers	344,203,289	274,029,448	26	344,276,363	274,078,788	26
Financial Assets at amortised cost - debt instruments	24,070,365	-	100	24,175,346	-	100
Financial Investments - Loans and receivables	-	21,171,508	(100)	-	23,316,328	(100)
Financial Assets measured at fair value through						
Other comprehensive income	52,908,306	-	100	54,487,227	-	100
Financial Investments - Available for sale	-	52,620,584	(100)	-	52,975,690	(100)
Financial Investments - Held to maturity	-	3,524,051	(100)	-	4,077,096	(100)
Investments - Held for sale	-	18,576	(100)	-	33,302	(100)
Investments in subsidiary companies	2,166,714	2,106,021	3	-	-	-
Investment Property	-	-	-	2,110,661	1,894,848	11
Intangible assets	379,896	384,369	(1)	396,742	397,053	(0)
Property, plant & equipment	2,569,873	2,356,679	9	3,144,359	2,917,017	8
Deferred tax Assets	1,059,485	-	100	1,059,485	-	100
Other assets	2,347,642	1,693,641	39	2,932,641	2,274,809	29
<b>Total assets</b>	<b>472,911,930</b>	<b>383,073,042</b>	<b>23</b>	<b>478,428,210</b>	<b>388,645,438</b>	<b>23</b>
<b>Liabilities</b>						
Due to Banks	15,047,481	20,236,719	(26)	15,047,481	20,236,719	(26)
Derivative Financial Instruments	2,906,572	936,754	210	2,906,572	936,754	210
Financial Liabilities at amortised cost - due to depositors	347,511,223	273,369,023	27	347,169,564	273,041,417	27
Financial Liabilities at amortised cost						
- due to debt securities holders	6,394,211	8,719,243	(27)	6,382,024	8,719,243	(27)
- due to other borrowers	37,040,987	19,387,802	91	37,040,987	19,387,802	91
Debt securities issued	16,811,808	19,336,855	(13)	16,811,808	19,336,855	(13)
Retirement benefit obligations	408,308	363,138	12	501,531	460,080	9
Current Tax Liabilities	3,077,151	1,578,447	95	3,147,224	1,575,091	100
Deferred Tax Liabilities	-	1,371,659	(100)	471,281	1,796,492	(74)
Other liabilities	8,716,147	9,035,567	(4)	8,838,250	9,177,012	(4)
<b>Total liabilities</b>	<b>437,913,888</b>	<b>354,335,207</b>	<b>24</b>	<b>438,316,722</b>	<b>354,667,465</b>	<b>24</b>
<b>Equity</b>						
Stated Capital (Bank & Group - 210,317,117 shares )	6,469,323	2,208,520	193	6,469,323	2,208,520	193
Statutory Reserve Fund	1,636,479	1,336,479	22	1,636,479	1,336,479	22
Retained Earnings	26,771,897	24,390,962	10	30,668,089	28,581,147	7
Other Reserves	120,343	801,874	(85)	238,555	886,081	(73)
<b>Total shareholders' equity</b>	<b>34,998,042</b>	<b>28,737,835</b>	<b>22</b>	<b>39,012,446</b>	<b>33,012,227</b>	<b>18</b>
Non Controlling Interests	-	-	-	1,099,042	965,746	14
<b>Total Equity</b>	<b>34,998,042</b>	<b>28,737,835</b>	<b>22</b>	<b>40,111,488</b>	<b>33,977,973</b>	<b>18</b>
<b>Total liabilities and equity</b>	<b>472,911,930</b>	<b>383,073,042</b>	<b>23</b>	<b>478,428,210</b>	<b>388,645,438</b>	<b>23</b>
<b>Net Book Value Per Share (LKR)</b>	<b>166.41</b>	<b>167.58</b>	<b>(1)</b>	<b>185.49</b>	<b>192.51</b>	<b>(4)</b>
<b>Contingent liabilities and commitments</b>	<b>288,882,867</b>	<b>269,160,399</b>	<b>7</b>	<b>289,758,239</b>	<b>269,877,849</b>	<b>7</b>

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**  
PQ 27  
P. O. BOX: 1826  
40, NAWAM MAWATHA,  
COLOMBO 02.



For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY											
	Stated Capital	Statutory Reserve Fund	Other Reserves					General Reserve	Retained Earnings	Total	Non Controlling Interests	Total Equity
			Revaluation Reserve	Share Based Payment Reserves	Available for Sale Fair Value Reserve	Cash Flow Hedge Reserve						
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>BANK</b>												
Balance as at 1 January 2017	1,246,479	1,246,479	853,456	13,841	(563,741)	-	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)	(485,398)	-	(485,398)
<b>Total Comprehensive Income for the period</b>	-	-	187,805	-	340,545	-	(70,339)	-	4,249,163	4,707,173	-	4,707,173
<b>Transactions with equity holders</b>												
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-	-	-
Expiry of the ELCP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)	-	(13,841)
Final Dividend for year 2016 -Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(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)
<b>Balance as at 31 December 2017</b>	<b>2,208,520</b>	<b>1,336,479</b>	<b>1,041,261</b>	-	<b>(225,196)</b>	-	<b>(14,191)</b>	<b>5,805,707</b>	<b>18,585,255</b>	<b>28,737,834</b>	-	<b>28,737,835</b>
<b>BANK</b>												
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	-	-	-	-	-	-	-	-	(2,457,013)	(2,457,013)	-	(2,457,013)
Deferred tax on Transitional adjustments	-	-	-	-	225,196	-	-	-	687,964	687,964	-	687,964
<b>Restated Balance as at 1 January 2018 under SLFRS 9</b>	<b>2,208,520</b>	<b>1,336,479</b>	<b>1,041,261</b>	-	<b>(225,196)</b>	-	<b>(14,191)</b>	<b>5,805,707</b>	<b>16,816,206</b>	<b>26,968,785</b>	-	<b>26,968,786</b>
<b>Total Comprehensive Income for the period</b>												
Profit for the period	-	-	-	-	-	-	-	-	5,548,392	5,548,392	-	5,548,392
Other Comprehensive Income before Tax	-	-	-	-	-	-	115,502	-	92,800	(1,151,173)	-	(1,151,173)
Tax on Other Comprehensive Income	-	-	-	-	562,442	-	-	-	2,308	564,750	-	564,750
<b>Total Comprehensive Income for the period</b>	-	-	-	-	(797,033)	-	115,502	-	5,643,500	4,961,968	-	4,961,969
<b>Transactions with equity holders</b>												
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)
<b>Balance as at 31 December 2018</b>	<b>6,469,323</b>	<b>1,636,479</b>	<b>1,041,261</b>	-	<b>(1,022,229)</b>	-	<b>101,311</b>	<b>5,805,707</b>	<b>20,966,190</b>	<b>34,998,041</b>	-	<b>34,998,042</b>

