



**HNB**

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# PROSPECTUS

Debenture Issue 2016

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# HATTON NATIONAL BANK PLC



## PROSPECTUS

AN INITIAL ISSUE OF FIFTY MILLION (50,000,000) SUBORDINATED, UNSECURED, REDEEMABLE, RATED DEBENTURES AT A PAR VALUE OF LKR 100/- WITH AN OPTION TO ISSUE UP TO A FURTHER TEN MILLION (10,000,000) OF SAID DEBENTURES AT THE DISCRETION OF THE BANK IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE IN ORDER TO ISSUE UP TO A MAXIMUM OF SIXTY MILLION (60,000,000) OF SAID DEBENTURES

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE

RATED 'A+ (lka)' BY FITCH RATINGS LANKA LIMITED

ISSUE OPENS ON

25 October 2016

LEAD MANAGERS TO THE ISSUE



CO-MANAGERS TO THE ISSUE



## **This Prospectus is dated 19 October 2016**

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

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.

If you are in any doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Lead Managers to the Issue, Co-Managers to the Issue, investment advisor, lawyer or any other professional advisor.

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

This Prospectus has been prepared by NDB Investment Bank Limited and Acuity Partners (Private) Limited on behalf of Hatton National Bank PLC (hereinafter referred to as ‘HNB’ or the ‘Bank’). HNB and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Bank and Debentures offered herein which is material; such information is true and accurate in all material aspects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Bank are honestly held or made and are not misleading in any material respect; this Prospectus contains all material facts and presents them in a clear fashion in all material respects and all proper inquiries have been made to ascertain and to verify the foregoing. The Bank accepts responsibility for the information contained in this Prospectus.

No person has been sanctioned to make any representations not contained in this Prospectus in connection with this offer for subscription of the Bank’s Debentures. If such representations are made, they must not be relied upon as having been authorised. Neither the delivery of this Prospectus nor any sale made in the offering shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Bank since the date of this Prospectus.

Investors should be informed that the value of investments can vary and that past performance is not necessarily indicative of future performance. In making such investment decisions, prospective investors must rely on their knowledge, perception together with their own examination and assessment on HNB and the terms and conditions of the Debentures issued including risks associated.

The delivery of this Prospectus shall not under any circumstances 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.

## **Registration of the Prospectus**

A copy of this Prospectus has been registered with the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (The “Companies Act”). The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to section 40(1) of the Companies Act.

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

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

The said Auditors and Reporting Accountants to the Issue and to the Bank, Trustee to the Issue, Bankers to the Issue, Company Secretary, Lead Managers to the Issue, Co-Managers to the Issue, Registrars to the Issue and Lawyers to the Issue have not, before the delivery of a copy of the Prospectus for registration with the Registrar General 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.

### **Investment Considerations**

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Section 5.4 'Risks Involved in Investing in the Debentures' of this Prospectus.

### **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 risks 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.

## ISSUE AT A GLANCE

<b>Issuer</b>	Hatton National Bank PLC			
<b>Type of Debt Security/ Debenture</b>	Subordinated Unsecured Redeemable Rated Debentures			
<b>Listing</b>	The Debentures will be listed on the Colombo Stock Exchange			
<b>Number of Debentures to be Issued</b>	<p>An initial issue of fifty Million (50,000,000) Debentures with an option to issue up to a further Ten Million (10,000,000) of said Debentures at the discretion of the Bank in the event of an oversubscription of the initial Issue</p> <p>Oversubscription herein refers to subscriptions above Fifty Million (50,000,000) of said Debentures.</p>			
<b>Aggregate par value/ Investment value of the Issue</b>	<p>Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-) with an option to raise further up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) at the discretion of the Bank in the event of an oversubscription</p> <p>Oversubscription herein refers to subscriptions above Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-).</p>			
<b>Issuer Rating</b>	AA- (Ika/Stable) by Fitch Ratings Lanka Limited			
<b>Issue Rating</b>	A+(Ika) by Fitch Ratings Lanka Limited			
<b>Issue Price /Par Value</b>	LKR 100/- per Debenture			
<b>Interest Rates, Tenor and Yield</b>	<b>Debenture Type</b>	<b>Interest rate (per annum)</b>	<b>Annual Effective Rate (per annum)</b>	<b>Maturity/ Redemption from the Date of Allotment</b>
	Type A	11.75% Payable Annually	11.75%	60 Months (05 Years)
	Type B	13.00% Payable Annually	13.00%	84 Months (07 Years)
<b>Minimum Number of Debentures to be Subscribed</b>	A minimum of One Hundred (100) Debentures (LKR 10,000/-) and in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter			
<b>Interest Payment Dates</b>	<p>The dates on which the interest payment shall fall due in respect of the Debentures, being Annually at the expiration of every Twelve (12) month period commencing from the Date of Allotment of the Debentures and thereafter</p> <p>Interest would be paid not later than Three (03) Working Days from each Interest Payment Date</p>			

<b>Interest Period</b>	The Twelve (12) month period from 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>Method of Payment of Principal and Interest</b>	Principal Sum and Interest will be paid to the Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank details have been provided, or by crossed cheques marked "Account Payee Only" in the event accurate bank details have not been provided
<b>Issue Opening Date</b>	25 October 2016
<b>Issue Closing Date</b>	<p>11 November 2016 or such earlier date on which;</p> <ul style="list-style-type: none"> <li>• The maximum of 60,000,000 Debentures are fully subscribed; or</li> <li>• The Board of Directors of the Bank decides to close the Issue upon the issue of 50,000,000 Debentures becoming fully subscribed</li> </ul> <p>In the event the Board of Directors of HNB decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, such decisions made shall be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day</p>
<b>Date of Allotment</b>	The Date on which the Debentures will be allotted by the Bank to the Applicants subscribing thereto

<b>Basis of Allotment</b>	<p>The Board 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.</p> <p>Any Applicant who has applied for Type B Debentures and has not been allocated in full under Type B Debentures and has indicated in the Application Form his/her intent to consider any unallotted amount under Type B Debentures as valid subscriptions for Type A Debentures, such unallotted amounts will be allotted with any Type A Debentures remaining subsequent to the allotment of Type A Debentures to the Applicants who have applied for Type A Debentures originally, on a proportionate basis to the amounts flow through from Type B Debentures.</p> <p>However, in case of an oversubscription in Type A Debentures, any unallotted Debentures under Type B Debentures will not be considered for any allotment under Type A Debentures and such unallotted amounts will be refunded even though Type B Debenture Applicants have indicated their intent to be considered under Type A Debentures.</p> <p>The Board shall also reserve the right to allocate up to 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Bank might have mutually beneficial relationships in the future. The maximum allocation under preferential allotment is 75%.</p> <p>Upon the basis of allotment being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Bank reserves the right to reject any application or to accept any application in part only, without assigning any reason thereto. A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within Ten (10) Market Days from the Closing Date as required by the CSE. Apart from the above, the Issuer has not identified any specific allocation to the public, employees or financial institutions.</p>
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## 1.0 CORPORATE INFORMATION

<b>Name of the Bank</b>	Hatton National Bank PLC
<b>Legal Form of the Entity</b>	A public limited Company incorporated on 5 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 September 2007. It is a Licensed Commercial Bank under the Banking Act No. 30 of 1988.
<b>Company Registration Number</b>	PQ 82
<b>Place of Incorporation</b>	Colombo
<b>Registered Address</b>	Hatton National Bank PLC No. 479 T B Jayah Mawatha Colombo 10
<b>Board of Directors</b>	Mr. R. Arseculeratne (Chairman) Mr. A. J. Alles (Managing Director/CEO) Ms. M. A. R. C. Cooray Dr. L. R. Karunaratne Mr. L. U. D. Fernando Mr. D. T. S. H. Mudalige Miss. D. S. C. Jayawardena Mr. R. S. Captain Mr. A. Cabraal Mr. P. Pelpola Mr. D. Soosaipillai Mr. A. N. De Silva
<b>Board Secretary</b>	Ms. K. A. L. T. Ranaweera Attorney-at-Law & Notary Public No. 479 T B Jayah Mawatha Colombo 10 Tel: +94 (011) 266 1804 Fax: +94 (011) 266 2825
<b>Auditors and Reporting Accountants to the Bank</b>	M/s Ernst & Young Chartered Accountants No. 201 De Saram Place Colombo 10 Tel: +94 (011) 246 3500 Fax: +94 (011) 269 7369
<b>Rating Agency</b>	Fitch Ratings Lanka Limited No. 15-04 East Tower World Trade Centre Colombo 01 Tel: +94 (011) 254 1900 Fax: +94 (011) 254 1903

