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## **P R O S P E C T U S**

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Debenture Issue 2015

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 **vallibel** Finance



# VALLIBEL FINANCE PLC



## PROSPECTUS

AN ISSUE OF SEVEN MILLION FIVE HUNDRED THOUSAND (7,500,000) RATED, GUARANTEED (CAPITAL AND TWO INTEREST INSTALLMENTS), SUBORDINATED, REDEEMABLE DEBENTURES (DEBENTURES) AT A VALUE OF LKR 100/- EACH TO RAISE SRI LANKA RUPEES SEVEN HUNDRED AND FIFTY MILLION (LKR 750,000,000/) AS DEBT CAPITAL.

WITH THE OPTION BEING RESERVED WITH THE BOARD TO ISSUE A FURTHER TWO MILLION FIVE HUNDRED THOUSAND (2,500,000) DEBENTURES AT A VALUE OF RS. 100/- EACH, BRINGING THE TOTAL DEBT CAPITAL RAISED UP TO SRI LANKA RUPEES ONE BILLION (LKR 1,000,000,000/-) IN THE EVENT OF AN OVERSUBSCRIPTION

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE

Rated 'AA (bg)' by Lanka Rating Agency Limited

ISSUE OPENS ON

26<sup>th</sup> March 2015

Managers to the Issue



Acuity Partners (Private) Limited

No. 53, Dharmapala Mawatha

Colombo 07, Sri Lanka

Tel: 011 2 206206

This Prospectus is dated 17<sup>th</sup> March 2015

**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 circumstance 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 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 Acuity Partners (Private) Limited (hereinafter referred to as 'Acuity') on behalf of Vallibel Finance PLC (hereinafter referred to as 'VFIN' or the 'Company'). VFIN and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Company 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 Company 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 Company 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 Company'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 Company 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 VFIN and the terms and conditions of the Debentures issued including risks associated.

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion, that there has been no material change in the affairs of the Company 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")

## **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 'Risks Related to the Debentures of VFIN' in Section 5.1(ii) (a) 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 Company 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 Company operates and its ability to respond to them, the Company'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 Company.

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 Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company'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>	Vallibel Finance PLC			
<b>Type of Debt Security/ Debenture</b>	Rated, Guaranteed (Capital and Two Interest Installments), Subordinated, Redeemable Debentures [sometimes referred to as Debentures]			
<b>Interest Rates, Tenor and Yield</b>	Interest Rate per annum	Interest Payment	Annual Effective Rate (AER)	Date of Maturity / Redemption (from the Date of Allotment)
	10.25%	Semi-Annual	10.51%	60 months (5 years)
<b>Issue Price</b>	LKR 100.00 per Debenture			
<b>Issue Opening Date</b>	26 <sup>th</sup> March 2015			
<b>Interest Payment Dates</b>	Semi-annually on 31 <sup>st</sup> March and 30 <sup>th</sup> September of each year from the Date of Allotment up to the Date of Redemption and includes the Date of Redemption.  Interest would be paid not later than Three (03) Market Days from each Interest Payment Date			
<b>Interest Period</b>	<p>(i) 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)</p> <p>(ii) The six 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)</p> <p>(iii) 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)</p>			
<b>Method of Payment of Principal and Interest</b>	<p>By cheque marked “Account Payee Only” or through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS (arranged only at the expense of the investor).</p> <p>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)</p>			
<b>Issuer/Company Rating</b>	BBB- by Lanka Rating Agency Limited			

<b>Issue Rating</b>	AA (bg) by Lanka Rating Agency Limited
<b>Guaranteed</b>	Hatton National Bank PLC has guaranteed the Principal Sum and two Interest payments of the Debentures upto a sum of LKR 1,102,500,000/- subject to the terms and conditions set out in the Letter of Guarantee and Trust Deed. The Trustee shall be entitled to enforce the Guarantee on the terms and conditions set out in the Letter of Guarantee and Trust Deed.
<b>Letter of Guarantee</b>	Letter of Guarantee executed between Hatton National Bank PLC and Deutsche Bank AG, Colombo branch on 17 <sup>th</sup> March 2015
<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>Number of Debentures to be Issued</b>	An Issue of Seven Million Five Hundred Thousand (7,500,000) Rated, Guaranteed (Capital and Two Interest Installments), Subordinated, Redeemable Debentures with the option to issue up to a further Two Million Five Hundred Thousand (2,500,000) Debentures, at the discretion of the Board in the event of an oversubscription of the Issue
<b>Closure Date of the Subscription List</b>	21 <sup>st</sup> April 2015 or such earlier date on which <ul style="list-style-type: none"> <li>(i) The Board of Directors of the Company decides to close the Issue upon 7,500,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount of 10,000,000 Debentures becoming fully subscribed</li> <li>(ii) If the option to close referred to in (i) is not exercised, upon 10,000,000 Debentures being fully subscribed</li> </ul>
<b>Listing</b>	The Debentures will be listed on the Colombo Stock Exchange

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## 1.0 CORPORATE INFORMATION

<b>Name of Entity</b>	Vallibel Finance PLC
<b>Legal Form</b>	<p>A public Quoted Company with Limited Liability incorporated in Sri Lanka on 5<sup>th</sup> September 1974 and registered under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. Listed on the Colombo Stock Exchange on 04<sup>th</sup> May 2010.</p> <p>A Finance Company licensed under the Finance Business Act No. 42 of 2011.</p> <p>A Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000</p>
<b>Company Registration Number</b>	PB 526/PQ
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	<p>Vallibel Finance PLC          No. 310, Galle Road          Colombo 03, Sri Lanka          Tel: +94 (011) 2370990          Fax: +94 (011) 2375851</p>
<b>Board of Directors</b>	<p>Mr. K V P R De Silva – Chairman</p> <p>Mr. S B Rangamuwa – Managing Director/CEO</p> <p>Mr. K D D Perera – Executive Director</p> <p>Mr. R M Karunaratne – Independent Non-Executive Director</p> <p>Mr. T Murakami – Non Executive Director</p> <p>Mr. K D A Perera – Non Executive Director</p> <p>Mr. A Dadigama – Independent Non-Executive Director</p>
<b>Company Secretaries</b>	<p>P W Corporate Secretarial (Pvt) Ltd          No. 3/17, Kynsey Road          Colombo 08          Tel: +94 (011) 4640360-3          Fax: +94 (011) 4740588</p>

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<b>Auditors/Reporting Accountants</b>	KPMG No. 32A, Sir Mohamed Macan Marker Mawatha Colombo 03 Tel: +94 (011)2426426 Fax: +94 (011) 2445872
<b>Credit Rating Agency</b>	Lanka Rating Agency Limited No. 11, Melbourne Avenue Colombo 04 Tel: +94 (011)2553089 Fax: +94 (011) 2553090

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## 2.0 RELEVANT PARTIES TO THE ISSUE

<b>Lawyers to the Issue</b>	Mrs. Priyanthi Pieris No. 3/14D, Kynsey Road Colombo 08 Tel: +94 (011) 4614476/4610476 Fax: +94 (011) 4614476/4610476
<b>Trustees</b>	Deutsche Bank AG, Colombo Branch No. 86 Galle Road, P O Box 314, Colombo 03, Sri Lanka Tel: +94 (011) 2447062 Fax: +94 (011) 2447067
<b>Managers to the Issue</b>	Acuity Partners (Private) Limited 7th Floor, Acuity House, No. 53, Dharmapala Mawatha, Colombo 03, Sri Lanka Tel: +94 (011) 2206206 Fax: +94 (011) 2437149
<b>Registrars to the Issue</b>	P W Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road Colombo 08 Tel: +94 (011) 4640360-3 Fax: +94 (011) 4740588
<b>Bankers to the Issue</b>	Hatton National Bank PLC No. 479, T B Jayah Mawatha Colombo 10, Sri Lanka Tel: +94 (011) 2664664 Fax: +94 (011) 2662815
<b>Auditor and Reporting Accountant to the Issue</b>	KPMG No. 32A, Sir Mohamed Macan Marker Mawatha Colombo 03 Tel: +94 (011) 2426426 Fax: +94 (011) 2445872

### 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>VFIN</b>	Vallibel Finance PLC
<b>LKR, Rupees</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>	US Dollar
<b>HNB</b>	Hatton National Bank PLC

## 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>Debentures</b>	The Rated, Guaranteed (Capital and Two Interest Installments) Subordinated, Redeemable Debentures 2015-2020 of the value of Sri Lankan Rupees one Hundred (LKR 100/-) each bearing a fixed interest rate of ten decimal two five per cent (10.25%) per annum payable on each Interest Payment Date from the Date of Allotment of the Debentures until the date immediately preceding the Date of Redemption
<b>Debenture Holder(s)</b>	The holders of Debentures in whose CDS account the Debentures are lodged as at the Entitlement Date
<b>Date of Allotment</b>	The date on which the Debentures will be allotted to the Debenture Holders, which date 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 5.6 of this Prospectus
<b>Date of Maturity</b>	Fifth anniversary from the Date of Allotment
<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 Company in order to qualify for the payment of any interest or any Redemption proceeds
<b>Guarantee</b>	The guarantee provided by the Guarantor in favour of the Trustee for the benefit of the Debenture Holders guaranteeing the payment of the Principle Sum of the Debentures and two interest payments at the Rate of Interest as set out in the Letter of Guarantee signed on 17 <sup>th</sup> March 2015.

<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>	Means the sum initially invested by an Applicant for Debentures/ Allottee of Debentures
<b>Prospectus</b>	This prospectus dated 17 <sup>th</sup> March 2015 issued by VFIN
<b>Rate of Interest</b>	Ten decimal two five per cent (10.25%) per annum
<b>Redemption</b>	Repayment of the Principal Sum accrued and unpaid interest (if any) with regard to a Debenture to a Debenture Holder by the Company
<b>Registered Address</b>	When used in relation to a Debenture Holder means the address provided by the Debenture Holder to the CDS.
<b>Trust Deed</b>	Trust deed executed between VFIN and Deutsche Bank AG, Colombo branch on 17 <sup>th</sup> March 2015
<b>Trustee</b>	Deutsche Bank AG, Colombo Branch, a licensed Commercial Bank under the Banking Act No. 30 of 1988, or its successors or assigns.
<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

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

The Company intends raising a sum of Rupees Seven Hundred and Fifty Million (LKR 750,000,000/) by the issue of Seven Million Five Hundred Thousand (7,500,000) Rated, Guaranteed (Capital and Two Interest Instalments), Subordinated, Redeemable Debentures at an Issue Price of LKR 100/- each, with an option being reserved to the Board in the event of an oversubscription to issue up to a further Two Million Five Hundred Thousand (2,500,000) Debentures, thereby raising an additional sum of up to Rupees Two Hundred and Fifty Million (LKR 250,000,000/-).

The maximum amount to be raised would be rupees One Billion (LKR 1,000,000,000/-) by the issue of a maximum of Ten Million (10,000,000) Debentures.

Details on interest payable and redemption of the Principal Sum are more fully described in Sections 5.5 and 5.6 of this Prospectus, respectively. The Debentures issued through this Prospectus shall rank Pari Passu with each other.

