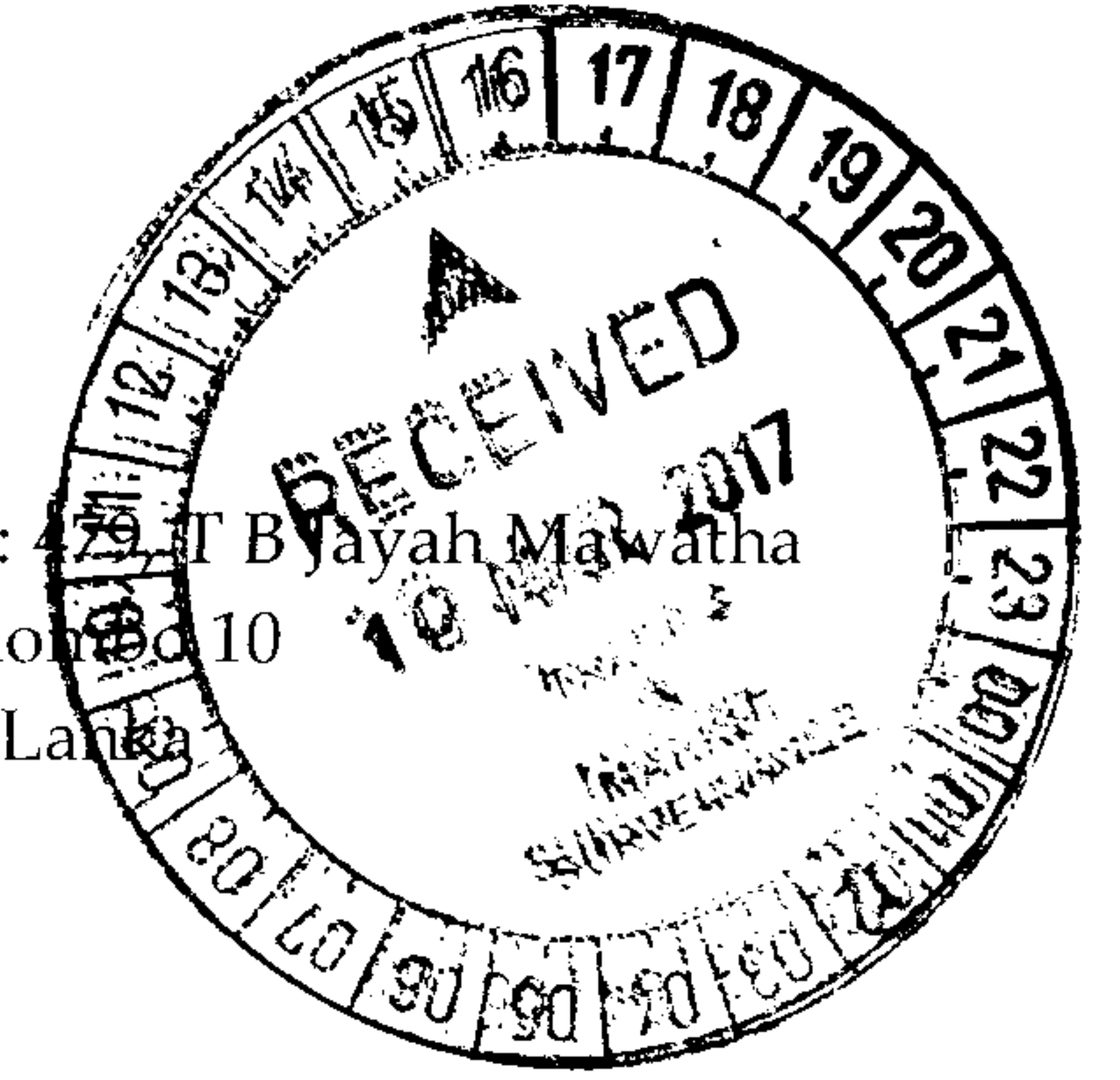




Hatton National Bank

[Reg No: PQ 82]

No: 479 T B Jayah Mawatha
Colombo 10
Sri Lanka



NOTICE OF EXTRA-ORDINARY GENERAL MEETING

NOTICE is hereby given that an Extra-Ordinary General Meeting of the Hatton National Bank PLC (the "Bank") is convened on Monday, the Twenty Seventh (27th) day of March 2017 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 resolution :-

ORDINARY RESOLUTION

IT IS HEREBY RESOLVED THAT, subject to following the process required in terms of the Banking Act No. 30 of 1988 (as amended) and other relevant regulations applicable to appointing a director to Hatton National Bank PLC (the "Bank") including obtaining the approval of the Director of Bank Supervision of the Central Bank of Sri Lanka, Mr Dinesh Stephen Weerakkody be appointed as a Director of the Bank.

