

**PROSPECTUS**  
**Debenture Issue**  
**2021**



**YOUR PARTNER IN PROGRESS**

HATTON NATIONAL BANK PLC



PROSPECTUS

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

FIVE BILLION (LKR 5,000,000,000/-)

WITH AN OPTION TO ISSUE UPTO A FURTHER TWENTY MILLION (20,000,000) OF SAID  
DEBENTURES TO RAISE UP TO SRI LANKAN RUPEES TWO BILLION (LKR 2,000,000,000/-),  
IN THE EVENT THE FIRST TRANCHE IS OVERSUBSCRIBED.

MAXIMUM ISSUE WILL NOT EXCEED SEVENTY MILLION (70,000,000) OF SAID DEBENTURES OF A  
VALUE OF NOT EXCEEDING SRI LANKAN RUPEES SEVEN BILLION (LKR 7,000,000,000/-)

TO BE LISTED ON THE  
COLOMBO STOCK EXCHANGE

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

ISSUE OPENS ON  
15<sup>th</sup> July 2021

ISSUE IS LIMITED FOR 'QUALIFIED INVESTORS' AS DEFINED HEREIN

Joint Managers and Placement Agents to the Issue



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

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

Upon a Non-Viability Conversion;

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

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

This investment instrument is riskier than a bank deposit.

These Debentures are complex products and have provision for loss absorption in the form of Non-Viability Conversion as set out in the Prospectus. This means that following the occurrence of a trigger Event as may be determined by the Central Bank of Sri Lanka, the Bank will convert the debentures into ordinary voting shares. An investor will be deemed paid in full the principle plus accrued and unpaid interest due on the Debentures, upon such conversion. The number and value of Ordinary 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 investor in these Debentures must determine the suitability of investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether the investor:

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

A potential investor should not invest in these debentures unless the investor has the expertise (either alone or with its financial and other professional advisers) 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 investor's overall investment portfolio.

This Prospectus is dated 09<sup>th</sup> July 2021

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

This Prospectus has been prepared with available information.

The Directors of the Hatton National Bank PLC (the Bank) 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 their best judgment.

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

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

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

### **Registration of the Prospectus**

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

- a) The written consent of the External Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as external 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 Joint Managers and Placement Agents to the Issue for the inclusion of their names

in the Prospectus as Joint Managers and Placement Agents to the Issue.

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

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

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

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

### **Representation**

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

### **Forward Looking Statements**

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

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

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

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

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

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

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

#### **IMPORTANT**

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

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

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 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 I or through any Custodian Bank as set out in Annexure II of this Prospectus.

## ISSUE AT A GLANCE

<b>Issuer</b>	HATTON NATIONAL BANK PLC														
<b>Instrument</b>	BASEL III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 10 year Debentures (2021/31) with a Non-Viability Conversion.														
<b>Listing</b>	The Debentures will be listed on the Colombo Stock Exchange														
<b>Number of Debentures to be Issued</b>	An initial Issue of Fifty Million (50,000,000) Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 10 year Debentures (2021/31) with a Non-Viability Conversion, with an option to issue up to a further Twenty Million (20,000,000) of said Debentures at the discretion of the Bank in the event of an over subscription of the initial issue.														
<b>Amount to be Raised</b>	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 Two Billion (LKR 2,000,000,000) at the discretion of the Bank in the event of an over subscription of the initial issue														
<b>Entity Rating</b>	"AA- (lka)/stable" Fitch Ratings Lanka Limited														
<b>Issue Rating</b>	"A (lka)" by Fitch Ratings Lanka Limited														
<b>Issue Price</b>	LKR 100/- per each Debenture														
<b>Par Value</b>	LKR 100/- per each Debenture														
<b>Details of Debentures</b>	<p>Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 10 year Debentures (2021/31) with a Non-Viability Conversion, as described below.</p> <table border="1" data-bbox="518 1086 1305 1301"> <thead> <tr> <th>Type</th> <th>Tenure</th> <th>Interest Rate (per annum)</th> <th>Annual Effective Rate (AER) (per annum)</th> <th>Interest Payment frequency</th> </tr> </thead> <tbody> <tr> <td>Fixed Coupon Rate</td> <td>10 years</td> <td>9.50% p.a.</td> <td>9.50% p.a.</td> <td>Annual</td> </tr> </tbody> </table>					Type	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER) (per annum)	Interest Payment frequency	Fixed Coupon Rate	10 years	9.50% p.a.	9.50% p.a.	Annual
Type	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER) (per annum)	Interest Payment frequency											
Fixed Coupon Rate	10 years	9.50% p.a.	9.50% p.a.	Annual											
<b>Number of Debentures to be Subscribed</b>	<p>The minimum subscription requirement applicable for a Qualified Investor applying for debt Securities shall be Rupees Ten Thousand (LKR 10,000/-).</p> <p>Provided however, the minimum subscription requirement applicable for an individual investor applying for BASEL III Compliant Debt Securities shall be Rupees Five Million (LKR 5,000,000/-).</p> <p>Any application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (LKR 10,000/-).</p>														
<b>Interest Payment Date(s)</b>	<p>The dates on which payment of interest in respect of the Debentures shall fall due, which shall be one (1) Year from the Date of Allotment and every year therefrom of each year 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>														

	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 one (1) year period from the date immediately succeeding a particular Interest Payment Date and ending on 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 first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding 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>	15 <sup>th</sup> July 2021
<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 15<sup>th</sup> July 2021 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 05<sup>th</sup> August 2021.</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 70,000,000 Debentures being fully subscribed; or</li> <li>- The Board of Directors of the Bank deciding to close the Issue upon the initial Issue of 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 the second tranche of up to 20,000,000 Debentures (initial Issue of 50,000,000 Debentures having been fully subscribed) but subsequently decides to close the subscription list upon part of second tranche 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 4.30pm.</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 subscription list will be closed on the following Market Day at 4.30 p.m.</p>
<b>Basis of Allotment</b>	<p>In the event of an over subscription, the Chief Executive Officer and / or the Chief Financial Officer or any person authorised by 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</b></p>



	<p><b>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</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>	Means a point at which the Monetary Board of the Central Bank of Sri Lanka determines (a) that the Bank would become non-viable without a write down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29th December 2016 (as may be amended from time to time); or (b) to make a public sector injection of capital or equivalent support without which the Bank would have become non-viable in terms of item 10 (iii)(b) of the said Direction.

## TABLE OF CONTENTS

<b>ISSUE AT A GLANCE .....</b>	<b>v</b>
<b>1.0 CORPORATE INFORMATION.....</b>	<b>10</b>
<b>2.0 RELEVANT PARTIES TO THE ISSUE .....</b>	<b>11</b>
<b>3.0 LIST OF ABBREVIATIONS .....</b>	<b>13</b>
<b>4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE .....</b>	<b>14</b>
<b>5.0 PRINCIPAL FEATURES OF THE DEBENTURES .....</b>	<b>17</b>
5.1 INVITATION TO SUBSCRIBE.....	17
5.2 SUBSCRIPTION LIST .....	18
5.3 TYPES OF DEBENTURES .....	18
5.4 OBJECTIVES OF THE ISSUE & SPECIFIC RISKS RELATING TO THE OBJECTIVES OF THE DEBENTURE ISSUE .....	19
5.5 PAYMENT OF INTEREST .....	23
5.6 APPLICATION OF TAX ON INTEREST PAYMENTS .....	23
5.7 REDEMPTION OF DEBENTURES AN CONSEQUENCE OF A TRIGGER EVENT .....	23
5.8 PAYMENT METHOD .....	25
5.9 TRUSTEE TO THE ISSUE .....	26
5.10 RATING OF THE DEBENTURE .....	26
5.11 RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDERS .....	26
5.12 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE BANK.....	27
5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES .....	28
5.14 TRANSFER OF DEBENTURES.....	32
5.15 LISTING.....	33
5.16 COST OF THE ISSUE .....	33
5.17 BROKERAGE FEE .....	33
5.18 UNDERWRITING .....	33
<b>6.0 PROCEDURE FOR APPLICATION .....</b>	<b>34</b>
6.1 INSPECTION OF DOCUMENTS .....	34
6.2 ELIGIBLE APPLICANTS .....	34
6.3 HOW TO APPLY .....	35
6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED .....	39
6.5 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS .....	39
6.6 REJECTION OF APPLICATIONS.....	40
6.7 BANKING OF PAYMENTS .....	41
6.8 BASIS OF ALLOTMENT OF DEBENTURES .....	41
6.9 REFUNDS.....	42
6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING .....	43
<b>7.0 THE BANK .....</b>	<b>44</b>
7.1 FINANCIAL YEAR .....	44
7.2 STATED CAPITAL .....	44
7.3 MAJOR SHAREHOLDERS AS AT 31 <sup>st</sup> March 2021 .....	44
7.4 DETAILS OF OTHER DEBENTURES IN ISSUE .....	46
7.5 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK .....	47
7.6 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK .....	48
7.7 FINANCIAL RATIOS.....	50
7.8 DEBENTURE INTEREST PAYMENT DETAILS (as at 31 <sup>st</sup> December) .....	51
7.9 TAXATION .....	51
7.10 FINANCIAL STATEMENTS & FINANCIAL SUMMARY .....	51

7.11	LICENCES RELEVANT TO THE MAIN BUSINESS OF THE BANK .....	52
7.12	IMPACT ON COVID <sub>19</sub> ON THE BANK .....	52
<b>8.0</b>	<b>BOARD OF DIRECTORS .....</b>	<b>54</b>
8.1	DETAILS OF THE DIRECTORS .....	54
8.2	DIRECTORS' INTEREST IN ASSETS .....	54
8.3	BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE .....	54
<b>9.0</b>	<b>STATUTORY DECLARATIONS .....</b>	<b>55</b>
9.1	STATUTORY DECLARATION BY THE DIRECTORS .....	55
9.2	STATUTORY DECLARATION BY THE JOINT MANAGERS AND PLACEMENT AGENTS TO THE ISSUE .....	56
<b>10.0</b>	<b>FINANCIAL INFORMATION.....</b>	<b>57</b>
10.1	ACCOUNTANT'S REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS .....	57
	<b>ANNEXURE I - COPY OF THE RATING CERTIFICATE.....</b>	<b>74</b>
	<b>ANNEXURE II - COLLECTION POINTS .....</b>	<b>81</b>
	<b>ANNEXURE III - CUSTODIAN BANKS.....</b>	<b>86</b>
	<b>ANNEXURE IV – FATCA DECLARATION .....</b>	<b>87</b>

## 1.0 CORPORATE INFORMATION

<b>Name of the Company (Bank)</b>	Hatton National Bank PLC
<b>Legal Status</b>	A public limited Company incorporated on 5 <sup>th</sup> March 1970 under the Laws of the Republic of Sri Lanka. The Bank was re-registered under the Companies Act No 7 of 2007 on 27 <sup>th</sup> September 2007. It is a Licensed Commercial Bank under the Banking Act No. 30 of 1988
<b>Company Number</b>	PQ 82
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	Hatton National Bank PLC No. 479 T B Jayah Mawatha Colombo 10
<b>Company Secretary</b>	Ms. K. A. L. Thushari Ranaweera "HNB Towers" No. 479, T B Jayah Mawatha (Darley Road), P O Box 837, Colombo 10, Sri Lanka. Tel : +94 11 2 661804 Fax :+94 11 2 662825
<b>Rating Agency</b>	Fitch Ratings Lanka Limited No.15-04, East Tower World Trade Centre Colombo 01
<b>Auditors to the Company</b>	KPMG Chartered Accountants No. 32 A, Sir Mohamed Macan Markar Mawatha, P O Box 186Colombo 3, Sri Lanka
<b>Board of Directors</b>	Mr. A.H.D.A.N De Silva (Chairman / Non-Executive, Independent Director) Mr. A.J. Alles (Managing Director / Chief Executive Officer, Executive Director) Mr. D A Cabraal (Non-Executive, Non Independent Director) Mr. L U D Fernando (Non-Executive, Non Independent Director) Dr. T. K. D. A. P. Samarasinghe (Alternate Director to Mr L.U.D. Fernando) Mr. W M M D Ratnayake (Non-Executive, Independent Director) Mr. D Cooray (Non-Executive, Independent Director) Mr. D Rodrigo (Chief Operating Officer, Executive Director) Ms A Goonetilleke (Non-Executive, Non-Independent Director) Mr O Chandrawansa ((Non-Executive, Independent Director) Mr. P Saldin (Non-Executive, Non Independent Director)

## 2.0 RELEVANT PARTIES TO THE ISSUE

<b>Joint Managers and Placement Agents to the Issue</b>	<p>Acuity Partners (Private) Limited  Acuity House  No. 53, Dharmapala Mawatha  Colombo 03  Tel: +94 11 2 206 206  Fax: +94 11 2 437 149</p> <p>Capital Alliance Partners Limited  Millennium House,  Level 05, 46/58, Nawam Mawatha,  Colombo 02  Tel: + 94 11 2 317777  Fax: +94 11 2 317788</p>
<b>Lawyers to the Issue</b>	<p>Ms Shiromi Halloluwa  Head of Legal  Legal Department  “HNB Towers”  No. 479 T B Jayah Mawatha Colombo 10  Tel: +94 11 266 1856, +9411 476 4764  Fax: +94 11 2 662 831</p>
<b>Registrars to the Issue</b>	<p>SSP Corporate Services (Pvt) Limited  No. 101 Inner Flower Road  Colombo 03  Tel: +94 11 2 573 894  Fax: +94 11 2 573 609</p>
<b>Trustee to the Issue</b>	<p>NSB Fund Management Company Limited  NO. 400  Galle Road,  Colombo 03  Tel : +94 11 2 425010  Fax :+94 11 2 574387</p>
<b>Secretary to the Issue</b>	<p>Ms. K. A. L. Thushari Ranaweera  “HNB Towers”  No. 479, T B Jayah Mawatha),  Colombo 10.  Tel : +94 11 2 661804  Fax :+94 11 2 662825</p>
<b>Rating Agency to the Issue</b>	<p>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</p>

<b>Bankers to the Issue</b>	<p>Hatton National Bank PLC  No. 479 T B Jayah Mawatha  Colombo 10</p> <p>Tel: +94 11 266 4664, +94 11 266 2772, +94 11 476 4764  Fax: +94 11 266 2832</p>
<b>Auditors and Reporting Accountants to the Issue</b>	<p>KPMG  Chartered Accountants  No. 32 A, Sir Mohamed Macan Markar Mawatha,  P O Box 186 Colombo 3, Sri Lanka</p> <p>Tel: +94 11 2 426 426, +94 11 2 542 6426  Fax: +94 11 2 445 872, +94 11 2 446 058,  +94 11 2 541249</p>

### 3.0 LIST OF ABBREVIATIONS

---

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

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

<b>Applicant</b>	Any 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 Debenture in Issue.
<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 15<sup>th</sup> July 2021 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 05<sup>th</sup> August 2021.</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 70,000,000 Debentures being fully subscribed; or</li> <li>- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 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 the second tranche of up to 20,000,000 Debentures (having subscribed the initial Issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of second tranche 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 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>Bank/ Issuer</b>	Hatton National 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>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>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 10-year Debenture Issue 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>	The dates on which payment of interest in respect of the Debentures shall fall due, which shall be one (1) year from the Date of Allotment and every year therefrom of each year 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.
<b>Interest Period</b>	The one (1) year period from the date immediately succeeding a particular Interest Payment Date and ending on 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 first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding 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>	LKR 100/- per each Debenture
<b>Market Day</b>	Any day on which trading takes place at the CSE
<b>Non Viability Conversion</b>	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 Company without any requirement of approval by the Debenture Holders in compliance with BASEL III requirements, Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total par value of the Debentures and Debenture Interest accrued and unpaid 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 Company shall settle such sums in cash, based on the issue price of such share.
<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>Qualified Investors</b>	<ul style="list-style-type: none"> <li>a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).</li> <li>b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended).</li> <li>c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.</li> <li>d) A venture capital fund/ company and private equity company.</li> </ul>

	<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 a minimum initial investment amount of LKR 5,000,000/-</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> July 2021 issued by HNB
<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 pari passu with other BASEL III 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 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>Trust Deed</b>	Trust Deed executed between the Bank and NSB Fund Management Company Limited on 02nd July 2021
<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

## 5.0 PRINCIPAL FEATURES OF THE DEBENTURES

---

### 5.1 INVITATION TO SUBSCRIBE

The Board of Directors of Hatton National Bank PLC (hereinafter referred to as the "Board") at the Board Meeting held on 26th November 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/- with an option to raise a further sum of Rupees Two Billion (LKR 2,000,000,000/-) by an issue of a further Twenty Million (20,000,000) Debentures, in the event of an over subscription of the initial issue at the discretion of the Bank.