This Prospectus invites the public to make applications for the purchase of the Debentures, details of which are as set out in Section 5.

It is the intention of the Company to list the Debentures on the CSE. The CSE has given its in-principle approval for the listing of the Debentures on the CSE.

#### (I) Rights and Obligations of the Debenture Holder

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

- Receiving Semi-annual interest at the Rate of Interest as set out in Section 5.5 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.6 of this Prospectus.
- In the event of a liquidation of the Company to rank above the unsecured creditors and ordinary shareholders
- To receive the Annual Report of the Company in terms of Rule 7.5 (a) of the CSE Listing Rules. Audited accounts will be sent to Debenture Holders in CD form, unless a specific request for a hard copy is received by the Company
- Calling and attending meetings of Debenture Holders 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 Company
- Participating in any surplus in the event of liquidation

(c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder shall absolve the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS.

Provided further that the Debenture Holders shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

## (II) 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
- 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<sup>st</sup> January 2013 in corporate debt securities (i.e. debentures) listed in any stock exchange licensed by SEC is exempt from income tax
- 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.

### a. Risks Involved in Investing In the Debentures

#### 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 Debenture 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

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 Company and its Debentures by LRA, present financial strength as reflected in the Balance Sheet of the Company, assets and earnings growth, experiences and skills of the Directors and senior management when forming an opinion on default risk. Since the Debentures being issued by the Company is guaranteed, the capital invested in the Debentures is secured until the date of redemption/maturity of the said Debentures.

#### Liquidity Risk

Liquidity risk refers to the ease with which the debenture 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.

## **5.2 Subscription List**

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 26<sup>th</sup> March 2015 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on 21<sup>st</sup> April 2015.

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;

- (i) The Board of Directors of the Company decides to close the Issue upon 7,500,000 Debentures becoming fully subscribed or such other higher amount less than the maximum amount of 10,000,000 Debentures becoming fully subscribed
- (ii) If the option to close referred to in (i) is not exercised, upon 10,000,000 Debentures being fully subscribed

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.

## **5.3 Objectives of the Issue**

To expand and strengthen the capital base of the Company in keeping with the Company's expansion and to maintain the capital adequacy requirements as stipulated by CBSL. The proposed issue will reinforce the Company's Tier II capital and facilitate future expansion of operations and the asset base.

- To reduce the interest rate risk by reducing the maturity mismatch of assets and liabilities
- To provide the members of the public with an opportunity to participate in Rated, Guaranteed (Capital and Two Interest Instalments), Subordinated, Redeemable Debentures earning a regular income over the next five years at a fixed rate.

## **5.4 Guaranteed Debentures**

Pursuant to the Letter of Guarantee issued by Hatton National Bank PLC (The Guarantor) to Deutsche Bank AG, Colombo Branch (The Trustee); the outstanding Principle Sum of Rupees One Billion (LKR 1,000,000,000/-) on the Ten Million (10,000,000) Debentures to be issued by the Company along with the interest in relation to two Interest Periods on the same Debentures at the Rate of Interest of 10.25% per annum up to the aggregate amount of Sri Lankan Rupees One Billion Hundred and Two Million Five Hundred Thousand (LKR 1,102,500,000/-) has been guaranteed.

Accordingly, an amount not exceeding Sri Lankan Rupees One Billion Hundred and Two Million Five Hundred Thousand (LKR 1,102,500,000/-) may be claimed by the Trustee for and on behalf of the Debenture Holders from the Guarantor in the event the Company has failed or neglected to redeem the said Debentures or pay the interest on the said Debentures in terms of Clause 4.1 (a) i and/or ii read together with iii, iv and v of the Trust Deed or in the event there is an Event of Default as specified in Clause 10 (a) of the said Trust Deed.

Hatton National Bank PLC (HNB) is one of the largest private-sector commercial banks in Sri Lanka in terms of assets, deposits, branches and employees. As at 31st December 2014, the Bank and its subsidiaries had total consolidated assets of ~USD 4.6 billion and total customer deposits of ~USD 3.2 billion. The Bank maintains a market share of approx. 10% in terms of loans and advances amongst licensed commercial banks and licensed specialized banks in Sri Lanka.

HNB through its divisions and group companies provide a range of financial services including corporate and retail banking, international banking, investment banking, project finance, trading in equities and fixed income securities and insurance. The Bank, with its services presence across diverse market segments, diversified revenue streams and varied product offerings is positioned as one of the largest private sector Universal Banks in Sri Lanka.

HNB operates through the largest and widest network amongst private sector commercial banks in Sri Lanka which includes 250 branches and 448 ATM locators covering all parts of the island. Whilst leveraging on this extensive coverage the Bank is now aggressively in use of low cost distribution channels which includes Mobile Banking, SMART ATMs/Kiosks, Near Field Communication Cards (NFC) and Internet Banking & HNB is the first bank in Sri Lanka to provide all four facilities in one platform.

In 2012, HNB became the first local bank in Sri Lanka to be assigned an international rating and was assigned a foreign currency issuer rating of B1 by Moody's Investors Service, on par with the sovereign rating of Sri Lanka.

In 2013 HNB was recognized as the 'Bank of the Year in Sri Lanka' by 'The Banker Magazine' for the second consecutive time and as the 'Best Retail Bank in Sri Lanka' for the 6th consecutive year by the 'The Asian Banker'. In 2010, Euromoney finance magazine recognized HNB as the 'Best Bank in Sri Lanka' for the second consecutive time. In addition, HNB has been recognized by renowned international and local bodies for excellence in Human Resources Management, financial reporting, governance and corporate social responsibility.

## **5.5 Interest**

A fixed Rate of Interest of Ten decimal Two Five *per centum* (10.25%) per annum, payable semi-annually on the respective Interest Payment Dates (AER of 10.51% per annum).

Interest on the Debentures accruing on a daily basis will be paid semi-annually in each year on 31st March and 30th September and from the Date of Allotment 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 in such Interest Period (actual/365) 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 ATS 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<sup>st</sup> January 2013 in corporate debt securities (i.e. debentures) quoted in any stock exchange licensed by SEC is exempt from income tax.

## **5.6 Redemption**

The Company shall redeem the said Debentures on the expiry of five (05) years from the Date of Allotment in accordance with the provisions contained in the Trust Deed.

The Debenture Holders shall not have any right or option to call for Redemption of the Debentures before the date of maturity of such Debentures, except in the circumstances where the Debentures have become immediately payable in terms of Clause 10 of the Trust Deed.

Part redemption of the Debentures will not be possible in accordance with, Clause 13 of the Trust Deed.

On the Date of Redemption of the Debentures, the Company 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 Maturity/ 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).

## **5.7 Payment of Principle Sum and Interest**

The Company will redeem the Debentures on the Date of Redemption as specified in Section 5.6 and the interest payments will be made as specified in Section 5.5.

The payment of Principal Sum and interest will be made either by cheque/s marked "Account Payee Only" dispatched to the address provided by the Debenture Holders to the CDS at the risk of the Debenture Holders or through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS to a bank account provided to the CDS by the Debenture Holders. 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)

However, in the event such payment is over the maximum amount that can be accommodated through electronic fund transfer mechanism recognised by the banking system of Sri Lanka or if the Debenture Holder has not provided to the CDS accurate and correct details of his/her bank account for the payment of Principal Sum and interest, such payment to the Debenture Holder will be made by way of a cheque and sent by post at the risk of the Debenture Holder.

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.

## **5.8 Rating of the Debentures**

Lanka Rating Agency Limited (LRA) has assigned rating of 'AA (bg)' to the Debentures. The rating report issued by LRA is set out in Annexure II.

## **5.9 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 Company 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 Company 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 Company, CDS , CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognised by the Company.

## **5.10 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 Company 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 Company or of its Debentures.

## 5.11 Other Debt Securities

### Details of other Debt Securities of VFIN as at 31 December 2014

Issue Date	Maturity Date	Tenure	Type	Interest Rate – p.a.%	Interest payment Frequency	Consideration for which debentures were issued	Amount outstanding as at 30 Dec 2014 in LKR '000
19 <sup>th</sup> Dec 2011	18 <sup>th</sup> Dec 2016	5 Years	Unsecured, Subordinated, Redeemable Debentures	13.00% p.a	Annually	LKR 100.00	100,000,000
30 <sup>th</sup> Dec 2011	29 <sup>th</sup> Dec 2016	5 Years	Unsecured, Subordinated, Redeemable Debentures	13.00% p.a.	Annually	LKR 100.00	125,000,000
14 <sup>th</sup> Aug 2012	13 <sup>th</sup> Aug 2017	5 Years	Unsecured, Subordinated, Redeemable Debentures	364 Days TB Rate (Gross) + 4.50%	Annually	LKR 100.00	50,000,000
15 <sup>th</sup> Aug 2012	14 <sup>th</sup> Aug 2017	5 Years	Unsecured, Subordinated, Redeemable Debentures	364 Days TB Rate (Gross) + 4.50%	Annually	LKR 100.00	20,000,000
27 <sup>th</sup> Aug 2012	26 <sup>th</sup> Aug 2017	5 Years	Unsecured, Subordinated, Redeemable Debentures	364 Days TB Rate (Gross) + 4.50%	Annually	LKR 100.00	80,000,000
20 <sup>th</sup> Feb 2014	20 <sup>th</sup> Feb 2019	5 Years	Unsecured, Subordinated, Redeemable Listed Debentures	14.75% p.a	Quarterly	LKR 100.00	350,740,000
20 <sup>th</sup> Feb 2014	20 <sup>th</sup> Feb 2019	5 Years	Unsecured, Subordinated, Redeemable Listed Debentures	15.00% p.a	Semi Annually	LKR 100.00	19,800,000
20 <sup>th</sup> Feb 2014	20 <sup>th</sup> Feb 2019	5 Years	Unsecured, Subordinated, Redeemable Listed Debentures	15.50% p.a	Annually	LKR 100.00	129,460,000

The Company has not issued any convertible debt securities as at the date of the Prospectus.

## 5.12 Shares and Debentures issued during the two years immediately preceding the date of this Prospectus

No shares have been issued or agreed to be issued during the two years immediately preceding the date of this Prospectus. The Debentures issued during the two years preceding the date of issue of this Prospectus are set out under Section 5.11.

### **5.13 Basis of Allotment**

**In the event of an oversubscription, the Board shall reserve the right to allocate up to 75% of the number of Debentures to be issued under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with which the Company might have mutually beneficial relationships in the future.**

In the event of an oversubscription, 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. Upon the allotments being decided, an announcement will be made to the CSE.

The Company 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 Closure 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 Conflict of Interests - Trustee to Debenture Holder**

Deutsche Bank AG, Colombo Branch has agreed to act as the Trustee to the Debenture Holders. The Company 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 Company 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 25,000.00 per month plus statutory levies. The Trustee has no conflict of interest with the Company, except that the Trustee is one of the banks rendering banking services to the Company

### **5.15 Minimum subscription and Underwriting**

The issue is not conditional upon any minimum subscription amount being raised. The Company 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 and funds raised shall be utilized to meet the objectives of the Issue as stipulated in Section 5.3 of this Prospectus.