## 2.0 RELEVANT PARTIES TO THE ISSUE

<b>Lead Managers to the Issue</b>	NDB Investment Bank Limited No. 40 Nawam Mawatha Colombo 02 Tel: +94 (011) 230 0385-90 Fax: +94 (011) 230 0393
<b>Co-Managers to the Issue</b>	Acuity Partners (Private) Limited 7th Floor, Acuity House No. 53 Dharmapala Mawatha Colombo 03 Tel: +94 (011) 220 6206 Fax: +94 (011) 243 7149
<b>Lawyer to the Issue</b>	Chief Manager HNB Legal Department Hatton National Bank PLC No. 479 T B Jayah Mawatha Colombo 10 Tel: +94 (011) 266 4664, +94 (011) 476 4764 Fax: +94 (011) 266 2831
<b>Trustee to the Issue</b>	Deutsche Bank AG, Colombo Branch No. 86 Galle Road P O Box 314 Colombo 03 Tel: +94 (011) 244 7062 Fax: +94 (011) 244 7067
<b>Registrars to the Issue</b>	SSP Corporate Services (Pvt) Limited No. 101, Inner Flower Road Colombo 03 Tel : +94 (011) 257 3894 Fax : +94 (011) 257 3609
<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
<b>Rating Agency to the Issue</b>	Fitch Ratings Lanka Limited No. 15-04 East Tower World Trade Centre Colombo 01 Tel: +94 (011) 254 1900 Fax: +94 (011) 2541903
<b>Auditors and Reporting Accountants to the Issue</b>	M/s Ernst & Young Chartered Accountants No. 201 De Saram Place Colombo 10 Tel: +94 (011) 246 3500 Fax: +94 (011) 269 7369

### 3.0 ABBREVIATIONS USED IN THE PROSPECTUS

<b>AER</b>	Annual Effective Rate
<b>ATS</b>	Automated Trading System of the Colombo Stock Exchange
<b>AWPLR</b>	Average Weighted Prime Lending Rate
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Pvt) Limited
<b>CSE</b>	Colombo Stock Exchange
<b>HNB/Issuer/Bank</b>	Hatton National Bank PLC
<b>LKR/Rupees/ Rs.</b>	Sri Lankan Rupees
<b>NIC</b>	National Identity Card
<b>POA</b>	Power of Attorney
<b>RTGS</b>	Real Time Gross Settlement
<b>SEC</b>	Securities and Exchange Commission of Sri Lanka
<b>SIA</b>	Securities Investment Account
<b>SLIPS</b>	Sri Lanka Inter-Bank Payment System
<b>USD</b>	United States Dollar

## 4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant/s</b>	Any person who submits an Application Form under this Prospectus
<b>Application Form / Application</b>	The Application Form that constitutes part of this Prospectus through which an applicant may apply for the Debentures in Issue
<b>Closing Date</b>	<p>11 November 2016 or such earlier date on which;</p> <ul style="list-style-type: none"> <li>• The maximum of 60,000,000 Debentures are fully subscribed; or</li> <li>• The Board of Directors of the Bank decides to close the Issue upon the issue of 50,000,000 Debentures becoming fully subscribed</li> </ul> <p>In the event the Board of Directors of HNB decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, such decisions made shall be notified to the CSE on the day such decisions are made and the subscription list will be closed on the following Market Day</p>
<b>Debentures</b>	All of the Subordinated, Unsecured, Redeemable, Rated Debentures 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>Date of Allotment</b>	The date on which the Debentures will be allotted to the Debenture Holders, which will be notified to the Debenture Holders
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.8 of this Prospectus
<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Bank or in whose name the Debentures are registered in the Debenture Holders' register of the Bank (where applicable), in order to qualify for the payment of any interest or any Redemption proceeds
<b>Interest Payment Date(s)</b>	Interest payments on the Debentures will be made by the Bank within Three (03) Working Days from the due dates, which is Twelve (12) months from the Date of Allotment up to the Date of Redemption
<b>Issue</b>	The offer of Debentures pursuant to this Prospectus
<b>Market Day</b>	Any day on which trading takes place at the CSE
<b>Non-Resident(s)</b>	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka
<b>Principal Sum</b>	The product of the number of Debentures allotted and Par Value

<b>Prospectus</b>	This Prospectus dated 19 October 2016 issued by HNB			
<b>Rate of Interest</b>				
	<b>Debenture Type</b>	<b>Interest rate (per annum)</b>	<b>Annual Effective Rate (per annum)</b>	<b>Maturity/ Redemption from the Date of Allotment</b>
	Type A	11.75% Payable Annually	11.75%	60 Months (05 Years)
	Type B	13.00% Payable Annually	13.00%	84 Months (07 Years)
<b>Redemption</b>	Repayment of the Principal Sum accrued and unpaid interest (if any) with regard to a Debenture Holder by the Bank			
<b>Registered Address</b>	When used in relation to a Debenture Holder means the address provided by the Debenture Holder to the CDS			
<b>Subordinated</b>	The claims of the Debenture Holders shall in the event of winding up of HNB, rank after all the claims of the secured and senior unsecured creditors of HNB and any preferential claims under any statutes governing HNB but in priority to and over the claims and rights of the Ordinary Voting and Non-Voting shareholders of HNB			
<b>Trust Deed</b>	Trust deed executed between HNB and Deutsche Bank AG, Colombo Branch on 30 September 2016			
<b>Working Day</b>	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka			

## 5.0 INFORMATION RELATING TO THE ISSUE

### 5.1 Nature of the Debt Securities to be Offered

Hatton National Bank PLC intends raising a sum of up to Sri Lanka Rupees Five Billion (LKR 5,000,000,000/-) by an initial issue of up to Fifty Million (50,000,000) Debentures each at a Par Value of LKR 100/- and to issue a further sum of up to Sri Lanka Rupees One Billion (LKR 1,000,000,000/-) by an issue of up to a further Ten Million (10,000,000) of said Debentures in the event of an oversubscription.

Under this Issue, a maximum amount of Sri Lanka Rupees Six Billion (LKR 6,000,000,000/-) would be raised by the issue of a maximum of Sixty Million (60,000,000) Subordinated Unsecured Redeemable Rated Debentures each at a Par Value of LKR 100/-.

Hatton National Bank PLC invites applications for Debentures described below, which will rank equal and pari passu in all respects other than rate of interest and Date of Redemption, as more fully described in Section 5.7 and 5.8 of this Prospectus.

Details of Debentures
<p><b>Type A Debentures</b></p> <p><b>Subordinated Unsecured Redeemable Rated Five (05) Year (2016/2021) Debentures</b></p> <p>The Debentures will carry a fixed coupon rate of 11.75% p.a. payable Annually, (AER 11.75%) issued at a Par Value of LKR 100/- per Debenture</p>
<p><b>Type B Debentures</b></p> <p><b>Subordinated Unsecured Redeemable Rated Seven (07) Year (2016/2023) Debentures</b></p> <p>The Debentures will carry a fixed coupon rate of 13.00% p.a. payable Annually, (AER 13.00%) issued at a Par Value of LKR 100/- per Debenture</p>

Details on interest payable are more fully described in Sections 5.7 of this Prospectus and the Debentures will be redeemed in full at on the Date of Redemption as morefully described in Section 5.8 and does not have a convertible option at the time of Redemption.

It is the intention of the Bank to list the Debentures on the Colombo Stock Exchange. The Colombo Stock Exchange has given its in-principle approval for the listing of the Debentures on the Colombo Stock Exchange.

### 5.2 Rights and Obligations of the Debenture Holder

(a) Debenture Holders are entitled to the following rights.

- Receiving interest at the rate of interest as set out in Section 5.7 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.8 of this Prospectus.
- In the event of liquidation, rank after all the claims of the secured and senior unsecured creditors of HNB and any preferential claims under any statutes governing HNB but shall rank above the ordinary voting and non-voting shareholders and preference shareholders of the Bank.
- To receive the Annual Report of the Bank within 5 months from the end of the financial year. Audited accounts will be sent to Debenture Holders in CD form, unless a specific request for a hard copy is received by the Bank.
- Calling and attending meetings of Debenture Holders under this Debenture Issue as set out in the Trust Deed.



