



7 March 2017

National Development Bank
40 Navam Mawatha
Colombo 02

Dear Mr. Dimantha Seneviratne:

**Subject: Loan No. 3370-SRI: Small and Medium-Sized Enterprises Line of Credit Project
Amendment to Project Agreement**

1. We refer to the Project Agreement dated 23 February 2016 between National Development Bank ("PFI") and Asian Development Bank ("ADB") for the captioned project ("Project Agreement"). All capitalized terms used but not defined herein shall have the meaning given thereto in the Project Agreement, unless the context requires otherwise.

2. Following a request from the Borrower dated 30 January 2017, ADB approved, on 6 February 2017, changes in the Project concerning the auction mechanism and development targets. To give effect to the changes, ADB proposes that the Project Agreement be amended as follows:

(a) In the Schedule, paragraph 2 shall be deleted and replaced by:

2. (a) For each Auction, no withdrawal shall be made from the Loan Account for PFI until:

(i) a Project Agreement, in form and substance satisfactory to ADB, has been duly executed and delivered on behalf of ADB and PFI; and

(ii) PFI has provided ADB a legal opinion specifying that the Project Agreement has been duly authorized, executed and delivered on behalf of PFI, and is legally binding on PFI in accordance with its terms.

(b) For the remaining portion of the Loan, PFI may request between \$1 million equivalent and \$5 million equivalent on a semiannual basis with the most recent 6-month average weighted deposit rate as published by the CBSL and confirmed by ADB prior to the allocation as the interest rate.

- (b) In the Schedule, subparagraph 4(i), the final "and" is deleted.
- (c) In the Schedule, subparagraph 4(j) shall be deleted and replaced by:
 - (j) in the event PFI failed to fully disburse the funds as subloans (i) within 21 months from the date of the Applicable Auction; or (ii) within 18 months from the receipt of the allocated funds for the remaining portion of the Loan, it shall pay the Borrower a penalty of 50% of the borrowed interest rate on the undisbursed portion of the funds (such penalty being in addition to the borrowed interest rate); and
- (d) In the Schedule, a new subparagraph 4(k) shall be added:
 - (k) for the remaining portion of the Loan, PFI cannot participate in a subsequent allocation until at least 80% of the previous allocation has been disbursed as Subloans.
- (e) In the Schedule, subparagraph 12(a), "10%" shall be deleted and replaced by "20%".
- (f) In the Schedule, subparagraph 12(b), "5%" shall be deleted and replaced by "20%".
- (g) In the Schedule, subparagraph 12(c), "50%" shall be deleted and replaced by "70%".

3. Save and except to the extent set out above, the Project Agreement remains unchanged.

4. Pursuant to ADB's Public Communications Policy on disclosure and exchange of information, the amendments to the Project Agreement will be posted on ADB's website within 2 weeks from the date that the amendments become effective, after removing any information that falls within the PCP exceptions as specified by PFI.

5. Please indicate PFI's concurrence to the amendments set out in paragraph 2 of this letter agreement and to the terms of this letter agreement by countersigning each of the two originals of this letter agreement in the space indicated below. Please retain one signed original of this letter agreement for your records and return the other to ADB. The proposed amendments shall take effect on the date of receipt by ADB of a signed original of this letter agreement.

Yours sincerely,

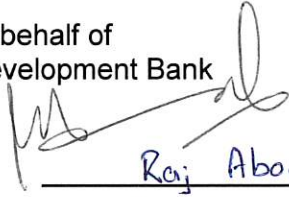


 Sri Widowati
 Country Director
 Sri Lanka Resident Mission



- A. Accepted and agreed.
- B. Confirmed that the amendments to the Project Agreement do not contain information falling within the PCP exceptions.

For and on behalf of
National Development Bank



Name: Raj Aboobucker

Designation: Vice President Institutional Banking & Retail Credit.

Date: 20.03.2017.