### **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 Litigation, Disputes and Contingent Liabilities**

There are no material legal, arbitration or mediation proceedings, which may have or have had in the recent past, affected the financial position or profitability of the company. As at the date of submitting the listing application (16<sup>th</sup> February 2015) there were no penalties imposed by any Regulatory and/or State Authorities.

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business based on the information currently available, the Board of Directors are of the opinion that the ultimate resolution of the litigation's would not likely to have a material impact on the Company.

## **5.18 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 30.0 Million. Such costs will be financed by the internally generated funds of the Company.

## **5.19 Brokerage**

Brokerage of 25 cents (LKR 0.25) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or Financial Advisors and Managers to the Issue or any other party identified by the Company and/or Financial Advisors and Managers to the Issue as involved in the Issue.

## **5.20 Profile of the Entity**

Vallibel Finance PLC is one of the leading financial service providers in Sri Lanka. The Company has a history of over 40 years and is registered as a Finance Company under the Finance Business Act No. 42 of 2011 and a Finance Leasing Establishment in term of the Finance Leasing Act No. 56 of 2000.

VFIN provides a range of financial services including fixed deposits, leasing, hire purchase, micro finance and personal loans.

## **5.21 Directors Details**

### **5.21.1 Board of Directors**

The Board of Directors guides and supervises the business and operations of the Company. The Board consists of two (02) Independent Non-Executive Directors, and three (03) Non-Executive Directors including the Chairman. As at the date of this Prospectus, the composition of the Board is as follows;

#### **Mr. K V P R De Silva – Chairman**

Mr. K.V.P. Ranjith De Silva holds a Bachelor of Arts Degree from Vidyodaya University and Postgraduate Diploma from the Postgraduate Institute of Management (PIM). He joined the Sri Lanka Administrative Service (SLAS) in 1980 and became a special grade SLAS officer in 2006.

He held many key positions in the public sector at a divisional, district and national level and has served in various Government Ministries such as Food and Cooperative, Home Affairs, Health, Ports and Aviation etc.

He held the position of Additional Secretary in the Ministry of Ports in 2005 and became the Secretary to the Ministry of Ports and Aviation in 2009. He became the Secretary to the Ministry of Civil Aviation in 2010.

During his tenure at the Ministry of Ports and Aviation and Ministry of Civil Aviation some of the major Government projects i.e Colombo Port Expansion Project, Port of Oluvil, MagampuraMahinda Rajapaksa Port, Mahinda Rajapaksa International Airport at Mattala were commenced and completed under his supervision as the Chief Accounting Officer in those Ministries.

He has served as a member of the Standing Cabinet Appointed Review Committee (SCARC) which grant principle approval for major Government projects.

He was the Chief Executive Officer of the Commonwealth Heads of Government Meeting (CHOGM) held in Sri Lanka in November 2013.

#### **Mr. S.B. Rangamuwa- Managing Director**

A Fellow of the Chartered Institute of Marketing (UK), a Chartered Marketer and Mr. Rangamuwa is a member of the Institute of Management Accountants of Australia.

He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Certificate in Foundation Studies (Sports) from Unitech, New Zealand.

He obtained an MBA from the University of Southern Queensland/ ICASL as well as a postgraduate Diploma in Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

Mr. Ranagamuwa was formerly a Board Director of Mercantile Investments PLC where he had a long career of nearly 20 years and held various key positions until he relinquished to take reins at Vallibel Finance PLC and also he had earlier stints at Central Finance PLC and Ernst & Young.

He served as Deputy Chairman of the Leasing Association of Sri Lanka.

Currently he serves as a Director of Pan Asia Banking Corporation PLC, Hunnas Falls PLC and Style-Craft Sportswear Ltd (Orit Apparels).

#### **Mr. K.D.D. Perera - Executive Director**

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

He currently holds the position of Secretary to the Ministry of Transport, Sri Lanka. He is also a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA).

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, The Fortress Resorts PLC and Delmege Limited. He is the Deputy Chairman of Hayleys PLC, Royal Ceramics Lanka PLC, Horana Plantations PLC, Lanka Ceramic PLC and Executive Deputy Chairman of LB Finance PLC. He also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC, Lanka Tiles PLC and Orit Apparels Lanka (Pvt) Limited and Sun Tan Beach Resorts Ltd.

#### **Mr. R. M. Karunaratne- Independent Non-Executive Director**

Mr. Rathnayake Mudiyanseelage Karunaratne joined the Board of Vallibel Finance PLC on 30th April 2013.

He received his Bachelor of Science (B.Sc.) degree from the University of Sri Jayawardenapura, Sri Lanka, specializing in Estate Management & Valuation.

After his graduation in 1977, he joined the Board of Investment of Sri Lanka (BOI) in 1978 and during the period 2008 to 2011, having served in various departments, rose to the position of Executive Director – Monetary.

**Mr. T Murakami- Non –Executive Director**

Mr. Toyohiko Murakami joined the Board of Vallibel Finance PLC on 16th July 2014. Mr. Murakami holds a degree in Bachelor of Law from Kyoto University, Japan and has over 30 years of experience in managing various business fields consisting of Securities, Finance, Insurance and Real Estate.

He is the President and CEO of Bansei Securities Co. Ltd. He joined Bansei Securities Co. Ltd. in November 2005. He was appointed as the Executive Vice President in February 2006, and since June 2009 he is the President and CEO of the Company.

He is also the Chairman of Bansei Hoken (Insurance) Community Co. Ltd., which is a wholly-owned subsidiary of Bansei Securities Co. Ltd.

Formerly Mr. Murakami was with Zenkoku Hosho Co. Ltd., from November 2005 to February 2006 and as a Director of HS Securities Co. Ltd., from October 2000 to August 2005.

He is a Director of Pan Asia Banking Corporation PLC, Bansei Royal Resorts Hikkaduwa PLC and Bansei Securities Finance (pvt) Ltd., and is the Chairman of Bansei Royal Resorts (pvt) Ltd.

**Mr. K D A Perera - Non –Executive Director**

Mr. K D A Perera joined the Board of Vallibel Finance PLC on 12th August 2014. He is a Director of Vallibel Leisure (pvt) Ltd and also holds directorships in other private sector companies which under the Vallibel Group.

**Mr. A Dadigama–Independent Non –Executive Director**

Mr. Aravinda Dadigama joined the Board of Vallibel Finance PLC on 15th September 2014.

He is specialized in finance and treasury management and counts over 20 years of experience at different entities including Citizens Development Business Finance PLC, Hyson Teas (Pvt) Ltd and Ranfer Group of Companies where he was the Group Finance Director.

Mr. Aravinda Dadigama is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA in Finance from University of Southern Queensland, Australia. Further, he is a degree holder (BBA) of University of Colombo.

Mr. Aravinda Dadigama is the CEO/Managing Director of Aluchem International (Pvt) Limited and Alugrow Trading (Pvt) Limited.

<b>Name</b>	<b>Designation</b>	<b>Address</b>
Mr. K V P R De Silva	Chairman	No. 43/11, Sunshine Garden, Neelammahara Road, Maharagama
Mr. S B Rangamuwa	Managing Director	No.617/5,Rajagiriya Gardens, Nawala Road, Rajagiriya
Mr. K D D Perera	Executive Director	“ Cambridge House, No – 01, Cambridge Place ,Colombo 07

Mr. R M Karunaratne	Independent Non-Executive Director	No.154 Seeduwa Village, Seeduwa
Mr. T Murakami	Non Executive Director	27, Haraikatamachi, Shinjyuku-ku, Tokyo, 162-0841, Japan
Mr. K D A Perera	Non-Executive Director	No. 69/1, Gregory's Road, Colombo 07
Mr. A Dadigama	Independent Non-Executive Director	117, Horana Road, Mahawila, Panadura

### **5.21.2 Directors' Interest in Assets**

The Directors hold no interest in assets acquired, disposed or leased by the Company during the two years preceding the Issue. Furthermore, it is not proposed that the Directors will hold any interest in assets to be acquired, disposed or leased by the Company in the two years subsequent to the Issue.

### **5.21.3 Directors' Interest in Material Contracts**

There are no contracts or arrangements with regard to purchase of property or otherwise, in force as at the date of this Prospectus in which the Directors of the Company are materially interested in relation to the business of the Company.

### **5.22 Details of Commission Paid**

No commission has been paid in the two (2) years preceding the Issue or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares or Debentures of the Company.

### **5.23 Material Contracts**

There are no material contracts entered into by the Company other than those contracts entered into in the ordinary course of business, during the period of two years preceding the date of this Prospectus.

No director or proposed director of the Company has any interest, direct or indirect in any transactions relating to property completed within the two preceding years.

## 6.0 PROCEDURE FOR APPLICATION

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### 6.1 Inspection of Documents

Articles of Association, the Trust Deed, Auditors' Reports and Audited Financial Statements for the five (05) financial years ended 31st March 2014 (i.e. the five (05) financial years immediately preceding the date of this Prospectus), the Letter of Guarantee 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 Company (if any) are available for inspection by the public during normal working hours, from seven (07) Market Days prior to the date of opening of the subscription list, at the registered office of the Company at No. No. 310, Galle Road, Colombo 03 until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of the Company are available on the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Company, [www.vallibelfinance.com](http://www.vallibelfinance.com) 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 as set out in Annexure III of this Prospectus.

### 6.2 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 21st April 1972.

When permitting Non-Residents to invest in the Debentures, the Company 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 28th May 2014.

### 6.3 How to Apply

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

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

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

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

- (b) An Applicant can apply for the Debentures only under one Application Form. If an Applicant has applied under more than one Application Form it will be construed as multiple Applications. An Applicant of a joint Application, applying through another Application Form, either individually or jointly for the Debentures, is also deemed to have made multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- (c) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (d) 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 Company shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (e) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds

and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.

- (f) All 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.

- (g) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Debentures to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (h) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. Original of the POA should not be attached.
- (i) 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.**

- (j) 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 **“VALLIBEL FINANCE PLC – DEBENTURE ISSUE 2015”** 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 or collection points mentioned in Annexure III of this Prospectus.

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, **P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08, at least by 4.30 p.m. on the following Market Day immediately upon the Closure Date.** Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

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

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

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

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

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

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

#### **6.4 Number of Debentures to be Subscribed**

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

## 6.5 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, as the case may be, subject to (b) below.
- (b) Payments for Application values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by a bank draft/cheque drawn upon any licensed commercial bank operating in Sri Lanka.

Payments for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either;

- A bank guarantee issued by a licensed commercial bank; or
- Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
- An RTGS transfer 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/-).**

- (c) Cheques or bank drafts should be made payable to **“VALLIBEL FINANCE PLC – DEBENTURE ISSUE 2015”** 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 **“VALLIBEL FINANCE PLC – DEBENTURE ISSUE 2015”** in a manner acceptable to the Company, and be valid for a minimum of one (01) month from the Issue opening date (i.e. 26<sup>th</sup> April 2015).