- (b) Debenture Holders do not have the following rights
- Attending and voting at meetings of holders of Shares and other Debentures
  - Sharing in the profits of the Bank
  - Participating in any surplus in the event of liquidation
  - Entitlement for conversion options at the end of the maturity period
- (c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS/the Company Secretary or Registrars (where applicable) is up to date and accurate. Each Debenture Holder 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/Bank

Provided further that the Debenture Holders 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.

### 5.3 Benefits of Investing in the Debentures

- Provides an opportunity to earn a regular cash flow of interest payments on a periodic basis, up to a fixed period of Five (05) years in respect of Type A Debentures and Seven (07) years in respect of Type B Debentures
- As per Section 9(o) of the Inland Revenue Act No.10 of 2006 as amended subsequently by Inland Revenue (Amendment) Act, No.18 of 2013, the interest income from any investment made on or after 01st January 2013 in corporate debt securities (i.e. debentures), quoted in any stock exchange licensed by the SEC is exempted from income tax. Furthermore, in terms of Section 13(xxxxxxx) of the same Act, the profits and income earned from any such investment has also been exempted from income tax. However, different tax treatment could be brought in by the future amendments to the same Act.
- Opportunity to realize capital gains according to interest rate fluctuations in the financial market. Also if held to maturity, there will be no capital loss incurred
- Listed Debentures provide the investor with an exit option through the CSE thereby bringing liquidity to these Debentures.
- These Debentures could be used as collateral to obtain both corporate and personal facilities from financial institutions, subject to the policies of those institutions.

### 5.4 Risks Involved in Investing in the Debentures

**Subscribers to the Debentures will be exposed to the following risks. It is vital to note that these risks are not unique to Debentures issued by Hatton National Bank PLC and apply generally to Debentures being issued.**

#### Reinvestment Risk

The calculation for Annual Effective Rate (AER) assumes the investor is able to reinvest his coupons at the same interest rate. The investor who is paid periodic coupon faces the risk of investing these coupon payments to generate the required AER on his investment. Assuming the investor is unable to invest these coupon payments at the same interest rate on the Debenture, the Debenture Holder may not be able to generate the required AER. In case the investor can find an investment which yields a higher interest rate than the Debenture interest, the Debenture Holder can generate a higher AER by reinvesting the coupon in such instruments.

**Interest Rate Risk**

The price of a Debenture will have a negative correlation with the market interest rates. Interest rate risk captures this relationship between market interest rates and the value of Debentures. If market interest rates rise, the value of the Debentures may fall: as market interest rates fall, the value of Debentures may rise (all other factors being equal). If the investor wishes to sell the Debentures prior to its maturity, he might be facing a capital loss/gain if the market interest rates have increased/decreased subsequently. Interest rate risk is irrelevant for the investor who wishes to hold the Debenture until maturity.

**Credit Risk / Default Risk**

Risk of the Issuer not being able to pay interest and principal payments as promised on a timely basis is default risk/ credit risk. It is advisable for prospective Debenture investors to take into account the credit rating awarded to the Bank and its Debentures by Fitch Ratings Lanka Limited, present financial strength as reflected in the balance sheet of the Bank, assets and earnings growth, experiences and skills of the Directors and Senior Management when forming an opinion on default risk.

**Liquidity Risk**

Liquidity risk refers to the ease with which the Debentures can be sold in the secondary market, after the initial placement. Since the Debentures are listed, should an investor require an exit option; they will be able to sell the Debentures through the CSE in order to convert them to cash and to exit from the investment. Therefore the liquidity risk is mitigated to a greater degree in the Debenture. Investors have to be mindful of the fact that even though the Debentures are listed, trading of listed debt is not at an advanced stage as the equity markets in Sri Lanka.

**Call Risk**

Call risk refers to the risk that the issuer will retire all of the Principal Value of the Debentures before maturity. The risk to investor is in that, the timing of the call is not known and the investor will be faced with a re-investment risk in the event the call is made at a time when the market interest rates have declined.

The Debentures issued under this prospectus do not have a call option. These Debentures can be redeemed by the Bank prior to the Date of Redemption only with the consent of the Debenture Holders as mentioned hereinafter. Any voluntary redemption of Debentures prior to the Date of Redemption in any circumstances shall be subject to the prior approval of the Debenture Holders of three fourth (3/4) of the par value of Debentures outstanding at the time of redemption and the prior written consent of the Central Bank of Sri Lanka

**5.5 Subscription List**

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 25 October 2016 and will remain open for Fourteen (14) Market Days including the Issue Opening Date until Closing Date at 4.30 p.m. on 11 November 2016.

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

- The maximum of 60,000,000 Debentures are fully subscribed; or
- The Board of Directors of the Bank decides to close the Issue upon the issue of 50,000,000 Debentures becoming fully subscribed

In the event the Board of Directors of HNB decides to exercise the option to issue the second tranche of 10,000,000 Debentures (initial Issue of 50,000,000 Debentures being fully subscribed) but subsequently decides to close the subscription list prior to full subscription of the second tranche, such decision shall be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day.

Applications can be made forthwith in the manner set out in Section 6.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the collection points set out in Annexure III of this Prospectus.

## 5.6 Objectives of the Issue and Specific Risks Relating to the Objectives

Funds raised through this Debenture Issue will be utilized to achieve the following objectives;

### 1. To increase the Tier II capital base of the Bank in order to further enhance the Total Capital Adequacy Ratio

Tier II capital base of the Bank stood at LKR 17.1 Billion and the Total Capital Adequacy Ratio recorded as 12.97% as at 30 June 2016. It is expected that the Tier II capital base will increase to LKR 22.1 Billion and LKR 23.1 Billion resulting in the Total Capital Adequacy Ratio improving upto 13.9% and 14.1% with the initial issue of LKR 5 Billion Debentures and at the maximum issue of LKR 6 Billion Debentures respectively. The capital base will increase upon the allotment of the Debentures. HNB has obtained the requisite CBSL approval. The increase in the capital base will enable the Bank to leverage the balance sheet and thereby enhance the Bank's lending portfolio.

### 2. To strengthen the Bank's liquidity position and to increase the loan portfolio

The Bank intends to utilize the entire proceeds of the Issue to expand its loan portfolio in the ordinary course of business. During the last three month period, the Bank has achieved a net growth in its Loans and Receivables at an average of LKR 4 Billion per month. Considering the current growth in lending, the Bank foresee no specific risk factor in granting loans and advances from the proceeds of the issue within the time period specified below and thereby achieve the above mentioned objective. The funds raised via the Debenture would be disbursed to product segments of the Bank such as, corporate banking, retail banking, small and medium enterprise banking depending on the demand generated through such segments. It is the understanding of the Bank that the above objective of the Debenture Issue will be achieved by the end of the financial year 31 December 2016 considering the demand for credit by the private sector.

Further, the Bank will not seek the shareholder approval for the Issue as it is not applicable. The Bank, as at the date of the 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. It should be noted that the proceeds of the Issue would be utilized for the above stated objective and will not be utilized to settle any outstanding borrowings of the Bank.

The Bank mobilizes funds from different sources such as deposits and borrowings to fund its loan book. As such, dependency on Debenture Issue proceeds is marginal in terms of expanding Bank's lending portfolio.

However, if the Bank fails to lend these funds due to a systemic risk (which is an improbable occurrence), the Bank would opt to invest the Debenture proceeds in Government Securities at zero default risk until funds are fully utilised. The process of utilisation of funds will be carried out with the necessary approvals of the Asset Liability Committee of HNB in the event the Bank fails to lend the Debenture funds within specific timeline.

Hence there are no significant risk factors that may lead to the non-achievement of IPO objectives within the specified time line.

The Bank has a past track record of successfully achieving the objectives of its Debenture issues. The objectives of the Debenture issue of LKR 3 Billion in December 2014 and the Debenture issue of LKR 7 Billion in March 2016 (utilizing the funds for the on-going lending activities of HNB as part of its normal course of business) were successfully achieved.