As such a maximum amount of Rupees Seven Billion (LKR7,000,000,000) would be raised by the issue of a maximum of Seventy Million (70,000,000) 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 shareholders. However, if there has been an issuance of ordinary shares to the Debenture holders upon the occurrence of a Trigger Event a Debenture Holder would cease to be Debenture Holder and would become a shareholder of the Bank to the extent of such issuance and will rank equal and pari passu with existing Ordinary Voting Share Holders.

The Bank has obtained shareholders' approval through the special resolution passed at the extra ordinary general meeting held 30th March 2021, for the issuance of Ordinary Shares in the event of a non-viability conversion upon the occurrence of a Trigger Event.

It is the intention of the Bank to list the Debentures on the Colombo Stock Exchange. The CSE has given it's in principle approval for the listing of the Debentures and any ordinary shares which would be issued upon the occurrence of a Trigger Event 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 investor entering the market through the secondary market would also need to invest at minimum a 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 15<sup>th</sup> July 2021 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 05<sup>th</sup> August 2021.

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 70,000,000 Debentures being fully subscribed; or
- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 50,000,000 Debentures becoming fully subscribed.

In the event the Board of Directors of the Bank decides to exercise the option to issue the second tranche of up to 20,000,000 Debentures (having subscribed the initial Issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of second tranche 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.

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.

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

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

## 5.3 TYPES OF DEBENTURES

The issue will be comprised of a single Debenture type paying a fixed coupon rate of 9.50% and with a par value of Rupees One Hundred (LKR 100/-)

Type	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER) (per annum)	Interest Payment frequency
Fixed Rate	10 years	9.50% p.a.	9.50% p.a.	Annual

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

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

- a) **Refinancing the debentures maturing in 2021 and further improving the tier II capital of the Bank to be compliant with the capital adequacy requirements as per the CBSL regulations in line with Basel III accord**

Existing Debentures totalling approx. LKR 4.0 Billion are due to mature in the second half of 2021 and the funds raised from the Subordinated long term debentures issued in compliance with the requirements under BASEL III with a Non-Viability Conversion option will enable the Bank to refinance the said maturing debentures while improving the Tier 2 capital of the Bank under the BASEL III regulations. The details of the debentures due to mature in second half of 2021 are as follows;

Year	Listing	Rank	Issue Value LKR (000's)	Interest Rate p.a.	Tenor (Years)	Issue Date	Maturity Date
2011	Listed	Subordinated	2,000	11.50%	10	05-Sep-2011	04-Sep-2021
2016	Listed	Subordinated	2,000	11.75%	05	01-Nov-2016	01-Nov-2021

Debenture Objective	Expected utilization of the proceeds (LKR Billion)
To refinance the debenture maturity	4.0
Lending growth	3.0
<b>Total</b>	<b>7.0</b>

As per the Central Bank of Sri Lanka (CBSL) issued Banking Act Direction No.1 of 2016 issued in December 2019, the revised minimum capital requirement for Banks came into effect from 01<sup>st</sup> July 2017. The Banking Act Direction No.11 of 2019 further amended the capital adequacy requirement stated in the Banking Act Direction No. 1 of 2016.

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

Components of Capital	BASEL III Minimum Regulatory Requirement		
	To be maintained by Non-DSIBs	To be maintained by D-SIBs	Applicable to HNB
Common Equity Tier I including Capital Conservation Buffer	7.00%	7.00%+HLA	8.50%
Total Tier I including Capital Conservation Buffer	8.50%	8.50%+HLA	9.50%
Total Capital Ratio Including Capital Conservation Buffer	12.50%	12.50%+HLA	13.50%

**Note:** In order to minimise the impact of COVID 19 on the banking sector in April 2020, the Central Bank of Sri Lanka permitted the licensed commercial banks to drawdown the Capital Conservation Buffer up to 100bps.

As a domestic systemically important bank the high loss absorbency (HLA) applicable to HNB is 100bps higher than that for a licensed commercial bank. Therefore, HNB is required to maintain a Common Equity Tier 1 ratio of 8%, a Tier 1 ratio of 9.5% and a Total capital ratio of 13.5% with effect from 31st December 2019.

The Bank has complied with the CBSL BASEL III minimum capital adequacy requirement as shown below respectively against the regulatory minimum requirements stipulated by the Central Bank of Sri Lanka.

Components of Capital	Banks's Capital Adequacy Ratios' as at		
	31 <sup>st</sup> Dec. 2019	31 <sup>st</sup> Dec. 2020	31 <sup>st</sup> Mar 2021
Common Equity Tier 1 capital	14.57%	14.73%	14.82%
Total Tier 1 capital	14.57%	14.73%	14.82%
Total capital ratio	18.28%	17.98%	17.88%

The forecast improvement in ratios taking into account the intended proceeds of the Debenture Issue computed under BASEL III are as follows:

Components	Expected (%), subsequent to the Debenture Issue	
	With LKR 5.0 Billion	With LKR 7.0 Billion
Common Equity Tier 1 Capital with buffers	14.82%	14.82%
Total Tier 1 Capital with buffers	14.82%	14.82%
Total capital ratio with buffers	18.52%	18.77%

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 maintain a buffer and accommodate any growth in the loan book which exceeds anticipated levels.

The Bank has obtained approval from CBSL to include the Debentures as Tier 2 capital. Further, the Bank has obtained the shareholder approval by way of a special resolution on 30th March 2021 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 (l) 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) Strengthen the balance sheet to support the demand for credit.**

Funds generated through the Debenture Issue will also be used to support the lending activities of the Bank as part of its normal course of business.

The proceeds from the Issue will be added to the Bank's pool of funds. This pool is available for on-lending to all parties. Transactions with related parties will be carried out in compliance with all applicable Statutes, Directions, Regulations and CSE Listing Rules.

The monthly average disbursement of funds in loans and advances for the last quarter was approximately LKR 59 Billion. It is the understanding of the Bank that the entire quantum of funds would be utilized within a period of 12 months from the date of allotment of the Debentures. In the interim period these funds will be invested in Government Securities at zero credit risk at the current market rates, which would generate a return at the rate of approximately 4.50% -5%.

As an additional benefit the Bank will benefit from locking in interest rates over a ten-year period which will improve management of overall cost of funds.

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.

### **Specific Risk Relating to Objectives**

The Bank's total assets and liabilities stood at LKR 1,291.85 Bn and LKR 1,157.85 Bn respectively as at the end of December 2020, whereas the maximum size of the proposed debenture issue is LKR 7 Bn. Hence, the dependence on proceeds from the Debenture to achieve the objectives of the Issue, being settlement of LKR 4 Bn in maturing debentures and utilization of LKR 3 Bn to finance loan growth is marginal, as the Bank in the ordinary course of business has access to multiple sources of funds.

Hence, there are no significant risk factors that may lead to the non-achievement of the objective of refinancing of the debenture maturity as the bank is well liquid /capitalized and has access to alternative sources of funds.

The Bank's portfolio of gross loans and advances recorded a growth of LKR 42.6 Bn for 2020, despite the challenging operating environment. Therefore, there is no specific risk factor that may lead to non-achievement of expansion targets pertaining to the Bank's loans and advances portfolio within the specified time line via the proceeds of the Issue up to a maximum of LKR 7 Bn, of which LKR 3 Bn is to be allocated for financing loan growth. 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.

In the event the Debenture Issue is not fully subscribed or if the timelines are changed if thought fit by the Bank, no further shareholder approval will need to be sought.

However, the risk of undersubscription of the Debenture Issue will be greatly mitigated due to the strong financial performance of the Bank as the issuer and best efforts placements by the designated Joint Managers.

The utilization of the proceeds of the Debenture Issue will be disclosed in the Annual Report and the Interim Financial Statements 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 in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party)
1	Refinancing the debentures maturing in 2021	LKR 4 Bn	LKR 2 Bn – 04 <sup>th</sup> Sept 2021 LKR 2 Bn – 01 <sup>st</sup> Nov. 2021					
	Further Improve the tier II capital of the Bank	Initial issue of LKR 5 Bn and a maximum issue of LKR 7 Bn	Upon the allotment of the Debentures. the receipt of CBSL approval to include the amount raised via the Debentures under Tier 2 capital base					
2	Strengthen the balance sheet to support the demand for credit	LKR 3 Bn	Within 12 months from the date of Allotment	-	-	-	-	-

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

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the prospectus prior to Submission of the bank's next immediate financial statements (i.e. either interim financial statements or annual report), the bank is required to disclose the fact that proceeds have been utilized in its entirety as per the above template in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first.

**Note:**

If there are any changes occurring in circumstances due to specific risks relating to objectives of the Debenture issue as highlighted in section "Specific Risk Relating to Objectives of the Debenture Issue", the Bank may use the funds appropriately, i.e. if funds are not utilized for loan growth they will be invested in Government Securities at the discretion of the Bank, for which no further approval from Debenture Holders will be sought, as same is not required.



## 5.5 PAYMENT OF INTEREST

The Debentures will carry a rate of interest as described below on the interest payment dates:

Type	Tenure	Coupon Payment Frequency	Interest Rate
Fixed Coupon	10 years	Payable Annually on the interest payment date	9.50% p.a. (AER 9.50% p.a.)

The Interest rate has been determined giving consideration to the HNB'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 Company shall be required and entitled to issue and within twenty (20) days to allot voting shares of the Company 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 any unpaid accrued Debenture Interest. As such upon issuance of ordinary voting shares as above, no interest will be accrued on Debentures thereafter, **as the Debentures will cease to exist.**

## 5.6 APPLICATION OF TAX ON INTEREST PAYMENTS

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

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

### Redemption of Debentures

Redemption of the Debentures will take place on the respective date of redemption as described below in accordance with the provisions of the Trust Deed. The principal sum and unpaid and accrued interest (if any) payable on the redemption of Debentures will be paid not later than three (03) Working days from the date of redemption.

If the Date of Redemption falls on a day which is not a Market Day then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid for each calendar day up to the date immediately preceding such Market Day.

These Debentures shall not be redeemed by the Bank prior to maturity for any reason whatsoever except due to the occurrence of an Event of Default contemplated in Clause 10.3 (a) of the Trust Deed. If

redemption is to be done before maturity, it will be done subject to the prior written approval from the Director Bank Supervision of the Central Bank of Sri Lanka (CBSL) and the approval of the Debenture Holders of each type representing  $\frac{3}{4}$  in nominal value of the Debentures outstanding when the Principal Sum is repaid before maturity. The Debenture Holder shall not have any right or option to call for redemption of the Debentures before the date of maturity of such Debenture. However, if a Trigger Event occurs prior to maturity, the Debenture will get converted to ordinary voting shares ranking pari passu with the existing ordinary voting shares of the Bank.

#### **Trigger Event**

A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the 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) (ii) (a & b) as a point/event is the earlier of;

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

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

#### **Conversion Price**

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

Averaging out of the VWAP over a period of 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 3 month VWAP at the time of the Trigger Event is low, it would result in a comparatively higher number of ordinary voting shares being issued to the Debenture Holders. Alternately, where a higher 3 month Volume Weighted Average Share Price 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 Company shall be required and entitled to issue and within twenty (20) days to allot ordinary voting shares of the Company 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 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 Company 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 Company 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 “price” and “dates” (i.e. Trigger Event date, date of allotment and CDS upload date) pertaining to such conversion of Debentures to ordinary voting shares.

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

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

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

The proposed Debentures will be redeemed after 10 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 Lankan 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 NSB Fund Management Company Limited 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 LKR 300,000/- per annum (payable annually) plus statutory levies. Trustee has no conflict of interest with the Bank, except that the Trustee is a fully owned subsidiary of the National Savings Bank which is one of the Bank's rendering banking related services to the Hatton National Bank PLC.

## 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 very low default risk. The capacity for payment of financial commitments is considered strong. However, changes in circumstances or economic conditions may affect the capacity for timely repayment to a greater degree than is the case for financial commitments denoted by a higher rated category.

*Source: <https://www.fitchratings.com/products/rating-definitions#ratings-scales>*

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

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

<https://www.fitchratings.com/site/re/891051>

The Board of Directors would undertake to keep the Trustee of the Debenture and CSE informed on any change to the Credit rating of the debentures when the Board of Directors is aware of any changes to the ratings.

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

## 5.11 RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDERS

- (a) Debenture Holders are entitled to the following rights.
- Receive the interest on the Interest Payment Dates at the interest rates set out in Section 5.5 of this Prospectus and the Principal Sum on the date of redemption as set out in Section 5.7 of this Prospectus.

- Call and attend meetings of Debenture Holders as set out in the Trust Deed
- Receive a copy of the Annual Report within 5 months from the financial year end at the same time and in the same manner as an ordinary shareholder would receive the same.
- The other rights of the holders of these Debentures as set out in the Trust Deed

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

(b) Debenture Holders do not have the following rights

- Attend and vote at meetings of holders of shares and other Debentures
- Share the profits of the Bank
- Participate in any surplus in the event of 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 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 investor.
- (b) Provides the investor with a regular cash inflow of interest payments.
- (c) Provides the 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 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. An 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 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 Shares to being the holder of Ordinary 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 Expected 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 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 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 Shares, Investors are obliged to accept the Ordinary Shares even if they do not at the time consider such ordinary 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 Shares or to capital markets generally.