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, such transfers should be made to the credit of **“VALLIBEL FINANCE PLC – DEBENTURE ISSUE 2015”** bearing the account number **003010507112** 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 **“VALLIBEL FINANCE PLC – DEBENTURE ISSUE 2015”** bearing the account number **003010507112** 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 above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of Three decimal Zero *per centum* (3.00%) per annum from the date of such transfers up to the date of refunds.

However, no interest will be paid if the RTGS transfers are not realised before the end of the Closure Date. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash will not be accepted.
- (g) Payment for the Debentures by Non-Residents should be made only out of 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 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 Face 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 Closure Date.

## 6.6 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 Company.

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 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 Company 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 the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.

Applications delivered to any place mentioned in Annexure 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 Closure Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date.

In the event that cheques are not 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.

## **6.7 Banking of Payments**

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closure Date as set out in Section 5.2 of this Prospectus, in terms of the CSE Listing Rules.

## **6.8 Refunds**

Monies will be refunded where;

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

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

Non Resident Applicants are requested to include their respective SIA account details in the Application Form for refund payments.

If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.

In the event the refunds are over Rupees Five Million (LKR 5,000,000/-) or if the Applicant has not provided accurate and correct details of his/her bank account in the Application Form or if the Applicant has not provided details of the bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

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

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/pdf/slips\\_bank\\_branch\\_list\\_sep\\_2013.xls](http://www.lankaclear.com/product_service/pdf/slips_bank_branch_list_sep_2013.xls)

Refunds on Applications rejected or partly allotted Debentures would be made within ten (10) Market Days excluding the Closure Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the 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 decimal Zero *per centum* (5.00%) for the delayed period on any refunds not made within this period.

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

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

written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company 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.

## **7.0 FINANCIAL INFORMATION**

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

- Audited financial statements of Vallibel Finance PLC as at 31st March 2014
- Interim financial statements of Vallibel Finance PLC as at 31st December 2014
- Summarized financial statement for the five years preceding the date of the application stating the accounting policies adopted by the Entity certified by the auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period

### **7.1 Central Bank of Sri Lanka master plan of consolidating the financial sector**

The Issuer is not affected by Central Banks Master Plan of consolidating the financial sector.

# ANNEX I - STATUTORY DECLARATIONS

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## Statutory Declaration by the Directors

This Prospectus has been seen and approved by the directors of the Entity and they 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 any amendments to it from time to time have been complied with and after making all reasonable enquiries and to the best of their 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 Entity have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Entity and making assumptions that are considered to be reasonable at the present point in time in the best judgement of the directors.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of all securities in a particular class issued by the Entity and those Securities of the same class 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 Entity or of the Securities issued.

<b>Name</b>	<b>Designation</b>	<b>Signature</b>
Mr. K V P R De Silva	Chairman	Sgd
Mr. S B Rangamuwa	Managing Director/CEO	Sgd
Mr. K D D Perera	Executive Director	Sgd
Mr. R M Karunaratne	Independent Non-Executive Director	Sgd
Mr. T Murakami	Non Executive Director	Sgd
Mr. K D A Perera	Non Executive Director	Sgd
Mr. A Dadigama	Independent Non-Executive Director	Sgd

## **Statutory Declaration by the Manager to the Issue**

10<sup>th</sup> March 2015

We Acuity Partners (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Manager to the Issue hereby declare and confirm that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Issue and Vallibel Finance PLC whose Debentures are being listed.

Signed by two directors of Acuity Partners (Private) Limited, being duly authorised thereto, at Colombo on this 10<sup>th</sup> day of March 2015.

Signed

Mr. M R Abeywardena

**Director**

Signed

Mr. D A B Ellepola

**Director**

# ANNEX II – CREDIT RATING REPORT

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Our Ref. No: LRA/029/2015

25<sup>th</sup> February 2015

Mr S B Rangamuwa  
Managing Director/Chief Executive Officer  
**Vallibel Finance PLC**  
No. 310, Galle Road,  
Colombo 3

Dear Mr. Rangamuwa,

**VALLIBEL FINANCE PLC- FINANCIAL ENHANCEMENT RATING OF PROPOSED  
LKR 1 BILLION LISTED GUARANTEED RATED REDEEMABLE DEBENTURES  
(2015/2020)**

Lanka Rating Agency (LRA) has reaffirmed Vallibel Finance PLC's long-and short-term financial institution ratings at **BBB-/P3**. Meanwhile, Lanka Rating Agency has reaffirmed the long-term issue rating of the Company's LKR 500 million Unsecured Subordinated Redeemable Debentures (2013/2018) at **BB+**. The long term rating outlook is placed on **Stable**.

Concurrently, LRA has assigned the indicative long-term financial enhancement ratings (FER) of **AA(bg)\*** to Vallibel Finance PLC's proposed LKR 1.00 billion Subordinated Guaranteed Redeemable Listed Debentures (2015/2020). The outlook on the long-term issue rating is **Stable**. LRA will assign a final rating to the issue subject to obtaining of final documents pertaining to the debenture issue conforming to information already received.

The long-term rating of **BBB-** reflects

"a moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category."

The short-term rating of **P3** reflects

"a moderate capacity to meet its short-term financial obligations. The financial institution is more likely to be weakened by the effects of deteriorating circumstances than those in the higher-rated category. This is the lowest investment-grade category."

The long-term rating of **AA** reflects

"a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments."

Lanka Rating Agency will continue to keep your Company under surveillance and request you to keep us informed of any material events that affect your organization.

Thanking you,

Yours faithfully,



Adrian Perera  
**Managing Director/CEO**

\*Financial enhancement through Bank Guarantee (bg)

# CREDIT RATING RATIONALE

## Vallibel Finance PLC

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- Financial Institution Ratings
- LKR 500 million Subordinated Unsecured Redeemable Listed Debentures (2013/2018)
- Proposed LKR 1.00 billion Subordinated Guaranteed Redeemable Listed Debentures (2015/2020)

February 2015



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**Lanka Rating Agency Limited**

No 11,  
Melbourne Avenue,  
Colombo 4

T-2553089 F- 2553090  
E- [lra@lra.com.lk](mailto:lra@lra.com.lk)  
[www.lra.com.lk](http://www.lra.com.lk)



# CREDIT RATING RATIONALE

## FINANCIAL INSTITUTIONS RATINGS

February 2015

### Analysts:

#### Lead

Kasun Thanthrimudalige  
ACMA (UK), CGMA  
(9411) 2553089  
kasun@lra.com.lk

#### Associate

Isuru Wijayarathna  
ACMA (UK), CGMA, B.Sc  
(9411) 2553089  
isuru@lra.com.lk

#### Principal Activity:

Hire-purchase and  
leasing, pawning,  
provision of term loans  
and acceptance of  
public deposits

#### Ratings:

Long-term: BBB-  
[Reaffirmed]  
Short-term: P3  
[Reaffirmed]

## VALLIBEL FINANCE PLC – Credit Update

### Methodologies Used:

- (1) LRA – Financial Institutions Ratings Methodology
- (2) LRA – Guarantees Methodology

### Summary

Lanka Rating Agency (“LRA”), former RAM Rating Lanka’s, technical partner is CRISIL India (“CRISIL”). CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL is India’s leading ratings agency and is also the foremost provider of high-end research to the world’s largest banks and leading corporations. CRISIL’s majority shareholder is Standard and Poor’s (“S&P”). S&P, a part of McGraw Hill Financial (formerly The McGraw-Hill Companies) (NYSE:MHI), is the world’s foremost provider of credit ratings.

Lanka Rating Agency has reaffirmed Vallibel Finance PLC’s (“Vallibel” or the Company) long- and short-term financial institution ratings at BBB- and P3. Further, its issue ratings of LKR 500 million Unsecured Subordinated Redeemable Debentures (2013/2018) is reaffirmed at BB+. The outlook on both ratings is reaffirmed at Stable. Meanwhile, the ratings are supported by Vallibel’s above average asset quality and performance reflected in indicators that compare better than similar rated industry peers’ and its average capitalisation.

Concurrently, LRA has assigned the indicative long-term issue rating of AA(bg) to the proposed LKR 1.00 billion Subordinated Guaranteed Redeemable Listed Debentures (2015/2020). The outlook on the issue is placed on Stable. The credit profile of the debentures is enhanced beyond Vallibel’s inherent credit strength (rated BBB-/P3 by LRA) to Hatton National Bank PLC’s (“HNB”) credit profile by the guarantee extended by HNB a Bank rated AA/P1/Stable by LRA.

LRA will assign a final rating to the issue subject to obtaining of final documents pertaining to the debenture issue conforming to information already received.

The newly assigned rating is preliminary, based primarily on information provided by the issuer and its agent, or the rated institution. Lanka Rating Agency Limited does not verify the accuracy or completeness of such material and is not responsible for any errors or omissions, or the results obtained from the use of the same. The preliminary rating is contingent upon final documents conforming to information already received, and the resolution of outstanding matters deemed pertinent by LRA. Subsequent information may result in the assignment of the final rating that differs from the preliminary rating. LRA’s rating is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or its suitability for a particular investor, nor does it involve any audit by LRA.

**Instruments:**

- (i) LKR 500 million Subordinated Unsecured Redeemable Listed Debentures (2013/2018)
- (ii) LKR 1.00 billion Subordinated Guaranteed Redeemable Listed Debentures (2015/2020)

**Coupon rate**

- (i) Type A: 14.75% p.a with coupons payable quarterly  
Type B: 15.00% p.a with coupons payable semi-annually  
Type C: 15.50% p.a with coupons payable annually
- (ii) 10.25% p.a with coupons payable semi-annually

**Tenure**

- (i) Type A: 5 Years  
Type B: 5 Years  
Type C: 5 Years
- (ii) 5 Years

**Ratings:**

- (i) BB+ [Reaffirmed]  
(ii) AA [Assigned]