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 (LKR)	Proposed Date of allocation as per Prospectus	Amount utilization from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized
1	To increase the Tier II capital base of the Bank in order to further enhance the Total Capital Adequacy Ratio	Initial issue of LKR 5 Bn and a maximum issue of	Upon the allotment of the Debentures and receipt of CBSL approval to include the amount raised via the Debentures under Tier II capital base					
2	To strengthen the Bank's liquidity position and to increase the loan portfolio	LKR 6 Bn	By the end of the financial year 31 December 2016					

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

## 5.7 Interest

Type A Debentures will carry a fixed rate of interest of Eleven decimal Seven Five per centum (11.75%) per annum, payable annually on the respective Interest Payment Dates (AER of 11.75% per annum) until the expiry of Five (05) years on the Principal Sum of the Debentures.

Type B Debentures will carry a fixed rate of interest of Thirteen decimal Zero per centum (13.00%) per annum, payable annually on the respective Interest Payment Dates (AER of 13.00% per annum) until the expiry of Seven (07) years on the Principal Sum of the Debentures.

Interest on the Debentures would fall on the expiry of every Twelve (12) months from the Date of Allotment of the Debentures until the date immediately preceding 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 (irrespective of holidays) in such interest period (actual/actual) and will be paid not later than Three (03) Working Days from each Interest Payment Date.

In order to accommodate the Debenture interest cycles in the CDS of the CSE, the payment of interest for a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date. Payment of the interest on the Debentures will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Debenture Holders.

As per Section 9 and 13 of the Inland Revenue Act No. 10 of 2006 (amended by Section 4 and 5 of the Inland Revenue (Amendment) Act No. 18 of 2013), the profits and interest income from any investment made on or after 01 January 2013 in corporate debt securities (i.e. Debentures) quoted in any stock exchange licensed by SEC is exempt from income tax.

## 5.8 Redemption

HNB shall redeem Type A Debentures on the expiry of Five (05) years and Type B Debentures on the expiry of Seven (07) years from the Date of Allotment in accordance with the provisions contained in the Trust Deed.

Any voluntary redemption of Debentures prior to the Date of Redemption in any circumstances shall be subject to the prior approval of the Debenture Holders of three fourth (3/4) of the par value of Debentures outstanding at the time of redemption and the prior written consent of the Central Bank of Sri Lanka.

On the Date of Redemption of the Debentures, the Bank shall in accordance with the provisions contained in the Trust Deed pay to the Debenture Holders the Principal Sum of the Debentures which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Redemption of the Debenture.

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 up to the date immediately preceding such Market Day (including holidays).

## 5.9 Payment of Principal Sum and Interest

The Bank will redeem the Debentures on the Date of Redemption as specified in Section 5.8 and the interest payments will be made as specified in Section 5.7.

The payment of Principal Sum and Interest will be made either through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank account details of the Debenture Holders are provided to the CDS to effect such transfers or by cheque/s marked "Account Payee Only" sent by ordinary mail to the addresses provided by the Debenture Holders to the CDS, at the risk of the Debenture Holders if bank account details are not provided to the CDS or the bank account details provided to the CDS are inaccurate.

RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

The payment of Principal Sum and Interest will be made in Sri Lanka Rupees in favour of the Debenture Holders 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.

## 5.10 Credit Rating of the Debentures

Fitch Ratings Lanka Limited has assigned a long term credit rating of 'A+ (lka)' to these Debentures. A copy of the Rating report issued by Fitch Ratings Lanka Limited is set out in Annexure II.

## 5.11 Transfer of Debentures

- These Debentures shall be freely transferable and transmittable through the CDS as long as the Debentures are listed in the CSE 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.
- Subject to provisions contained in the Trust Deed, the Bank may register without assuming any liability 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.
- In the case of the death of a Debenture Holder
  - The survivor where the deceased was a joint holder; and
  - 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 Issuer as having any title to his/her Debentures.
- Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that such Debenture Holder sustains the character in respect of which such Debenture Holder proposes to act or such Debenture Holder's 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, rules and regulations of the Bank, CDS, CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognised by the Bank.

## 5.12 Listing

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in-principle for the same. It is the intention of the Bank to list the Debentures on the 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.

## 5.13 Basis of Allotment

The Board 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.

Any Applicant who has applied for Type B Debentures and has not been allocated in full under Type B Debentures and has indicated in the Application Form his/her intent to consider any unallotted amount under Type B Debentures as valid subscriptions for Type A Debentures, such unallotted amounts will be allotted with any Type A Debentures remaining subsequent to the allotment of Type A Debentures to the Applicants who have applied for Type A Debentures originally, on a proportionate basis to the amounts flow through from Type B Debentures.

However, in case of an oversubscription in Type A Debentures, any unallotted Debentures under Type B Debentures will not be considered for any allotment under Type A Debentures and such unallotted amounts will be refunded even though Type B Debenture Applicants have indicated their intent to be considered under Type A Debentures.

The Board shall also reserve the right to allocate up to 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Bank might have mutually beneficial relationships in the future. The maximum allocation under preferential allotment is 75%.

Upon the basis of allotment being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Bank reserves the right to reject any application or to accept any application in part only, without assigning any reason thereto. A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within Ten (10) Market Days from the Closing Date as required by the CSE. Apart from the above, the Issuer has not identified any specific allocation to the public, employees or financial institutions.

## 5.14 Trustee to the Issue

Deutsche Bank AG, Colombo Branch has agreed to act as the Trustee to the Debenture Holders. The Bank has entered into an agreement with the Trustee (hereinafter called the "Trust Deed"). Debenture Holders in their Application Forms for subscription will be required to authorise the Trustee to act as their 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 30,000/- per month plus statutory levies. The Trustee has no conflict of interest with the Bank, except that the Trustee is one of the banks rendering banking services to HNB.

## **5.15 Underwriting**

The Issue is not conditional upon any minimum subscription amount being raised. The Bank has not entered into any underwriting arrangement with regards to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full as per the Basis of Allotment decided by the Bank in terms of Section 5.13 and funds raised shall be utilized to meet the objectives of the Issue as stipulated in Section 5.6 of this Prospectus and the balance funding will be sourced through fixed deposits, bank borrowings and other unutilized credit facilities.

## **5.16 The Minimum Subscription Applicable for Investors**

The minimum subscription requirement applicable for an investor applying for Debentures shall be One Hundred (100) Debentures (LKR 10,000/-). Any application in excess of the said minimum subscription shall be in multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter.

## **5.17 Cost of the Issue**

The Board estimates that the total cost of the Issue including fees to professionals, printing, advertising, brokerage 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.

## **5.18 Brokerage**

Brokerage of 15 cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on applications bearing the original seal of a member/trading member of the CSE or Lead Managers to the Issue or Co-Managers to the Issue any other party identified by the Bank and/or Lead Managers to the Issue and/or Co-Managers to the Issue as involved in the Issue.

## 6.0 PROCEDURE FOR APPLICATION

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### 6.1 Eligible Applicants

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

- a. Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- b. Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Debentures.
- c. Approved unit trusts licensed by SEC.
- d. Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Debentures. In the case of approved provident funds and approved contributory pension schemes, the application should be in the name of the trustee/board of management.
- e. Regional and country funds approved by SEC and authorized to invest in Debentures.
- f. Non-Residents: foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from Applicants who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Exchange Control Act in Gazette No. 15007 dated 21 April 1972.

When permitting Non-Residents to invest in the Debentures, the Bank will comply with the relevant Exchange Control Regulations including the conditions stipulated in the notice under the Exchange Control Act with regard to the Issue and transfer of Debentures of companies incorporated in Sri Lanka to foreign investors as published in the Government Gazette (Extraordinary) No. 1864/39 on 28 May 2014.

### 6.2 How to Apply

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

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection with the Registrars to the Issue and also issued free of charge by the parties listed in Annexure III 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) until the Closing 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 Bank, [www.hnb.net](http://www.hnb.net) until the Date of Redemption of the Debentures.

**Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.**

- (b) Applicants should apply only for one Type of Debentures (i.e. either Type A or Type B Debentures) under one Application Form.