**(ii) The number and value of Ordinary 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 Shares of equivalent value would be initially issued at the VWAP, yet there is no certainty of the value of such Ordinary Shares to be received by the holders of the Debentures being maintained at such levels and the value of such Ordinary 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 Shares received upon the occurrence of a Non-Viability Trigger event, and investors may not be able to sell the ordinary 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 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 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 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 Shares and the value of the Debentures, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this prospectus.

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

Because of 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 Shares. In addition, investors in the Debentures are likely not to receive any advance notice of the occurrence of a Non-Viability Trigger Event. As a result of its uncertainty, trading behaviour in respect of the Debentures is not necessarily expected to follow trading behaviour associated with other types of convertible and exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Debentures and the Ordinary 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 Shares subsequent to the conversion itself arising from the additional shares in issue of the Bank.

**(v) Following a Non-Viability Conversion, investor will no longer have rights as a creditor and will only have rights as a holder of Ordinary 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 Shares ranking pari passu with all other outstanding Ordinary 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 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 Shares investors may receive substantially less than they might have received had the Debentures not been converted in to Ordinary Shares.

**(vi) An investor's remedies for the Bank's breach of its obligations under the Debenture 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 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; 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(g) 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, investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the secondary market for the Debentures is limited, there may be few buyers for the Debentures and this may significantly reduce the relevant market price of the Debentures.

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

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

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

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

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

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

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

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

- (a) These Debentures shall be freely transferable amongst Qualified Investors and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) The Debentures shall be transferable and transmittable amongst Qualified Investors as long as the Debentures are listed 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 30 Million. 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 Joint Managers and Placement Agents as involved in the issue.

### **5.18 UNDERWRITING**

This Issue is not underwritten.

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

## 6.0 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 31st December 2020 (i.e. the five (05) financial years immediately preceding the date of this Prospectus), Interim Financial Statements as at 31st March 2021 (if available at relevant point in time) and all other documents referred to in Rule 3.3.13 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank (if any) would be made available for inspection by the public during normal working hours, four (04) Market Days prior to the date of opening of the subscription list at the registered office of the Bank at No. 479 T B Jayah Mawatha, Colombo 10, Sri Lanka until the date of redemption of the Debentures.

The Prospectus, Trust Deed and the Articles of Association of the Bank, will be available on the web site of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.hnb.net](http://www.hnb.net) from four (04) Market Days prior to the date of opening of the subscription list until the Date of Maturity of the Debentures as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

Audited financial statements of HNB PLC made up to 31st December 2020, Interim Financial Statements as at 31st March 2021 (if available at relevant point in time), Accountants Report and the five-year summary of financial statements will be available on the web site of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.hnb.net](http://www.hnb.net)

Furthermore, soft 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 four (04) 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 17th November 2017.

### **6.3 HOW TO APPLY**

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

**Given the pandemic situation and travel restrictions prevailing in the country which has also resulted in most CSE trading members conducting their operations on Work from Home basis as well as given this debenture issue being a Basel 3 which is limited for Qualified Investors only, printing and physical distribution of the Prospectus for the Debenture Issue has become not viable and hence the Bank has obtained a waiver from CSE on Rule 2.4 (f) of the CSE Listing Rules (which requires the Bank to make available copies of the Prospectus and application forms relating to the Offer).**

**Accordingly, the Company is permitted to make available only the soft copies of the Prospectus and the application form, which would be hosted on the websites of the CSE, the Company and the websites of Joint Managers and Placement Agents to the Issue.**

- (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), the website of the Bank, [www.hnb.net](http://www.hnb.net) and the websites of Joint Managers and Placement Agents to the Issue, [www.cal.lk](http://www.cal.lk), [www.acuity.lk](http://www.acuity.lk) 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.hnb.net](http://www.hnb.net) until the date of redemption of the Debentures from the websites of Joint Managers and Placement Agents to the Issue, [www.cal.lk](http://www.cal.lk), [www.acuity.lk](http://www.acuity.lk) until the Closure Date.

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

- (b) More than one Application submitted by an Applicant will not be accepted. If more than one Application Forms are submitted for from a single Applicant, those would be construed as multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.
- (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 "HNB PLC - DEBENTURE ISSUE 2021" on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the issue or collection points mentioned in Annexure II of this prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this prospectus should reach the office of the Registrar to the issue, S S P Corporate Services (Private) Limited, No.546/7, Galle Road, Colombo 03 at least by 4.30 p.m. on the following market day immediately upon the closure date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the closure date or carry a postmark dated prior to the closure date.

Applications delivered by hand to the Registrars to the issue or emailed to the given email address after the Closure Date of the issue will also be rejected.

#### **Submission of Applications via Email**

The Bank has provided the option for the Investors applying for this debenture issue to submit the scanned copies of duly filled Application Forms along with the scanned copies /soft copies of the payment proof (ie: cheque or bank draft deposit slip / RTGS Confirmations) to "**DEBENTURE2021@hnb.lk**"

Submission of applications through email is only permitted for Resident, Sri Lankan Individual Qualified Investors only. The investors applying through this method must ensure that their contact details (ie. telephone number/s) are stated clearly in the application form.

This option is not permitted for Investors applying through Margin trading accounts, under Power of Attorney, or making payment through bank guarantee, Non-Resident Applicants, Foreign Citizens, Corporate Bodies, and Unit Trusts.

Application Forms and payment proof submitted to the above stated email must be sent prior to 4.30 p.m. local time on the Earliest Issue Closing Date. Any Applications sent through email received after the above deadline shall 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

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 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/-).

#### 6.5 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS

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

**Multiple cheques or RTGS transfers will not be accepted for applications for values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).**

**In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than LKR 100,000,000/- will be accepted.**

- (c) Cheques or bank drafts should be made payable to "HNB PLC DEBENTURE ACCOUNT 2021" 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 "HNB PLC DEBENTURE ACCOUNT 2021" in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date ( 15<sup>th</sup> August 2021 ).

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

- (e) In case of RTGS transfers (only for application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfers should be made to the credit of "HNB PLC DEBENTURE ACCOUNT 2021" bearing Account Number **003-010540-913** at HNB

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 "HNB PLC DEBENTURE ACCOUNT 2021" bearing Account Number **003-010540-913** at HNB PLC with value on issue opening date (i.e. the funds to be made available to the above account on the issue opening date) and should be attached with the application form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the applicants are entitled to an interest at the rate of **Two Decimal Five per centum (2.50%)** per annum from the date of such transfers up to the date of allotment. However, no interest will be paid if the RTGS transfers are not realized before the end of the closure date. Furthermore, even if such RTGS transfers are effected prior to the issue opening date, no interest will be paid for the period prior to the issue opening date.

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

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

- (h) The amount payable should be calculated by multiplying the number of Debentures applied for by the par value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS the application will be rejected.
- (i) In the event that cheques are not realized within Two (02) Market Days of deposit, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the application to be valid.
- (j) 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 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 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 or emailed to the email address stated in section 6.3 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 Chief Executive Officer and / or the Chief Financial Officer or any person authorised by 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.

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

The Bank reserves the right to reject any application or to accept any application in part only, without assigning any reason therefor. A written confirmation informing successful applicants of the allotment of Debentures will be dispatched within ten (10) market days from the closure date as required by the CSE.

## **6.9 REFUNDS**

Monies will be refunded where;

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

The applicants may indicate the preferred mode of refund payments in the application form (i.e. direct transfer via SLIPS/RTGS or cheque).

If the applicant has provided accurate and complete details of his/her 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 or if the applicant has not provided details of the bank account in the application form, the Bank will make such refund payments to the applicant by way of a cheque and sent by post at the risk of the applicant.

In the case of joint 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;

[http://www.lankaclear.com/product\\_service/8-guidelines](http://www.lankaclear.com/product_service/8-guidelines)

Refunds on applications rejected or partly allotted Debentures would be made within eight (8) 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 (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

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

## 7.0 THE BANK

### 7.1 FINANCIAL YEAR

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

### 7.2 STATED CAPITAL

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

Voting Ordinary Shares	31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2020	*Interim Financial Statements as at 31.03.2021
Balance (LKR 000's)	27,839,769	29,244,472	30,680,591
Number of Shares (No.)	401,343,863	410,319,604	410,319,604

Non-Voting Ordinary Shares	31 <sup>st</sup> December 2019	31 <sup>st</sup> December 2020	*Interim Financial Statements as at 31.03.2021
Balance (LKR 000's)	5,981,137	6,327,857	6,683,652
Number of Shares (No.)	99,062,844	101,656,112	101,656,112

\*Un-audited

The Bank does not have preference or any other classes of shares in issue. The Bank also 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.

On 10<sup>th</sup> June 2020, the Bank paid a first and final dividend of LKR 7.00 per share comprising of a cash dividend of LKR 3.50 per share and a scrip dividend of LKR 3.50 per share, for the financial year 2019. As per the Notice dated 18th 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 31st December 2020 increased to LKR 35,572 Mn (LKR 33,820 Mn as at 31st December 2019), as a result of the scrip dividends declared for the year ended 31st December 2019.

### 7.3 MAJOR SHAREHOLDERS AS AT 31<sup>st</sup> March 2021

Twenty (20) largest shareholders of the Bank as at 31<sup>st</sup> March 2021 given below:

#### - Voting Ordinary Shares

	Name	No. of Shares	Voting capital %
1.	Employees Provident Fund	39,993,959	9.75
2.	Sri Lanka Insurance Corporation Ltd-Life Fund	36,160,723	8.81
3.	Milford Exports (Ceylon) (Pvt) Limited	32,446,141	*7.91
4.	Stassen Exports (Pvt) Limited	28,123,237	*6.85
5.	Mr. S.E. Captain	26,713,485	6.51
6.	Sonetto Holdings Limited.	20,166,790	4.91
7.	Sri Lanka Insurance Corporation Ltd-General Fund	18,465,839	4.50

8.	Citibank Newyork S/A Norges Bank Account 2	17,990,593	4.38
9.	Distilleries Company of Sri Lanka Plc	12,582,692	*3.07
10.	Indra Traders (Pvt) Ltd	12,315,340	3.00
11.	National Savings Bank	11,773,268	2.87
12.	SSBT-AI Mehwar Commercial Investments L.L.C.	9,021,082	2.20
13.	Standard Chartered Bank Singapore S/A HL Bank Singapore Branch	7,701,334	1.88
14.	Ms. L.A. Captain	7,668,457	1.87
15.	RBC Investor Services Trust-RBC Emerging Markets Small-CAP Equity Fund	7,261,129	1.77
16.	BNYM SANV Re-LF Ruffer Total Return Fund	6,000,000	1.46
17.	Employees Trust Fund Board	4,108,045	1.00
18.	BNYM SA NV Re-First State Investments ICVC-First State Asia All-Cap Fund	3,357,037	0.82
19.	BNYM SANV Re-LF Ruffer Investment Funds : LF Ruffer Pacific and emerging markets fund	3,302,008	0.80
20.	Hatton National Bank PLC - NDB Wealth Growth and Income Fund	2,621,607	0.64
	Total	307,772,766	
	Balance held by Other Shareholders	102,546,838	
	Total number of shares in issue	410,319,604	

\*Pursuant to the provisions of the Banking Act Directions No. 1 of 2007, the total collective voting rights in the Bank, of Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka (who collectively hold 17.83% of the voting shares of the Bank) are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012 as the voting rights in excess of such percentage is deemed invalid from that date

#### - Non-Voting Ordinary Shares

	Name	No. of Shares	Non-voting capital %
1.	UBS Switzerland AG	5,734,320	5.64
2.	BNYM SANV Re-Frontaura Global Frontier Fund LLC	5,623,544	5.53
3.	Akbar Brothers Pvt Ltd A/c No 1	4,453,488	4.38
4.	BNYM SANV Re-LF Ruffer total return fund	2,550,000	2.51
5.	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	2,550,000	2.51
6.	Employees Trust Fund Board	2,471,606	2.43
7.	Mr. S.E. Captain	1,574,132	1.55
8.	Rubber Investment Trust Limited a/c No. 01	1,492,052	1.47

9.	BNYM SANV Re-Neon Liberty Lorikeet master fund lp	1,350,672	1.33
10.	BNYM SANV Re-LF ruffer Investment funds : LF Ruffer Pacific and Emerging Markets Fund	1,286,976	1.27
11.	First Capital Limited	1,275,000	1.25
12.	Janashakthi Insurance PLC - Shareholders	1,090,000	1.07
13.	Deutsche Bank AG as trustee for JB Vantage value equity fund	1,081,374	1.06
14.	Deutsche Bank AG as trustee to Assetline income plus Growth Fund	800,000	0.79
15.	Hatton National Bank PLC A/c No 02	731,535	0.72
16.	Saboor Chatoor (pvt) ltd	696,100	0.68
17.	Mr. E Chatoor	659,000	0.65
18.	Central Finance Company PLC A/c No. 03	633,079	0.62
19.	The Ceylon Investment PLC A/c No. 02	601,427	0.59
20.	Commercial Bank of Ceylon PLC / Janashakthi Capital Limited	600,000	0.59
	Total	37,254,305	
	Balance held by Other Shareholders	64,401,807	
	Total number of shares in issue	101,656,112	

#### 7.4 DETAILS OF OTHER DEBENTURES IN ISSUE

The details of other debentures issued by HNB PLC as at the date of the prospectus are given in the table below;

Year of Issuance	CSE listing	Ranking	Issue Value LKR (000's)	Interest Rate p.a.	Tenor	Issue Date	Maturity Date
*2006	Listed	Subordinate	1,362,800	11.25%	18 Year	01-Apr-2006	31-Mar-2024
2007	Listed	Subordinate	700,000	16.75%	15 Year	01-Aug-2007	31-Jul-2022
2011	Listed	Subordinate	2,000,000	11.50%	10 Year	05-Sep-2011	04-Sep-2021
2013	Listed	Senior	2,000,000	8.00%	10 Year	30-Aug-2013	29-Aug-2023
2014	Listed	Senior	84,040	8.33%	10 Year	15-Dec-2014	14-Dec-2024
2016	Listed	Subordinate	2,000,000	11.75%	5 Year	01-Nov-2016	01-Nov-2021
2016	Listed	Subordinate	4,000,000	13.00%	7 Year	01-Nov-2016	01-Nov-2023
2019	Listed	Subordinate	1,922,570	12.30%	5 Year	23-Sep-2019	22-Sep-2024



	Listed	Subordinate	8,077,430	12.80%	7 Year	23-Sep-2019	22-Sep-2026
--	--------	-------------	-----------	--------	--------	-------------	-------------

\*The debenture indicated in the row was issued in 2006 as a private debenture issue and eventually was listed in the Colombo Stock Exchange in 2007. Therefore, the issue date indicates the date which the debentures were allotted in the private debenture issue.

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

- HNB-BD-22/09/24-C2430-12.3 – LKR 1,922,570,000
- HNB-BD-22/09/26-C2431-12.8 – LKR 8,077,430,000

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

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

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
- 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.