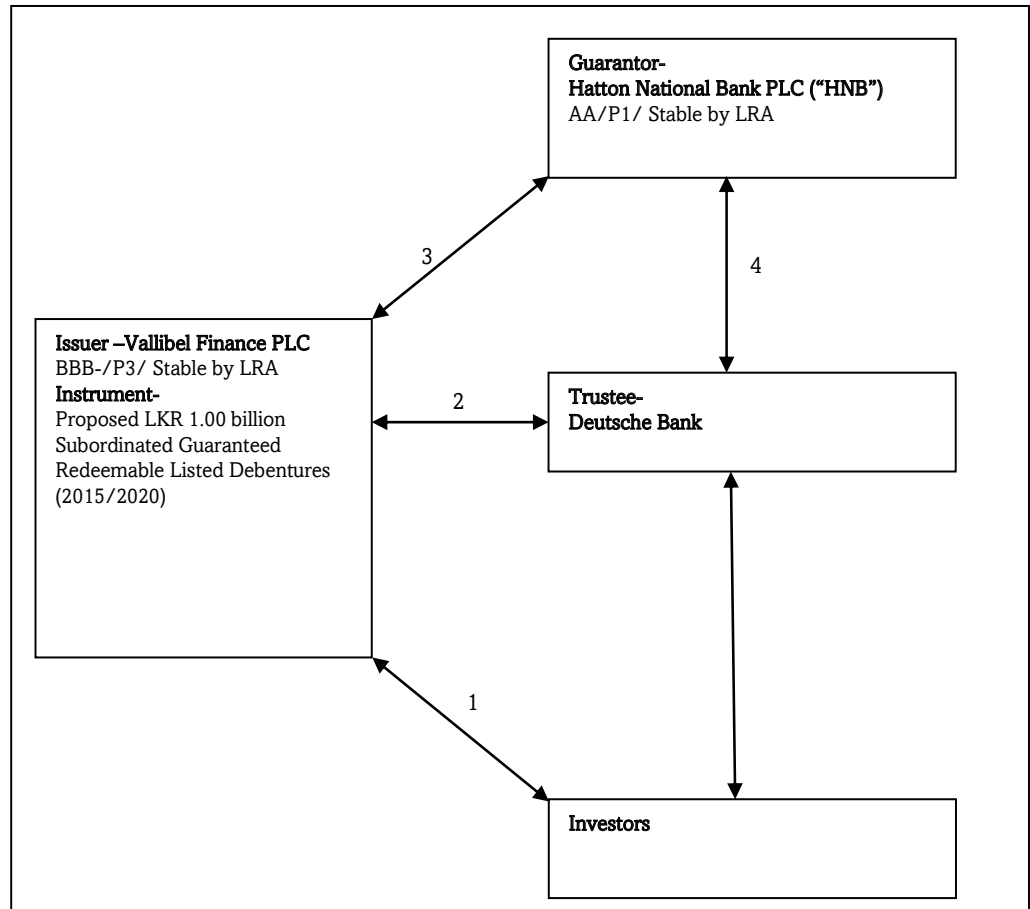
**Rating Outlook:**

Stable [Reaffirmed]

**Last Rating Action:**

October 2014

**Table1: Debenture structure of Proposed LKR 1.00 billion Subordinated Guaranteed Redeemable Listed Debentures (2015/2020)**



**Source: LRA**

1. Vallibel is to issue the proposed LKR 1.0 billion Listed, Rated, Subordinated, Guaranteed, Redeemable debenture
2. Deutsche Bank as Trustee will act on behalf of the debenture holder in accordance with the Trust Deed
3. The guarantee provided by HNB is irrevocable and unconditional towards the aforesaid debenture with contractual provisions in the guarantee documents support full and timely payment
4. The Guarantor (HNB) has entered into a Guarantee agreement with the Trustee, with regards to repayment of the principle amount of the debenture in the event that Vallibel defaults while, also securing two interest coupons, payable semi-annually at the rate of 10.25% per annum to the debenture holders . Thus, given the aforesaid event occurring, the Guarantor would settle up to the aggregate amount of LKR 1,102,500,000/- which may be claimed by the trustee for an on behalf of the debenture holders in accordance with the terms of the debenture.

*Long established LFC*

*Above average asset quality*

*Slow down in NPLs in last two quarters supported by good recoveries*

## Financial Enhancements

The proposed debentures which is guaranteed by HNB was rated to the higher of the guarantor's rating or the underlying rating of the issue, subsequent to LRA, obtaining confirmation that: (a) The guarantee is irrevocable and unconditional; (b) The amount guaranteed by the guarantor covers the principal and two interest payments (payable semi-annually); (c) The contractual provisions in the guarantee documents support full and timely payment; and (d) In the event the issuer goes into default, the Guarantor will pay according to the trust deed and the terms of the debentures.

## Credit Update

Vallibel was incorporated in 1974 as a small family-owned finance company under the name of The Rupee Finance Company. In 2005, it was acquired by Vallibel Investments (Pvt) Ltd and renamed Vallibel Finance Company. Following the change in ownership, the Company has aggressively increased its credit assets, which made up around 1.84% of industry assets as at end-March 2014. Vallibel, whose principal lending activities include leasing and hire-purchase facilities, operates with 20 branches as at end-June 2014. In May 2010, the Company listed its shares on the main board of the Colombo Stock Exchange (CSE), although Vallibel Investments (Pvt) Ltd remains its largest shareholder with a 72.87% stake as at end-December 2014.

Vallibel's asset quality is viewed as above average supported by asset quality indicators that compare better to similar rated peers'. The Company's credit assets grew a healthy 30.22% y-o-y in fiscal 2014 and 27.18% (annualised) in 9M fiscal 2015, reflective of the expansion in its core lease and hire purchase portfolio supported by expansion in its branch network and improving franchise. However, Vallibel's absolute NPLs increased to LKR 509.59 million as at end-FY March 2014 from LKR 251.97 million as at end-FY Mar 2013, increasing further to LKR 727.57 million as at end-1H FY Mar 2015 due to the influx of new NPLs. That said, as expected the growth in absolute NPL's (aided by good recoveries) slowed down in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter recording a marginal increase to LKR 731.07 as at end-December 2014 (Table 2).

The influx of NPLs stemmed from all asset classes as the loan book seasoned amidst a challenging external environment, this was a phenomenon observed across the LFC sector. Meanwhile, motor lorries and dual purpose vehicles contributed to the bulk of the new NPLs as these segments were affected more by the prevalent external conditions (Table 1). Subsequently, the gross NPL ratio moderated to 5.66% as at end-1H FY Mar 2015 from 2.55% as at end-FY Mar 2013 (end-FY Mar 2012: 1.81%) although improving to 5.14% as at end-December 2014 amidst the slowdown in absolute NPLs during the last two quarters, albeit the ratio compares better than most similar rated peers.



While our concerns hinge on the lack of seasoning in Vallibel's loan book following robust credit asset growth and the increase in NPLs, we expect Vallibel's asset quality indicators to gradually improve going forward with improving macroeconomic environment taking effect. Elsewhere, despite the influx in gross NPL's, the Company's NPL coverage ratio improved to 71.43% as at end-1H FY Mar 2015 (end-FY Mar 2013: 56.36%), improving further to 79.42% as at end-3Q FY Mar 2015 comparing better than similar rated peers', reflective of the increase in provisioning made during the same period.

**Table 1: Asset-wise classification of Vallibel's loans & delinquencies rates**

Asset Classification	end-March 2013		end-March 2014		end-June 2014		end-December 2014	
	Loans %	NPL ratio %	Loans %	NPL ratio %	Loans %	NPL ratio %	Loans %	NPL ratio %
Dual Purpose Vehicle	33.13%	2.94%	22.72%	6.83%	22.63%	10.56%	20.45%	12.95%
Land Vehicles	1.62%	4.64%	2.29%	5.70%	1.95%	4.72%	1.78%	3.40%
Machinery	1.69%	0.00%	0.53%	0.97%	0.78%	1.90%	0.65%	1.35%
Motor Cars	23.18%	2.51%	28.52%	2.28%	29.45%	3.52%	32.58%	3.05%
Motor Coach	5.75%	3.80%	5.36%	7.45%	4.99%	9.07%	4.25%	7.28%
Motor Cycles	5.38%	0.67%	7.77%	2.08%	8.26%	2.42%	8.98%	3.20%
Motor Lorry	20.61%	5.51%	22.55%	8.21%	21.03%	9.97%	17.42%	9.21%
Three wheelers	7.36%	0.90%	7.82%	1.93%	7.86%	2.91%	8.60%	2.40%
Pawning (Gold loans)	0.02%	0.00%	0.61%	0.00%	0.65%	0.00%	1.03%	2.92%
Loans against FD's	1.26%	0.00%	0.82%	0.00%	0.88%	0.00%	1.50%	0.00%
Others	0.00%	0.00%	1.00%	4.63%	1.52%	6.12%	2.76%	4.09%

Sources: Vallibel, LRA

**Table 2: NPL movements**

LKR millions	end-March 2012	end-March 2013	end-March 2014	end-June 2014	end-December 2014
Brought forward	46.55	116.26	251.97	509.59	727.57
Add: New NPLs	521.41	844.88	1,241.73	1,471.62	1202.06
Less: Classified as performing	147.11	166.02	176.25	222.80	204.66
Less: Rescheduled	45.92	26.66	22.24	53.66	34.27
Less: Recoveries	258.67	516.49	785.62	977.18	959.63
Less: Written off	0.00	0.00	0.00	0.00	0.00
Carried forward	116.26	251.97	509.59	727.57	731.07

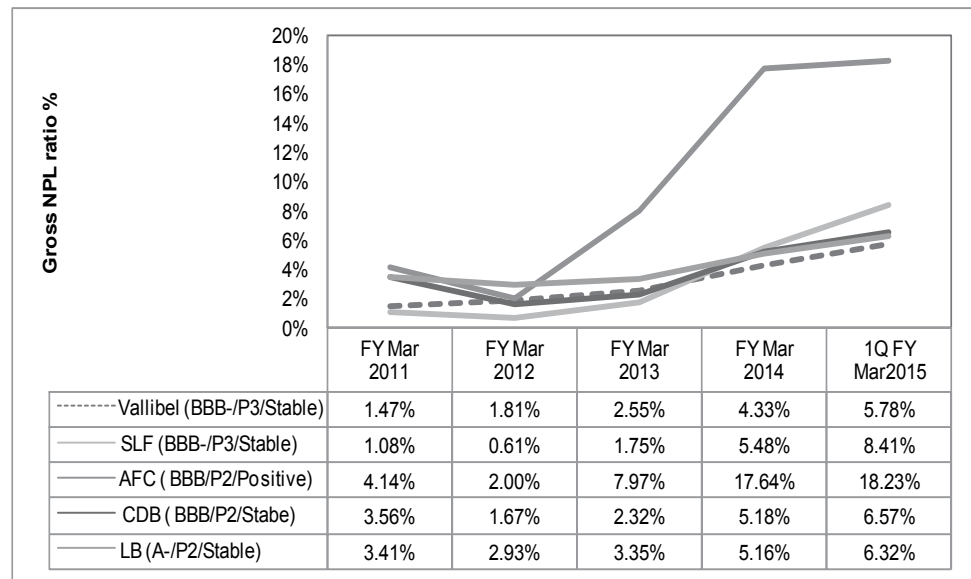
Sources: Vallibel, LRA

\*including interest in suspense

Above average performance

Improving franchise support robust deposit growth

Chart 2: Trends in Vallibel's gross NPL ratio compared to peers'



Sources: Vallibel, LRA

Vallibel = Vallibel Finance PLC; SLF = Softlogic Finance PLC; AFC = Alliance Finance Co PLC; CDB = Citizens Development Business Finance PLC; LB = LB Finance PLC

Vallibel's performance is deemed above average, supported by performance indicators that compare better than similar rated peers'. The Company's net interest income grew 41.92% y-o-y to LKR 1,111.34 million in FY-Mar 2014, recording a further growth of 29.14% (annualised) during 9M FY Mar 2015, largely reflective of the expansion in credit assets. Meanwhile, as expected, Vallibel's NIM improved to 10.63% in 9M FY Mar 2015 from 10.16% in FY Mar 2013 as funding costs eased amidst deposits re-pricing faster than loans in a receding interest rate environment. Further we note that Vallibel's NIM compares better to that of similar rated LFC sector peers' engaged in similar lending segments. The Company's overhead costs increased 47.94% y-o-y in fiscal 2014 and a further 24.77% (annualised) in 9M fiscal 2015 in view of branch expansion expenses, higher advertising expenses and increase in personnel costs stemming from higher staff force. Despite the large increase in overhead costs, as expected, Vallibel's cost-to-income ratio increased only marginally clocking 47.29% in 9M fiscal 2015 (fiscal 2013: 44.76%) reflective of the increase in earnings levels in line with the broadening of NIM as well as new branches opened during 1H fiscal 2014 breaking even during the review period. Elsewhere, despite the slight increase in pre-tax profits, Vallibel's Return on Assets (ROA) declined to 4.05% in fiscal 2014 from 5.37% in fiscal 2013, mainly due to the increase in overhead costs and higher impairment charges. Nevertheless, the ratio continues to be better than similar rated industry peers'.