- (c) In the event an Applicant wishes to apply for Type B Debentures and also wishes to be considered for subscription under Type A Debentures in case there is any amount unallotted from their application amount in the Type B Debentures and provided there are unallotted Type A Debentures, such intent should be indicated in the relevant space provided for this purpose in the Application Form. Please refer Section 5.13 of the Prospectus for details pertaining to allotment of Type A Debentures and Type B Debentures.
- (d) In the event an applicant wishes to apply for more than one type of Debentures, separate application form should be used. Once an application form has been submitted for a particular type of Debentures, it will not be possible for an applicant to switch between the types of Debentures.
- (e) More than one application submitted by an applicant under the same type of Debentures will not be accepted. If two or more application forms are submitted for one type of Debentures from a single applicant, those would be considered as multiple applications and the Bank will not accept such multiple applications or suspected multiple applications.
- (f) An Applicant can apply for one type of Debentures under One Application Form only. If an applicant has applied for the same type of Debentures under more than one Application Form it will be construed as multiple Applications. An applicant of a joint application, applying through another Application Form, either individually or jointly for the Debentures for the same type of Debentures, is also deemed to have made multiple applications and the Bank reserves the right to reject such multiple applications or suspected multiple applications.
- (g) 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.
- (h) 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 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 to the application should either be residents of Sri Lanka or Non-Residents (There should not be a mix of Residents and Non-Residents).

- (i) Applications by companies, corporate bodies, 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.
- (j) All Applicants should indicate in the application for Debentures, their CDS account number.

All resident individual Applicants should ensure that;

- If the applicant's CDS account carries the NIC number, the NIC number of the applicant is stated in the relevant cage of the Application Form; or
- If the applicant's CDS account carries the passport number, the passport number of the applicant is stated in the relevant cage of the Application Form.

All Non-Resident individual Applicants and corporate Applicants should ensure that the passport number/company number and CDS Identification Number (CDS ID) are stated in the relevant cages of the Application Form.

In the event the name, address or NIC number/passport number/company number of the applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such applicant. Therefore, Applicants 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.

- (k) 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.

- (l) 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.
- (m) Funds for the investment in Debentures and the payment for Debentures by Non-Residents should be made only out of the monies available to the credit of a "Securities Investment Account" (SIA) of the Non-Resident Applicants opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of 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 SIA, 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 SIA.**

- (n) 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 should be enclosed in an envelope marked "**HATTON NATIONAL BANK PLC – DEBENTURE ISSUE 2016**" on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to the Registrars to the Issue on the Closing Date.

Applications may also be handed over to any collection point set out in Annexure III of this Prospectus prior to 4.30 p.m. on the Closing Date.

Applications sent by post or courier or delivered to any collection point set out in Annexure III of this Prospectus should reach the office of the Registrars to the Issue, **SSP Corporate Services (Pvt) Limited, No. 101, Inner Flower Road, Colombo 03, at least by 4.30 p.m. on the following Market Day immediately upon the Closing 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 Closing Date or carry a postmark dated prior to the Closing Date.

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

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

**Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.**

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

Please note that upon the allotment of Debentures under this Issue, the allotted Debentures would be credited to the applicant's CDS account so indicated. **Hence, DEBENTURE CERTIFICATES WILL NOT BE ISSUED.**

### 6.3 Number of Debentures to be Subscribed

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

### 6.4 Mode of Payment

- (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 or internal fund transfer through Hatton National Bank PLC, as the case may be, subject to (b) below.
- (b) Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either;
  - Bank draft(s)/cheque(s) drawn upon any licensed commercial bank operating in Sri Lanka; or
  - A bank guarantee issued by a licensed commercial bank; or
  - An RTGS transfer with value on the Issue opening date; or
  - An internal fund transfer within Hatton National Bank PLC with value on the Issue opening date.

**Multiple cheques will not be accepted for Application 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 **“HATTON NATIONAL BANK PLC – DEBENTURE ISSUE 2016”** 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 **“HATTON NATIONAL BANK PLC – DEBENTURE ISSUE 2016”** in a manner acceptable to the Bank, and be valid for a minimum of One (01) month from the Issue Opening Date (i.e. 25 October 2016).

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

- (e) In case of RTGS transfers, /internal fund transfers within Hatton National Bank PLC such transfers should be made to the credit of **“HATTON NATIONAL BANK PLC – DEBENTURE ISSUE ACCOUNT 2016”** bearing the account number **003010510444** at Hatton National Bank PLC with value on the Issue Opening Date (i.e. the funds to be made available to the above account on the Issue Opening Date).

The applicant should obtain a confirmation from the applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of **“HATTON NATIONAL BANK PLC – DEBENTURE ISSUE ACCOUNT 2016”** bearing the account number **003010510444** at Hatton National Bank PLC with value on the Issue Opening Date (i.e. the funds to be made available to the above account on the Issue Opening Date) and should be attached with the Application Form.

For RTGS transfers and internal fund transfers within Hatton National Bank PLC above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to and paid an interest at the rate of three decimal five zero *per centum* (3.50%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers/ internal fund transfers within Hatton National Bank PLC are not realised before the end of the Closing Date. Furthermore, even if such RTGS transfers/ internal fund transfers within Hatton National Bank PLC 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 the monies available to the credit of a “Securities Investment Account” (SIA) maintained with any licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of 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 SIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS/ internal fund transfers within Hatton National Bank PLC has been made out of the funds available in the SIA.**

- (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 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.
- (j) All cheques/bank drafts received in respect of the applications for Debentures will be banked commencing from the Working Day immediately following the Closing Date, and no interest will be paid for applications supported by cheques/bank drafts.

## 6.5 Rejection of Applications

Application Forms and the accompanying cheques/bank drafts/bank guarantee 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 received from Applicants 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 under the same type of Debentures 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 with more than three (03) natural persons as joint Applicants will be rejected.

Applications delivered by hand to the Registrars to the Issue after 4.30 p.m. on the Closing Date will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the Closing Date will also be rejected even if they carry a post mark dated prior to the Closing Date.

Applications delivered to any place mentioned in Annexure III 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 Closing 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 Closing Date.

In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the application to be valid. In the event cheques are dishonoured/returned on first presentation, such applications will be rejected.

## 6.6 Banking of Payments

All cheques or bank drafts or bank guarantees received in respect of applications will not be banked or called on until the Working Day immediately after the Closing Date as set out in Section 5.5 of this Prospectus, in terms of the CSE Listing Rules.

## 6.7 Refunds

- Where an application is rejected for reasons given in Section 6.6 of this Prospectus, subsequent to the cheque being realized, the applicant's money in full or where an application is accepted only in part, the balance of the applicant's money will be refunded.
- 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. If the refund payment is over Rupees Five Million (LKR 5,000,000/-), refunds will be made via RTGS. A payment advice will be sent accordingly.
- Funds received via SIA accounts will be refunded via SIA accounts in the event there are refunds to be made.

In the event the applicant has not provided accurate and correct details of his 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 cheque/s marked "Account Payee Only" and sent by post at the risk of the applicant.

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

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

[http://www.lankaclear.com/product\\_service/3-guidelines](http://www.lankaclear.com/product_service/3-guidelines)

Refunds on applications rejected or partly allotted Debentures would be made within Ten (10) Market Days excluding the Closing 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.

## **6.8 CDS Accounts and Secondary Market Trading**

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of Eighteen (18) Market Days, from the Closing 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.

## **6.9 Inspection of Documents**

The Articles of Association, Trust deed, Auditor's Reports and Audited Financial Statements for the Five (05) financial years ended 31 December (i.e. the Five (05) financial years immediately preceding the date of this Prospectus, from 31 December 2015 to 31 December 2011) and Interim Financial Statements for the Quarter ended 30 June 2016, Issue Rating Report and all other documents referred to in Rule 3.3.11 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank if any, would be made available from Seven (07) Market Days prior to the Date of Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Bank until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of the Bank are available on the website of CSE ([www.cse.lk](http://www.cse.lk)) and the website of the Bank ([www.hnb.net](http://www.hnb.net)) from Seven (07) Market Days prior to the Date of Opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.3.11 (b) of the CSE Listing Rules.

Furthermore, copies of the Prospectus and Application Forms are available free of charge from the collection points set out in Annexure III of this Prospectus from Seven (07) Market Days prior to the Date of Opening of the subscription list.