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**  
PQ 27  
P. O. BOX: 1825  
40, NAWAM MAWATHA,  
COLOMBO 02.

For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY										Total Equity LKR '000	
	Stated Capital LKR '000	Statutory Reserve Fund LKR '000	Other Reserves					General Reserve LKR '000	Retained Earnings LKR '000	Total LKR '000		Non Controlling Interests LKR '000
			Revaluation Reserve LKR '000	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	960,795	13,841	(542,587)	-	56,148	5,805,707	21,140,715	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)	812,686	812,686	154	812,840
Tax on Other Comprehensive Income	-	-	(211,241)	-	(298,266)	-	-	(2,902)	(512,409)	(512,409)	-	(512,409)
Total Comprehensive Income for the period	-	-	166,859	-	306,205	-	(70,339)	-	3,387,304	3,790,029	(57,295)	3,732,734
Transactions with equity holders												
Transfer to statutory reserve fund	-	90,000	-	-	-	-	-	-	(90,000)	-	-	-
Expiry of the ELCP option exercise period	-	-	-	(13,841)	-	-	-	-	-	(13,841)	-	(13,841)
Final Dividend for year 2016 - Scrip	962,041	-	-	-	-	-	-	-	(991,113)	(29,072)	(53,668)	(82,740)
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	1,136,654	-	(236,382)	-	(14,191)	5,805,707	22,775,440	33,012,227	965,746	33,977,973
Balance as at 1 January 2018	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
Transitional adjustment on the implementation of SLFRS 9	-	-	-	-	(236,382)	-	-	-	(2,456,276)	(2,456,276)	2	(2,456,274)
Deferred tax on Transitional adjustments	-	-	-	-	-	-	-	-	688,663	688,663	-	688,663
Restated Balance as at 1 January 2018 under SLFRS 9	2,208,520	1,336,479	1,136,654	-	(236,382)	-	(14,191)	5,805,707	21,007,827	31,244,614	965,748	32,210,362
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	-	(1,347,809)	-	115,502	-	218,252	(983,869)	13,340	(970,539)
Tax on Other Comprehensive Income	-	-	-	-	554,595	-	-	-	2,308	556,903	-	556,903
Total Comprehensive Income for the period	-	-	30,186	-	(793,214)	-	115,502	-	5,356,228	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	-	-	-	-	-	-	-	-	(8,637)	(8,637)	30,660	22,003
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	-	(300,000)	-	-	-
Final Dividend for year 2017 - Scrip	811,127	-	-	-	-	-	-	-	(857,429)	(46,302)	-	(46,302)
Final Dividend for year 2017 - Cash	-	-	-	-	-	-	-	-	(336,087)	(336,087)	(50,525)	(386,612)
Balance as at 31 December 2018	6,469,323	1,636,479	1,166,840	-	(1,029,596)	-	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,489

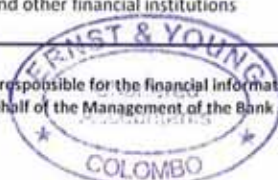
The Management is responsible for the financial information extracted from the audited Financial Statements given above.  
Signed for and on behalf of the Management of the Bank



**NATIONAL DEVELOPMENT BANK PLC**  
PQ 27  
P. O. BOX: 1825  
40, NAWAM MAWATHA,  
COLOMBO 02.

STATEMENT OF CASH FLOW				
For the year ended 31 December	BANK		GROUP	
	2018	2017	2018	2017
	LKR '000	LKR '000	LKR '000	LKR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
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)
<b>Operating Profit before changes in operating assets and liabilities</b>	<b>11,853,325</b>	<b>12,008,526</b>	<b>11,844,356</b>	<b>11,453,977</b>
<b>(Increase)/decrease in operating assets</b>				
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)
<b>(Increase)/decrease in operating liabilities</b>				
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
<b>Net cash generated from operating activities before taxation</b>	<b>4,671,731</b>	<b>10,724,976</b>	<b>4,621,133</b>	<b>10,128,669</b>
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)
<b>Net cash provided by/(used in) operating activities</b>	<b>1,325,948</b>	<b>8,272,742</b>	<b>1,195,447</b>	<b>7,503,442</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
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
<b>Net cash (used in) from investing activities</b>	<b>(1,881,108)</b>	<b>(21,783)</b>	<b>(1,289,551)</b>	<b>795,154</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
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)
<b>Net cash provided by/(used in) financing activities</b>	<b>16,214,895</b>	<b>(10,451,509)</b>	<b>16,218,850</b>	<b>(10,551,249)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,659,735</b>	<b>(2,200,550)</b>	<b>16,124,746</b>	<b>(2,252,653)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>6,115,150</b>	<b>8,315,700</b>	<b>6,183,998</b>	<b>8,436,651</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>21,774,885</b>	<b>6,115,150</b>	<b>22,308,744</b>	<b>6,183,998</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
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
	<b>21,774,885</b>	<b>6,115,150</b>	<b>22,308,744</b>	<b>6,183,998</b>