Vallibel's funding composition is dominated by public deposits, accounting for 76.51% of the funding mix as at end-FY Mar 2014 (end-FY Mar 2013: 70.30%). Customer deposits grew a robust 48.37% y-o-y in fiscal 2014 supported by Vallibel's extended branch reach as well as its improving franchise. Elsewhere, Vallibel's Loans to Deposits ratio improved to 107.87% as at end-3Q FY Mar 2015 from 126.11% as



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*Average Capitalisation*

at end-FY Mar 2013, reflective of the increased prominence in customer deposits in the funding mix as well as the robust deposit growth outpacing credit asset growth during the same period. Meanwhile, the proceeds from the proposed issuance of LKR 1.00 billion debentures is expected to be used for credit asset expansion whilst it is also expected to improve the Company's asset liability maturity mismatch. Elsewhere, Vallibel's liquidity position is deemed adequate. Its liquid asset ratio improved to 17.89% as at end-3Q FY Mar 2015 from 15.68% as at end-FY Mar 2013.

Lanka Rating Agency opines that Vallibel's capitalisation levels are Average. Its tier-1 and overall risk-weighted capital-adequacy ratios (RWCARs) clocked in at 10.11% and 15.16% as at end-March 2014 (end-March 2013: 10.28% & 14.25%) comparing in line with its industry peers'; the improvement in Vallibel's overall-RWCAR in fiscal 2014 was supported by the issuance of LKR 500 million subordinate debentures in February 2014. Going forward, LRA expects the proposed issuance of LKR 1.00 billion subordinate debentures in FY Mar 2015 will strengthen its tier-2 capital further, supporting the Company's growth plans.

## Corporate Information- Vallibel Finance PLC

Date of Incorporation:	1974		
Commencement of Business:	1974		
Major Shareholders: As at end-December 2014	Vallibel Investments Pvt Ltd Seylan Bank PLC/M/S Divasa Equity Pvt Ltd Mr KDA Perera Mr SB Rangamuwa	72.87% 2.63% 2.01% 1.29%	
Directors:	Mr. K D D Perera Mr. S B Rangamuwa Mr. K D A Perera Mr. R M Karunaratne Mr. K V P R De Silva Mr. T Murakami Mr. A Dadigama	Executive Director Managing Director/CEO Director/Non-Executive Director/Independent Non-Executive Chairman Director/Non-Executive Director/Independent Non-Executive	
Auditor:	Messrs KPMG Ford Rhodes Thornton & Company		
Listing:	Listed on the Colombo Stock Exchange		
Key Management:	Mr SB Rangamuwa Mr DGN Perera Mr SKNC Jayawardena Mr KDM Sameera Mr TU Amaraweera Mr DMPMB Dissanayake	Managing Director/CEO DGM- Credit DGM- Business Development AGM- Finance AGM- Asset Management AGM- Credit	
Capital History:	Year	Remarks	Amount (LKR million)
	2008	Brought forward	87.75
	2009	Share issue	85.00
	2010	Share issue	114.40
	2011	Subdivision of shares	
			Cumulative Total (LKR million)
			87.75
			172.75
			287.15
			287.15



# FINANCIAL SUMMARY

## Vallibel Finance PLC

	unaudited				
STATEMENT OF FINANCIAL POSITION (RM million)	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Dec-14
Cash & Short-Term Funds	65.83	79.32	239.92	311.61	272.14
Deposits & Placements with Financial Institutions	165.00	210.97	698.09	1,146.24	1,889.22
Securities Purchased Under Resale Agreements	0.00	0.00	0.00	112.02	0.00
Financial Investments at Fair Value Through Profit or Loss	20.41	12.28	14.33	5.10	5.63
Financial Investments Available-For-Sale	125.23	0.20	0.20	113.97	125.28
Financial Investments Held-To-Maturity	0.00	267.86	298.19	612.63	649.50
Gross Loans/Financing & Advances	3,305.78	5,914.82	7,905.14	10,294.20	12,393.00
<i>Collective Impairment Provisions</i>	0.00	0.00	0.00	0.00	0.00
<i>Individual Impairment Provisions</i>	(41.67)	(85.78)	(137.46)	(348.11)	(580.64)
Net Loans/Financing & Advances	3,264.11	5,829.05	7,767.69	9,946.09	11,812.36
Statutory Deposits	0.00	0.00	0.00	0.00	0.00
Investments in Subsidiaries/Associates/Jointly-Controlled Entities	0.00	0.00	0.00	0.00	0.00
Goodwill & Intangibles	0.00	0.00	0.00	4.36	4.73
Property, Plant & Equipment	78.88	105.79	122.75	127.33	159.90
Other Assets	170.12	168.48	162.34	199.36	212.30
<b>Total Assets</b>	<b>3,889.58</b>	<b>6,673.96</b>	<b>9,303.51</b>	<b>12,578.71</b>	<b>15,131.06</b>
Customer Deposits	2,596.23	4,024.41	6,268.21	9,299.98	11,489.14
<i>Current Account Deposits</i>	0.00	0.00	0.00	0.00	0.00
<i>Savings Account Deposits</i>	0.00	0.00	0.00	0.00	0.00
<i>Fixed/Investment Deposits</i>	2,596.23	4,024.41	6,268.21	9,299.98	11,489.14
<i>Negotiable Instruments of Deposits</i>	0.00	0.00	0.00	0.00	0.00
<i>Other Deposits</i>	0.00	0.00	0.00	0.00	0.00
Interbank Deposits	0.00	0.00	0.00	0.00	0.00
Bills & Acceptances Payable	0.00	0.00	0.00	0.00	0.00
Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00
Senior Debt/Islamic Securities	0.00	0.00	0.00	0.00	0.00
Subordinated Debt/Islamic Securities	0.00	0.00	0.00	0.00	0.00
Hybrid Capital/Islamic Securities	0.00	0.00	0.00	0.00	0.00
Other Borrowings/Sources of Funds	498.98	1,715.36	1,710.56	1,674.48	1,773.06
Other Liabilities	326.23	249.80	387.42	423.51	464.01
<b>Total Liabilities</b>	<b>3,421.45</b>	<b>5,989.57</b>	<b>8,366.19</b>	<b>11,397.97</b>	<b>13,726.21</b>
Equity Share Capital	287.15	287.15	287.15	287.15	287.15
Share Premium	0.00	0.00	0.00	0.00	0.00
Treasury Shares	0.00	0.00	0.00	0.00	0.00
Statutory Reserve	45.36	130.55	237.58	333.91	256.53
Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
Available-For-Sale Reserve	0.00	0.00	0.00	4.05	16.89
Other Reserves	7.50	7.50	7.50	7.50	7.50
Retained Profits/(Accumulated Losses)	128.13	259.19	405.08	548.13	836.77
Non-Controlling Interests	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>468.14</b>	<b>684.39</b>	<b>937.32</b>	<b>1,180.74</b>	<b>1,404.85</b>
<b>Total Liabilities + Total Equity</b>	<b>3,889.58</b>	<b>6,673.96</b>	<b>9,303.51</b>	<b>12,578.71</b>	<b>15,131.06</b>
Additional Disclosure:					
Commitments & Contingencies	0.00	0.00	0.00	0.00	0.00
Risk-Weighted Assets	3,501.00	6,174.08	8,222.99	10,376.48	12,303.45
Tier-1 Capital Base *	468.14	641.64	844.92	1,048.75	1,135.14
Total Capital Base *	468.14	866.26	1,174.51	1,573.12	1,635.14



# FINANCIAL SUMMARY

## Vallibel Finance PLC

	unaudited				
STATEMENT OF COMPREHENSIVE INCOME (RM million)	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Dec-14 9 months
Interest/Finance Income	595.38	1,111.64	1,791.91	2,451.80	2,089.21
Interest/Finance Expense	(269.56)	(536.82)	(1,008.84)	(1,340.46)	(1,012.81)
<b>Net Interest/Finance Income</b>	<b>325.83</b>	<b>574.81</b>	<b>783.07</b>	<b>1,111.34</b>	<b>1,076.40</b>
Income from Islamic Banking Operations	0.00	0.00	0.00	0.00	0.00
Fee Income	42.19	21.94	31.26	43.08	34.71
Investment Income	1.79	(15.73)	2.39	0.90	0.69
Other Income	0.30	92.78	53.84	74.84	29.11
<b>Gross Income</b>	<b>370.10</b>	<b>673.81</b>	<b>870.55</b>	<b>1,230.16</b>	<b>1,140.91</b>
Personnel Expenses	(50.10)	(81.56)	(131.95)	(239.90)	(242.18)
Other Operating Expenses	(124.72)	(207.35)	(257.75)	(336.60)	(297.31)
<b>Operating Income before Impairment Charges</b>	<b>195.28</b>	<b>384.90</b>	<b>480.86</b>	<b>653.66</b>	<b>601.42</b>
Net Impairment Charges on Loans/Financing	(3.44)	(34.27)	(51.68)	(210.65)	(232.53)
Net Impairment Charges on Financial Investments	0.00	0.00	0.00	0.00	0.00
Net Impairment Charges on Commitments, Contingencies & Other Assets	0.00	0.00	0.00	0.00	0.00
<b>Operating Income after Impairment Charges</b>	<b>191.85</b>	<b>350.64</b>	<b>429.18</b>	<b>443.00</b>	<b>368.89</b>
Non-Recurring Items	0.00	0.00	0.00	0.00	0.00
Share of Associates/Jointly-Controlled Entities Profits/(Losses)	0.00	0.00	0.00	0.00	0.00
<b>Pre-Tax Profit/(Loss)</b>	<b>191.85</b>	<b>350.64</b>	<b>429.18</b>	<b>443.00</b>	<b>368.89</b>
Income Tax	(84.14)	(119.46)	(134.65)	(139.09)	(116.08)
<b>Net Profit/(Loss)</b>	<b>107.71</b>	<b>231.18</b>	<b>294.53</b>	<b>303.91</b>	<b>252.82</b>
Gain/(Loss) on Available-For-Sale Financial Investments	0.00	0.00	0.00	2.98	12.84
Changes in Cash Flow & Net Investment Hedges	0.00	0.00	0.00	0.00	0.00
Foreign Currency Translation Differences	0.00	0.00	0.00	0.00	0.00
Share of Other Comprehensive Income/(Loss) of Associates/Jointly-Controlled Entities	0.00	0.00	0.00	0.00	0.00
Income Tax Relating to Other Comprehensive Income/(Loss)	0.00	0.00	0.00	0.00	0.00
Other Components of Comprehensive Income/(Loss)	0.00	(0.06)	(0.06)	0.00	0.00
<b>Total Comprehensive Income/(Loss)</b>	<b>107.71</b>	<b>231.11</b>	<b>294.47</b>	<b>306.89</b>	<b>265.65</b>
Additional Disclosure:					
Net Profit/(Loss) Attributable to Non-Controlling Interests	0.00	0.00	0.00	0.00	0.00
Dividends - Ordinary Shares & Preference Shares	20.78	20.78	41.55	62.33	0.00