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**

The outstanding balances as at 31st December 2019, 31st December 2020 and 31<sup>st</sup> March 2021 are given in the table below.

Category	Rs. 000
<b>Balance as at 31st December 2019</b>	<b>156,665,746</b>
New borrowings / (settlements)	4,142,014
<b>Balance as at 31st December 2020</b>	<b>160,807,760</b>
New borrowings / (settlements)	(20,699,329)
<b>Balance as at 31st March 2021</b>	<b>140,108,431</b>

Borrowing of HNB PLC as at 31st December 2019 and 31st December 2020 comprise of the following categories.

Category	As at 31st December 2019 Rs. 000	As at 31st December 2020 Rs. 000	As at 31st March 2021 Rs. 000
Due to banks	86,396,304	89,746,709	78,162,720
Securities sold under repurchase agreements	17,569,394	10,361,383	9,765,828
Other borrowings	22,604,039	30,526,261	29,435,083
Debt securities issued	1,797,644	1,875,042	1,936,553
Subordinated term debts	28,298,365	28,298,365	20,808,247
<b>Total</b>	<b>156,665,746</b>	<b>160,807,760</b>	<b>140,108,431</b>

## 7.6 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK

The details of the contingent liabilities as at 31st December 2019, 31st December 2020 and 31<sup>st</sup> March 2021 as well as litigation against the Bank as at the date of the Prospectus are given below.

### CONTINGENT LIABILITIES

Commitments and Contingencies of the Bank	As at 31st December 2019 Rs. 000	As at 31st December 2020 Rs. 000	As at 31st March 2021 Rs. 000
Documentary credit	25,006,460	28,334,448	35,792,205
Guarantees	120,954,668	104,470,363	110,911,189
Acceptances	16,606,253	26,213,711	27,183,805

Bills for collection	13,476,994	16,127,896	18,210,587
Forward exchange contracts			
- Forward exchange sales	43,950,802	28,293,790	13,709,617
- Forward exchange purchases	68,878,649	63,759,268	58,905,017
Cheques sent on clearing	5,236,930	3,851,339	3,785,152
Commitments for unutilised facilities - Direct	156,159,365	152,404,973	178,818,640
Commitments for unutilised facilities - indirect	222,960,692	208,492,441	326,104,748
<b>Total</b>	<b>673,230,813</b>	<b>631,948,229</b>	<b>773,420,960</b>

### CAPITAL COMMITMENTS – BANK

The details of the Capital expenditure approved by the Board of Directors for which provision has not been made in the accounts are given below.

Capital Commitments	As at 31st December 2019 Rs. 000	As at 31st December 2020 Rs. 000	As at 31st March 2021 Rs. 000
Approved and contracted but not provided for	290,296	297,209	306,923
Approved and not contracted for	36,723	5,990	297,203
<b>Total</b>	<b>327,019</b>	<b>303,199</b>	<b>604,126</b>

### LITIGATIONS AGAINST THE BANK

#### Position as at 31st December 2020

In the normal course of business, the Bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their loan agreements. Based on the assessment carried out as of the date of the Statement of Financial Position, Bank is of the view that apart from three legal cases pertaining to guarantee related issues the other legal cases filed against the Bank will not have a material impact on the financial position of the Bank.

CASE NO	PREVIOUS DATE	NEXT STEP	VALUE	PRESENT POSITION OF THE CASE
<b>CHC (CIVIL) 143/2020 MR</b> A customer of the bank instituted an action in the Commercial High Court of Colombo to prevent the bank from making any payments and to prevent the beneficiary from making a demand under the Advance payment	06.05.2021	Statement of objections of the 1 <sup>st</sup> and 3 <sup>rd</sup> defendants should be filed	Rs.349,978,299.20	Next date is to be obtained from Court as cases were not called in open Court

guarantees and Performance guarantee issued by the Bank				
<b>M 5491-</b> <b>A customer of the Bank instituted an action in the District Court of Kaduwela</b> to prevent the bank from making any payments and to prevent the beneficiary from making a demand under the Advance payment guarantees and Performance guarantee issued by the Bank	23.04.2021	Settlement to be entered	Rs.508,337,929.39	terms of settlement are to be entered in Court on 12.07.2021
<b>HC (CIVIL) 657/2019 MR</b> A beneficiary of the guarantees issued by the Bank has instituted an action in the Commercial High Court of Colombo to recover the monies under Advance payment, performance and Retention guarantees	29.04.2021	Pre - Trial	Rs.750,000,000/-	Pre – Trial of this case is fixed for 20.07.2021.

## 7.7 FINANCIAL RATIOS

### Capital Adequacy Ratio (CAR)

Capital Ratios	Basel II	Basel III	Basel III	Basel III	Basel III	Basel III
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.03.2021
Tier 1 (%)*	11.22%	13.72%	13.02%	14.57%	14.73%	14.82%
Total CAR*	15.27%	17.04%	15.62%	18.28%	17.98%	17.88%

\* 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 01st 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.

## Debt to Equity Ratio and Interest Cover

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.03.2021
*Interest Cover (Times)	5.78	5.06	4.46	4.71	4.25	3.95	4.65
**Debt to Equity Ratio (%)	100.63%	119.84%	90.84%	78.38%	69.53%	67.56%	61.44%

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

Interest Cover Ratio = [PBIT / Borrowing cost]

\*\* **DEBT TO EQUITY RATIO** - Debt Includes Borrowings and Debentures

Debt to Equity Ratio = [Long term borrowing including debt securities / Total Equity]

## 7.8 DEBENTURE INTEREST PAYMENT DETAILS (as at 31<sup>st</sup> December)

	2015	2016	2017	2018	2019	2020
Gross interest due on debentures Rs.(ooo)	1,146.15	1,379.49	2,915.85	2,830.44	3,042.26	3,552.06
Debenture interest paid on due date Rs.(ooo) (prior to deducting WHT)	1,146.15	1,379.49	2,915.85	2,830.44	3,042.26	3,552.06
Debenture interest paid after the due date Rs.(ooo)	-	-	-	-	-	-
Debenture interest not paid as of to date Rs.(ooo)	-	-	-	-	-	-

## 7.9 TAXATION

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

## 7.10 FINANCIAL STATEMENTS & FINANCIAL SUMMARY

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

- Audited financial statements of HNB Bank PLC as at 31st December 2020
- Interim financial statements of HNB Bank PLC as at 31<sup>st</sup> March 2021.
- Summarized financial statement for the five years ended 31st December 2016 to 31st December 2020 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.

### **7.11 LICENCES RELEVANT TO THE MAIN BUSINESS OF THE BANK**

The bank obtained Licence in relation to the main operations of the bank covering the Domestic Banking business including foreign banking business in Sri Lanka and Off- Shore Banking business on 21st December 1989 issued by the Monetary Board of the CBSL under the provisions of Sec. 2(4) and proviso to Sec 23 of Banking Act No. 30 of 1988. This was a One off License on annual fee. Therefore, there is no date of expiry.

### **7.12 IMPACT ON COVID<sub>19</sub> ON THE BANK**

#### **Operations**

HNB set up a high level COVID task force even prior to cases being reported locally in March 2020 to assess impact and response. As such Bank was able to rapidly equip majority of its department staff with 'Work From Home' capability which has again proved invaluable as the Bank operates split working arrangements upon the country being engulfed by the 3<sup>rd</sup> wave of the pandemic.

As in 2020 HNB continued to operate selected branches throughout curfew periods covering the entire Island. Departments and branches as they were during the first and second waves of the pandemic, continue to be supplied with Personal Protective Equipment, Sanitizers, Masks, Gloves, Infra-red thermometers etc. in order that the possibility of staff, clients and stakeholders contracting the virus at our outlets is minimized. Staff commuting to or from isolated areas continues to be provided transport facilities by the Bank.

In the event of identified COVID positive cases among staff members or close contacts of staff members, all guidelines have been adhered to in directing such staff towards quarantine procedures followed by temporary closure of relevant outlet/s, disinfection and sanitization protocols,

Apart from keeping branches open where possible HNB continues to dispatch mobile ATMs across the country, providing HNB customers as well as other Bank customers a means of withdrawing cash to pay for daily essentials

HNB also continues to integrate our digital banking suite into the contactless transactions mechanism advocated by the state during the first wave of the pandemic. As such our market leading digital propositions such as the branded payment app HNB SOLO, Mobile POS, Internet Payment Gateways, e commerce facilitation for SMEs, Payment Cards, etc. were highly sought and witnessed unprecedented volume increases.

Furthermore close to 40% of the loan book as per CBSL guidelines was also under moratoriums during the year albeit same declining to approximately 15% by year end. HNB also disbursed Rs 24 Bn via CBSL Re Finance schemes as COVID relief funding.

#### **Business in 2020**

The substantial monetary loosening adopted by the CBSL in 2020 as a response to revive the economy battered by COVID 19 saw the Average Weighted Prime Lending Rate declining by a considerable 400 bps over 12 months to December 2020.. This had an impact on Bank net interest income which declined by 9% YoY. Despite a low rate regime the demand for credit was low as the environment in 2020 was underpinned

by uncertainty. Hence the Bank focused upon asset quality and a cautious approach until improvement in operating environment.

The approach and the circumstances resulted in gross loans growing by only 5.5%. However we were simultaneously able to bring down Gross Non Performing Asset (NPA) ratio to 4.3% from 5.9% in 2020. The regularization of a long overdue exposure to a SOE also contributed significantly towards NPA reduction.

Despite the improvements in the NPA ratio the Bank made prudent provisions taking in to consideration factors such as elevated risks in certain sectors and the deterioration in economic conditions. Furthermore, the Bank recognised substantial impairment charges on account of its investments in dollar denominated government securities due to the sovereign downgrade by rating agencies. These factors resulted in impairment charges increasing by 58% to Rs 15.3Bn for the year ended December 2020.

On the funding side of the balance sheet; contrary to initial pandemic induced expectations for low levels of liquidity and cash flow, HNB was able to mobilize low cost CASA and maintained liquidity at levels above regulatory requirements during 2020

Non-Interest income was also impacted as import restrictions, CBSL guidelines to temporarily waive certain fees, markedly lower Credit Card usage, etc. were witnessed in 2020. Net Fee income of the Bank declined by 16%.

Although Net Interest Income, Fees and Impairments experienced adverse movements; other income such as exchange gains, and careful management of Operating expenses resulting in a Rs 1.6 Bn YoY drop in expenses and an improvement in the efficiency ratio to 39.3% as well as lower taxes on account of removal of Debt Repayment levy and availability of certain exemptions cushioned the drop in profitability. Final Profits After Tax declined by 18% to Rs 11.5 Bn. The Bank level asset base expanded to Rs 1.3 Trillion as of December 2020.

## 8.0 BOARD OF DIRECTORS

---

### 8.1 DETAILS OF THE DIRECTORS

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

Name of Director	Designation
Mr. A.H.D.A.N De Silva	Chairman / Non-Executive, Independent Director
Mr. A.J. Alles	Managing Director / Chief Executive Officer, Executive Director
Mr. D A Cabraal	Non-Executive, Non Independent Director
Mr. L U D Fernando Dr. T. K. D. A. P. Samarasinghe	Non-Executive, Non Independent Director (Alternate Director to Mr L.U.D. Fernando)
Mr. W M M D Ratnayake	Non-Executive, Independent Director
Mr. D Cooray	Non-Executive, Independent Director
Mr. D Rodrigo	Chief Operating Officer, Executive Director
Ms. A. Goonetilleke	Non-Executive, Non-Independent Director
Mr. O. Chandarawansa	Non-Executive, Independent Director
Mr. P Saldin	Non-Executive, Non Independent Director

### 8.2 DIRECTORS' INTEREST IN ASSETS

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

### 8.3 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Bank re-constituted the Related Party Transactions Review Committee as a Board Sub-Committee with effect from 1st January 2016, to review 'Related Party Transactions' in terms of the Code of Best Practices on Related Party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and Section 9 of the Listing Rules of the Colombo Stock Exchange

The Composition of the Committee is as follows:

- Mr. A H D A N de Silva - Committee Chairman
- Mr. A.J. Alles
- Mr. O. Chandrawansa



## 9.0 STATUTORY DECLARATIONS

---

### 9.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named herein as Directors of Hatton National Bank PLC hereby declare and confirm that we have read the provisions of 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 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, Acuity Partners (Pvt) Limited, one of the Joint Managers and Placement Agents to the Issue is a joint venture between Hatton National Bank PLC and DFCC 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 for Debentures issued by the Company and those Debentures which are the subject of this Issue. Such permission will be granted when Debentures are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Debentures issued.

Name of Director	Designation	Signature
Mr. A.H.D.A.N De Silva	Chairman / Non-Executive, Independent Director	Sgd.
Mr. A.J. Alles	Managing Director / Chief Executive Officer, Executive Director	Sgd.
Mr. D A Cabraal	Non-Executive, Non Independent Director	Sgd.
Mr. L U D Fernando Dr. T. K. D. A. P. Samarasinghe	Non-Executive, Non Independent Director (Alternate Director to Mr L.U.D. Fernando)	Sgd. Sgd
Mr. W M M D Ratnayake	Non-Executive, Independent Director	Sgd.
Mr. D Cooray	Non-Executive, Independent Director	Sgd.
Mr. D Rodrigo	Chief Operating Officer, Executive Director	Sgd.
Ms. A. Goonetilleke	Non-Executive, Non-Independent Director	Sgd.
Mr. O. Chandarawansa	Non-Executive, Independent Director	Sgd.
Mr. P Saldin	Non-Executive, Non Independent Director	Sgd.

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

We, Acuity Partners (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Joint Managers and Placement Agents to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by Hatton National Bank PLC, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Hatton National Bank PLC whose Debentures are being listed.

Signed by the Managing Director of Acuity Partners (Private) Limited, being duly authorised thereto, at Colombo on this 08<sup>th</sup> July 2021

Signed  
Managing Director

We, Capital Alliance Partners Limited of Millennium House, Level 05, 46/58 Nawam Mawatha, Colombo 2, who are named in the Prospectus as the Joint Managers and Placement Agents to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by Hatton National Bank PLC, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Hatton National Bank PLC whose Debentures are being listed.

Signed by two Directors of Capital Alliance Partners Limited, being duly authorised thereto, at Colombo on this 08<sup>th</sup> July 2021.

Signed  
Director

Signed  
Director

## 10.0 FINANCIAL INFORMATION

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



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : www.kpmg.com/lk

The Board of Directors  
Hatton National Bank PLC  
HNB Towers  
Level 21  
No. 479, T.B. Jayah Mawatha  
Colombo 10

24<sup>th</sup> May 2021

Dear Sirs

#### **ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF HATTON NATIONAL BANK PLC**

This report has been prepared for the inclusion in the Prospectus issued in connection with the proposed issue of up to 50,000,000 Basel III compliant Tier 2 Listed Rated Unsecured Subordinated Redeemable 10 year Debentures (2021/2031) with a Non Viability Conversion aggregating value up to LKR 5,000,000,000/- with an option to issue up to further 20,000,000 of the said debentures with a value of LKR 2,000,000,000/- in the event of an oversubscription of the initial issue by Hatton National Bank PLC ("the Bank"), if required regulatory approvals are obtained from the Central Bank of Sri Lanka.

