



Hatton **N**ational **B**ank

EXTRA-ORDINARY GENERAL MEETING

Convened on
Wednesday, 26th October 2016 at 10.00 a.m.

At
Level 22, "HNB Towers",
Colombo 10

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Hatton National Bank

No: 479, T B Jayah Mawatha
Colombo 10
Sri Lanka

[Reg No: PQ 82]

NOTICE OF EXTRA-ORDINARY GENERAL MEETING

NOTICE is hereby given that an Extra-Ordinary General Meeting ("EGM") of the Hatton National Bank PLC (the "Bank") is convened on Wednesday, the Twenty Sixth (26th) day of October 2016 at 10.00 in the forenoon, at the Auditorium on Level 22 of "HNB Towers" at No: 479, T B Jayah Mawatha, Colombo 10, to consider and if thought fit, pass the following SPECIAL RESOLUTIONS :-

SPECIAL RESOLUTION (i) - BY THE HOLDERS OF ORDINARY VOTING SHARES

IT IS HEREBY RESOLVED :

That the Bank, do issue up to (i) such number of ordinary voting shares of the Bank as may be subscribed and paid for at the total consideration of Sri Lankan Rupee equivalent of United States Dollars Fifty Million (USD 50,000,000/-) (converted at a rate based on the exchange rate published by the Central Bank of Sri Lanka on the date of issue of shares) or (ii) such number of ordinary voting shares as is equivalent to 9.9% of the total ordinary voting shares of the Bank after the issue of such shares, whichever is lower (the "New Shares"), to **Asian Development Bank**, an international organisation established by the Agreement Establishing the Asian Development Bank ("ADB"), having its Head Office at No. 6, ADB Avenue, Mandaluyong City, 0401 Metro Manila, Philippines, a Strategic Investor, at the consideration per share of (i) the average price at which the shares of the Bank were traded on the Colombo Stock Exchange during the 30 market day period immediately preceding the date of the EGM (the "Average Price"), or (ii) Rs. 220/-, if the Average Price is more than Rs. 220/-, or (iii) Rs. 190/-, if the Average Price is less than Rs. 190/-, by way of a private placement of shares, without offering such shares to the holders of existing shares of the Bank in a manner which would, if the offer is accepted, maintain the relative voting and distribution rights of those shareholders as nearly as possible in proportion to the shares already held by them.

SPECIAL RESOLUTION (ii) - BY THE HOLDERS OF ORDINARY NON-VOTING SHARES

IT IS HEREBY RESOLVED :

That the issue by the Bank of the New Shares to ADB by way of a private placement in the manner referred to in Special Resolution (i) of the Notice of Meeting, without offering such shares to the holders of existing shares of the Bank in a manner which would, if the offer is accepted, maintain the relative voting and distribution rights of those shareholders as nearly as possible in proportion to the shares already held by them, is hereby approved.

By Order of the Board of
HATTON NATIONAL BANK PLC

K A L Thūshari Ranaweera (Mrs)
DEPUTY GENERAL MANAGER (LEGAL)/
BOARD SECRETARY

Colombo, Sri Lanka

DATED : 29th September 2016

NOTES:

1. A shareholder entitled to attend or attend and vote at the meeting, is entitled to appoint a proxy to attend or attend and vote as the case may be, in his stead.
2. A proxy need not be a shareholder of the Company. The Form of Proxy is enclosed.
3. The completed Form of Proxy should be deposited with the Board Secretary at the Registered Office of the Company at No. 479, T.B. Jayah Mawatha, Colombo 10 (at "HNB Towers", Level 18), not less than 24 hours before the time appointed for holding the meeting.

Summary of Article 22 of the Articles of Association of Hatton National Bank PLC

PROCEDURE ON VOTING AND HOW A POLL IS TO BE TAKEN AT A MEETING OF SHAREHOLDERS

- Voting at a meeting of shareholders shall, unless a poll is demanded, be by a show of hands, or voting by voice as may be determined by the Chairman.
- Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands or voting by voice as aforesaid, every member who is present at the meeting shall have one (01) vote, and on a poll every member who is present in person at the meeting shall be entitled to one (01) vote for each voting share held by him.
- A declaration by the Chairman of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded.
- At a meeting of shareholders, a poll may be demanded on a particular question as provided for in the Companies Act No.7 of 2007 by,
 - the Chairman;
 - not less than five (5) shareholders having the right to vote at the meeting; or
 - a shareholder or shareholders representing not less than ten per centum (10%) of the total voting rights of all shareholders having the right to vote at the meeting.
- A poll may be demanded either before or after the vote is taken on a resolution. A demand for a poll may be withdrawn any time before the poll is taken.
- If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
- In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a second or casting vote.
- A declaration by the Chairman of the meeting that a resolution has been carried, or carried unanimously or by a particular majority, or lost, and an entry made to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such a resolution.

