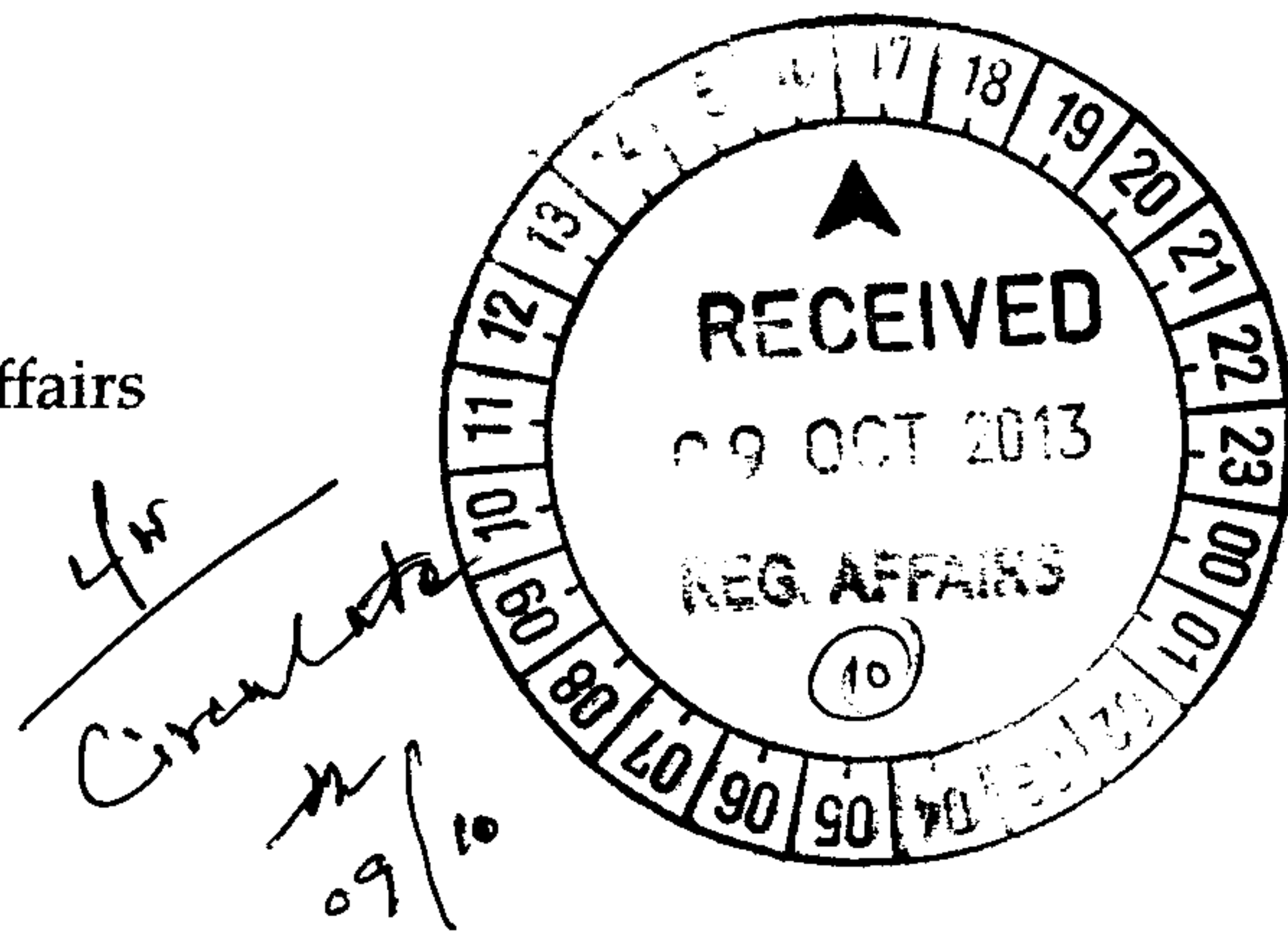




Date : 8<sup>th</sup> October, 2013

Mr Renuke Wijayawardhane  
Asst General Manager - Regulatory Affairs  
Colombo Stock Exchange  
# 04-01 West Block  
World Trade Centre  
COLOMBO 1



Dear Sir

## **ANNOUNCEMENT – SETTING UP OF A FINANCE COMPANY TO CARRY ON MICROFINANCE BUSINESS**

### **Rationale for setting up of a Finance Company**

Hatton National Bank PLC has been involved in rural development and agriculture financing from its inception as a full-fledged Commercial Bank and has been providing financial services to rural Sri Lanka for commercial activities at Micro, Small and Medium level encompassing agriculture, animal husbandry, dairy development, trading and small industries over the decades. Due to large unemployment and under employment and economic disparity and following the island-wide youth unrest experienced in the country during 1988 – 1989, HNB took the initiative to create a programme, under the brand name “Gami Pubuduwa” to enhance financial inclusion in rural Sri Lanka in general, and youth inclusion in particular.

The Gami Pubuduwa, rural / agri-lending, microfinance programme over the last two decades has gained local and international recognition as one of the best means of down scaling commercial banking to create greater financial inclusion. Over the last twenty years, HNB has disbursed loans totalling to over Rs. 27 Bn for more than 150,000 Micro Entrepreneurs across the country, apart from the small and medium agriculture lending, which is very significant. Under the Gami Pubuduwa, HNB has created programmes, initiatives and products to cover the children, youth, migrant workers, women, development of smallholder farmers, farmer entrepreneurs by offering tailor made financial solution and services, in most provinces and also the North and the East since the latter part of 2009.



HNB has now decided to spin-off its small holder agriculture finance and Microfinance programme and operations into a separate financial entity to provide specialized services with a clear focus to reach millions and enhance access to financial services at affordable prices.

The new entity would be set up as a registered finance company with a license from the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2012 and the existing assets and liabilities relating to microfinance smallholder agriculture financing of HNB would be transferred to the new entity subject to the regulatory approvals.

**Approval of the Central Bank of Sri Lanka**

The Central Bank of Sri Lanka has permitted Hatton National Bank PLC to set up the proposed Company initially as a fully owned subsidiary. HNB is proposing to tie up with prospective international investors in time to come.

This information is furnished to you in conformity with the "Corporate Disclosure" provisions under the Listing Rules of the Colombo Stock Exchange.

Yours faithfully

**HATTON NATIONAL BANK PLC**

A handwritten signature in black ink, appearing to read 'Thushari', with a long horizontal line extending to the right.

**Thushari Ranaweera (Mrs)**

**ASST GENERAL MANAGER (LEGAL)/BOARD SECRETARY**

TR/OK