



Hatton NATIONAL BANK PLC

Report of the Extra-Ordinary General Meeting held on 30th March 2021

Extra-Ordinary General Meeting (the "EGM") of Hatton National Bank PLC was held on 30th March 2021 immediately after the 52nd Annual General Meeting of the Bank held on the same day at 10.00 a.m., pursuant to the Notice of Meeting and Agenda circulated to the Shareholders on 5th March 2021, copies of which are attached hereto as Annex B for easy reference.

Due to the prevailing situation in the Country and social distancing rules observed, the EGM was conducted as a hybrid meeting at a physical location as well as via an extended teleconference facility for shareholders unable/unwilling to attend the meeting in person, in line with the prevailing health and safety standards.

The shareholder representation recorded on the day of the EGM was as follows:

Mode of Participation	No of Shareholders	No of shares represented
In person	50	397,128
By Proxy	64	303,958,468
Total represented		304,355,596

Total Number of shares eligible to vote – 377 262 280

% of the Total Number of shares represented at the Meeting – 74.17%

Total Number of shares as at the date of the EGM - 410 319 604

No of shares where voting rights are restricted (Stassen Group) - 32 120 110

Total Number of unregistered shares – 937 214

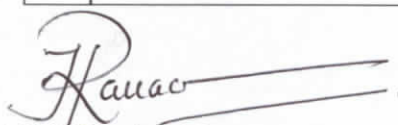
[Eligible no of shares are taken excluding the restricted & unregistered shares]

All resolutions submitted to the meeting under the agenda was decided by majority vote on a show of hand and for the shareholders participating via electronic platform who were able to vote by means of MS Teams – Forms Tool. A poll was not required to be carried out in respect of any of the resolutions. Accordingly, voting and/or decisions of the resolutions submitted to the EGM are as follows:

(i)	<p>Special Resolution No. 1</p> <p>Approval under Rule 2.2.1.(l) of the Listing Rules of the Colombo Stock Exchange (CSE), of the PROPOSED DEBENTURE ISSUE (Special Resolution No. 1 to be passed by Ordinary Voting shareholders)</p> <p>(1) to issue and allot up to a maximum of Seventy Million (70,000,000) Basel III compliant Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures of Rupees One Hundred (LKR100/-) each with a term of up to 10 years with a Non-Viability conversion option to Ordinary Shares with voting rights ("Debentures")</p>	Approved unanimously
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	<p>(2) to issue and allot Ordinary Voting Shares of the Bank to the holders of such Debentures to the extent of the amounts due and payable on such Debentures through a Non-Viability conversion option of the Debentures and issuance of new Ordinary Shares with voting rights to cover the total outstanding under the Debentures in the event the Monetary Board of the Central Bank of Sri Lanka (“CBSL”) considers that a ‘Trigger Event’ has occurred without such shares being in the first instance offered to the then existing ordinary shareholders of the Bank with voting rights pari passu to their shareholding.</p>	
(ii)	<p>Special Resolution No. 2</p> <p>Approval under Rule 2.2.1.(I) of the Listing Rules of the Colombo Stock Exchange (CSE), of the PROPOSED DEBENTURE ISSUE (Special Resolution No. 2 to be passed by Ordinary Non-Voting shareholders)</p> <p>(1) to issue and allot up to a maximum of Seventy Million (70,000,000) Basel III compliant Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures of Rupees One Hundred (LKR100/-) each with a term of up to 10 years with a Non-Viability conversion option to Ordinary Shares with voting rights (“Debentures”)</p> <p>(2) to issue and allot Ordinary Voting Shares of the Bank to the holders of such Debentures to the extent of the amounts due and payable on such Debentures through a Non-Viability conversion option of the Debentures and issuance of new Ordinary Shares with voting rights to cover the total outstanding under the Debentures in the event the Monetary Board of the Central Bank of Sri Lanka (“CBSL”) considers that a ‘Trigger Event’ has occurred without such shares being in the first instance offered to the then existing ordinary shareholders of the Bank with voting rights pari passu to their shareholding.</p>	Approved unanimously


K A L Thushari Ranaweera
Company Secretary


Actg. Chairman

April 29, 2021




MD/CEO

**The disclosure is made Under Code of Best Practice on Corporate Governance – 2017.

Notice of Extra-Ordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Hatton National Bank PLC (the "Bank") will be held at the Auditorium, Level 22, HNB Towers, No. 479, T B Jayah Mawatha Colombo 10 on this 30th day of March 2021 at 11.00 in the forenoon, or immediately after the conclusion of the Annual General Meeting ("AGM") of the Bank to conduct the following business:

To consider and if thought fit to pass the following Resolutions as Special Resolutions:

1. Approval under Rule 2.2.1.(l) of the Listing Rules of the Colombo Stock Exchange (the "CSE"), of the PROPOSED DEBENTURE ISSUE (Special Resolution No. 1 to be passed by Ordinary Voting Shareholders)

THAT THE BOARD OF DIRECTORS (THE "DIRECTORS") OF HATTON NATIONAL BANK PLC (THE "BANK") BE AND ARE HEREBY AUTHORIZED

1. To issue and allot up to a maximum of Seventy Million (70,000,000) Basel III compliant Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures of Rupees One Hundred (LKR100/-) each with a term of up to 10 years with a Non-Viability conversion option to Ordinary Shares with voting rights ("Debentures") subject to Banking Act Direction 01 of 2016 dated 29.12.2016 and the Banking Act Direction No 11 of 2019 dated 20.12.2019 issued by the Central Bank of Sri Lanka, the laws and regulations of the Colombo Stock Exchange and the Securities Exchange & Commission of Sri Lanka, the Companies Act of Sri Lanka and such other applicable laws and regulations.
2. to issue and allot Ordinary Voting Shares of the Bank to the holders of such Debentures to the extent of the amounts due and payable on such Debentures through a Non-Viability conversion option of the Debentures and issuance of new Ordinary Shares with voting rights to cover the total outstanding under the Debentures in the event the Monetary Board of the Central Bank of Sri Lanka ("CBSL") considers that a 'Trigger Event' has occurred and has deemed it appropriate that the total outstanding of the Debentures being converted to ordinary voting shares of the Bank (ranking equal and pari passu with the existing ordinary voting shares of the Bank) in the best interest of the Bank, without which the Bank would become non-viable. The consequent conversion of the Debentures to ordinary voting shares and issuance of new ordinary voting shares to cover the total outstanding under the Debentures is required under the Banking Act Direction No. 1 of 2016 dated 29.12.2016 (as may be amended from time to time), and that the issue price for such conversion ("conversion price") to ordinary voting shares shall be the Volume Weighted Average Price ("VWAP") of an ordinary voting share of the Bank during the three (03) month period (The calculation of the VWAP would be based on the simple average of the daily VWAP of an ordinary voting share as published by the Colombo Stock Exchange during the said 3 month period), immediately preceding the date on which the CBSL has determined as aforesaid and that such shares be offered to the holders of the Debentures on the aforesaid basis in lieu of the amounts due and payable on the Debentures without such shares being in the first instance offered to the then existing ordinary shareholders of the Bank with voting rights pari passu to their shareholding.

In the event the conversion price based on the above VWAP formula at the time of the Trigger Event is low, this would result in a comparatively higher number of ordinary shares (with voting rights) being required to be issued by the Bank which would further dilute the holding percentage of existing shareholders. On the contrary, if a higher VWAP prevails at the time of a Trigger Event, this would result in comparatively low number of ordinary shares (with voting rights) requiring to be issued which would lead to a lesser degree of dilution in the holding percentage of existing shareholders.

The ordinary shares (with voting rights) arising from the conversion of Debentures will be listed in the CSE.

The issuance of the BASEL III compliant Tier 2 debt securities ("the Debentures") and trading of such Debentures in the secondary market is limited to "Qualified Investors".

The proposed BASEL III compliant Debenture Issue is subject to regulatory approvals from the CBSL, the CSE and any other regulatory approvals (as applicable).