Form of Proxy [Non-Voting]

I/We
of.....
being *a shareholder/shareholders of the Hatton National Bank PLC, hereby appoint
.....
of.....
or failing *him/her Rienzie Anicetus Fernando Arseculeratne or failing him, Antonio Jonathan
Alles or failing him, Mirihana Arachchige Rose Chandralatha Cooray or failing her, Lokuwithanage
Rohan Karunaratne or failing him, Lintotage Udaya Damien Fernando or failing him, Don Tiburtius
Sujeewa Handapangoda Mudalige or failing him, Don Sanjivani Clarinda Jayawardena or failing her,
Rusi Sohli Captain or failing him, Damian Amal Cabraal or failing him, Palitha Srideva Chulakumara
Pelpola or failing him, Eugen Duliksha Pratharp Soosaipillai or failing him, Appu Hennadige Don
Anthony Nilanth de Silva as *my/our proxy, to attend and speak on *my/our behalf at the Extra-
Ordinary General Meeting of the Bank to be held at the Auditorium on Level 22 of "HNB Towers"
at No. 479, T B Jayah Mawatha, Colombo 10, on Wednesday, the Twenty Sixth (26th) day of October,
2016 at 10.00 in the forenoon and at any adjournment thereof.

I/we the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with
the preference indicated in respect of the undernoted resolution to be proposed at the aforesaid
meeting:

1	Special Resolution (ii) Approve the issue of shares under the Private Placement of Shares to Asian Development Bank	In favour	
		Against	

Signed this day of 2016.

Signature/s
.....
.....

<i>Please provide the following details:</i>	
Shareholder's NIC No / Company Registration No.
Folio No / Number of Shares held	:
Proxy holder's NIC No (if not a Director)	:

* Delete inappropriate words

Note - See reverse hereof for instructions to complete the proxy

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Proxy should be deposited with the Board Secretary, at the Registered Office of the Bank at No. 479, T B Jayah Mawatha, Colombo 10 ("HNB Towers", Level 18), not less than 24 hours before the time appointed for holding the Meeting.
3. The Proxy shall -
 - (a) in the case of an individual, be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Bank.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body.

The Bank may, but shall not be bound to, require evidence of the authority of any such attorney or officer.
 - (c) in the case of joint-holders, the first joint-holder has the power to sign the proxy without the concurrence of the other joint-holder/s.
4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.



Hatton National Bank

[Reg No: PQ 82]

No: 479, T B Jayah Mawatha
Colombo 10
Sri Lanka.

Date: 29th September 2016

CIRCULAR TO SHAREHOLDERS

THIS DOCUMENT IS OF VALUE.

If you are in any doubt about the action you should take, you should consult your stockbroker or other professional adviser immediately.

Dear Shareholder/s,

1. BACKGROUND

The Hatton National Bank PLC ("**the Bank**" or "**HNB**") being a premier private sector commercial bank, has been successful in posting robust growth and providing shareholder value. The Bank's performance has been driven through improving internal efficiencies by process re-engineering, investing in advanced technology and improving asset quality through aggressive recoveries and better underwriting standards. HNB Group recorded a 41% growth in profits attributable to equity holders of the Bank amounting to Rs 6.7 Billion for the six months ended 30th June 2016. HNB was also recognized with the Silver Award by CFA Sri Lanka Society at its capital market awards ceremony held on 26th July 2016, for the Bank's commitment towards investors and investor relations.