By Order of the Board of
HATTON NATIONAL BANK PLC

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

Colombo, Sri Lanka

DATED : 7th March 2017

Handwritten notes:
3/2/17
Pls enclosed
10/03

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

- 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.

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



Hatton National Bank

7th March 2017

[Reg No: PQ 82]

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s,

On 13th February 2017, Hatton National Bank PLC (the "Bank") received a letter whereby a requisition was made under Section 134 of the Companies Act No. 7 of 2007, by Distilleries Company of Sri Lanka PLC, Stassen Exports (Private) Limited and Milford Exports (Private) Limited (hereinafter collectively referred to as the "Requisitioning Shareholders"), who are shareholders of the Bank holding, in aggregate, 10% of the voting rights and 17.91% of the distribution rights of the Bank, to call for an Extra-Ordinary General Meeting (the "EGM").

The requisition to convene the EGM was for the stated purpose of the shareholders of the Bank considering and if, thought fit, passing a resolution for the appointment of Mr Dinesh Stephen Weerakkody as a Director of the Bank.

BACKGROUND

1. The Articles of Association of the Bank states that the number of directors of the Bank must not be less than 7 nor more than 13. Accordingly, the maximum number of directors that can be appointed to the Board of Directors of the Company (the "Board") is 13.
2. Presently, there are 12 Directors in the Board including one Executive Director. All other Directors are Non-Executive Directors.
3. In 2012, the Board decided that one seat would be kept reserved for a potential strategic investor, preferably a foreign party who would bring value to the Board. This decision to reserve a position in the Board of Directors to a strategic partner was observed by the Bank up to date except for a period of 29 days commencing from 30th April 2015 to 29th May 2015, during which period the full Board of 13 Directors functioned. With the resignation of Dr Willie Gamage on 29th May 2015, the complement of the Board of Directors returned to the original position i.e. 12 Directors and the 13th position reserved for a potential strategic partner.
4. The Asian Development Bank ("ADB") agreed to make a significant investment in the Bank subject to terms and conditions set forth in a term sheet dated 23rd September 2016 signed by ADB and the Bank, which also contained the provision to the effect that ADB will have the right to nominate and appoint a director to the Board. The Board, having considered the benefits accruing to the Bank and to the country from ADB's investment in the Bank and considering the importance of having a reputed international investor, agreed in principle to ADB's investment

and for ADB to have a Board seat. The Central Bank and the Government too has been kept informed of the proposed ADB investment and appointing a nominee of ADB to the HNB Board.

5. The investment by ADB and the appointment of the nominee of ADB to the Board was expected to have taken place in November 2016, upon the receipt of approval of shareholders for the issue of shares to ADB at an Extra-Ordinary General Meeting (the "EGM - 2016") which was scheduled to be held on 26th October 2016. An analysis of the proxies received by the Bank for the EGM-2016 revealed that, as at 25th October 2016, 79.60% of the shareholders of the Bank were in agreement in receiving ADB as a shareholder with a holding of up to 9.9%. However, on 26th October 2016, the date of the EGM - 2016, Sri Lanka Insurance Corporation Ltd withdrew its proxies.
6. EGM - 2016 could not be held due to interim orders issued by the Commercial High Court pursuant to a case filed by Stassen Exports (Private) Ltd (one of the Requisitioning Shareholders) restraining the Bank from holding the said EGM - 2016 or taking any steps for the issuance of shares to ADB until the conclusion of the case and as such, the investment by ADB and the appointment of the ADB nominee to the HNB Board did not take place as proposed. However, the Bank has filed an application to vacate the said interim orders and the case is now pending before court and the issue is now sub judice.
7. At its meeting held on 23rd February 2017, in keeping with the provisions of section 134 of the Companies Act No. 7 of 2007, the Board decided to accede to the request of the Requisitioning Shareholders and convene an EGM. However, it was further decided to inform the shareholders that the Board expected the vacant seat to be filled by a nominee of a strategic investor and have identified and agreed that ADB may have a nominee in the Board if it makes an investment.