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**

PQ 27

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



STATEMENT OF PROFIT OR LOSS						
	Bank			Group		
	Period ended	Period ended	Change	Period ended	Period ended	Change
	31/12/2019	31/12/2018 (Audited)	%	31/12/2019	31/12/2018 (Audited)	%
	LKR '000	LKR '000		LKR '000	LKR '000	
Gross Income	59,113,537	51,103,421	16	60,217,165	52,071,241	16
Interest Income	53,174,791	44,354,296	20	53,401,614	44,621,712	20
Interest Expenses	35,467,033	29,549,056	20	35,430,833	29,512,983	20
Net Interest Income	17,707,758	14,804,640	20	17,970,781	15,108,729	19
Net Fee and Commission Income	3,909,229	3,136,329	25	4,868,944	3,947,738	23
Net gain/(loss) from trading	990,160	1,218,338	(19)	990,160	1,218,338	(19)
Net gains/(losses) from financial investments at fair value through profit or loss	23,417	(21,843)	207	79,072	107,378	(26)
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive income	686,461	398,696	72	686,461	398,696	72
Net gains/(losses) from derecognition of financial assets measured at amortised cost	9,086	-	100	9,086	-	100
Other operating income	320,373	2,012,605	(84)	201,828	1,777,379	(89)
Total Operating Income	23,646,504	21,553,765	10	24,806,332	22,553,258	10
Less: Impairment charges	4,157,781	3,581,009	16	4,405,476	3,764,858	17
Net operating income	19,488,723	17,972,756	8	20,400,856	18,788,400	9
Operating Expenses						
Personnel Expenses	4,957,146	4,443,795	12	5,459,822	4,898,398	11
Depreciation and amortization	761,019	442,169	72	883,323	508,895	74
Other Expenses	3,216,314	3,592,763	3	4,065,345	3,959,287	3
Total operating expenses	9,434,479	8,478,727	11	10,408,490	9,366,580	11
Operating Profit Before VAT, NBT & DRL on Financial Services	10,054,244	9,494,029	6	9,992,366	9,421,820	6
Less: Tax on financial services	3,071,440	2,173,521	41	3,071,440	2,173,521	41
Operating Profit After Tax on Financial Services	6,982,804	7,320,508	(5)	6,920,926	7,248,299	(5)
Share of associate companies' profits/(losses)	-	-	-	-	-	-
Profit Before Taxation	6,982,804	7,320,508	(5)	6,920,926	7,248,299	(5)
Less: Income tax expenses	1,871,204	1,772,116	6	2,035,915	1,972,312	3
Profit for the period	5,111,600	5,548,392	(8)	4,885,011	5,275,987	(7)
Profit Attributable to:						
Equity Holders of the parent	5,111,600	5,548,392	(8)	4,775,932	5,136,168	(7)
Non Controlling Interests	-	-	-	109,079	139,819	(22)
	5,111,600	5,548,392	(8)	4,885,011	5,275,987	(7)
Basic Earnings per share (in LKR)	21.97	28.44	(23)	20.53	26.33	(22)
Diluted Earnings per share (in LKR)	21.97	28.44	(23)	20.53	26.33	(22)



STATEMENT OF COMPREHENSIVE INCOME						
	Period ended	Period ended	Change	Period ended	Period ended	Change
	31/12/2019	31/12/2018 (Audited)	%	31/12/2019	31/12/2018 (Audited)	%
	LKR '000	LKR '000		LKR '000	LKR '000	
Profit for the period	5,111,600	5,548,392	(8)	4,885,011	5,275,987	(7)
Items that will be reclassified to Income Statement						
Exchange differences on translation of foreign operations	-	-	-	(7,052)	58,441	(112)
Net Gains/(losses) on Investments in debt Instruments measured at fair value through other Comprehensive Income	1,227,304	(1,210,600)	201	1,219,194	(1,198,934)	202
Changes in Impairment allowance for Expected credit losses	33,469	16,308	105	264,848	98,275	169
Net Gains/(losses) on cash flow hedges	(102,924)	115,502	(189)	(102,924)	115,502	(189)
Less: Tax expense relating to items that will be reclassified to Income Statements	(668,675)	562,442	(219)	(619,856)	554,595	(212)
Items that will not be reclassified to Income Statement	489,174	(516,348)	195	754,210	(372,119)	303
Net Gains/(losses) on Investments in equity Instruments measured at fair value through other Comprehensive Income	(376,829)	(148,875)	(153)	(376,829)	(148,875)	(153)
Revaluation of Land & Buildings	307,211	-	100	320,991	30,186	963
Deferred tax effect on revaluation gains/(Losses)	(86,019)	-	(100)	(89,876)	-	(100)
Net gains/(losses) on revaluation of freehold land and buildings	221,192	-	100	231,115	30,186	691
Actuarial losses on defined benefit plans	(287,217)	76,492	(476)	(307,371)	74,874	(511)
Less: Tax expense relating to items that will not be reclassified to Income Statements	38,096	2,308	1,551	48,561	2,308	1,670
Total Other Comprehensive Income after Tax	(405,258)	(70,075)	(878)	(404,524)	(41,507)	(875)
Total Comprehensive Income for the period	83,916	(566,423)	114	349,686	(413,626)	185
Attributable to:						
Equity holders of the parent	5,195,516	4,961,969	5	5,234,697	4,862,361	8
Non Controlling Interests	-	-	-	108,960	153,159	(29)
	5,195,516	4,961,969	5	5,234,697	4,862,361	8