2. PRIVATE PLACEMENT OF ORDINARY VOTING SHARES

Asian Development Bank (the "**ADB**") an international organisation established by the Agreement Establishing the Asian Development Bank, and having its Head Office at No. 6, ADB Avenue, Mandaluyong City, 0401 Metro Manila, Philippines, recognizing HNB's role in driving the Country's development in key areas such as micro finance, SME and infrastructure has offered to invest in the voting share capital of the Bank through a private placement of shares (the "**Private Placement**"). ADB's proposed investment would be for a quantum of shares up to (i) such number of ordinary voting shares of the Bank as may be subscribed and paid for at the total consideration of Sri Lankan Rupee equivalent of United States Dollars Fifty Million (USD 50,000,000/-) (converted at a rate based on the exchange rate published by the Central Bank of Sri Lanka on the date of issue of shares) or (ii) such number of ordinary voting shares as is equivalent to 9.9% of the total ordinary voting shares of the Bank after the issue of such shares, whichever is lower (the "**New Ordinary Voting Shares**"). The consideration per share for the New Ordinary Voting Shares will be (i) the average price at which the shares of the Bank were traded on the Colombo Stock Exchange during the 30 market day period immediately preceding the date of the Extra-Ordinary General Meeting to be held to seek the approval of the shareholders for the Private Placement ("**EGM**") (the "**Average Price**"), or (ii) Rs. 220/-, if the Average Price is more than Rs. 220/-, or (iii) Rs. 190/-, if the Average Price is less than Rs. 190/-.

The quantum of New Ordinary Voting Shares to be issued under the Private Placement will not exceed 9.9% of the total ordinary voting share capital of the Bank at any given time.

The maximum number of shares to be issued considering the lowest and the highest price converted based on the exchange rate as at the date of this circular (i.e. Rs. 146/28 per USD 1) is given below.

Price	Maximum Number of Shares to be issued subject to the cap of 9.9% of the total issued voting shares
@ Rs 190/-	36,300,057
@ Rs 220/-	33,245,455

The market price of the ordinary voting share of the Bank as at the date of this circular is Rs 225/80.

In terms of Paragraph (vi) of Article 7 of the Articles of Association, the Bank can issue shares to persons other than the existing shareholders in accordance with the rules of the Colombo Stock Exchange by following the procedure set forth in Paragraph (viii) of Article 7 (as set out in detail in paragraph 6(ii) of this circular). The New Ordinary Voting Shares, upon issue, will rank equal and pari passu in all respects with the existing ordinary voting shares.

Assuming that there will not be any changes to the shareholding between the date of this circular and the Private Placement, the Top 10 shareholders of the Bank after the Private Placement would be as follows:

	Name	% of voting shares as at circular date	% of voting shares after an issue of shares at an issue price of Rs 220/- per share	% of voting shares after an issue of shares at an issue price of Rs 190/- per share
1	Asian Development Bank	0.00%	9.14%	9.90%
2	Employees' Provident Fund	9.79%	8.90%	8.82%
3	Sri Lanka Insurance Corporation Ltd - Life Fund	9.69%	8.80%	8.73%
4	Milford Exports (Ceylon) Limited	7.94%	7.22%	7.16%*
5	Mr.Sohli Edelji Captain	7.29%	6.63%	6.57%
6	Stassen Exports Ltd	6.89%	6.26%	6.20%*
7	Sri Lanka Insurance Corporation Ltd - General Fund	4.96%	4.51%	4.47%

8	Sonetto Holdings Limited	4.52%	4.11%	4.07%
9	HSBC Int'l Nominees Ltd-JPMLU-Franklin Templeton Investment	3.36%	3.05%	3.02%
10	Distilleries Company of Sri Lanka PLC	3.08%	2.80%	2.78%*

(* Pursuant to the provisions of the Banking Act Direction No. 1 of 2007, so long as Milford Exports (Ceylon) Limited, Stassen Exports Limited and Distilleries Company of Sri Lanka PLC collectively hold more than 15% of the total voting ordinary shares in the Bank, their collective voting rights in the Bank are limited to 10% of the total voting rights of the Bank with effect from 15th March 2012).

Pre and post Private Placement public holding of the Bank is as follows:

Pre - Private Placement Public Holding	Post - Private Placement Public Holding
61.54%	65.38% [if issued @ Rs 190/-]
	65.09% [if issued @ Rs 220/-]

Pre and Post Private Placement stated capital of the Bank is as follows:

Pre - Private Placement Stated Capital	Post - Private Placement Stated Capital
Rs 15,256,673,606	Rs 22,153,684,344/60 [if issued @ Rs 190/-]
	Rs 22,576,673,606/96 [if issued @ Rs 220/-]