## 7.0 FINANCIAL AND OTHER INFORMATION

### 7.1 Financial Year

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

### 7.2 Litigation, Disputes and Contingent Liabilities

#### Contingent Liabilities of HNB Group as at 30 June 2016

Description	LKR
Acceptances	11,200,534
Documentary Credits	21,442,894
Guarantees	91,417,299
Bills for collection	9,557,016
Forward Exchange Contracts	214,121,113
Cheques sent on clearing	4,570,616
Undrawn Credit Lines	144,129,032
<b>Total</b>	<b>496,438,504</b>

Apart from legal proceedings in the normal course of its banking business, the Bank and its subsidiaries are not a party to any litigation or arbitration proceedings and is not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Bank, would have a significant effect upon the Bank's financial position nor has it been a party to any such proceedings in the recent past.

### 7.3 Details of other Debt Securities of HNB Group

The details of the other debt securities of HNB Group outstanding as at 30 June 2016

Issue Date	Maturity Date	Tenure	Type	Interest Rate – p.a.	Classification	Rights of Holders	Amount Outstanding as at 30 June 2016 LKR '000'
1-Apr-06	31-Mar-21	15 years	Public quoted	11.00%	Unsecured Subordinated Redeemable Debenture	Subordinated	313,369.35
1-Apr-06	31-Mar-24	18 years	Public quoted	11.25%	Unsecured Subordinated Redeemable Debenture	Subordinated	596,576.41
1-Aug-07	31-Jul-17	10 years	Public quoted	16.00%	Unsecured Subordinated Redeemable Debenture	Subordinated	500,000.00

Issue Date	Maturity Date	Tenure	Type	Interest Rate – p.a.	Classification	Rights of Holders	Amount Outstanding as at 30 June 2016 LKR '000'
1-Aug-07	31-Jul-22	15 years	Public quoted	16.75%	Unsecured Subordinated Redeemable Debenture	Subordinated	700,000.00
5-Sep-11	4-Sep-21	10 year	Public quoted	11.50%	Unsecured Subordinated Redeemable Debenture	Subordinated	2,000,000.00
13-Jun-13	12-Jun-18	5 year	Public quoted	14.00%	Unsecured Subordinated Redeemable Debenture	Subordinated	4,027,616.44
30-Aug-13	29-Aug-23	10 year	Public quoted	8.00% (AER 14.25%)	Unsecured Senior Redeemable Debenture	Senior	1,593,089.61
15-Dec-14	14-Dec-17	3 Year	Public quoted	6.88%	Unsecured Senior Redeemable Debenture	Senior	158,720.00
15-Dec-14	14-Dec-19	5 Year	Public quoted	7.75%	Unsecured Senior Redeemable Debenture	Senior	2,757,240.00
15-Dec-14	14-Dec-24	10 Year	Public quoted	8.33%	Unsecured Senior Redeemable Debenture	Senior	84,040.00
28-Mar-16	28-Mar-21	5 Year	Public quoted	11.25%	Unsecured Subordinated Redeemable Debenture	Subordinated	7,202,808.22

There are no outstanding Debt Securities convertibles to equity as at the Date of this Prospectus.



## 7.4 Debt Servicing Details of the Bank

The details of the Debenture interest payments made during past periods are given below;

Description	2016 (June)	2015	2014	2013	2012
	LKR (Mn)	LKR (Mn)	LKR (Mn)	LKR (Mn)	LKR (Mn)
Gross interest due on Debentures*	987.1	1146.15	1157.4	427.25	427.25
Debenture interest paid on or before due date	987.1	1146.15	1157.4	427.25	427.25
Debenture interest paid after due date		-	-	-	-
Debenture interest not paid as of to date		-	-	-	-

\*Amount payable as at balance sheet date

## 7.5 Key Financial Ratios of the Bank

Description	2016 (June)	2015	2014	2013	2012	2011	2010
Interest cover (Times)*	5.04	5.84	6.01	5.82	7.97	15.03	19.60
Gearing Ratio**	106.82%	100.63%	54.59%	59.12%	39.16%	24.18%	9.26%
Capital adequacy - Core capital ratio (Minimum statutory requirement - 5%)	9.77%	10.53%	12.15%	12.95%	13.85%	12.76%	10.99%
Capital adequacy - Total capital ratio (Minimum statutory requirement - 10%)	12.97%	12.70%	14.83%	16.52%	16.63%	14.51%	12.64%

Formulae used to calculate Interest cover (Times)\* and Gearing Ratio\*\* are provided below.

\*Interest cover (Times) = (Profit before tax + Debt and long term borrowing interest) / Debt and long term borrowing interest\*\*

Gearing Ratio = Debt and long term borrowings / Shareholders' funds

## 7.6 Twenty Major Voting Shareholders as at 30 June 2016

	Name	No. of Shares	% on total voting capital
1	Employees Provident Fund	32,352,748	9.80
2	Sri Lanka Insurance Corporation Ltd - Life Fund	32,014,697	9.70
3	Milford Exports (Ceylon) Limited	26,247,009	*7.95
4	Mr. Sohli Edelji Captain	24,089,530	7.30
5	Stassen Exports Ltd	22,750,036	*6.89
6	Sri Lanka Insurance Corporation Ltd - General Fund	16,393,058	4.97
7	Sonetto Holdings Limited	14,936,204	4.53
8	HSBC Int'l Nominees Ltd-JPMLU-Franklin Templeton Investment	11,084,554	3.36
9	Distilleries Company of Sri Lanka PLC	10,178,656	*3.08
10	National Savings Bank	9,523,878	2.89
11	Standard Chartered Bank Singapore S/A HL Bank Singapore	6,524,272	1.98
12	The Bank of New York Mellon SA/NV-CF Ruffer Total return Fund	5,221,591	1.58
13	Citi Group Global Markets Ltd Agency Trading Prop. Sec.	4,142,064	1.25
14	The Bank of New York Mellon SA/NV-CF Ruffer Absolute return	3,504,886	1.06
15	Citibank Newyork S/A Norges Bank Account 2	3,169,774	0.96
16	HSBC INTL Nom Ltd-JPMCB-Templeton Global Investment Trust- Te	3,077,480	0.93
17	Ms.Leesha Anne Captain	2,916,548	0.88
18	Mrs. Cheryl Susan De Fonseka	2,763,993	0.84
19	BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	2,671,131	0.81
20	HSBC INTL Nom Ltd-UBS AG Zurich	2,623,449	0.79
		<b>236,185,558</b>	<b>71.56</b>
	Other Shareholders	93,878,225	28.44
	<b>TOTAL</b>	<b>330,063,783</b>	<b>100.00</b>

\*\*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 17.92% 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.

## 7.7 Twenty Major Non-Voting Shareholders as at 30 June 2016

	Name	No. of Shares	% on Total Voting Capital
1	HSBC Int'l Nom Ltd-UBS AG Zurich	7,207,014	8.69
2	HSBC Intl nominees Ltd-JPMLU-Franklin Templeton Invest	5,778,350	6.97
3	BNYM SA/NV-Frontaura Global Frontier Fund LLC	4,626,852	5.58
4	Citibank Newyork S/A Norges Bank Account 2	4,348,150	5.24
5	The Bank of New York Mellon SA/NV-CF Ruffer Total Return Fund	2,601,605	3.14
6	BNYM SA/NV-Neon Liberty Lorikeet Master Fund LP	2,535,385	3.06
7	Akbar Brothers Pvt Ltd A/c No. 01	2,071,089	2.50
8	The Bank of New York Mellon SA/NV-CF Ruffer Absolute Return	1,733,008	2.09
9	Mr. Sohli Edelji Captain	1,467,949	1.77
10	Rubber Investment Trust Limited A/c # 01	1,184,341	1.43
11	CITI Bank NY S/A Forward International Dividend Fund	1,162,835	1.40
12	Northern Trust Company S/A Polar Capital Funds PLC	1,072,210	1.29
13	Union Assurance PLC No. 1 A/c	1,066,012	1.29
14	BNY-CF Ruffer Investment Funds:CF Ruffer Pacific Fund	1,028,711	1.24
15	Mr. Jayampathi Divale Bandaranayake	1,002,077	1.21
16	Employee Trust Fund Board	909,800	1.10
17	The Ceylon Guardian Investment Trust PLC A/c #02	750,857	0.91
18	Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	749,353	0.90
19	The Ceylon Investment PLC A/c # 02	614,227	0.74
20	Hatton National Bank PLC A/c No. 2	584,735	0.71
		<b>42,494,560</b>	<b>51.26</b>
	Other Shareholders	40,408,141	48.74
	<b>TOTAL</b>	<b>82,902,701</b>	<b>100.00</b>

## 7.8 Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) of the Bank as at 31 August 2016 are as follows:

1. Mr Nilanth de Silva – Chairman (Independent/Non-Executive Director)
2. Mr Jonathan Alles, Member (MD/CEO - Executive Director)
3. Mr Palitha Pelpola – Member (Independent/Non-Executive Director)
4. Dr Rohan Karunaratne – Member (Independent/Non-Executive Director)

## 7.9 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 Hatton National Bank PLC as at 31 December 2015
- Interim financial statements of Hatton National Bank PLC as at 30 June 2016
- Summarized financial statement for the Five years (31 December 2015 - 31 December 2011) 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.