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
	BANK			Group		
	Current Period	Previous Period	Change	Current Period	Previous Period	Change
	As at 31/12/2019 LKR '000	As at 31/12/2018 (Audited) LKR '000		As at 31/12/2019 LKR '000	As at 31/12/2018 (Audited) LKR '000	
<b>Assets</b>						
Cash and cash equivalents	5,703,468	6,537,579	(13)	6,081,359	7,071,438	(14)
Balances with the Central Bank of Sri Lanka	13,886,575	15,546,386	(11)	13,886,575	15,546,386	(11)
Placements with banks	6,291,047	15,237,306	(59)	6,291,047	15,237,306	(59)
Derivative Financial Instruments	1,596,359	1,937,847	(59)	1,596,359	3,937,847	(59)
Financial assets recognized through profit or loss measured at fair value	932,253	1,947,242	(52)	3,488,735	4,052,409	(14)
Financial assets at amortised cost - loans and receivables to other customers	396,648,811	344,203,289	15	396,672,022	344,276,363	15
Financial assets at amortised cost - debt and other instruments	27,485,885	24,070,365	14	27,485,885	24,175,346	14
Financial assets measured at fair value through other comprehensive income	67,018,254	52,908,306	27	68,430,331	54,487,277	26
Investments in subsidiary companies	2,144,774	2,166,714	(1)	-	-	-
Investment Property	-	-	-	2,272,881	2,110,661	8
Intangible assets	687,785	379,896	81	700,908	396,742	77
Property, plant & equipment	3,012,213	2,569,873	17	3,565,166	3,144,359	13
Right to Used Assets	960,849	-	100	1,229,414	-	100
Current Tax Assets	-	-	-	23,396	27,842	(16)
Deferred tax Assets	599,215	1,059,485	(43)	647,444	1,100,736	(41)
Other assets	2,626,940	2,347,642	12	3,228,104	2,932,641	10
<b>Total assets</b>	<b>529,594,428</b>	<b>472,911,930</b>	<b>12</b>	<b>535,599,626</b>	<b>478,497,303</b>	<b>12</b>
<b>Liabilities</b>						
Due to Banks	18,380,356	15,047,481	22	18,380,356	15,047,481	22
Derivative Financial Instruments	728,873	2,906,572	(75)	728,873	2,906,572	(75)
Financial Liabilities at amortised cost - due to depositors	405,048,024	347,511,723	17	404,667,529	347,169,564	17
Financial Liabilities at amortised cost						
- due to debt securities holders	1,398,068	6,394,211	(78)	1,398,068	6,382,024	(78)
- due to other borrowers	29,342,027	37,040,987	(21)	29,342,027	37,040,987	(21)
Debt securities issued	23,108,734	16,811,808	37	23,108,734	16,811,808	37
Retirement benefit obligations	583,933	408,308	43	718,983	501,531	43
Current Tax Liabilities	2,247,997	3,077,151	(27)	2,342,373	3,175,066	(26)
Deferred Tax Liabilities	-	-	-	566,983	512,532	11
Other liabilities	9,272,580	8,716,147	6	9,807,070	8,838,250	11
<b>Total liabilities</b>	<b>490,110,592</b>	<b>437,913,888</b>	<b>12</b>	<b>491,060,996</b>	<b>438,385,815</b>	<b>12</b>
<b>Equity</b>						
Stated Capital	7,685,334	6,469,323	19	7,685,334	6,469,323	19
Statutory Reserve Fund	1,896,479	1,636,479	16	1,896,479	1,636,479	16
Retained Earnings	29,495,550	26,771,897	10	33,230,404	30,668,089	8
Other Reserves	406,473	120,343	238	571,133	238,555	139
<b>Total shareholders' equity</b>	<b>39,483,836</b>	<b>34,998,042</b>	<b>13</b>	<b>43,383,350</b>	<b>39,012,446</b>	<b>11</b>
Non Controlling Interests	-	-	-	1,155,280	1,099,042	5
<b>Total Equity</b>	<b>39,483,836</b>	<b>34,998,042</b>	<b>13</b>	<b>44,538,630</b>	<b>40,111,488</b>	<b>11</b>
<b>Total liabilities and equity</b>	<b>529,594,428</b>	<b>472,911,930</b>	<b>12</b>	<b>535,599,626</b>	<b>478,497,303</b>	<b>12</b>
<b>Net Book Value Per Share (LKR)</b>	<b>178.02</b>	<b>166.41</b>	<b>7</b>	<b>195.60</b>	<b>185.49</b>	<b>5</b>
<b>Contingent liabilities and commitments</b>	<b>293,145,821</b>	<b>288,882,867</b>		<b>293,267,959</b>	<b>289,758,239</b>	

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**  
P. O. Box 1825  
40, NAWALAWATHA,  
COLOMBO 02.