3. BRIEF DESCRIPTION OF ADB

- (i) ADB, the headquarters of which is based in Manila, is dedicated to reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth and regional integration. Established in 1966, it is owned by 67 members – 48 from the region. ADB also has provided a long term loan of USD 100.0 Million to HNB in 2015 for the purpose of driving infrastructure development in Sri Lanka.
- (ii) The investment by ADB will strengthen the Bank's capital base and support the future growth in its balance sheet whilst being compliant with new Basel III requirements which would be introduced over the next couple of years. In addition to the capital infusion, ADB would also provide technical assistance/grant in developing the Bank's risk infrastructure, Information Technology landscape and process re-engineering.
- (iii) The Bank has leased the land and building bearing Assessment Nos. 23, 23 1/1, Independence Avenue, Colombo 7 to ADB to locate its Resident Mission in Sri Lanka for a period of 3 years commencing from 1st October 2013. Upon the expiration of this lease on 30th September 2016, the Bank and ADB is proposing to renew the lease for a further period of five (05) years commencing from 1st October 2016.

4. PURPOSE FOR WHICH THE PROCEEDS OF THE PRIVATE PLACEMENT WILL BE UTILIZED

The objective of the Private Placement will be to augment Tier I capital with a view to strengthening the Bank's balance sheet for future growth. The entirety of the proceeds of the Private Placement would be utilized for the purpose of granting loans to customers in the ordinary course of business of the Bank during the next 6 – 12 months period and any related party lending would be subject to the regulatory requirements.

The stipulated regulatory Tier I capital ratio is currently at 5%, whereas the Bank's Tier I capital ratio as at 30th June 2016 was 9.77%. Based on the same risk weighted asset base as at 30th June 2016, the infusion of fresh equity would result in the Tier I capital ratio of the Bank improving to 11.1%.

5. THE BENEFITS OF THE PRIVATE PLACEMENT TO THE EXISTING SHAREHOLDERS AND THE BANK

The Bank believes that the issue of the New Ordinary Voting Shares to ADB and ADB becoming a shareholder of the Bank would bring in the following benefits to the existing shareholders and the Bank:

- (i) The implementation of the requirements under the Basel III capital accord by the Central Bank of Sri Lanka, will require banks to maintain higher capital level. The proposed issue of shares to ADB will enable HNB to improve its Tier I capital and be compliant with the stringent capital requirements.
- (ii) With the proposed equity investment, HNB will be able to obtain ADB's technical assistance in areas such as risk management, digital transformation and process improvement, thereby enhancing the Bank's competitive advantage.
- (iii) Through the regional ties it has developed over the years, ADB, as one of the key shareholders will bring in wealth of knowledge on governance, corporate social responsibility and sustainable banking practices. This in turn will enable HNB to improve its standards in line with such best practices.
- (iv) The proposed investment by ADB, which is AAA rated by international rating agencies (Fitch - AAA, S&P- AAA and Moody's Investors Service - Aaa) will be reflected in the enhancement of HNB's brand value, share price as well as its perceived risk profile.
- (v) In 2015, HNB obtained a long term loan of USD 100.0 Million through ADB and a further USD 85.0 Million from other international development financial institutions. ADB being a strategic shareholder will result in opening up more avenues for funding from international sources at attractive rates.
- (vi) The partnership to be entered into with ADB will unlock opportunities for inorganic growth both locally and internationally.

6. COMPLIANCE WITH THE LAW

(i) Compliance with the Companies Act No 7 of 2007 (“the Companies Act”)

- (a) In terms of Section 52 of the Companies Act, the Board has decided that the New Ordinary Voting Shares shall be issued under the Private Placement at a consideration per share of (i) the Average Price, or (ii) Rs. 220/-, if the Average Price is more than Rs. 220/-, or (iii) Rs. 190/-, if the Average Price is less than Rs. 190/-.
- (b) The Board of Directors has opined that the aforesaid consideration for which the New Ordinary Voting Shares are to be issued under the Private Placement is fair and reasonable to the Bank and to all existing shareholders of the Bank.
- (c) Section 53 (1) of the Companies Act provides that subject to the Articles of Association, where a company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares must first be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders, Vide: (ii) below.