We have examined the audited financial statements of Hatton National Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018, 2019 and 2020 extracted from the Annual Reports of the respective years and included in the prospectus and report as follows,

#### **1. INTRODUCTION**

Hatton National Bank PLC ("the Bank") is a public quoted company incorporated on 05 March 1970 and domiciled in Sri Lanka. It is a Licensed Commercial Bank regulated under the Banking Act No.30 of 1988 and amendments thereto. The Bank was re-registered under the Companies Act No.07 of 2007 under the registration number PQ 82. The shares of the Bank have a primary listing on the Colombo Stock Exchange. The registered office of the Bank is situated at No. 479, TB Jaya Mawatha, Colombo 10. The principal activities of the Bank continues to be banking and related activities such as accepting deposits, corporate and retail banking, personnel financial services, off shore banking, foreign currency operations, trade services, investment banking, development banking, rural finance, project finance, dealing in government securities, leasing and Islamic banking.

The Bank is engaged in the provision of financial products and services to industrial, agricultural and commercial enterprises in Sri Lanka.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

M.N. Mithuru FCA  
T.J.S. Rajakanir FCA  
Ms. S.M.B. Jayasekara FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA  
R.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.G. Abeyratne FCA  
R.M.D.S. Rajagokise FCA  
M.N.M. Sharnel FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,  
Ms. P.M.K. Sumnassakara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS



## **2. FINANCIAL STATEMENTS**

### **2.1. Five Years Summary of Financial Statements**

A summary of income statement, statement of financial position, cash flow statement and statement of changes in equity of Hatton National Bank PLC for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018, 2019 and 2020 based on the audited financial statements of the Bank and the Group extracted from the Annual reports of the respective years are set out in the Annexure I.

Summaries presented for Operating results, Assets, Liabilities and Shareholders' funds as at 31<sup>st</sup> December 2016, 2017, 2018, 2019 and 2020 are based on the financial statements prepared and presented in accordance with SLFRSs and LKASs, effective from 1<sup>st</sup> January 2012 in the Annual Reports of the respective years

### **2.2. Audit Report**

- We have audited the financial statements of the Bank & Group for the year ended 31<sup>st</sup> December 2020 whereas another auditor has audited the financial statements of the Bank and Group for the years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019. Unqualified audit opinions have been issued for the said financial reporting periods as presented in the Annual Reports of the respective years .

The new audit report format became effective from 1<sup>st</sup> January 2018 which includes a section for Key Audit Matters (KAM). Accordingly following KAMs were prescribed in the audit report for the years ended 31<sup>st</sup> December 2018, 2019 and 2020.

For the year ended 31<sup>st</sup> December 2018

- Impairment allowance for loans and advances including Group's transition to SLFRS 9.
- Bank's financial reporting process and related IT systems and controls.

For the years ended 31<sup>st</sup> December 2019 and 2020

- Impairment of loans and advances – "Financial Instruments".
- IT systems and controls over financial reporting.

### **2.3. Application of Accounting Standards and Accounting Policies**

The financial statements of the Bank and Group for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018, 2019 and 2020 complied with the applicable Sri Lanka Accounting Standards (LKAS and SLFRS).

The accounting policies of the Bank are stated in detail in the audited financial statements of Hatton National Bank PLC for the year ended 31<sup>st</sup> December 2020. The adoption of revised / new accounting standards and a summary of related amendments to the accounting policies of the Bank from the financial years ended 31<sup>st</sup> December 2016, 2017, 2018, 2019 and 2020 are given below.



<b>Financial Year</b>	<b>Adoption of revised Accounting Standards and related changes in Accounting Policies</b>
31 <sup>st</sup> December 2016	No change during the year 2016.
31 <sup>st</sup> December 2017	No change during the year 2017.
31 <sup>st</sup> December 2018	<p><b><i>Sri Lanka Accounting Standard SLFRS 9 – “Financial Instruments”</i></b></p> <p>The Bank has applied Sri Lanka Accounting Standard SLFRS 9 - “Financial Instruments” (SLFRS 9) effective for annual periods beginning on or after 1st January 2018, for the first time when preparing these financial statements. This standard replaced Sri Lanka Accounting Standard LKAS 39 – “Financial Instruments: Recognition and Measurement” (LKAS 39)</p> <p>The key changes to the Bank’s accounting policies resulting from its adoption of SLFRS 9 are summarized below</p> <p><b><i>Classification of financial assets and financial liabilities</i></b></p> <p>To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. The LKAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables - amortised cost) have been replaced by</p> <ul style="list-style-type: none"><li>• Debt instruments at amortised cost</li><li>• Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition</li><li>• Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition</li><li>• Financial assets FVPL</li></ul> <p>The accounting for financial liabilities remains largely the same as it was under LKAS 39, except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the statement of profit or loss. The adoption of classification principles of SLFRS 9 as at 1<sup>st</sup> January 2018 did not have a material impact on the Group.</p> <p><b><i>Reclassification</i></b></p> <p>Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Bank’s changes its objective of the business model for managing such financial assets.</p>



---

### *Impairment of financial assets*

The adoption of SLFRS 9 has fundamentally changed the Bank's accounting for loan loss impairment by replacing incurred loss approach as per LKAS 39 with a forward looking expected credit loss (ECL) approach. SLFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

### *Sri Lanka Accounting Standard SLFRS 7R – “Financial Instruments: Disclosures”*

To reflect the differences between SLFRS 9 and LKAS 39, SLFRS 7 “Financial Instruments: Disclosures” was updated and the Bank has adopted it, together with SLFRS 9, for the year beginning on 1st January 2018. Changes include transition disclosures as shown in Note 7 to the financial statements, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 31 (c) to the financial statements

### *Sri Lanka Accounting Standard SLFRS 15 – “Revenue from Contracts with Customers”*

The Bank has applied SLFRS 15 for the first time in these financial statements, which is effective for annual periods beginning on or after 1st January 2018. Adoption of this standard did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank for the year beginning 1st January 2018.

31<sup>st</sup> December 2019

---

### *Sri Lanka Accounting Standard SLFRS 16 – “Leases”*

The Group adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application as 1<sup>st</sup> January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised on the date of initial application. The Group elected to use the transitional practical expedient to not reassess whether a contract is or contains a lease at 1st January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

The Group recognised right of use of assets and lease liabilities for those leases previously classified as operating leases. The right of use of assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate on the date of initial application.

The adoption of SLFRS 16 had no impact on Group's retained earnings and no material impact on its CET1 ratio.

---



### IFRIC Interpretation 23 - “Uncertainty over Income Tax Treatment”

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Sri Lanka Accounting Standard LKAS 12 - “Income Taxes”. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Bank.

#### 31<sup>st</sup> December 2020 *Definition of a business*

The Group applied ‘Definition of a Business’ (Amendments to SLFRS 3) to business combinations whose dates of acquisition are on or after 1st January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Group’s financial statements because the Group has not acquired any subsidiaries during the year. However, the Group has amended its accounting policies for acquisitions on or after 1 January 2020. While there are other amendments to the existing standards which are also effective from 1st January 2020, those do not have a material effect on the Group’s separate financial statements.

#### 2.4. Dividends

The Bank has paid the following dividends in respect of Ordinary Shares during the financial years ended 31<sup>st</sup> December 2016, 2017, 2018, 2019 and 2020.

Year/ Period ended;	Dividend Paid (Rs. Mn)	Dividend declared Per Share (Rs.)
31 <sup>st</sup> December 2016	3,522	8.50*
31 <sup>st</sup> December 2017	4,153	8.50**
31 <sup>st</sup> December 2018	4,188	8.50***
31 <sup>st</sup> December 2019	4,003	8.00****
31 <sup>st</sup> December 2020	4,096	8.00*****



- \* Rs.5.00/- by way of cash dividend and Rs.3.50/- by way of a scrip dividend.
- \*\* Rs.6.50/- by way of cash dividend and Rs.2.00/- by way of a scrip dividend.
- \*\*\* Rs.5.00/- by way of cash dividend and Rs.3.50/- by way of a scrip dividend.
- \*\*\*\* Rs.4.50/- by way of cash dividend and Rs.3.50/- by way of a scrip dividend.
- \*\*\*\*\* Rs.4.50/- by way of cash dividend and Rs.3.50/- by way of a scrip dividend.

**2.5. Events after the Reporting Date (as at 31<sup>st</sup> December 2020)**

- The Directors recommend that a final dividend of Rs. 8.00 per share by way of Rs. 4.50 per share, cash and Rs. 3.50 per share, scrip dividend (2019: Rs. 3.50 per share, cash and Rs. 3.50 per share, scrip) on both voting and non-voting shares of the Bank, be paid for the financial year ended 31st December 2020.
- No other circumstances have arisen which would require disclosure or adjustment to the financial statements

Yours faithfully,

**CHARTERED ACCOUNTANTS**  
Colombo



**Annexure 1**  
**INCOME STATEMENT**

For the year ended 31st December

	BANK					GROUP				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>Gross Income</b>	84,350,823	106,295,194	121,356,089	125,998,086	115,813,618	95,990,771	119,759,106	138,250,551	145,400,508	134,436,232
Interest Income	75,608,193	96,175,453	108,104,923	115,210,769	103,944,602	81,533,502	103,908,195	116,488,588	124,888,717	112,825,455
Less Interest Expense	41,236,605	56,526,138	60,525,342	65,997,133	59,235,456	42,444,643	58,446,928	62,852,424	68,533,206	61,988,268
<b>Net Interest Expense</b>	34,371,588	39,649,315	47,579,581	49,213,636	44,709,146	39,088,859	45,461,267	53,636,164	56,355,511	50,837,187
Fees & Commission Income	7,139,253	8,415,579	9,540,862	9,206,399	7,794,929	7,905,879	9,227,529	10,382,030	10,333,772	8,399,641
Less Fee & commission expense	90,594	105,482	141,592	213,176	249,880	180,531	213,143	284,080	356,642	374,084
<b>Net fee &amp; commission income</b>	7,048,659	8,310,097	9,399,270	8,993,223	7,545,049	7,725,348	9,014,386	10,097,950	9,977,130	8,025,557
<b>Net interest, fee and commission income</b>	41,420,247	47,959,412	56,978,851	58,206,859	52,254,195	46,814,207	54,475,653	63,734,114	66,332,641	58,862,744
Net gain/(loss) from trading	(1,795,691)	(3,711,203)	(356,594)	(2,280,969)	(74,890)	(1,834,452)	(3,695,658)	(396,918)	(2,263,453)	(54,678)
Net gain from financial investments	111,713	212,129	215,551	187,512	207,321	103,165	247,166	217,896	190,283	209,217
Net insurance premium income	-	-	-	-	-	5,490,712	6,326,292	7,431,823	8,365,756	8,907,731
Net gains arising on de-recognition of financial assets	-	-	-	-	1,053,543	-	-	72,150	82,348	1,106,649
Other operating income	3,287,355	5,203,236	3,851,347	3,674,375	2,888,113	2,781,965	3,745,582	4,054,982	3,803,085	3,042,217
<b>Total operating income</b>	43,023,624	49,663,574	60,689,155	59,787,777	56,328,282	53,365,597	61,099,035	75,114,047	76,510,660	72,073,880
Less impairment charge	237,160	3,035,468	9,292,421	9,656,010	15,258,468	508,159	3,926,149	9,784,052	11,426,824	16,046,578
<b>Net operating income</b>	42,786,464	46,628,106	51,396,734	50,131,767	41,069,814	52,857,438	57,172,886	65,329,995	65,083,836	56,027,302
<b>Less operating expenses</b>	8,703,575	8,866,642	10,717,978	11,444,259	11,459,352	10,416,099	10,916,284	13,008,646	14,025,540	13,903,432
Benefits, claims and underwriting expenditure	-	-	-	-	-	4,571,389	5,485,864	5,679,269	7,091,214	7,374,868
Other operating expenses	9,584,304	10,689,807	11,357,988	12,313,978	10,659,633	10,785,144	12,407,714	13,636,055	15,311,355	13,527,427
<b>Total operating expenses</b>	18,287,879	19,556,449	22,075,966	23,758,237	22,118,985	25,772,632	28,809,862	32,323,970	36,428,109	34,805,727
<b>Operating profit before taxes on financial services</b>	24,498,585	27,071,657	29,320,768	26,373,530	18,950,829	27,084,806	28,363,024	33,006,025	28,655,727	21,221,575
Less: Taxes on financial services	4,352,756	5,021,446	6,369,268	7,910,527	3,869,649	4,734,949	5,435,628	6,842,813	8,397,854	4,048,466
Share of profit of joint venture (net of income tax)	-	-	-	-	-	148,790	175,616	303,092	186,884	407,215
<b>Profit before income tax</b>	20,145,829	22,050,211	22,951,500	18,463,003	15,081,180	22,498,647	23,103,012	26,466,304	20,444,757	17,580,324
Less: Income tax expense	6,002,423	5,583,421	7,433,297	4,430,751	3,618,544	6,833,685	6,361,616	7,316,842	5,415,685	3,918,061
<b>Profit for the year</b>	14,143,406	16,466,790	15,518,203	14,032,252	11,462,636	15,664,962	16,741,396	19,149,462	15,029,072	13,662,263
<b>Attributable to:</b>										
Equity holders of the Bank	14,143,406	16,466,790	15,518,203	14,032,252	11,462,636	14,755,634	15,946,989	17,635,774	14,670,104	13,095,420
Non-controlling interest	-	-	-	-	-	909,328	794,407	1,513,688	358,968	566,843
<b>Profit for the year</b>	14,143,406	16,466,790	15,518,203	14,032,252	11,462,636	15,664,962	16,741,396	19,149,462	15,029,072	13,662,263