COMPLIANCE WITH THE LAW

1) Compliance with the Companies Act No 7 of 2007 ("the Companies Act")

(i) Section 134 of the Companies Act states that notwithstanding the provisions in the articles of association of a company, the directors shall on the requisition of shareholders holding not less than 10% of the votes which may be casted on an issue, forthwith proceed duly to convene an extra-ordinary general meeting of the company to consider and vote on that matter. The decision to convene the meeting should be taken within 15 working days from the date of receipt of the requisition and the meeting should be held within 30 working days from the date of the requisition.

(ii) The minimum notice period applicable for an extra-ordinary general meeting for the passing of an ordinary resolution is 10 working days.

(iii) Section 204(2) states that, unless otherwise provided in the articles of association, the directors of a company must be appointed by ordinary resolution. Article 30(iii) of the Articles of Association of the Bank states that a director may be appointed by ordinary resolution passed at a meeting called for that purpose.

(iv) Accordingly, the convening by notice dated 7th March 2017 of an EGM to be held on 27th March 2017, for the purpose of the shareholders of the Bank considering and if, thought fit, passing an ordinary resolution for the appointment of Mr Dinesh Stephen Weerakkody as a Director of the Bank, is in conformity with the provisions of the Companies Act including section 134 thereof.

2) Compliance with the Banking Act No. 30 of 1988 (the "Banking Act")

(i) In terms of the Banking Act, no person can be appointed, elected or nominated as a director of a licensed commercial bank or continue as a director of such bank unless that person is a fit and proper person to hold office as a director of such bank. Section 42(4) of the Banking Act, requires licensed commercial banks to notify the Director of Bank Supervision of the name, address and occupation of each person proposed to be appointed, elected or nominated as a director of the bank before such appointment, election or nomination, for the purpose of the Director of Bank Supervision approving the proposed appointment, election or nomination. A director can be appointed, elected or nominated pending the receipt of the approval of the Director of Bank Supervision provided that such director will cease to hold office if the Director of Bank Supervision refuses to give approval.

(ii) The Bank has accordingly written to the Director of Bank Supervision in compliance with section 42(4) of the Banking Act, informing him of the name, address and occupation of Mr Dinesh Stephen Weerakkody, being the person proposed, in the requisition made by the Requisitioning Shareholders, for appointment as a director of the Bank.

EXTRA-ORDINARY GENERAL MEETING

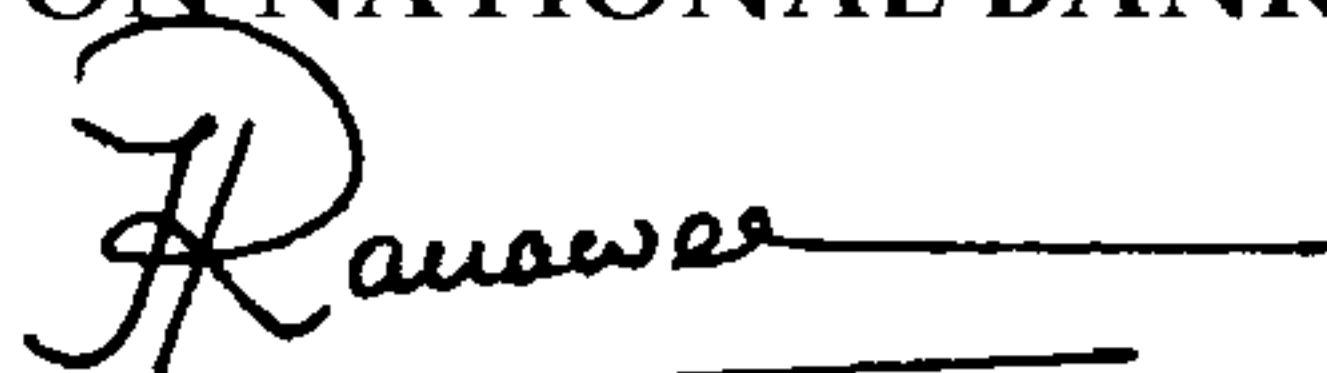
An Extra-Ordinary General Meeting of the Bank is being convened in accordance with the Notice of Meeting attached hereto, for the purpose of passing the ordinary resolution set out therein.

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.

DIRECTORS' DECLARATION

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

By Order of the Board
HATTON NATIONAL BANK PLC



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