For the year ended 31 December	STATEMENT OF CHANGES IN EQUITY									
	Other Reserves					Total				
	Statutory Reserve Fund	Revaluation Reserve	Available for Sale	Fair Value Reserve	Cash Flow Hedge Reserve	General Reserve	Retained Earnings	Non Controlling Interests	Total	Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>BANK</b>										
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 impact on the adoption of SLFRS 9	-	-	-	(225,196)	-	-	(2,457,013)	-	(2,457,013)	(2,457,013)
Deferred tax on transitional adjustments	-	-	-	225,196	-	-	687,964	-	687,964	687,964
Restated opening balance under SLFRS 9	2,208,520	1,336,479	1,041,261	-	(14,191)	5,805,707	16,816,206	-	26,968,786	26,968,786
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	-	-	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	-	-	-	(1,359,475)	115,502	-	2,308	-	564,750	564,750
Tax on Other Comprehensive Income	-	-	-	562,442	-	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>	-	-	-	(797,033)	115,502	-	5,643,500	-	4,961,969	4,961,969
<b>Transactions with equity holders</b>										
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)
Balance as at 31 December 2018	<b>6,469,323</b>	<b>1,636,479</b>	<b>1,041,261</b>	<b>(1,022,229)</b>	<b>101,311</b>	<b>5,805,707</b>	<b>20,966,190</b>	<b>-</b>	<b>34,998,042</b>	<b>34,998,042</b>
<b>BANK</b>										
Balance as at 1 January 2019	6,469,323	1,636,479	1,041,261	(1,022,229)	101,311	5,805,707	20,966,190	-	34,998,042	34,998,042
Transitional impact on the adoption of SLFRS 16	-	-	-	-	-	-	(259,925)	-	(259,925)	(259,925)
Restated Balance as at 1 January 2019 under SLFRS 16	6,469,323	1,636,479	1,041,261	-	101,311	5,805,707	20,706,265	-	34,738,117	34,738,117
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	-	-	5,111,600	-	5,111,600	5,111,600
Profit for the period	-	-	-	-	-	-	(254,248)	-	800,514	800,514
Other Comprehensive Income before Tax	-	-	307,211	(850,475)	(102,924)	-	52,034	-	(716,598)	(716,598)
Tax on Other Comprehensive Income	-	-	(86,019)	(682,613)	-	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>	-	-	221,192	167,862	(102,924)	-	4,909,386	-	5,195,516	5,195,516
<b>Transactions with equity holders</b>										
Transfer to statutory reserve fund	-	260,000	-	-	-	-	(260,000)	-	-	-
Final Dividend for year 2018 - Scrip	2,216,011	-	-	-	-	-	(1,367,061)	-	(151,050)	(151,050)
Final Dividend for year 2018 - Cash	-	-	-	-	-	-	(298,747)	-	(298,747)	(298,747)
Balance as at 31 December 2019	<b>7,685,334</b>	<b>1,896,479</b>	<b>1,262,453</b>	<b>(854,367)</b>	<b>(1,613)</b>	<b>5,805,707</b>	<b>23,689,843</b>	<b>-</b>	<b>39,483,836</b>	<b>39,483,836</b>

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**

P. O. Box 1025  
49, NAWARAWA MAWATHA  
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	Available for Sale LKR '000	Fair Value Reserve LKR '000	Cash Flow Hedge Reserve LKR '000						
GROUP												
Balance as at 1 January 2018	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	
Transitional Impact on the adoption of SLFRS 9	-	-	-	236,382	(236,382)	-	-	(2,456,276)	(2,456,276)	2	(2,456,274)	
Deferred tax on transitional adjustments	-	-	-	-	-	-	-	688,663	688,663	-	688,663	
Restated opening balance under SLFRS 9	2,208,520	1,336,479	1,136,654	-	(236,382)	(14,191)	5,805,707	21,007,827	31,244,614	965,748	32,210,362	
Total Comprehensive Income for the Year	-	-	-	-	-	-	-	-	-	-	-	
Profit for the period	-	-	-	-	-	-	-	5,136,168	5,136,168	139,819	5,275,987	
Other Comprehensive Income before Tax	-	-	30,186	-	(1,347,809)	115,502	-	218,252	(983,869)	13,340	(970,529)	
Tax on Other Comprehensive Income	-	-	-	-	554,595	-	-	2,308	556,903	-	556,903	
Total Comprehensive Income for the year	-	-	30,186	-	(793,214)	115,502	-	5,356,728	4,709,202	153,159	4,862,361	
Transactions with equity holders												
Transfer to statutory reserve fund	-	300,000	-	-	-	-	-	(300,000)	-	-	-	
Issue of Shares	3,449,676	-	-	-	-	-	-	-	3,449,676	-	3,449,676	
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)	
Adjustment due to changes in group companies	-	-	-	-	-	-	-	(8,657)	(8,657)	30,660	22,003	
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	-	(50,525)	(50,525)	
Balance as at 31 December 2018	6,469,323	1,636,479	1,166,840	-	(1,029,596)	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,488	
Balance as at 1 January 2019	6,469,323	1,636,479	1,166,840	-	(1,029,596)	101,311	5,805,707	24,862,382	39,012,446	1,099,042	40,111,488	
Transitional Impact on the adoption of SLFRS 16	-	-	-	-	-	-	-	(305,036)	(305,036)	(37)	(305,073)	
Restated Balance as at 1 January 2019 under SLFRS 16	6,469,323	1,636,479	1,166,840	-	-	101,311	5,805,707	24,557,346	38,707,410	1,099,005	39,806,415	
Total Comprehensive Income for the Year	-	-	-	-	-	-	-	-	-	-	-	
Profit for the period	-	-	-	-	-	-	-	4,775,932	4,775,932	109,079	4,885,011	
Other Comprehensive Income before Tax	-	-	320,991	-	842,365	(102,924)	-	(49,456)	1,010,976	(119)	1,010,857	
Tax on Other Comprehensive Income	-	-	(89,876)	-	(637,978)	-	-	66,683	(661,171)	-	(661,171)	
Total Comprehensive Income for the year	-	-	231,115	-	204,387	(102,924)	-	4,793,159	5,125,737	108,960	5,234,697	
Transactions with equity holders												
Transfer to statutory reserve fund	-	260,000	-	-	-	-	-	(260,000)	-	-	-	
Final Dividend for year 2018 - Scrip	1,216,011	-	-	-	-	-	-	(1,367,061)	(151,050)	-	(151,050)	
Final Dividend for year 2018 - Cash	-	-	-	-	-	-	-	(298,747)	(298,747)	-	(298,747)	
Dividend attributable to non controlling interest	-	-	-	-	-	-	-	-	-	(52,685)	(52,685)	
Balance as at 31 December 2019	7,685,334	1,896,479	1,397,955	-	(825,209)	(1,613)	5,805,707	27,424,697	43,383,350	1,155,280	44,538,630	

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

P.O. Box 1828  
40, NAWAL MAWATHA,  
COLOMBO 02.