In order for the Debentures to be recognized as Tier II Capital of the Bank under BASEL III as detailed in the Banking Act Direction No. 1 of 2016 issued by the Central Bank of Sri Lanka, the Debentures are required to have the following minimum features:

- Issued and fully paid-in cash
 - Subordinated to the claims of depositors and general creditors
 - Neither secured nor covered by a guarantee or any other arrangement that legally or economically enhances the seniority of the claim above the depositors and general creditors of the Bank
 - Prior approval of the Monetary Board is required for inclusion of capital instruments/term debt in Tier II Capital
 - Listed on a recognized Stock Exchange
 - The total approved Tier II Capital instruments/term debt shall not exceed 50 per cent of total Common Equity Tier I Capital
 - Redeemable
 - Of a minimum original maturity of at least 5 years
 - Having an option where, in the event the Monetary Board of the Central Bank of Sri Lanka deeming it appropriate that the Debentures being converted into Ordinary Shares of the Bank (ranking equal and pari passu with the existing Ordinary Shares of the Bank) through issuance of new Shares to cover the total outstanding under the Debentures is in the best interest of the Bank, directs the Bank to convert the Debentures into Ordinary Shares of the Bank (ranking equal and pari passu with the existing Ordinary Shares of the Bank) through issuance of new shares to cover the total outstanding under the Debentures (the Trigger Event above referred to)
 - Neither Bank nor a banking group over which the Bank exercises control or significant influence will purchase the instrument and the Bank will not directly or indirectly fund the purchase of the instrument.
2. Approval under Rule 2.2.1.(I) of the Listing Rules of the Colombo Stock Exchange, Section 99 of the Companies Act No. 07 of 2007 and Article 7 of the Articles of Association of the PROPOSED DEBENTURE ISSUE (Special Resolution No 2 - To be passed by Ordinary Non-Voting shareholders)

THAT THE BOARD OF DIRECTORS (THE "DIRECTORS") OF HATTON NATIONAL BANK PLC (THE "BANK") BE AND ARE HEREBY AUTHORIZED

1. To issue and allot up to a maximum of Seventy Million (70,000,000) Basel III compliant Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures of Rupees One Hundred (LKR100/-) each with a term of up to 10 years with a Non-Viability conversion option to Ordinary Shares with voting rights ("Debentures") subject to Banking Act Direction 01 of 2016 dated 29.12.2016 and the Banking Act Direction No 11 of 2019 dated 20.12.2019 issued by the Central Bank of Sri Lanka , the laws and regulations of the Colombo Stock Exchange and the Securities & Exchange Commission of Sri Lanka , the Companies Act of Sri Lanka and such other applicable laws and regulations.

2. To issue and allot Ordinary Voting Shares of the Bank to the holders of such Debentures to the extent of the amounts due and payable on such Debentures through a non-viability conversion option of the Debentures and issuance of new Ordinary Shares with voting rights to cover the total outstanding under the Debentures in the event the Monetary Board of the Central Bank of Sri Lanka ("CBSL") considers that a 'Trigger Event' has occurred and has deemed it appropriate that the total outstanding of the Debentures being converted to ordinary voting shares of the Bank (rank equal and pari passu with the existing ordinary voting shares of the Bank) in the best interest of the Bank, without which the Bank would become non-viable. The consequent conversion of the Debentures to ordinary voting shares and issuance of new ordinary voting shares to cover the total outstanding under the Debentures is required under the Banking Act Direction No. 1 of 2016 dated 29.12.2016 (as may be amended from time to time), and that the issue price for such conversion (conversion price) to ordinary voting shares shall be the Volume Weighted Average Price ("VWAP") of an ordinary voting share of the Bank during the three (03) month period (The calculation of the VWAP would be based on the simple average of the daily VWAP of an ordinary voting share as published by the Colombo Stock Exchange during the said 3 month period), immediately preceding the date on which the CBSL has determined as aforesaid and that such shares be offered to the holders of the Debentures on the aforesaid basis in lieu of the amounts due and payable on the Debentures without such shares being in the first instance offered to the then existing ordinary shareholders of the Bank with voting rights pari passu to their shareholding.

In the event the conversion price based on the above VWAP formula at the time of the Trigger Event is low, this would result in a comparatively higher number of ordinary shares (with voting rights) being required to be issued by the Bank which would further dilute the holding percentage of existing shareholders. On the contrary, if a higher VWAP prevails at the time of a Trigger Event, this would result in comparatively low number of ordinary shares (with voting rights) requiring to be issued which would lead to a lesser degree of dilution in the holding percentage of existing shareholders.

The Ordinary Shares (with Voting rights) arising from the conversion of Debentures will be listed in the CSE.

The issuance of the BASEL III compliant Tier II Debt Securities ("the Debentures") and trading of such Debentures in the secondary market is limited to "Qualified Investors".

The proposed BASEL III compliant Debenture Issue is subject to regulatory approvals from the CBSL, the Colombo Stock Exchange and any other regulatory approvals (as applicable).