24 MAY 2021



Signature

STATEMENT OF FINANCIAL POSITION

As at 31st December	BANK					GROUP				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>Assets</b>										
Cash and cash equivalents	17,511,446	21,739,800	25,141,890	29,089,189	34,123,562	18,668,703	21,924,898	24,966,831	30,263,654	34,898,957
Balances with Central Bank of Sri Lanka	33,777,614	3,182,377	33,907,057	22,795,332	7,212,395	33,777,614	38,610,940	33,907,057	15,490,267	7,212,395
Placements with banks	753,050	38,610,940	3,292,733	7,602,543	-	2,198,446	9,670,125	8,506,255	22,795,332	12,126,434
Reverse repurchase agreements	4,303,460	-	90,094	-	-	5,756,794	772,002	1,168,764	2,072,482	2,827,050
Derivative financial instruments	289,989	615,357	4,507,576	527,193	1,032,318	615,357	4,507,576	527,193	1,032,318	-
Financial investments - fair value through profit or loss	544,915	120,486	100,342	1,013,374	84,499	716,009	266,538	264,420	1,155,339	1,094,827
Financial assets measured at amortised cost - loans and advances to customers	584,412,727	639,102,061	749,048,820	741,769,073	772,580,720	597,467,460	655,612,938	770,263,000	769,392,169	800,815,971
Financial assets measured at amortised cost - debt and other instruments	99,260,698	122,199,048	160,145,680	149,720,834	186,605,516	102,063,229	125,031,671	165,821,983	156,511,277	193,349,496
Financial assets measured at fair value through other comprehensive income	89,915,153	95,403,820	69,436,989	127,694,982	249,271,658	95,797,142	101,742,985	76,005,258	133,953,117	256,394,644
Financial investments - held to maturity	-	-	-	-	-	465,081	1,565,603	-	-	-
Investment in joint venture	755,000	755,000	755,000	755,000	755,000	1,450,806	1,689,263	2,027,201	2,137,665	2,521,811
Investment in subsidiaries	3,017,285	3,017,285	3,017,285	3,017,285	3,017,285	-	-	-	-	-
Investment properties	403,959	327,464	325,818	480,444	475,109	1,054,300	1,146,564	1,107,472	1,026,050	1,028,956
Property, plant and equipment	13,945,002	17,905,320	21,304,370	21,076,762	20,705,056	29,844,234	34,635,034	42,417,126	42,452,617	41,827,384
Right-of-use assets	-	-	-	5,482,679	5,356,868	-	-	-	-	1,571,319
Intangible assets and goodwill	789,648	815,381	905,653	1,076,641	1,309,172	1,180,269	1,237,829	1,377,864	1,568,080	1,749,994
Deferred tax assets	-	-	-	-	806,539	-	-	-	-	1,250,755
Other assets	9,283,490	11,083,242	14,509,951	12,907,234	8,515,839	10,810,117	13,038,222	16,273,512	15,467,912	11,045,479
<b>Total assets</b>	<b>858,963,436</b>	<b>954,877,581</b>	<b>1,086,489,258</b>	<b>1,125,008,565</b>	<b>1,291,851,536</b>	<b>901,540,193</b>	<b>1,007,559,969</b>	<b>1,148,614,319</b>	<b>1,197,635,228</b>	<b>1,371,482,506</b>
<b>Liabilities</b>										
Due to banks	69,219,302	62,463,497	77,492,582	86,396,304	89,746,709	69,254,893	62,464,391	77,976,010	87,212,970	89,746,709
Derivative financial instruments	665,890	1,305,900	2,519,172	573,365	337,014	665,890	1,305,900	2,519,172	573,365	337,014
Securities sold under repurchase agreements	13,458,127	5,064,360	16,678,946	17,569,394	10,361,383	13,458,127	5,064,360	16,678,946	17,569,394	10,361,383
Financial liabilities measured at amortised cost - due to depositors	623,494,969	701,519,297	799,975,357	810,035,114	967,821,404	635,371,097	718,770,051	818,041,962	835,060,146	994,948,912
Dividends payable	1,007,075	975,371	994,812	1,449,472	962,185	1,015,463	986,880	1,009,468	1,466,959	980,507
Financial liabilities measured at amortised cost - other borrowings	27,839,845	27,258,006	24,894,155	22,604,039	30,526,261	27,839,845	27,258,006	24,894,155	22,604,039	30,526,261
Debt securities issued	4,653,057	4,540,259	4,487,763	1,797,644	1,875,042	5,115,801	5,035,958	5,030,000	2,368,986	2,411,408
Current tax liabilities	6,223,943	3,974,024	9,184,814	5,348,985	7,725,731	6,425,379	4,066,087	9,559,852	5,621,389	8,093,584
Deferred tax liabilities	231,364	5,082,636	1,808,898	1,381,754	-	824,778	7,309,283	5,831,673	7,334,048	5,371,390
Insurance provision - life	-	-	-	-	-	8,747,856	10,915,858	12,256,686	14,468,866	17,073,033
Insurance provision - non-life	-	-	-	-	-	1,921,567	2,384,908	2,525,095	2,871,417	3,309,150
Other provisions	3,158,444	3,015,875	3,559,925	3,599,739	3,917,784	3,407,050	3,416,332	4,081,659	4,171,801	4,266,262
Other liabilities	5,840,718	5,720,896	6,908,911	14,053,378	16,278,033	7,279,639	7,359,236	8,944,789	12,495,406	15,451,997
Subordinated term debts	26,153,476	25,809,261	22,229,951	32,695,221	28,298,365	25,901,110	25,564,596	21,930,246	33,345,904	28,945,457
<b>Total liabilities</b>	<b>781,946,210</b>	<b>846,729,982</b>	<b>970,735,286</b>	<b>997,504,409</b>	<b>1,157,849,911</b>	<b>807,228,495</b>	<b>881,901,846</b>	<b>1,011,279,713</b>	<b>1,047,164,690</b>	<b>1,211,823,067</b>



STATEMENT OF FINANCIAL POSITION

As at 31st December	BANK					GROUP				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
<b>Equity</b>										
Stated capital	15,340,158	31,409,119	32,338,026	33,820,905	35,572,329	15,340,158	31,409,119	32,338,026	33,820,905	35,572,329
Statutory reserve fund	4,560,000	5,460,000	6,260,000	7,060,000	7,660,000	4,560,000	5,460,000	6,260,000	7,060,000	7,660,000
Retained earnings	9,524,236	15,193,585	15,728,513	17,980,160	22,665,227	12,821,116	18,082,284	20,181,416	23,072,623	29,361,200
Other reserves	47,592,832	56,084,895	61,427,433	68,643,091	68,104,069	58,569,401	67,058,017	73,881,954	81,554,692	81,655,946
<b>Total shareholders' equity</b>	<b>77,017,226</b>	<b>108,147,599</b>	<b>115,753,972</b>	<b>127,504,156</b>	<b>134,001,625</b>	<b>91,290,675</b>	<b>122,009,420</b>	<b>132,661,396</b>	<b>145,508,220</b>	<b>154,249,475</b>
<b>Non-controlling interests</b>	-	-	-	-	-	3,021,023	3,648,703	4,673,210	4,962,318	5,409,964
<b>Total equity</b>	<b>77,017,226</b>	<b>108,147,599</b>	<b>115,753,972</b>	<b>127,504,156</b>	<b>134,001,625</b>	<b>94,311,698</b>	<b>125,658,123</b>	<b>137,334,606</b>	<b>150,470,538</b>	<b>159,659,439</b>
<b>Total equity and liabilities</b>	<b>858,963,436</b>	<b>954,877,581</b>	<b>1,086,489,258</b>	<b>1,125,008,565</b>	<b>1,291,851,536</b>	<b>901,540,193</b>	<b>1,007,559,969</b>	<b>1,148,614,319</b>	<b>1,197,635,228</b>	<b>1,371,482,506</b>
Contingent liabilities and commitments	502,372,909	598,364,726	763,214,236	673,230,813	631,948,229	502,372,909	598,364,726	763,214,236	673,230,813	631,948,229
Net assets value per ordinary share (Rs.)	186.11	221.36	231.32	249.04	261.73	220.61	249.79	265.11	284.21	301.28



**STATEMENT OF CHANGES IN EQUITY  
BANK**

	Stated Capital		Statutory Reserve	Other Reserves			Retained Earnings	Total	
	Voting Shares Rs 000	Non-Voting Shares Rs 000		Capital Reserve Rs 000	Available-For-Sale Reserve Rs 000	Fair Value Reserve Rs 000			General Reserve Rs 000
<b>Balance as at 1st January 2016</b>	11,110,689	2,716,184	3,760,000	6,435,410	4,455,566	31,100,000	202,356	5,270,848	65,051,053
Total comprehensive income for the year	-	-	-	-	-	-	-	14,143,406	14,143,406
Net profit for the year 2016	-	-	-	-	-	-	-	362,934	(172,467)
Other comprehensive income, net of tax	-	-	-	-	(2,754,309)	-	-	14,506,340	13,970,939
Total comprehensive income for the year	-	-	-	-	(2,754,309)	-	-	-	-
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Final dividend 2015- Cash	-	-	-	-	-	-	-	(1,421,200)	(1,421,200)
Final dividend 2015- Scrip	1,022,473	256,607	-	-	-	-	-	(1,421,200)	(142,120)
Interim dividend 2016- Cash	157,128	21,813	-	-	-	-	-	(620,387)	(620,387)
Issue of shares under ESOP	1,179,601	278,420	-	-	-	-	-	178,941	178,941
Total contributions by and distributions to equity holders	48,444	6,820	800,000	(9,835)	-	6,000,000	(55,264)	(3,462,787)	(2,004,766)
Transfers during the year 2016	-	-	-	-	-	-	-	(6,790,165)	-
Balance as at 31st December 2016	<b>12,338,734</b>	<b>3,001,424</b>	<b>4,560,000</b>	<b>8,644,483</b>	<b>1,701,257</b>	<b>37,100,000</b>	<b>147,092</b>	<b>9,524,236</b>	<b>77,017,226</b>
<b>Balance as at 1st January 2017</b>	12,338,734	3,001,424	4,560,000	8,644,483	1,701,257	37,100,000	147,092	9,524,236	77,017,226
Total comprehensive income for the year	-	-	-	-	-	-	-	16,466,790	16,466,790
Net profit for the year 2017	-	-	-	-	-	-	-	(284,960)	2,261,009
Other comprehensive income, net of tax	-	-	-	81,059	2,464,910	-	-	16,181,830	18,727,799
Total comprehensive income for the year	-	-	-	81,059	2,464,910	-	-	-	-
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Final dividend 2016- Cash	-	-	-	-	-	-	-	(1,451,296)	(1,451,296)
Final dividend 2016- Scrip	1,044,073	262,093	-	-	-	-	-	(1,451,296)	(145,130)
Interim dividend 2017- Cash	12,326,592	2,218,619	-	-	-	-	-	(732,745)	(732,745)
Proceeds from rights issue	143,110	20,568	-	-	-	-	-	14,545,211	14,545,211
Issue of shares under ESOP	-	-	-	-	-	-	-	163,678	163,678
Total contributions by and distributions to equity holders	13,513,775	2,501,280	-	-	-	-	-	(3,635,337)	12,379,718
Transfer of unclaimed dividends	-	-	-	-	-	-	-	22,856	22,856
Transfers during the year 2017	47,516	6,390	900,000	-	-	6,000,000	(53,906)	(6,900,000)	-
Balance as at 31st December 2017	<b>25,900,025</b>	<b>5,509,094</b>	<b>5,460,000</b>	<b>8,725,542</b>	<b>4,166,167</b>	<b>43,100,000</b>	<b>93,186</b>	<b>15,193,585</b>	<b>108,147,599</b>



STATEMENT OF CHANGES IN EQUITY  
BANK

	Stated Capital		Other Reserves				Retained Earnings Rs 000	Total Rs 000		
	Voting Shares Rs 000	Non-Voting Shares Rs 000	Statutory Reserve Rs 000	Capital Reserve Rs 000	Available-For-Sale Reserve Rs 000	Fair Value Reserve Rs 000			General Reserve Rs 000	ESOP Reserve Rs 000
<b>Balance as at 1st January 2018</b>	25,900,025	5,509,094	5,460,000	8,725,542	4,166,167	4,035,701	43,100,000	93,186	15,193,585	108,147,599
Day 1 impact from the application of SLFRS 9	-	-	-	-	(4,166,167)	4,035,701	-	-	(4,042,519)	(4,172,985)
Restated balance as at 1st January 2018	25,900,025	5,509,094	5,460,000	8,725,542	-	4,035,701	43,100,000	93,186	11,151,066	105,974,614
Total comprehensive income for the year	-	-	-	-	-	-	-	-	15,518,203	15,518,203
Net profit for the year 2019	-	-	-	-	-	(2,499,262)	-	-	(100,911)	(534,721)
Other comprehensive income, net of tax	-	-	2,065,452	-	-	(2,499,262)	-	-	15,417,292	14,983,482
<b>Total comprehensive income for the year</b>	-	-	2,065,452	-	-	-	-	-	-	-
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	(2,442,768)	(2,442,768)
Final dividend 2017 - Cash	-	-	-	-	-	-	-	-	(977,592)	(977,592)
Final dividend 2017 - Scrip	706,515	173,318	-	-	-	-	-	-	(738,976)	(738,976)
Interim dividend 2018 - Cash	-	-	-	-	-	-	-	-	-	-
Issue of shares under ESOP	31,442	4,708	-	-	-	-	-	-	-	36,150
Total contributions by and distributions to equity holders	737,957	178,026	-	-	-	-	-	-	(4,159,336)	(3,243,353)
Transfer of unclaimed dividends	-	-	800,000	-	-	-	6,000,000	(93,186)	39,229	39,229
Transfers during the year 2018	11,478	1,446	-	-	-	-	-	-	(6,719,738)	-
<b>Balance as at 31st December 2018</b>	<b>26,649,460</b>	<b>5,688,566</b>	<b>6,260,000</b>	<b>10,790,994</b>	-	<b>1,536,439</b>	<b>49,100,000</b>	-	<b>15,728,513</b>	<b>115,753,972</b>
<b>Balance as at 1st January 2019</b>	26,649,460	5,688,566	6,260,000	10,790,994	-	1,536,439	49,100,000	-	15,728,513	115,753,972
Total comprehensive income for the year	-	-	-	-	-	-	-	-	14,032,252	14,032,252
Net profit for the year 2019	-	-	-	-	-	1,352,578	-	-	(1,198,486)	154,092
Other comprehensive income, net of tax	-	-	-	-	-	1,352,578	-	-	12,833,766	14,186,344
<b>Total comprehensive income for the year</b>	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	-
Contributions by and distributions to equity holders	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Final dividend 2018 - Cash	-	-	-	-	-	-	-	-	(1,724,277)	(1,724,277)
Final dividend 2018 - Scrip	1,190,308	292,571	-	-	-	-	-	-	(500,407)	(241,398)
Interim dividend 2019 - Cash	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to equity holders	1,190,308	292,571	-	-	-	-	-	-	(3,948,961)	(2,466,082)
Realised gain from maturity of investment in units	-	-	-	-	-	(136,920)	-	-	136,920	-
Transfer of unclaimed dividends	-	-	800,000	-	-	-	6,000,000	-	29,922	29,922
Transfers during the year 2019	-	-	-	-	-	-	-	-	(6,800,000)	-
<b>Balance as at 31st December 2019</b>	<b>27,839,768</b>	<b>5,981,137</b>	<b>7,060,000</b>	<b>10,790,994</b>	-	<b>2,752,097</b>	<b>55,100,000</b>	-	<b>17,980,160</b>	<b>127,504,156</b>