STATEMENT OF CASH FLOW				
For the period ended 31 December	BANK		GROUP	
	2019 LKR '000	2018 LKR '000	2019 LKR '000	2018 LKR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	48,177,253	40,951,417	48,357,057	41,252,618
Fee based income received	3,927,886	3,165,779	4,716,160	4,068,512
Dividend income received	419,938	568,518	76,462	123,146
Other Operating income received	1,562,829	2,943,489	1,569,068	2,943,489
Interest paid	(32,959,532)	(28,022,485)	(32,965,191)	(28,031,190)
Personnel costs paid	(4,867,086)	(4,348,634)	(5,226,060)	(4,691,092)
Other expenses paid	(4,223,990)	(3,404,759)	(4,568,110)	(3,821,127)
<b>Operating Profit before changes in operating assets and liabilities</b>	<b>12,037,298</b>	<b>11,853,325</b>	<b>11,959,387</b>	<b>11,844,356</b>
<b>(Increase )/decrease in operating assets</b>				
Deposits held for regulatory or monetary control purposes	1,659,812	(181,466)	1,659,812	(181,466)
Financial Assets at amortised cost - loans and receivables to other customers	(50,965,915)	(73,574,161)	(50,966,827)	(73,574,161)
Net (increase)/decrease in operating assets	898,225	(1,557,659)	848,053	(1,516,458)
<b>(Increase )/decrease in operating liabilities</b>				
Financial liabilities at amortised cost - due to depositors	55,691,828	72,511,339	55,691,828	72,511,339
Financial liabilities at amortised cost - due to debt securities holders	(5,613,250)	(3,132,870)	(5,613,250)	(3,132,870)
Financial liabilities at amortised cost - due to other borrowers	7,967,348	(2,491,485)	7,967,348	(2,487,007)
Net increase/(decrease) in other liabilities	(1,944,029)	1,244,708	(1,924,306)	1,157,400
<b>Net cash generated from operating activities before taxation</b>	<b>19,731,317</b>	<b>4,671,731</b>	<b>19,622,045</b>	<b>4,621,133</b>
Tax on Financial Services paid	(1,906,763)	(1,893,940)	(1,932,033)	(1,893,940)
Income taxes paid	(2,956,685)	(1,451,843)	(3,017,136)	(1,531,746)
<b>Net cash provided by/(used in) operating activities</b>	<b>14,867,869</b>	<b>1,325,948</b>	<b>14,672,876</b>	<b>1,195,447</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net changes in financial investments	(16,792,449)	(1,002,720)	(16,657,444)	(358,785)
Net cash flow from liquidation of associates company	-	23,400	-	23,400
Purchase of Intangible assets	(477,826)	(218,304)	(479,066)	(231,436)
Purchase of property, plant & equipment	(650,538)	(724,174)	(698,430)	(763,420)
Proceeds from sale of property, plant & equipment	994	40,690	3,050	40,690
<b>Net cash (used in) from investing activities</b>	<b>(17,919,819)</b>	<b>(1,881,108)</b>	<b>(17,831,892)</b>	<b>(1,289,551)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of ordinary of shares ( as a right issue)	-	3,449,676	-	3,499,677
Repayment of debts securities issued	-	(2,771,590)	-	(2,771,590)
Interest paid on debts securities issued	(1,750,930)	(2,032,758)	(1,750,930)	(2,032,758)
Repayment of Institutional borrowings	(11,653,165)	(6,922,794)	(11,653,165)	(6,922,794)
Proceeds from Institutional borrowings	1,760,967	24,822,518	1,760,967	24,822,518
Proceeds from debt securities issued	5,561,200	-	5,561,200	-
Repayments of principle portion of lease liabilities	(344,416)	-	(344,416)	-
Dividends paid to non-controlling interests	-	-	(48,902)	(46,046)
Dividends paid to shareholders of the Bank	(302,077)	(330,157)	(302,077)	(330,157)
<b>Net cash provided by/(used in) financing activities</b>	<b>(6,728,421)</b>	<b>16,214,895</b>	<b>(6,777,323)</b>	<b>16,218,850</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,780,370)</b>	<b>15,659,735</b>	<b>(9,936,338)</b>	<b>16,124,746</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>21,774,885</b>	<b>6,115,150</b>	<b>22,308,744</b>	<b>6,183,998</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>11,994,515</b>	<b>21,774,885</b>	<b>12,372,406</b>	<b>22,308,744</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents	5,703,468	6,537,579	6,081,359	7,071,438
Placements with banks	6,291,047	15,237,306	6,291,047	15,237,306
	<b>11,994,515</b>	<b>21,774,885</b>	<b>12,372,406</b>	<b>22,308,744</b>

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

PQ 27

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

8/31/2020

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

FitchRatings

**CERTIFIED COPY**  
 of Report downloaded  
 from Fitch Ratings  
 website.

*[Signature]* 31/8/2020  
 Secretary  
 NATIONAL DEVELOPMENT BANK PLC  
 P. O. 27  
 SRI LANKA

RATING ACTION COMMENTARY

# Fitch Rates National Development Bank's Basel III Sub Debt Final 'A-(Ika)'

Mon 31 Aug, 2020 - 2:42 AM ET

Fitch Ratings - Colombo - 31 Aug 2020: Fitch Ratings Lanka has assigned National Development Bank PLC's (NDB, A+(Ika)/Stable) proposed Basel III-compliant subordinated unsecured debentures a final National Long-Term Rating of 'A-(Ika)'.

The final ratings are the same as the expected ratings assigned on 23 July 2020 and follow the receipt of documents conforming to information already received.

The proposed debentures total up to LKR6.5 billion with maturities of five years and will be listed on the Colombo Stock Exchange. The bank expects the proposed debentures to qualify as Basel III-compliant regulatory Tier 2 capital. The proposed debentures include a non-viability clause whereby they will convert to ordinary voting shares if so determined by the Monetary Board of Sri Lanka. The bank plans to use the proceeds from the proposed debentures to strengthen its Tier 2 capital base and support loan-book expansion.