## ANNEXURE I - STATUTORY DECLARATIONS

### Statutory Declaration by the Directors

This Prospectus has been seen and approved by the Directors of Hatton National Bank PLC (“Bank”) and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that provisions of the CSE Listing Rules and of the Companies Act No. 07 of 2007 and amendments thereto have been complied with and 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 Bank have been given in the 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 the best judgement of the Directors.

The parties to the Issue have submitted declarations to the Bank declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Bank. Nevertheless, Acuity Partners (Pvt) Limited, Co-Managers to the Issue comprise a Director who is also a Director of the Bank. The Board of Directors do not see any impact on the proposed Debenture Issue due to the existence of the said common Director.

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

Name	Signature
Mr. R. Arseculeratne	Sgd.
Mr. A. J. Alles	Sgd.
Ms. M. A. R. C. Cooray	Sgd.
Dr. L. R. Karunaratne	Sgd.
Mr. L. U. D. Fernando	Sgd.
Mr. D. T. S. H. Mudalige	Sgd.
Miss. D. S. C. Jayawardena	Sgd.
Mr. R. S. Captain	Sgd.
Mr. A. Cabraal	Sgd.
Mr. P. Pelpola	Sgd.
Mr. D. Soosaipillai	Sgd.
Mr. A. N. De Silva	Sgd.

**Statutory Declaration by the Lead Managers to the Issue**

We, NDB Investment Bank Limited of No. 40, Nawam Mawatha, Colombo 02, who are named in the Prospectus as the Lead Managers to the proposed issue of up to Sixty Million (60,000,000) Subordinated Unsecured Redeemable Rated Debentures with a value of up to Rupees Six Billion (LKR 6,000,000,000/-) of Hatton National Bank PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Bank, the Prospectus constitutes full and true disclosure of all material facts about the Issue and HNB whose Debentures are being listed.

Signed by two Directors of NDB Investment Bank Limited, being duly authorised thereto, at Colombo on this 19th day of October 2016.

Sgd.

Sgd.

**Director****Director****Statutory Declaration by the Co-Managers to the Issue**

We Acuity Partners (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Co-Managers to the proposed issue of up to Sixty Million (60,000,000) Subordinated Unsecured Redeemable Rated Debentures with a value of up to Rupees Six Billion (LKR 6,000,000,000/-) of Hatton National Bank PLC, hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by the Bank, the Prospectus constitutes full and true disclosure of all material facts about the Issue and HNB whose Debentures are being listed.

Signed by two Directors of Acuity Partners (Private) Limited, being duly authorised thereto, on this 19th day of October 2016.

Sgd

Sgd.

**Director****Director**

# ANNEXURE II – CREDIT RATING REPORT

10/13/2016

Press Release

## FitchRatings FitchRatings

### Fitch Rates Hatton National Bank's Subordinated Debt Final 'A+(Ika)'

Fitch Ratings-Colombo-13 October 2016: Fitch Ratings Lanka has assigned Hatton National Bank PLC's (HNB; AA-(Ika)/Stable) proposed Basel II-compliant subordinated debentures of up to LKR6bn a final National Long-Term Rating of 'A+(Ika)'.

The assignment of the final rating follows the receipt of documents conforming to information already received. The final rating is the same as the expected rating assigned for the subordinated debt on 25 August 2016.

The proposed issuance, which will have tenors of five and seven years and carry fixed coupons, will be listed on the Colombo Stock Exchange. HNB expects to use the proceeds to strengthen its Tier II capital base.

#### KEY RATING DRIVERS

The proposed subordinated debentures are rated one notch below HNB's National Long-Term Rating to reflect the subordination to senior unsecured debt.

HNB's National Long-Term Rating reflects its strong domestic franchise, satisfactory capitalisation and strong performance, which are counterbalanced by a higher risk appetite as seen in the sustained high loan growth that has put pressure on its funding and liquidity profile.

#### RATING SENSITIVITIES

The ratings on the debentures will move in tandem with HNB's National Long-Term Rating.

#### Contact:

Primary Analyst  
Jeewanthi Malagala, CFA  
Analyst  
+941 1254 1900  
Fitch Ratings Lanka Ltd  
15-04, East Tower, World Trade Center  
Colombo 1, Sri Lanka

Secondary Analyst  
Rukshana Thalagodapitiya, CFA  
Vice President  
+941 1254 1900

Committee Chairperson  
Sabine Bauer  
Senior Director  
+852 2263 9966

FITCH RATINGS LANKA LTD.



Authorised Signatory.

HNB has a 1.78% equity stake in Fitch Ratings Lanka Ltd. No shareholder other than Fitch, Inc. is involved in the day-to-day rating operations of, or credit reviews undertaken by, Fitch Ratings Lanka Ltd.

Note to editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(Ika)' for National ratings in Sri Lanka. Specific letter grades are not therefore internationally comparable.

## ANNEXURE III – COLLECTION POINTS

Copies of the Prospectus and Application Form can be obtained free of charge from the following Collection Points.

Issuer/Bankers to the Issue	Registrars to the Issue
<b>Hatton National Bank PLC</b> No. 479 T B Jayah Mawatha Colombo 10 T: +94 (011) 2 664 664, +94 (011) 2 662 772, +94 (011) 4 764 764 F: +94 (011) 2 662 832	<b>SSP Corporate Services (Pvt) Limited</b> No. 101 Inner Flower Road Colombo 03 T: +94 (011) 2 573 894 F: +94 (011) 2 573 609

Lead Managers to the Issue	Co-Managers to the Issue
<b>NDB Investment Bank Limited</b> No. 40, Nawam Mawatha, Colombo 02 T: +94 (011) 2 300 385-90 F: +94 (011) 2 300 393	<b>Acuity Partners (Private) Limited</b> No. 53, Dharmapala Mawatha, Colombo 03 T: +94 (011) 2 206 206 F: +94 (011) 2 437 149

### Branch Network of Hatton National Bank PLC

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

### Members of the CSE

<b>Acuity Stockbrokers (Private) Limited</b> Level 6, Acuity House, No. 53, Dharmapala Mawatha, Colombo 3. T: +94 11 2206206 F: +94 11 2206298 / 9 E: sales@acuitystockbrokers.com	<b>Asha Phillip Securities Limited</b> 2nd Floor, Lakshmans Building, No. 321, Galle Road, Colombo 03. T: +94 11 2429100 F: +94 11 2429199 E: apsl@ashaphillip.net
<b>Asia Securities (Private) Limited</b> Level 21, West Tower World Trade Centre Echelon Square Colombo 01 Tel: +94 11 2 423 905, +94 11 5 320 000 Fax: +94 11 2 336 018 E-mail: enquiry@asiacapital.lk	<b>Assetline Securities (Private) Limited</b> 120, 120A, Pannipitiya Road Battaramulla Tel: +94 11 4 700 111, +94 11 2 307 366 Fax: +94 11 4 700 112 E-mail: colombo.dpglobal@dpmcfs.com