(ii) Compliance with Articles of Association

- (a) Paragraph (iv) of Article 7 of the Articles of Association of the Bank provides that, where the Bank issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares must be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders as nearly as possible in proportion to the shares already held by them.
- (b) In terms of Paragraph (vi)(c) read together with Paragraph (vii) of Article 7 of the Articles of Association of the Bank, the Bank may, subject to and in accordance with the provisions of the rules and regulations in force for the time being and from time to time of the Colombo Stock Exchange, if and to the extent applicable to the Company, issue shares to persons other than existing shareholders without offering such shares to the holders of existing shares in the manner set forth in Paragraph (iv) of Article 7.
- (c) In terms of Paragraph (viii) of Article 7 of the Articles of Association, the Bank must, prior to an issue of shares to a person other than an existing shareholder under Paragraph (vi)(c) of Article 7 without offering such shares to the holders of existing shares in the manner set forth in Paragraph (iv) of Article 7, obtain approval therefor by way of a special resolution from the holders of shares whose voting and distribution rights would be affected thereby.
- (d) Given that the issue of the New Ordinary Voting Shares will affect (i) the voting and distribution rights of the holders of the existing ordinary voting shares of the Bank and (ii) the distribution rights of the holders of the existing ordinary non-voting shares of the Bank, the approval of the holders of ordinary voting shares and ordinary non-voting shares will be required by special resolution for the Private Placement.

- (e) Accordingly, the Bank may, if approved by the holders of ordinary voting shares and holders of ordinary non-voting shares by special resolution, issue the New Ordinary Voting Shares to ADB, without offering such shares to the existing shareholders of the Company in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders.
- (iii) Compliance with the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, rules of the Colombo Stock Exchange and directives of the Securities and Exchange Commission of Sri Lanka.
- (a) In terms of Section 29 A of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (the "SEC Act"), a listed public company cannot make any issue of securities unless the issue has been approved by the Securities and Exchange Commission of Sri Lanka ("SEC") or any person authorized in that behalf by the SEC. As set out in Circular No. 03/2003 issued by the Colombo Stock Exchange, the SEC has authorized the Colombo Stock Exchange in terms of section 29A of the SEC Act, to approve on behalf of SEC, the issue of securities of listed companies, which will be listed on the Colombo Stock Exchange.
 - (b) The Listing Rules of the Colombo Stock Exchange provides that where shares of a particular class have been listed on the Colombo Stock Exchange further shares of that class cannot be issued by a listed company until the issue and listing of such shares is approved by the Colombo Stock Exchange.
 - (c) The Bank has taken necessary steps to comply with all relevant provisions of the SEC Act and the Listing Rules of the Colombo Stock Exchange in relation to the Private Placement including obtaining the approval, by letter dated 29th September 2016, from the Colombo Stock Exchange for the issue and listing of the New Ordinary Voting Shares.
 - (d) As required in terms of Directive issued by the SEC under Circular No. 08/2010 dated 22nd November 2010 and Circular No. 13/2010 dated 30th November 2010 issued by the Central Depository Systems (Private) Limited (the "CDS"), all New Ordinary Voting Shares, will, upon the issue thereof, be directly uploaded in the securities account of ADB maintained with the CDS.

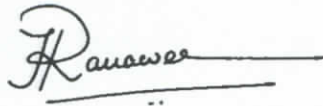
7. EXTRA-ORDINARY GENERAL MEETING

- (i) The above matters which require the approval of the shareholders of the Bank will be taken up at the Extra-Ordinary General Meeting of the shareholders of the Bank to be held on 26th October 2016 as per the attached Notice of Meeting.
- (ii) Shareholders who are unable to attend the meeting in person are kindly requested to complete the enclosed Form of Proxy (in accordance with the instructions specified therein) and deposit it at the Registered Office of the Bank not less than 24 hours before the time appointed for the meeting.

8. DIRECTORS' DECLARATION

The Directors of the Bank collectively and individually accept full responsibility for the accuracy of the information given and confirm having made all reasonable inquiries, that to the best of their knowledge and belief that there are no other facts, the omission of which would render any statement in the Circular misleading.

By Order of the Board
HATTON NATIONAL BANK PLC

A handwritten signature in black ink, appearing to read 'K A L Thushari Ranaweera', is written over a horizontal line. Below the line, there are two small dots.

K A L Thushari Ranaweera (Mrs)
DEPUTY GENERAL MANAGER (LEGAL)/
BOARD SECRETARY

M-55

POSTAGE PRE-PAID

If undelivered please return to :

DGM(Legal)/Company Secretary
HATTON NATIONAL BANK PLC
Legal Department
HNB Towers - Level 18
No: 479, T B Jayah Mawatha
Colombo 10
Sri Lanka