## KEY RATING DRIVERS

NDB's Sri Lankan rupee-denominated subordinated debt is rated two notches below the National Long-Term Rating anchor. This reflects Fitch's baseline notching for loss severity for this type of debt and our expectations of poor recoveries. There is no additional

<https://www.fitchratings.com/research/banks/fitch-rates-national-development-bank-basel-iii-sub-debt-final-a-ika-31-08-2020>

1/7



notching for non-performance risks.

NDB's National Long-Term Rating reflects its modest franchise and more balanced business model but thinner capitalisation relative to similarly rated peers.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

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

The prospect of an upgrade appears unlikely in the near term due to the deteriorating operating environment. An upgrade of NDB's rating in the medium term would stem from an improvement of its credit profile relative to the rated universe of Sri Lankan entities. A much stronger franchise and financial profile, in particular, higher capital buffers that can absorb risks related to the operating environment, would be consistent with positive rating action.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

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

NDB's rating would be downgraded if there were to be deterioration in its financial profile relative to the universe of rated entities in Sri Lanka, in particular, its capital buffers, or increased risk appetite through aggressive loan growth or higher exposure to riskier customer segments.

## **DATE OF RELEVANT COMMITTEE**

04 August 2020

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

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

<https://www.fitchratings.com/research/banks/fitch-rates-national-development-bank-basel-iii-sub-debt-final-a-lka-31-08-2020>

2/7

**RATING ACTIONS**

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

VIEW ADDITIONAL RATING DETAILS

**FITCH RATINGS ANALYSTS****Rukshana Thalgodapitiya**

Director

Primary Rating Analyst

+94 11 2541 900

Fitch Ratings Lanka Ltd.

15-04 East Tower World Trade Center Colombo 00100

**Jeewanthi Malagala**

Associate Director

Secondary Rating Analyst

+94 11 2541 900

**David Wong**

Senior Director

Committee Chairperson

+852 2263 9927

**MEDIA CONTACTS****Kyoshi Quyn**

Colombo

+94 11 2541 900

kyoshi.quyn@fitchratings.com

<https://www.fitchratings.com/research/banks/fitch-rates-national-development-bank-basel-iii-sub-debt-final-a-lka-31-08-2020>

3/7

**Peter Hoflich**

Singapore

+65 6796 7229

peter.hoflich@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)**APPLICABLE CRITERIA**

Bank Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)

National Scale Rating Criteria (pub. 08 Jun 2020)

**ADDITIONAL DISCLOSURES**

Solicitation Status

Endorsement Policy

**ENDORSEMENT STATUS**

National Development Bank PLC

**DISCLAIMER**

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.



[READ LESS](#)

## COPYRIGHT

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating.

<https://www.fitchratings.com/research/banks/fitch-rates-national-development-bank-basel-iii-sub-debt-final-a-ika-31-08-2020>

5/7

Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

DEBENTURE

<https://www.fitchratings.com/research/banks/fitch-rates-national-development-bank-basel-iii-sub-debt-final-a-ika-31-08-2020>

6/7



## SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

## ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

---

Banks Asia-Pacific Sri Lanka

---

## ANNEXURE II - COLLECTION POINTS

---

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

<b>Issuer</b>  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	<b>Managers and Joint Placement Agents to the Issue</b>  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  <b>Joint Placement Agents to the Issue</b> Capital Alliance Partners Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02.  Tel: +94 11 2317777 Fax: +94 11 2317788
<b>Registrars to the Issue</b>  S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03, Sri Lanka.  Tel: +94 11 2 573 894 Fax: +94 11 2 573 609	<b>Bankers to the Issue</b>  National Development Bank PLC No. 40, Navam Mawatha, Colombo 02  Tel: +94 11 2 448 448 Fax: +94 11 2 341 044, +94 11 2 440 262

### Branch Network of National Development Bank PLC

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

## Members of the CSE

<b>Acuity Stockbrokers (Private) Limited</b> 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	<b>Asha Securities Limited</b> No. 60, 5 <sup>th</sup> Lane, Colombo 03  Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net
<b>Asia Securities (Private) Limited</b> 4 <sup>th</sup> 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	<b>Assetline Securities (Private) Limited</b> 120, 120A, Pannipitiya Road Battaramulla  Tel: +94 11 4 700 100 Fax: +94 11 4 700 112 E-mail: info@assetline.lk
<b>Bartleet Religare Securities (Private) Limited</b> Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02  Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetreligare.com	<b>Capital Trust Securities (Private) Limited</b> 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
<b>CT CLSA Securities (Private) Limited</b> 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	<b>First Capital Equities (Pvt) Limited</b> No.2, Deal Place, Colombo 03.  Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-mail: equity@firstcapital.lk
<b>J B Securities (Private) Limited</b> 150, St. Joseph Street Colombo 14  Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk	<b>John Keells Stock Brokers (Private) Limited</b> 186, Vauxhall Street, Colombo 02.  Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com

<p><b>Lanka Securities (Private) Limited</b></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><b>Somerville Stockbrokers (Private) Limited</b></p> <p>No. 1A, Park way, Park Road, Colombo 05.</p> <p>Tel: +94-11 2 502 852/ 54/ 58/ 62 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk</p>
<p><b>NDB Securities (Private) Limited</b></p> <p>Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04</p> <p>Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk</p>	<p><b>SC Securities (Private) Limited</b></p> <p>5<sup>th</sup>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><b>Nation Lanka Equities (Pvt) Ltd.</b></p> <p>No. 44, Guildford Crescent, Colombo 07</p> <p>Tel: +94 11 2 030 900 Fax: +94 11 2 673 355 E-mail: info@nlequities.com</p>	