# FINANCIAL RATIOS

## Vallibel Finance PLC

KEY RATIOS	unaudited				
	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Dec-14
<b>PROFITABILITY (%)</b>					
Net Interest/Financing Margin	12.10%	11.45%	10.16%	10.45%	10.63%
Non-Interest/Financing Income to Gross Income	11.96%	14.69%	10.05%	9.66%	5.65%
Cost to Income	47.24%	42.88%	44.76%	46.86%	47.29%
Return on Assets	6.75%	6.64%	5.37%	4.05%	3.55%
Return on Equity	52.21%	60.85%	52.93%	41.83%	38.05%
Dividend Payout Ratio	19.29%	8.99%	14.11%	20.51%	0.00%
<b>ASSET QUALITY (%)</b>					
Gross NPL ratio	1.47%	1.81% #	2.55% #	4.26%	5.14%
Credit Cost Ratio	0.14%	0.74%	0.75%	2.31%	2.73%
Gross NPL coverage ratio	85.77%	80.31%	56.36%	68.31%	79.42%
<b>LIQUIDITY &amp; FUNDING (%)</b>					
Liquid Asset Ratio	12.75%	13.48%	15.68% #	14.71%	17.89%
CASA Deposits to Total Deposits	0.00%	0.00%	0.00%	0.00%	0.00%
Loans/Financing to Deposits Ratio	127.71%	146.97%	126.11%	110.69%	107.87%
<b>CAPITALISATION &amp; LEVERAGE (%)</b>					
Internal Rate of Capital Generation	23.66%	36.51%	31.20%	22.81%	26.07%
Leverage Ratio (times)	8.31	9.75	9.93	10.65	10.77
Common Equity Ratio	11.86%	8.85%	8.42%	8.05%	9.14%
Tier-1 Regulatory Risk-Weighted Capital Adequacy Ratio	13.37%	10.39%	10.28%	10.11%	9.23%
Overall Regulatory Risk-Weighted Capital Adequacy Ratio	13.37%	14.03%	14.28%	15.16%	13.29%

Notes:

\* annualised

NA = Not Available / Not Applicable



# RATIO DEFINITIONS

## Vallibel Finance PLC

KEY RATIOS	FORMULAE
<b>PROFITABILITY (%)</b>	
Net Interest/Financing Margin	Net Interest/Finance Income / Average Interest/Profit Earning Assets
Non-Interest/Financing Income to Gross Income	Non-Interest/Finance Income / Gross Income
Cost to Income	(Personnel Expenses + Other Operating Expenses) / Gross Income
Return on Assets	Pre-Tax Profit/(Loss) / Average Total Assets
Return on Equity	Pre-Tax Profit/(Loss) / Average Total Equity
Dividend Payout Ratio	Dividends / Net Profit/(Loss)
Non-Interest/Finance Income	Fee Income + Investment Income + Other Income
Interest/Profit Earning Assets	Cash & Short-Term Funds + Deposits & Placements with Financial Institutions + Securities Purchased Under Resale Agreements + Total Financial Investments + Net Loans/Financing & Advances
Total Financial Investments	Financial Investments at Fair Value Through Profit or Loss + Financial Investments Available-For-Sale + Financial Investments Held-To-Maturity
<b>ASSET QUALITY (%)</b>	
Gross Impaired Loan/Financing Ratio	Total Impaired Loans/Financing / Gross Loans/Financing & Advances
Credit Cost Ratio	Net Impairment Charges on Loans/Financing / Average Gross Loans/Financing & Advances
Gross Impaired Loan/Financing Coverage Ratio	Total Provisions / Gross Loans/Financing & Advances
Collective Loan/Financing Loss Reserve Coverage Ratio	Collective Impairment Provisions / (Gross Loans/Financing & Advances - Individual Impairment Provisions)
Total Provisions	Collective Impairment Provisions + Individual Impairment Provisions
Net Newly Classified Impaired Loans/Financing	Newly Classified Impaired Loans/Financing - Recoveries on Impaired Loans/Financing - Impaired Loans/Financing Reclassified As Performing
<b>LIQUIDITY &amp; FUNDING (%)</b>	
Liquid Asset Ratio	Liquid Assets / (Customer Deposits + Short-Term Funds)
Customer Deposits to Total Interest/Profit Bearing Funds	Customer Deposits / Interest/Profit Bearing Funds
CASA Deposits to Total Deposits	(Current Account + Savings Account Deposits) / Customer Deposits
Loans/Financing to Deposits Ratio	Gross Loans/Financing & Advances / Customer Deposits
<b>CAPITALISATION &amp; LEVERAGE (%)</b>	
Internal Rate of Capital Generation	(Net Profit/(Loss) - Dividends) / Average Total Equity
Leverage Ratio (times)	Total Assets / Total Equity
Common Equity Ratio	(Equity Share Capital + Share Premium + Retained Profits/(Accumulated Losses)) / Risk-Weighted Assets
Tier-1 Regulatory Risk-Weighted Capital Adequacy Ratio	(Tier-1 Capital Base - Proposed Dividends) / Risk-Weighted Assets
Overall Regulatory Risk-Weighted Capital Adequacy Ratio	(Total Capital Base - Proposed Dividends) / Risk-Weighted Assets





## CREDIT RATING DEFINITIONS

### Financial Institution Ratings

A Financial Institution Rating ("FIR") is Lanka Rating Agency's current opinion on the overall capacity of a financial institution to meet its financial obligations. The opinion is not specific to any particular financial obligation, as it does not take in to account the expressed terms and conditions of any specific financial obligation.

#### Long-Term Ratings

AAA	A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term FIR assigned by LRA.
AA	A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	A financial institution rated BBB has a moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
BB	A financial institution rated BB has a weak capacity to meet its financial obligations. The financial institution is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	A financial institution rated B has a very weak capacity to meet its financial obligations. The financial institution has a limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
C	A financial institution rated C has a high likelihood of defaulting on its financial obligations. The financial institution is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations.
D	A financial institution rated D is currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

#### Short-Term Ratings

P1	A financial institution rated P1 has a strong capacity to meet its short-term financial obligations. This is the highest short-term FIR assigned by LRA.
P2	A financial institution rated P2 has an adequate capacity to meet its short-term financial obligations. The financial institution is more susceptible to the effect of deteriorating circumstances than those in the highest-rated category.
P3	A financial institution rated P3 has a moderate capacity to meet its short-term financial obligations. The financial institution is more likely to be weakened by the effects of deteriorating circumstances than those in the higher-rated category. This is the lowest investment-grade category.
NP	A financial institution rated NP has a doubtful capacity to meet its short-term financial obligations. The financial institution faces major uncertainties that could compromise its capacity for payment of financial obligations.
D	A financial institution rated D is currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

*For long-term ratings, LRA applies signs plus (+), flat or minus (-) in each category from AA to C. The sign plus (+) indicates that the financial institution ranks at the higher end of its generic rating category; the sign flat indicates a mid-ranking; and the sign minus (-) indicates that the financial institution ranks at the lower end of its generic rating category.*





## CREDIT RATING DEFINITIONS

### Issue Ratings

An Issue Rating is Lanka Rating Agency's ("LRA") current opinion on the creditworthiness of a particular debt issue. It reflects the overall capacity and willingness of an issuer to meet the financial obligations on a particular debt issue on a full and timely basis, taking into account its expressed terms and conditions.

#### Long-Term Ratings

AAA	An issue rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term FIR assigned by LRA.
AA	An issue rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	An issue rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	An issue rated BBB has a moderate capacity to meet its financial obligations. The financial institution is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
BB	An issue rated BB has a weak capacity to meet its financial obligations. The financial institution is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	An issue rated B has a very weak capacity to meet its financial obligations. The financial institution has a limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
C	An issue rated C has a high likelihood of defaulting on its financial obligations. The financial institution is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations.
D	An issue rated D is currently in default on either all or a substantial portion of its financial obligations, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the financial institution that could jeopardise the payment of the financial obligations.

#### Short-Term Ratings

P1	An issue rated P1 has high safety for payment of financial obligations in the short term. This is the highest short-term Issue Rating assigned by LRA.
P2	An issue rated P2 has adequate safety for payment of financial obligations in the short term. The issuer is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
P3	An issue rated P3 has moderate safety for payment of financial obligations in the short term. The issuer is more likely to be weakened by the effects of deteriorating circumstances than those in higher-rated categories. This is the lowest investment-grade category.
NP	An issue rated NP has doubtful safety for payment of financial obligations in the short term. The issuer faces major uncertainties that could compromise its capacity for payment of a particular debt issue.
D	An issue rated D is either currently in default or faces imminent default on its financial obligations, whether or not formally declared. The D rating may also reflect a distressed exchange, the filing of bankruptcy and/or other actions pertaining to the issuer that could jeopardise the payment of a particular debt issue.