24 MAY 2021

STATEMENT OF CHANGES IN EQUITY  
BANK

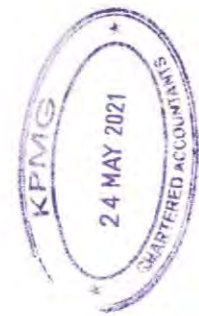
	Stated Capital		Statutory Reserve	Other Reserves			Retained Earnings	Total
	Voting Shares Rs 000	Non-Voting Shares Rs 000		Available-For-Sale Reserve Rs 000	Fair Value Reserve Rs 000	General Reserve Rs 000		
<b>Balance as at 1st January 2020</b>	27,839,768	5,981,137	7,060,000	10,790,994	2,752,097	55,100,000	17,980,160	127,504,136
Total comprehensive income for the year								-
Net profit for the year 2020							11,462,636	11,462,636
Other comprehensive income, net of tax					(1,530,734)		(1,706,874)	(3,237,608)
Total comprehensive income for the year					(1,530,734)		9,755,762	8,225,028
Transactions with equity holders, recognised directly in equity								-
Contributions by and distributions to equity holders								-
Dividends to equity holders								-
Final dividend 2019 - Cash							(1,751,424)	(1,751,424)
Final dividend 2019 - Scrip	1,404,704	346,720					(1,751,424)	-
Total contributions by and distributions to equity holders	1,404,704	346,720					(3,502,848)	(1,751,424)
Transfers of unclaimed dividends			600,000	(8,288)		1,000,000	32,153	32,153
Transfers during the year 2020			600,000	(8,288)		1,000,000	(1,600,000)	(8,288)
Balance as at 31st December 2020	<b>29,244,472</b>	<b>6,327,857</b>	<b>7,660,000</b>	<b>10,782,706</b>	<b>1,221,363</b>	<b>56,100,000</b>	<b>22,665,227</b>	<b>134,001,625</b>



STATEMENT OF CHANGES IN EQUITY  
GROUP

	Stated Capital		Statutory Reserve	Capital Reserve	Available-for-sale Reserve	Fair Value Reserve	General Reserve	Life Policy Holder Reserve Fund	Other Reserves				Non-controlling Interests	Total						
	Voting Shares	Non-Voting Shares							ESOP Reserve	Restricted Regulatory Reserve	Exchange Equalization Reserve	Retained Earnings			Shareholders' Funds	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Balance as at 1st January 2016</b>	11,110,689	2,716,184	3,760,000	11,267,274	4,518,441		31,100,000	(56,350)	7,942,818	202,356	2,179,288	77,743,690								
Total comprehensive income for the year				5,518,506	(2,776,906)				14,755,634		909,328	15,664,962								
Net profit for the year 2016				5,518,506	(2,776,906)				308,386		81,814	3,192,000								
Other comprehensive income, net of tax									15,124,220		901,142	18,856,962								
Total comprehensive income for the year				5,518,506	(2,776,906)				14,755,634		909,328	15,664,962								
Transfers during the year 2016																				
Transfers to life policy holder reserve fund																				
Transfers during the year 2016																				
Balance as at 31st December 2016	12,338,734	3,001,324	4,560,000	19,771,905	1,741,535		37,100,000	(191,131)	12,821,116	147,092	3,021,023	94,311,698								
<b>Balance as at 1st January 2017</b>	12,338,734	3,001,324	4,560,000	19,771,905	1,741,535		37,100,000	(191,131)	12,821,116	147,092	3,021,023	94,311,698								
Total comprehensive income for the year																				
Net profit for the year 2017																				
Other comprehensive income, net of tax																				
Total comprehensive income for the year																				
Transfers during the year 2017																				
Transfers to life policy holder reserve fund																				
Transfers during the year 2017																				
Balance as at 31st December 2017	13,513,775	2,501,280	5,460,000	19,433,829	2,466,196		43,100,000	223,271	18,082,284	93,186	3,648,703	125,658,123								

*[Handwritten Signature]*



STATEMENT OF CHANGES IN EQUITY  
GROUP

	Stated Capital		Other Reserves							Shareholders' Funds	Non-controlling Interests	Total						
	Voting Shares	Non-Voting Shares	Statutory Reserve	Capital Reserve	Available-for-sale Reserve	Fair Value Reserve	General Reserve	Life Policy Holder Reserve Fund	Restricted Regulatory Reserve				Exchange Equalization Reserve	ESOP Reserve	Retained Earnings	Shareholders' Funds	Non-controlling Interests	Total
<b>Balance as at 1st January 2018</b>	25,900,025	5,509,094	5,400,000	19,433,829	4,207,731	4,058,756	43,100,000	223,271			93,186	18,082,284	3,618,703	125,658,123				
Day 1 impact from the application of IFRS 9					(1,207,731)			(4,507)				(4,225,588)	(274,989)	(4,654,029)				
Revised balance as at 1st January 2018	25,900,025	5,509,094	5,400,000	19,433,829		4,058,756	43,100,000	218,764			93,186	13,856,726	3,375,714	121,004,094				
Total comprehensive income for the year												17,251,618	4,515,688	19,149,462				
Net profit for the year 2018								381,156				17,251,618	4,515,688	19,149,462				
Other comprehensive income, net of tax												(90,611)	(4,678)	(1,010,127)				
Total comprehensive income for the year								381,156				17,161,007	1,509,010	20,160,189				
Transactions with equity holders, recognised directly in equity																		
Dividends to equity holders																		
Final dividend 2017 - Cash	706,515											(2,442,768)	(209,514)	(2,652,282)				
Interim dividend 2018 - Cash												(977,592)		(977,592)				
Issue of shares under ESOP	31,412											(738,976)		(738,976)				
Total contributions by and distributions to equity holders	777,957											(4,159,356)	(209,514)	(3,650,150)				
Transfer from life policy holder reserve fund																		
Desired disposal gain through joint venture																		
Transfers of unclaimed dividends																		
Transfers during the year 2018																		
Balance as at 31st December 2018	26,649,160	5,688,566	6,260,000	22,994,510	1,537,723	49,100,000	381,156	(197,803)			(93,186)	20,181,416	4,673,210	137,334,606				
<b>Balance as at 1st January 2019</b>	26,649,160	5,688,566	6,260,000	22,994,510	1,537,723	49,100,000	381,156					20,181,416	4,673,210	137,334,606				
Total comprehensive income for the year																		
Net profit for the year 2019																		
Other comprehensive income, net of tax																		
Total comprehensive income for the year																		
Transactions with equity holders, recognised directly in equity																		
Dividends to equity holders																		
Final dividend 2018 - Cash	1,190,308											(1,724,277)	(241,398)	(241,398)				
Interim dividend 2019 - Cash												(500,407)	(180,000)	(680,407)				
Total contributions by and distributions to equity holders	1,190,308											(2,224,684)	(421,398)	(2,646,082)				
Transfer from life policy holder reserve fund																		
Realised gain from maturity of investment in units																		
Transfers of unclaimed dividends																		
Transfers during the year 2019																		
Balance as at 31st December 2019	27,839,768	5,981,137	7,000,000	25,062,908	1,359,060	55,100,000	381,156	172,297				16,800,000	4,962,318	150,476,538				



*[Handwritten signature]*



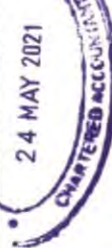
STATEMENT OF CHANGES IN EQUITY  
GROUP

	Stated Capital		Other Reserves							Non-Controlling Interests		Total			
	Rs 000	Rs 000	Statutory Reserve	Capital Reserve	Available-for-sale Reserve	Fair Value Reserve	General Reserve	Life Policy Holder Reserve Fund	Restricted Regulatory Reserve	Exchange Equalization Reserve	ESOP Reserve		Retained Earnings	Shareholders' Funds	Rs 000
<b>Balance as at 1st January 2020</b>	27,839,768	5,381,137	7,660,000	23,062,998		2,759,863	55,100,000	172,297	381,156	78,378		23,072,623	145,598,220	4,962,318	150,470,538
Total comprehensive income for the year															
Net profit for the year 2020															13,662,263
Other comprehensive income net of tax						(1,489,808)				23,236		(1,736,150)	(3,202,702)		803
Total comprehensive income for the year						(1,489,808)				23,236		11,336,473	9,892,718	567,646	10,460,364
Transactions with equity holders, recognised directly in equity															
Contributions by and distributions to equity holders															
Dividends to equity holders															
Final dividend 2019 - Cash															
Final dividend 2019 - Scrip	1,404,704	346,720													
Total contributions by and distributions to equity holders	1,404,704	346,720													
Transfer from life policy holder reserve fund								576,094							
Transfer of unclaimed dividends															
Transfers during the year 2020			600,000	(8,288)			1,000,000								
Balance as at 31st December 2020	29,244,472	6,327,857	7,660,000	23,054,710		1,270,055	56,100,000	748,391	381,156	101,634		29,361,200	154,249,475	5,409,964	159,659,439

STATEMENT OF CASH FLOWS

For the year ended 31st December

	BANK					GROUP				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
<b>Cash flows from operating activities</b>										
Interest receipts	77,766,617	95,032,757	105,939,151	111,784,834	103,914,685	84,142,896	102,642,179	114,385,642	121,530,556	112,847,904
Interest payments	(36,874,859)	(57,225,691)	(62,689,239)	(66,961,896)	(59,963,150)	(37,989,919)	(54,672,229)	(64,957,879)	(69,680,466)	(63,196,160)
Net commission receipts	34,014	8,096,677	9,330,648	8,914,171	7,326,950	52,881	8,983,610	10,087,205	9,947,911	7,823,066
Trading income	-	547,165	2,989,088	765,685	1,130,075	-	530,850	2,986,670	760,052	1,130,075
Payments to employees	(8,610,079)	(8,427,884)	(9,171,330)	(10,191,482)	(11,531,908)	(10,255,904)	(10,224,168)	(11,379,438)	(12,559,753)	(14,103,280)
Taxes on financial services	-	(5,198,271)	(6,244,330)	(7,765,237)	(3,466,833)	-	(5,613,721)	(6,590,515)	(8,314,417)	(3,683,378)
Receipts from other operating activities	3,152,693	3,217,536	1,935,073	3,586,902	1,886,621	9,035,322	5,753,404	9,861,573	12,588,445	11,598,266
Payments on other operating activities	(12,385,159)	(9,293,621)	(10,510,706)	(10,957,980)	(9,355,244)	(16,156,447)	(13,473,261)	(16,567,045)	(17,678,758)	(15,584,316)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>23,083,227</b>	<b>26,748,668</b>	<b>31,578,355</b>	<b>29,174,995</b>	<b>29,941,196</b>	<b>28,828,829</b>	<b>33,926,664</b>	<b>37,826,213</b>	<b>36,593,550</b>	<b>36,632,177</b>
<b>(Increase)/decrease in operating assets</b>										
Balances with Central Bank of Sri Lanka	(13,681,524)	(4,833,326)	4,703,883	11,111,725	15,582,937	(13,681,524)	(4,833,326)	4,703,883	11,111,725	15,582,937
Financial assets measured at amortised cost - loans and advances to customers	(85,148,644)	(58,931,158)	(121,270,426)	608,737	(43,396,238)	(89,595,887)	(62,659,442)	(128,173,581)	(7,300,063)	(44,707,864)
Reverse repurchase agreements	567,579	4,301,421	(90,000)	90,000	-	2,043,130	4,167,210	(396,668)	(903,812)	(754,568)
Other assets	(343,355)	(1,383,507)	(5,048,453)	2,297,875	2,396,134	(1,090,556)	(1,765,867)	(4,874,360)	1,575,136	2,247,607
	<b>(98,605,944)</b>	<b>(60,846,570)</b>	<b>(121,704,996)</b>	<b>14,108,337</b>	<b>(25,417,167)</b>	<b>(102,324,837)</b>	<b>(65,091,425)</b>	<b>(128,740,726)</b>	<b>4,482,986</b>	<b>(27,631,888)</b>
<b>Increase/(decrease) in operating liabilities</b>										
Financial liabilities measured at amortised cost - due to depositors	91,722,310	74,318,613	96,961,771	8,992,084	158,515,740	94,514,994	79,519,452	97,766,339	15,566,180	160,540,508
Financial liabilities at amortised cost - due to debt securities holders	-	(158,720)	-	-	-	(158,720)	-	-	-	-
Financial liabilities measured at amortised cost - other borrowings	(3,446,549)	(8,106,159)	11,626,013	859,696	(7,228,435)	(3,446,549)	(8,106,159)	11,626,013	859,696	(7,228,435)
Securities sold under repurchase agreements	(479,327)	28,303	1,108,990	(391,694)	1,034,401	(300,488)	(66,003)	2,529,775	(261,256)	1,180,094
Other liabilities	87,796,434	58,885,671	122,766,455	16,297,597	158,084,744	90,767,957	63,957,507	125,474,341	23,335,370	159,438,539
	<b>12,273,717</b>	<b>24,787,769</b>	<b>32,639,814</b>	<b>59,580,929</b>	<b>162,608,773</b>	<b>17,271,949</b>	<b>32,792,746</b>	<b>34,559,828</b>	<b>64,411,906</b>	<b>168,438,828</b>
<b>Net cash generated from operating activities before income tax</b>	<b>(3,447,705)</b>	<b>(5,897,548)</b>	<b>(4,305,953)</b>	<b>(9,084,423)</b>	<b>(3,202,642)</b>	<b>(3,949,092)</b>	<b>(6,673,342)</b>	<b>(4,871,157)</b>	<b>(9,587,000)</b>	<b>(3,665,332)</b>
Income tax paid	8,826,012	18,890,221	28,333,861	50,496,506	159,406,131	13,322,857	26,119,404	29,688,671	54,824,966	164,773,496
<b>Net cash generated from operating activities</b>										
<b>Cash flows from investing activities</b>										
Purchase of property, plant and equipment	(963,047)	(1,715,088)	(1,553,961)	(1,148,451)	(890,286)	(1,274,290)	(1,888,965)	(1,708,263)	(1,443,626)	(1,088,528)
Proceeds from the sale of property, plant and equipment	-	2,600	4,803	21,530	6,188	3,650	23,801	8,171	28,928	31,596
Proceeds from sale of investment properties	-	-	-	-	-	-	-	-	-	-
Net proceeds from sale, maturity and purchase of financial investments	(28,227,265)	(24,124,865)	(16,147,250)	(46,300,863)	(158,797,770)	(30,271,537)	(25,154,184)	(18,392,639)	(46,790,365)	(159,791,890)
Net purchase of intangible assets	(350,477)	(281,739)	(382,545)	(499,079)	(507,094)	(441,837)	(367,328)	(497,025)	(599,991)	(550,861)
Improvements to investment properties	-22,787	-	-	-	-	(21,516)	(39,942)	-	-	-
Proceeds from deemed disposal of subsidiary company by joint venture	23,734	33,220	33,220	75,500	50,000	23,734	117,478	33,220	75,500	50,000
Dividend received from joint venture	(100,000)	1,790,871	221,095	236,794	79,958	(100,000)	33,220	33,220	75,500	50,000
Dividends received from investment in subsidiaries	886,229	187,905	148,943	148,943	148,943	145,082	206,706	192,639	154,008	206,630
Dividends received from other investments	-	-	-	-	-	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(28,753,613)</b>	<b>(24,097,064)</b>	<b>(17,636,733)</b>	<b>(47,465,726)</b>	<b>(159,767,743)</b>	<b>(31,906,514)</b>	<b>(27,069,214)</b>	<b>(20,363,897)</b>	<b>(48,575,546)</b>	<b>(161,143,053)</b>

24 MAY 2021  
 CHARTERED ACCOUNTANTS  




7/6/2021

Fitch Assigns Hatton National Bank's Basel III Sub Debt an 'A(lka)' Final Rating



Maninda Wikramasinghe  
Country Head MD/CEO

**RATING ACTION COMMENTARY**

# Fitch Assigns Hatton National Bank's Basel III Sub Debt an 'A(lka)' Final Rating

Tue 06 Jul, 2021 - 12:44 AM ET

Fitch Ratings - Colombo - 06 Jul 2021: Fitch Ratings has assigned Hatton National Bank PLC's (HNB: AA-(lka)/Stable) Sri Lanka rupee-denominated Basel III-compliant subordinated debentures a National Long-Term Rating of 'A(lka)'.