## Trading Members

<b>Softlogic Stockbrokers (Private) Limited</b> Level 16, One Galle Face Tower Colombo 02  Tel: +94 11 7 277 000-98 Fax: +94 11 7 277 099 Email: <a href="mailto:ssb.inquiry@softlogic.lk">ssb.inquiry@softlogic.lk</a>	<b>Capital Alliance Securities (Private) Limited</b> Level 5, "Millennium House" 46/58, Navam Mawatha Colombo 02  Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: <a href="mailto:info@cal.lk">info@cal.lk</a>
<b>Taprobane Securities (Private) Limited</b> 2 <sup>nd</sup> Floor No. 10, Gothami Road Colombo 0  Tel: +94 11 5 328 200 Fax: +94 11 5 328 177 E-mail: <a href="mailto:info@taprobane.lk">info@taprobane.lk</a>	<b>First Guardian Equities (Private) Limited</b> 32 <sup>nd</sup> Floor, East Tower World Trade Centre Echelon Square Colombo 01  Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: <a href="mailto:info@fge.lk">info@fge.lk</a>
<b>Candor Equities Limited</b> 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: <a href="mailto:info@candorh.com">info@candorh.com</a>	<b>LOLC Securities (Private) Limited</b> No.481, T.B. Jayah Mawatha Colombo 10  Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: <a href="mailto:info@lolcsecurities.com">info@lolcsecurities.com</a>
<b>SMB Securities (Private) Limited</b> No. 02, Gower Street, Colombo 05.  Tel: +94 11 5 388 138 Fax: +94 112 550 100 E-mail: <a href="mailto:info@smbsecurities.lk">info@smbsecurities.lk</a>	<b>Richard Pieris Securities (Pvt) Limited</b> No. 310, High Level Road Navinna, Maharagama  Tel: +94 11 4 310 500 Fax: +94 11 2 330 711 E-mail: <a href="mailto:rpfs@rpsecurities.com">rpfs@rpsecurities.com</a>
<b>Enterprise Ceylon Capital (Private) Limited</b> No. 73/1, Dharmapala Mawatha Colombo 07  Tel: +94 11 2 445 644 Fax: +94 11 2 372 541 E-mail: <a href="mailto:info@ecc.lk">info@ecc.lk</a>	<b>TKS Securities (Private) Limited*</b> 4 <sup>th</sup> Floor, No. 245, Dharmapala Mawatha, Colombo 07.  Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: <a href="mailto:info@tks.lk">info@tks.lk</a>
<b>Navara Securities (Private) Limited*</b> No.12B, Gregory's Road Colombo 07.  Tel: +94 11 2 358 700/20, Fax: +94 11 5 005 551 E-mail: <a href="mailto:info@navarasecurities.lk">info@navarasecurities.lk</a>	

**\*Inactivated operations as per Stockbroker Rules**

### Trading Members – Debt

<b>NSB Fund Management Limited</b> No. 400 , Galle Road Colombo 3  Tel: +94 -11 2 564 601 Fax: +94 11 2 574 387	<b>Capital Alliance Limited</b> Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 2  Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 E-mail: info@cal.lk
<b>Wealthtrust Securities Limited</b> No. 102/1 Dr. N. M. Perera Mawatha Colombo 08.  Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-mail: info@wealthtrust.lk	

### ANNEXURE III - CUSTODIAN BANKS

<b>Bank of Ceylon (Head Office)</b> 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2 448 348, 2 338 742/55, 2 544 333	<b>Citi Bank, N A</b> 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 2 447 316/8, 2 447 318, 2 449 061
<b>Commercial Bank of Ceylon PLC</b> Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: +94 11 2 445 010-15, 238 193-5, 430 420	<b>Deutsche Bank AG</b> 86, Galle Road, Colombo 03 T: +94 11 2 447 062, 2 438 057
<b>Hatton National Bank PLC</b> HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 11 2 661 762	<b>The Hong Kong and Shanghai Banking Corporation Limited</b> 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
<b>People's Bank (Head Office)</b> 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2 206 782	<b>Standard Chartered Bank</b> 37, York Street, Colombo 01 T: +94 11 4 794 400, 2480 450
<b>Sampath Bank PLC</b> 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5 600 374	<b>State Bank of India</b> 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 4 622 350
<b>Seylan Bank PLC</b> Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 2 456 789, 4 701 812, 4 701 819	<b>Union Bank of Colombo PLC</b> 64, Galle Road, Colombo 03 T: +94 11 2 374 100
<b>Nations Trust Bank PLC</b> 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4 711 411	<b>Pan Asia Banking Corporation PLC (Head Office)</b> 450, Galle Road, Colombo 03 T: +94 11 2 565 565
<b>Public Bank Berhard</b> 340, R.A. De Mel Mawatha, Colombo 03 T: +94 11 2 576 289	<b>Banque Indosuez</b> C/o Hatton National Bank Limited, Cinnamon Garden Branch, 251, Dharmapala Mawatha, Colombo 07. T: +94 11 2 686 537, 011 2 689 176

## ANNEXURE IV – FATCA DECLARATION

---

Manager

National Development Bank PLC

.....

I/We.....

.....and.....

.....of.....

.....

(address).....holder/s of

Passport Number/ NIC Number..... who fall under definition of a US Persons under

the provision of the Foreign Account Tax Compliance Act ("FATCA") which is a US legislation

aimed at preventing tax evasion by US persons through overseas assets. I/We confirm that

I/We understand FATCA is extraterritorial by design and requires "US Persons" to report their

financial assets held overseas.

I/We hereby request National Development Bank PLC which is recognized as a Foreign Financial

Institutions (FFIs) in terms of the FATCA to report all information pertaining to the accounts and

investments held by me/us in the National Development Bank PLC and to remit any tax payable

to the Internal Revenue Services (IRS) of the United States of America. I/We further confirm

that this request is made by me/us with full knowledge and understanding of FATCA.

Date:.....

Signature/s of Applicants