<p><b>Bartleet Religare Securities (Private) Limited</b>  Level "G", "Bartleet House"  65, Braybrooke Place  Colombo 02  Tel: +94 11 5 220 200  Fax: +94 11 2 434 985  E-mail: info@bartleetstock.com</p>	<p><b>Capital TRUST Securities (Private) Limited</b>  42, Sir Mohamed Macan Markar Mawatha  Colombo 03  Tel: +94 11 2 174 174  Fax: +94 11 2 174 173  E-mail: inquiries@capitaltrust.lk</p>
<p><b>CT CLSA Securities (Private) Limited</b>  4-14, Majestic City  10, Station Road  Colombo 04  Tel: +94 11 2 552 290-4  Fax: +94 11 2 552 289  E-mail: ctssales@sltnet.lk</p>	<p><b>First Capital Equities (Pvt) Limited</b>  No. 01, Level 02  Lake Crescent  Colombo 02  Tel: +94 11 2 145 000  Fax: +94 11 2 145 050  E-mail: info@dnhfinancial.com</p>
<p><b>J B Securities (Private) Limited</b>  150, St. Joseph Street  Colombo 14  Tel: +94 11 2 490 900, +94 77 2 490 900-1  Fax: +94 11 2 430 070  E-mail: jbs@jb.lk</p>	<p><b>John Keells Stockbrokers (Private) Limited</b>  130, Glennie Street  Colombo 02  Tel: +94 11 2 306 250, +94 11 2 338 066-7  Fax: +94 11 2 342 068  E-mail: jkstock@keells.com</p>
<p><b>Lanka Securities (Private) Limited</b>  228/2, Galle Road  Colombo 04    Tel: +94 11 4 706 757, +94 11 2 554 942  Fax: +94 11 4 706 767  E-mail: lankasec@sltnet.lk</p>	<p><b>Nation Lanka Equities (Private) Limited</b>  44, Guildford Crescent,  Colombo 7.  Tel: +94 11 4 714 300, +94 11 4 714 388-9,  +94 77 3 421 821  Fax: +94 11 2 387 228  E-mail: info@nlequities.com</p>
<p><b>NDB Securities (Private) Limited</b>  5th Floor, NDB Building  40, Navam Mawatha  Colombo 02  Tel: +94 11 2 314 170-8  Fax: +94 11 2 314 180  E-mail: mail@ndbs.lk</p>	<p><b>SC Securities (Private) Limited</b>  5thFloor,  No. 26B, Alwis Place  Colombo 10  Tel: +94 11 4 711 000  Fax: +94 11 2 394 405  E-mail: ceo@sampathsecurities.lk</p>
<p><b>Somerville Stockbrokers (Private) Limited</b>  137, Vauxhall Street  Colombo 02  Tel: +94 11 2 329 201-5, +94 11 2 332 827,  +94 11 2 338 292-3  Fax: +94 11 2 338 291  E-mail: ssb-web@sltnet.lk</p>	



## Trading Members

<p><b>Softlogic Stockbrokers (Private) Limited</b> Level 23, East Tower World Trade Centre Echelon Square Colombo 01 Tel: +94 11 7 277 000-98 Fax: +94 11 7 277 099 Email: info@equity.softlogic.lk</p>	<p><b>Capital Alliance Securities (Private) Limited</b> Level 5, "Millennium House" 46/58, Navam Mawatha Colombo 02 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: general@capitalalliance.lk</p>
<p><b>Claridge Stockbrokers (Private) Limited</b> 10, Gnanartha Pradeepa Mawatha Colombo 08  Tel: +94 11 2 697 974 Fax: +94 11 2 689 250 E-mail: csb@mackwoods.com</p>	<p><b>First Guardian Equities (Private) Limited</b> 32nd Floor, East Tower World Trade Centre Echelon Square Colombo 01 Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: info@firstguardianequities.com</p>
<p><b>Candor Equities Limited</b> Level 8, South Wing Millennium House 46/58, Navam Mawatha Colombo 02  Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info-hasl@heraymila.com</p>	<p><b>LOLC Securities (Private) Limited</b> Level 18, West Tower World Trade Centre, Echelon Square, Colombo 01  Tel: +94 11 7 880 880 Fax: +94 11 2 434 771</p>
<p><b>SMB Securities (Private) Limited</b> 47, Dharmapala Mawatha Colombo 03  Tel: +94 11 5 232 091 Fax: +94 11 2 339 292 E-mail: admin@smbsecurities.lk</p>	<p><b>Richard Pieris Securities (Pvt) Limited</b> 55/20, Vauxhall Lane, Colombo 02  Tel: +94 11 7 448 900, +94 11 5 900 800 Fax: +94 11 2 330 711 E-mail: jayantha@rpsecurities.com</p>
<p><b>Taprobane Securities (Private) Limited</b> 2nd Floor 10, Gothami Road Colombo 08  Tel: +94 11 5 328 200 Fax: +94 11 5 328 277 E-mail: info@taprobane.lk</p>	<p><b>TKS Securities (Private) Limited</b> 19-01, East Tower World Trade Centre Echelon Square, Colombo 01  Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: info@tkslk</p>
<p><b>Enterprise Ceylon Capital (Private) Limited</b> 27th Floor, East Tower, World Trade Centre, Echelon Square, Colombo 01  Tel: +94 11 2333000, +94 11 2147147 Fax: +94 11 2 333383 E-mail: info@ecc.lk</p>	<p><b>Navara Securities (Private) Limited</b> No.25- 2/1, Milepost Avenue, Colombo 03  Tel: +94 11 2358700/20, Fax: +94 11 5005551 E-mail: info@navarasecurities.lk</p>

**Trading Members - Debt**

<p><b>First Capital Markets Limited</b> No. 2, Deal Place Colombo 3</p> <p>Tel: +94 11 2 639 898, +94 11 2 681 888 Fax: +94 11 2 639 899, +94 11 2 681 460 E-Mail: info@firstcapital.lk</p>	<p><b>Capital Alliance Limited</b> Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 2</p> <p>Tel: +94 11 2 317 777 Fax: +94 11 2 317 788</p>
<p><b>Wealthtrust Securities Limited</b> No. 32, Castle Street Colombo 08</p> <p>Tel: +94 11 2 689 823 Fax: +94 11 2 689 605</p>	<p><b>Perpetual Treasuries Limited</b> <b>Level 3, Prince Alfred Tower</b> No 10, Alfred House Gardens Colombo 3</p> <p>Tel: +94 11 2 206 123, +94 11 2 206 107 Fax: +94 11 2 206 110</p>
<p><b>NSB Fund Management Company Limited</b> No. 255, 1st Floor NSB Head Office Galle Road Colombo 3</p> <p>Tel: +94 11 2 565 956, +94 11 2 565 957 Fax: +94 11 2 574 387</p>	<p><b>Acuity Securities Ltd</b> 4th Floor No. 53, Dharmapala Mawatha, Colombo 03.</p> <p>Tel: +94 11 2 206 280 Fax: +94 11 2 206 290</p>
<p><b>Natwealth Securities Limited</b> Prince Alfred Tower, No. 10-1/1, Alfred House Gardens, Colombo 3.</p> <p>Tel: +94 11 4716274 Fax: +94 11 4645776</p>	<p><b>Commercial Bank of Ceylon PLC</b> Commercial House No 21, Sir Razik Fareed Mawatha Colombo 01</p> <p>Tel: +94 11 2 486 334 Fax: +94 11 2 384 650</p>

## ANNEXURE IV – CUSTODIAN BANKS

<p><b>Bank of Ceylon (Head Office)</b> 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2448348, 2338742/55, 2544333</p>	<p><b>Citi Bank, N A</b> 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 2447316/8, 2447318, 2449061</p>
<p><b>Commercial Bank of Ceylon PLC</b> Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: 94 11 2445010-15, 238193-5, 430420</p>	<p><b>Deutsche Bank AG</b> 86, Galle Road, Colombo 03 T: +94 11 2447062, 2438057</p>
<p><b>Hatton National Bank PLC</b> HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 11 2664664</p>	<p><b>The Hong Kong and Shanghai Banking Corporation Limited</b> 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303</p>
<p><b>People's Bank (Head Office)</b> 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2781481, 237841-9, 2446315/6</p>	<p><b>Standard Chartered Bank</b> 37, York Street, Colombo 01 T: +94 11 4794400, 2480000</p>
<p><b>Sampath Bank PLC</b> 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5331441</p>	<p><b>State Bank of India</b> 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2326133-5, 2439405-6, 2447166</p>
<p><b>Seylan Bank PLC</b> Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 2456789, 4701812, 4701819</p>	<p><b>Union Bank of Colombo Limited</b> 64, Galle Road, Colombo 03 T: +94 11 2370870</p>
<p><b>Nations Trust Bank PLC</b> 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4313131</p>	<p><b>Pan Asia Banking Corporation PLC (Head Office)</b> 450, Galle Road, Colombo 03 T: +94 11 2565565</p>
<p><b>Public Bank Berhard</b> 340, R.A. De Mel Mawatha Colombo 03 T: +94 11 2576289</p>	