The final rating is the same as the expected rating assigned on 8 February 2021, and follows the receipt of documents conforming to information already received.

The debentures, totaling LKR7 billion, will mature in 10 years and carry a fixed coupon. HNB expects the debentures to qualify as Basel III-compliant regulatory Tier 2 capital for the bank and include a non-viability clause subject to the occurrence of a trigger event, as determined by the Monetary Board of Sri Lanka. HNB plans to use the proceeds to refinance its debentures maturing in 2021, to further strengthen its Tier 2 capital base and support balance-sheet growth.

The debentures are to be listed on the Colombo Stock Exchange.

**KEY RATING DRIVERS**

The Sri Lankan rupee-denominated subordinated debt is rated two notches below HNB's National Long-Term Rating. This reflects Fitch's baseline notching for loss

<https://www.fitchratings.com/research/banks/fitch-assigns-hatton-national-bank-basel-iii-sub-debt-a-lka-final-rating-06-07-2021>

1/7

severity for this type of debt and expectation of poor recoveries. There is no additional notching for non-performance risk.

HNB's National Long-Term rating is highly influenced by our assessment of the operating environment for banks in Sri Lanka. It also reflects HNB's strong domestic franchise as the country's fourth-largest commercial bank and high capitalisation relative to domestic peers, which helps counterbalance its risk appetite.

## RATING SENSITIVITIES

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

An upgrade of HNB's National Long-Term Rating will lead to an upgrade of the subordinated debt ratings. However, upside for HNB's National Long-Term Rating is limited in the near term due to our assessment of the sovereign rating and operating environment.

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

A downgrade of HNB's National Long-Term Rating will lead to a downgrade of the subordinated debt ratings.

See [Fitch Revises 9 Sri Lankan Financial Institutions' Ratings on Recalibration; 2 Downgrades](#) for HNB's key rating drivers and sensitivities.

## DATE OF RELEVANT COMMITTEE

20 January 2021

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

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

## RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
-------------	--------	-------

ENTITY/DEBT	RATING	PRIOR
Hatton National Bank PLC		
● subordinated	Natl LT	A(Ika) New Rating
		A(EXP) (Ika)

[VIEW ADDITIONAL RATING DETAILS](#)

### FITCH RATINGS ANALYSTS

#### Jeewanthi Malagala

Associate Director

Primary Rating Analyst

+94 11 2541 900

jeewanthi.malagala@fitchratings.com

Fitch Ratings Lanka Ltd.

15-04 East Tower World Trade Center Colombo 00100

#### Sugath Alwis

Associate Director

Secondary Rating Analyst

+94 11 2541 900

sugath.alwis@fitchratings.com

#### David Wong

Senior Director

Committee Chairperson

+852 2263 9927

david.wong@fitchratings.com

### MEDIA CONTACTS

#### Kyoshi Quyn

Colombo

+94 11 2541 900

kyoshi.quyn@fitchratings.com

#### 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 \(pub. 29 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

### ADDITIONAL DISCLOSURES

[Solicitation Status](#)

[Endorsement Policy](#)

### ENDORSEMENT STATUS

Hatton National Bank PLC

Feedback

### 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 WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

### COPYRIGHT



Copyright © 2021 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. 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.

[READ LESS](#)

### SOLICITATION STATUS

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

## ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Banks Asia-Pacific Sri Lanka

Feedback



Maninda Wickramasinghe  
Country Head MD/CEO

```
ga('set', '732-ckh-767', 'USER_ID'); function readCookie(name) { var nameEQ = name + "="; var ca = document.cookie.split(';'); for(var i=0;i < ca.length;i++) { var c = ca[i]; while (c.charAt(0)==' ') c = c.substring(1,c.length); if (c.indexOf(nameEQ) == 0) return c.substring(nameEQ.length,c.length); } return null; } var value = readCookie('_mkto_trk'); console.log(value); str = value.split('-'); var result = {}; for (var i = 0; i < str.length; i++) { var cur = str[i].split('='); result[cur[0]] = cur[1]; } console.log(str[4]); document.cookie = 'leadId='+str[4]+'; max-age=63072000; path=/';
```

## ANNEXURE II - COLLECTION POINTS

---

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

<b>Issuer</b>  Hatton National Bank PLC No. 479 T B Jayah Mawatha Colombo 10 Tel: +94 (011) 266 4664, +94 (011) 266 2772, +94 (011) 476 4764 Fax: +94 (011) 266 2832	<b>Joint Managers and Placement Agents to the Issue</b>  Acuity Partners (Private) Limited Acuity House No. 53, Dharmapala Mawatha Colombo 03  Tel: +94 11 2 206 206 Fax: +94 11 2 437 149  Capital Alliance Partners Limited Millennium House, Level 05, 46/58 Nawam Mawatha, Colombo 2  Tel: + 94 11 2 300 385-90 Fax: +94 11 2 300 393
<b>Registrars to the Issue</b>  S S P Corporate Services (Private) Limited No. 54/6/7, Galle Road Colombo 03  Tel: +94-11 2 573 485 Fax: +94-11 2 573 037	<b>Bankers to the Issue</b>  Hatton National Bank PLC No. 479 T B Jayah Mawatha Colombo 10 Tel: +94 (011) 266 4664, +94 (011) 266 2772, +94 (011) 476 4764 Fax: +94 (011) 266 2832

The application form can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of the Bank, [www.hnb.net](http://www.hnb.net) and the websites of Joint Managers and Placement Agents to the Issue, [www.cal.lk](http://www.cal.lk), [www.acuity.lk](http://www.acuity.lk) 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.hnb.net](http://www.hnb.net) until the date of redemption of the Debentures from the websites of Joint Managers and Placement Agents to the Issue, [www.cal.lk](http://www.cal.lk), [www.acuity.lk](http://www.acuity.lk) until the Closure Date.

## Members of the CSE

<p><b>Acuity Stockbrokers (Private) Limited</b> Level 6, Acuity House 53, Dharmapala Mawatha Colombo 03</p> <p>Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: <a href="mailto:sales@acuitystockbrokers.com">sales@acuitystockbrokers.com</a></p>	<p><b>Asha Securities Limited</b> No. 60, 5th Lane, Colombo 03</p> <p>Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: <a href="mailto:asl@ashasecurities.net">asl@ashasecurities.net</a></p>
<p><b>Asia Securities (Private) Limited</b> 4th Floor, Lee Hedges Tower No. 349, Galle Road Colombo 03</p> <p>Tel: +94 11 7 722 000 Fax: +94 11 2 58 4864 E-mail: <a href="mailto:inquiries@asiasecurities.lk">inquiries@asiasecurities.lk</a></p>	<p><b>Assetline Securities (Private) Limited</b> 120, 120A, Pannipitiya Road Battaramulla</p> <p>Tel: +94 11 4 700 100 Fax: +94 11 4 700 112 E-mail: <a href="mailto:info@assetline.lk">info@assetline.lk</a></p>
<p><b>Bartleet Religare Securities (Private) Limited</b> Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02</p> <p>Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: <a href="mailto:info@bartleetstock.com">info@bartleetstock.com</a></p>	<p><b>Capital TRUST Securities (Private) Limited</b> 42, Sir Mohamed Macan Markar Mawatha Colombo 03</p> <p>Tel: +94 11 2 174 174 Fax: +94 11 2 174 173 E-mail: <a href="mailto:inquiries@capitaltrust.lk">inquiries@capitaltrust.lk</a></p>
<p><b>CT CLSA Securities (Private) Limited</b> 4-14, Majestic City 10, Station Road Colombo 04</p> <p>Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: <a href="mailto:info@ctclsa.lk">info@ctclsa.lk</a></p>	<p><b>First Capital Equities (Pvt) Limited</b> No.2, Deal Place, Colombo 03.</p> <p>Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-mail: <a href="mailto:equity@firstcapital.lk">equity@firstcapital.lk</a></p>

<p><b>J B Securities (Private) Limited</b>  150, St. Joseph Street  Colombo 14</p> <p>Tel: +94 11 2 490 900  Fax: +94 11 2 430 070  E-mail: <a href="mailto:jbs@jb.lk">jbs@jb.lk</a></p>	<p><b>John Keells Stockbrokers (Private) Limited</b>  186, Vauxhall Street,  Colombo 02.</p> <p>Tel: +94 11 2 306 250  Fax: +94 11 2 342 068  E-mail: <a href="mailto:jkstock@keells.com">jkstock@keells.com</a></p>
<p><b>Lanka Securities (Private) Limited</b>  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: <a href="mailto:info@lankasec.com">info@lankasec.com</a></p>	<p><b>Somerville Stockbrokers (Private) Limited</b>  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: <a href="mailto:contact@somerville.lk">contact@somerville.lk</a></p>
<p><b>NDB Securities (Private) Limited</b>  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: <a href="mailto:mail@ndbs.lk">mail@ndbs.lk</a></p>	<p><b>SC Securities (Private) Limited</b>  5<sup>th</sup> Floor,  No. 26B, Alwis Place  Colombo 10</p> <p>Tel: +94 11 4 711 000  Fax: +94 11 2 394 405  E-mail: <a href="mailto:itdivision@sampathsecurities.lk">itdivision@sampathsecurities.lk</a></p>
<p><b>Nation Lanka Equities (Pvt) Ltd</b>  No. 44, Guildford Crescent,  Colombo 07</p> <p>Tel: +94 11 488 9061-3/ +94 11 789 8302  Fax: +94 11 268 8899  E-mail: <a href="mailto:info@nlequities.com">info@nlequities.com</a></p>	

## Trading Members

<p><b>Softlogic Stockbrokers (Private) Limited</b></p> <p>Level 16, One Galle Face Tower Colombo 02</p> <p>Tel: +94 11 7 277 000- Fax: +94 11 7 277 099 Email: <a href="mailto:ssb.inquiry@softlogic.lk">ssb.inquiry@softlogic.lk</a></p>	<p><b>Capital Alliance Securities (Private) Limited</b></p> <p>Level 5, "Millennium House" 46/58, Navam Mawatha Colombo 02</p> <p>Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: <a href="mailto:info@cal.lk">info@cal.lk</a></p>
<p><b>Taprobane Securities (Private) Limited</b></p> <p>2nd Floor No. 10, Gothami Road Colombo 08</p> <p>Tel: +94 11 5 328 200 Fax: +94 11 5 328 100 E-mail: <a href="mailto:info@taprobane.lk">info@taprobane.lk</a></p>	<p><b>First Guardian Equities (Private) Limited</b></p> <p>32<sup>nd</sup> Floor, East Tower World Trade Centre Echelon Square Colombo 01</p> <p>Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: <a href="mailto:info@fge.lk">info@fge.lk</a></p>
<p><b>Candor Equities Limited</b></p> <p>Level 8, South Wing Millennium House 46/58, Navam Mawatha Colombo 02</p> <p>Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: <a href="mailto:info@candorh.com">info@candorh.com</a></p>	<p><b>LOLC Securities (Private) Limited</b></p> <p>No.481, T.B. Jayah Mawatha Colombo 10.</p> <p>Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: <a href="mailto:info@lolcsecurities.com">info@lolcsecurities.com</a></p>
<p><b>SMB Securities (Private) Limited</b></p> <p>No. 02, Gower Street, Colombo 05.</p> <p>Tel: +94 11 4 388 138 Fax: +94 112 550 100 E-mail: <a href="mailto:info@smbsecurities.lk">info@smbsecurities.lk</a></p>	<p><b>Richard Pieris Securities (Pvt) Limited</b></p> <p>No. 310, High Level Road Navinna, Maharagama Tel: +94 11 4 310 500</p> <p>Fax: +94 11 2 802 385 E-mail: <a href="mailto:communication@rpsecurities.com">communication@rpsecurities.com</a></p>
<p><b>Enterprise Ceylon Capital (Private) Limited</b></p> <p>No. 73/1, Dharmapala Mawatha Colombo 07</p> <p>Tel: +94 11 2 445 644 Fax: E-mail: <a href="mailto:info@ecc.lk">info@ecc.lk</a></p>	<p><b>TKS Securities (Private) Limited</b></p> <p>4th Floor, No. 245, Dharmapala Mawatha, Colombo 07.</p> <p>Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: <a href="mailto:info@tkslk">info@tkslk</a></p>

#### Trading Members – Debt

<p><b>NSB Fund Management Company Limited</b>  No. 400 , Galle Road Colombo 3    Tel: +94 11 242 5010  Fax: +94 11 2 574 387</p>	<p><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  Email –info@cal.lk</p>
<p><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</p>	<p><b>Seylan Bank plc</b>    Level3, Seylan Towers, 90, Galle Road, Colombo 03.    Tel: +94 11 245 6300  Fax : +94 11 245 2215  Email : info@seylan.lk</p>

**ANNEXURE III - CUSTODIAN BANKS**

<b>Bank of Ceylon (Head Office)</b> 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 204064	<b>Citi Bank, N A</b> 65 C, Dharmapala Mawatha, Colombo 07 +94 11 4794728
<b>Commercial Bank of Ceylon PLC</b> Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: T: +94 11 2440010	<b>Deutsche Bank AG</b> 86, Galle Road, Colombo 03 +94 11 2447062, +94 11 2438057
<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, 2480 450
<b>Sampath Bank PLC</b> 110, Sir James Peiris Mawatha, Colombo 02 T: 94 11 5331458, +94 114730662	<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 Limited</b> 16, Sir Baron Jayathilake Mawatha, Colombo 01. T: +94 11 4622350
<b>Nations Trust Bank PLC</b> 256, Sri Ramanathan Mawatha, Colombo 15 T: + 94 11 4313131	<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 +94 11 7290200, +94 11 7290207	<b>Banque Indosuez</b> 251, Dharmapala Mawatha, Colombo 07. T: +94 11 2681720



**ANNEXURE IV – FATCA DECLARATION**

---

Manager

Hatton National 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 Hatton National 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 Hatton National 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