In order for the Debentures to be recognized as Tier II Capital of the Bank under BASEL III as detailed in the Banking Act Direction No. 1 of 2016 issued by the Central Bank of Sri Lanka, the Debentures are required to have the following minimum features:

- Issued and fully paid-in cash
- Subordinated to the claims of depositors and general creditors
- Neither secured nor covered by a guarantee or any other arrangement that legally or economically enhances the seniority of the claim above the depositors and general creditors of the Bank
- Prior approval of the Monetary Board is required for inclusion of capital instruments/term debt in Tier II Capital
- Listed on a recognized Stock Exchange
- The total approved Tier II Capital instruments/term debt shall not exceed 50 per cent of total Common Equity Tier I Capital
- Redeemable

- Of a minimum original maturity of at least 5 years
- Having an option where, in the event the Monetary Board of the Central Bank of Sri Lanka deeming it appropriate that the Debentures being converted into Ordinary Shares of the Bank (ranking equal and pari passu with the existing Ordinary Shares of the Bank) through issuance of new Shares to cover the total outstanding under the Debentures is in the best interest of the Bank, directs the Bank to convert the Debentures into Ordinary Shares of the Bank (ranking equal and pari passu with the existing Ordinary Shares of the Bank) through issuance of new Shares to cover the total outstanding under the Debentures (the Trigger Event above referred to)
- Neither Bank nor a banking group over which the Bank exercises control or significant influence will purchase the instrument and the Bank will not directly or indirectly fund the purchase of the instrument.

3. Modalities of Conducting the Extra Ordinary General Meeting

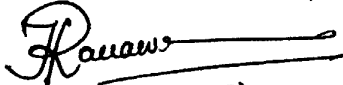
- (1) In the interest of protecting the public health and facilitating compliance with the Health and Safety Guidelines issued by the authorities, the Extra Ordinary General Meeting above said will be held by the participants assembling physically and through audio or audio and visual means in the manner set forth below:
 - (i) The Chairman, certain members of the Board of Directors, the MD/CEO, the Company Secretary, the Bank's Auditor and the Legal Counsel will be assembled at the place/venue specified above;
 - (ii) A maximum of 50 shareholders or such number of shareholders together holding twenty percent (20%) of the issued shares of the Bank, whichever is higher (who registers with the Bank for participation in the Extra Ordinary General Meeting on a first come first serve basis) will also be allowed to assemble physically and participate in the meeting at the place set out in Paragraph (1) above either in person or by proxy;
 - (iii) All shareholders who, on registration as referred to (ii) above, do not get the opportunity to participate in the meeting by assembling physically at the place referred to in Paragraph 3(1) above and shareholders who wish to participate at the meeting remotely through audio or audio and visual means, may participate in the Extra Ordinary General Meeting via MS Teams meeting platform. The shareholders referred to herein who wish to participate at the meeting through audio or audio and visual means should forward their e-mail address to info@hnb.lk not less than 24 hours prior to the time fixed for the meeting to enable the Bank to share the meeting login information.
- (2) All individuals participating at the meeting remotely through audio or audio and visual means are required to identify themselves at the time of voting. Further, Individuals must also identify themselves when speaking at the Extra Ordinary General Meeting during the time allotted for comments by shareholders as directed by the Chairman. At that point, the individual will be required to give his/her name and address for purposes of identification as a shareholder or proxy.

4. PROXIES

- (1) A member 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 member of the Company. The Form of Proxy is enclosed.

- (3) The completed Form of Proxy should be emailed to info@hnb.lk Or 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.
- (4) The Board of Directors encourages that the shareholders appoints an independent director in the Board as their proxy, having marked their preferences in respect of the agenda item(s). This is to avoid potential health issues which could arise in light of the prevailing situation in the Country if the shareholders are to participate at the meeting physically.

By order of the Board
HATTON NATIONAL BANK PLC,



K A L Thushari Ranaweera (Mrs)
Deputy General Manager (Legal)/Board Secretary
Colombo, Sri Lanka.

05th March 2021

SUMMARY OF ARTICLES 22 OF THE ARTICLES OF ASSOCIATION OF HATTON NATIONAL BANK PLC PROCEDURE ON VOTING AND HOW A POLL IS TO BE TAKEN

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
7. 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.
8. 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.