*For long-term ratings, Lanka Rating Agency applies signs plus (+), flat or minus (-) in each category from AA to C. The sign plus (+) indicates that the issue ranks at the higher end of its generic rating category; the sign flat indicates a mid-ranking; and the sign minus (-) indicates that the issue ranks at the lower end of its generic rating category.*



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## ANNEX III – COLLECTION POINTS

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

<b>Manager to the Issue</b> Acuity Partners (Private) Limited No. 53, Dharmapala Mawatha, Colombo 03 T: +94 11 2 206206 F: +94 11 2437149	<b>Registrar to the Issue</b> P W Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road Colombo 08 Tel: +94 (011) 4640360-3 Fax: +94 (011) 4740588
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### 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> No. 176/1 – 2/1, Thimbirigasyaya Road, Colombo 5. T: +94 11 7722000 F: +94 11 2584864 E: marketinfo@asiasecurities.lk	<b>Assetline Securities (Private) Limited</b> No.120, 120A, Pannipitiya Road, Battaramulla. T: +94 11 4700111, 2307366 F: +94 11 4700112, 2307365 E: colombo.dpglobal@dpmcfs.com
<b>Bartleet Religare Securities (Pvt) Limited</b> Level “G”, “Bartleet House”, 65, Braybrooke Place, Colombo 2. T: +94 11 5220200 F: +94 11 2434985 E: info@bartleetstock.com	<b>Capital Trust Securities (Pvt) Limited</b> 42, Mohamed Macan Markar Mawatha, Colombo 3. T: +94 11 2174174, 2174175 F: +94 11 2174173 E: inquiries@capitaltrust.lk
<b>Nation Lanka Equities (Private) Limited</b> 44, Guildford Crescent, Colombo 7. T: +94 11 4889061-3, 2684483 F: +94 11 2688899 E: info@nlequities.com	<b>CT CLSA Securities (Pvt) Limited</b> 4-14, Majestic City, 10, Station Road, Colombo 4. T: +94 11 2552290-4 F: +94 11 2552289 E: ctssales@sltnet.lk

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**John Keells Stockbrokers (Private) Limited**

186, Vauxhall Street,  
Colombo 2  
T: +94 11 2342066-7, 2306250  
F: +94 11 2342068  
E: jkstock@keells.com

**J B Securities (Private) Limited**

150, St Joseph Street  
Colombo 14  
T: +94 11 2490900, 77 2490900,  
F: +94 11 2430070, 2446085  
E: jbs@jb.lk

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**Lanka Securities (Private) Limited**

228/1, Galle Road,  
Colombo 4  
T: +94 11 4706757, 2554942  
F: +94 11 4706767  
E: lankasec@sltnet.lk

**Somerville Stockbrokers (Private) Limited**

137, Vauxhall Street,  
Colombo 2  
T: +94 11 2329201-5, 2332827,  
F: +94 11 2338291  
E: ssb-web@sltnet.lk

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**NDB Stockbrokers (Private) Limited**

5th Floor, NDB Building,  
40, Navam Mawatha,  
Colombo 2  
T: +94 11 2314170-8  
F: +94 11 2314180  
E: mail@ndbs.lk

**First Capital Equities (Pvt) Limited.**

No.01, Level 02,  
Lake Crescent,  
Colombo 2  
T: +94 11 2145000  
F: +94 11 5736264  
E: inquiries@firstcapital.lk

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**SC Securities (Private) Limited**

2nd Floor  
55, D.R. Wijewardena Mawatha,  
Colombo 10  
T: +94 11 4711000-1  
F: +94 11 2394405  
E: ceo@sampathsecurities.lk

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## Trading Members

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**Softlogic Stockbrokers (Private) Limited**

06, 37<sup>th</sup> Lane  
Queens Road, Colombo 03  
T: +94 11 7277000  
F: +94 11 7277099  
E: info@equity.softlogic.lk

**Capital Alliance Securities (Private) Limited**

Level 5, "Millennium House",  
46/58, Navam Mawatha,  
Colombo 02  
T: +94 11 2317777  
F: +94 11 2317788  
E: info@cal.lk

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**Claridge Stockbrokers (Private) Limited**

10, Gnanartha Pradeepa Mawatha,  
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**First Guardian Equities (Private) Limited**

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F: +94 11 5884401  
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**Candor Equities Limited**  
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**Enterprise Ceylon Capital (Pvt) Limited**  
27th Floor, East Tower,  
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**LOLC Securities (Private) Limited**  
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**Navara Securities (Pvt) Ltd**  
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**SMB Securities (Private) Limited**  
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F: +94 11 2670294  
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**Entrust Capital Markets (Pvt) Ltd**  
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**Taprobane Securities (Private) Limited**  
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**TKS Securities (Private) Limited**  
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**Richard Pieris Securities (Pvt) Ltd**  
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**First Capital Markets Limited**  
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**Wealthtrust Securities Limited**  
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**Perpetual Treasuries Limited**  
Level 3, Prince Alfred Towers  
Alfred House Gardens, Colombo 03  
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**NSB Fund Management Limited**  
No. 255, 1<sup>st</sup> Floor, NSB Head Office  
Galle Road, Colombo 03  
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F: +94 11 2574387

**Acuity Securities Limited**  
Level 4, No. 53, Dharmapala Mawatha,  
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## 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>Public Bank Berhard</b> 340, R.A. De Mel Mawatha Colombo 03 T: +94 11 2576289</p>
<p><b>Pan Asia Banking Corporation PLC (Head Office)</b> 450, Galle Road, Colombo 03 T: +94 11 2565565</p>	

## Vallibel Finance PLC Branches

BRANCH	ADRESS	TEL NO	FAX NO	EMAIL
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KANDY	161, D.S.SENANAYAKE RD, KANDY	081-7687687	081-7687689	<a href="mailto:kandy@vallibelfinance.com">kandy@vallibelfinance.com</a>
ALUTHGAMA	375, GALLE RD, ALUTHGAMA	034-7687687	034-7 687689	<a href="mailto:aluthgama@vallibelfinance.com">aluthgama@vallibelfinance.com</a>
RATHNAPURA	8A, BODHIRAJARAMA MW, RATNAPURA	045-7687687	045-7687689	<a href="mailto:rathnapura@vallibelfinance.com">rathnapura@vallibelfinance.com</a>
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MATARA	274/A, ANAGARIKADHRMAPALA MW, MATARA	041-7687687	041-7687689	<a href="mailto:matara@vallibelfinance.com">matara@vallibelfinance.com</a>
KURUNEGALA	395, COLOMBO ROAD, KURUNEGALA	037-7687687	037-7687689	<a href="mailto:kurunegala@vallibelfinance.com">kurunegala@vallibelfinance.com</a>
NEGOMBO	299, ST'JOSEPH STREET, NEGOMBO	031-7687687	031-7687689	<a href="mailto:negombo@vallibelfinance.com">negombo@vallibelfinance.com</a>
GAMPAHA	55, YAKKALA ROAD, GAMPAHA	033-7687687	033-7687689	<a href="mailto:gampaha@vallibelfinance.com">gampaha@vallibelfinance.com</a>
GALLE	159, COLOMBO RD, KALUWELLA, GALLE	091-7687687	091-7687689	<a href="mailto:galle@vallibelfinance.com">galle@vallibelfinance.com</a>
CHILAW	84, KURUNEGALA RD,CHILAW	032-7687687	032-7687689	<a href="mailto:chilaw@vallibelfinance.com">chilaw@vallibelfinance.com</a>
KULIYAPITIYA	111, KURUNEGALA ROAD, KULIYAPITIYA	037-7787787	037-7787789	<a href="mailto:kuliyapitiya@vallibelfinance.com">kuliyapitiya@vallibelfinance.com</a>
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MORATUWA	303/A, GALLE ROAD, RAWATAWATTA, MORATUWA	011-7807807	011-7807809	<a href="mailto:moratuwa@vallibelfinance.com">moratuwa@vallibelfinance.com</a>
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PANADURA	293/A, GALLE ROAD, PANADURA	038-7687687	038-7687689	<a href="mailto:panadura@vallibelfinance.com">panadura@vallibelfinance.com</a>
NUGEGODA	213, HIGHLEVEL RD, NUGEGODA	011-7517517	011-7517519	<a href="mailto:nugegoda@vallibelfinance.com">nugegoda@vallibelfinance.com</a>
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KALUTARA	426 GALLE ROAD KALUTARA SOUTH	034-7387387	034-7387387	<a href="mailto:kalutara@vallibelfinance.com">kalutara@vallibelfinance.com</a>
ANURADHAPURA	521/1, MAITRIPALA SENANAYAKE MAWATHA, ANURADHAPURA	025-7687687	025-7687689	<a href="mailto:anuradhapura@vallibelfinance.com">anuradhapura@vallibelfinance.com</a>
KEGALLE	315, MAIN STREET,KEGALLE.	035-7687687	035-7687689	<a href="mailto:kegalle@vallibelfinance.com">kegalle@vallibelfinance.com</a>

## Hatton National Bank PLC Branches

<p>Aluthkade 31, 33, 35, Quarry Rd, Colombo 12 011-2445042 aluthkad@hnb.lk</p>	<p>Bambalapitiya 285, Galle Rd, Colombo 04 011-2501698 bamba@hnb.lk</p>
<p>Borella 53/1, D S Senanayake Mw, Borella, Colombo 09 011-2696929 borella@hnb.lk</p>	<p>Cinnamon Gardens 251, Dharmapala Mw, Colombo 07 011-2681718 cinnamon@hnb.lk</p>
<p>City Office 16, Janadhipathi Mw, Colombo 01 011-2421466 hnbcity@slt.lk</p>	<p>Dehiwela 196, Galla Rd, Dehiwala 011-2723362 dehiwela@hnb.lk</p>
<p>Galle 3,Wackwella Rd, Galle 091-2232248 galle@hnb.lk</p>	<p>Grandpass 182, St. Joseph's Street,Colombo 14 011-2332723 grandpa@hnb.lk</p>
<p>Greenpath 38 &amp; 38A,Ananda Coomaraswamy Mawatha,(Greenpath),Colombo 03 011-5382310 greenpath@hnb.lk</p>	<p>Head Office Branch 479, T B Jayah Mw, Colombo 10 011-2660160 hobbr@hnb.lk</p>
<p>Jaffna 212, 214, Hospital Rd, Jaffna 021-2222787 jaffna@hnb.lk</p>	<p>Kandy 01, Dalada Veediya, Kandy 081-2224204 kandy@hnb.lk</p>
<p>Kiribathgoda 141, Kandy Rd, Kiribathgoda 011-2914414 kiri@hnb.lk</p>	<p>Kohuwala 179 , Dutugemunu Street, Kohuwala 011-2825180 kohuwela@hnb.lk</p>
<p>Kollupitiya 293, Galle Rd, Colombo 03 011-2576763 colpetty@hnb.lk</p>	<p>Kotahena 280, George R De Silva Mw, Colombo 13 011-2472068 kotahena@hnb.lk</p>
<p>Kurunegala 6, St Anne's Street, Kurunegala 037-2223246 kurunega@hnb.lk</p>	<p>Mount Lavinia 605, Galle Rd, Mt. Lavinia 011-2739121 mount@hnb.lk</p>
<p>Nawam Mawatha 46/38, Forbes &amp; Walker Building, Nawam Mawatha, Colombo 02 011-2304915 nawam@hnb.lk</p>	<p>Negombo Metro 201,Colombo Road,Negombo 031-2244000 negombo.metro@hnb.lk</p>
<p>Nugegoda 181, High Level Rd, Nugegoda 011-2828981 nugegoda@hnb.lk</p>	<p>Pettah 149-151, Main Street, Colombo 11 011-421829 pettah@hnb.lk</p>

Sea Street 60, Sea Street, Colombo 11 011-2439635 sea_st@hnb.lk	Wattala 270, 270/1, Negombo Rd, Wattala 011-2931385 wattala@hnb.lk
Wellawatte 100, 102, Galle Rd, Colombo 06 011-2588702 wellawatt@hnb.lk	World Trade Centre Level 1, World Trade Centre, Colombo 01 011-2433719 wtc@hnb.lk



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