

HNB's LEAD ROLE IN SMALL HOLDER AGRI FINANCE IN SRI LANKA

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- Introduction
- Birth of HNB Small Holder Agri Finance
- Impact Created
- Sustainability
- Conclusion



- Sri Lanka is predominantly an agricultural country where more than 70% of its people live in rural areas who are directly and indirectly involved in agriculture and agri-based activities.
- Due to free education and medical facilities, the country's mortality rate is one of the lowest in the region while the literacy rate is one of the highest among third world countries.
 - Population of the country – 20 Mn
 - GDP per capita - 2009 : US\$ 2,046 (for 2010 expected US\$ 2,404)
 - Literacy Rate – 97%



HNB's Historical Perspective in Agri.Finance



Established in 1888 as 'Hatton Bank' to cater to the flourishing tea industry

In 1970, was renamed Hatton National Bank.

Through internal growth & acquisitions HNB was able to become one of the largest private sector commercial bank in Sri Lanka.



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A Heritage Of Trust Since 1888



Asset Base	-	US\$ 2.638 Bn
Deposits	-	US\$ 1.977 Bn
Advances	-	US\$ 1.705 Bn
No of Employees	-	4281

Bank has a network of

	-	205 customer centers
	-	112 Rural based Micro Banking units
	-	158 Student Banking units
	-	2 representative offices (India & Pakistan)
		7 Exchange Houses in UAE (5) & Oman (2)
ATMs	-	350

Partnering the Progress of the Nation

- Business strategy is aligned with National aspiration for economic growth
- Established subsidiaries to enhance the Bank performance
- High Return on Equity (15%)
- HNB is maintaining the CBSL mandatory requirement for Agriculture sector .



Recognition Nationally & Internationally



**Best Retail Bank in Sri Lanka for performance in
2009 (3 Consecutive years)**

- The Asian Banker Magazine

Best Bank in Sri Lanka 2010

- Euromoney Magazine

Gold Award Winner at the HRM 2010 Award



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Recognition Nationally & Internationally



ACCA Sri Lanka Sustainability Reporting Awards 2009

Business Today Top 10 (2010)

Winner National Best Software Quality Awards 2009,
organized by the British Computer Society (BCS)



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Birth Of HNB's Small Holder Agri Finance



In mid 1970, Key Change of Government and its policies also changed the thinking and the direction of the bank.

HNB was restricted from opening branches in urban cities.

HNB moved into far flung villages and open the doors to the small holder farmer communities.



Finance Is In The HNB's DNA Now

- HNB actively engaged itself in Agriculture Financing almost from its inception.
- In 1973, the Bank in collaboration with a consortium of private sector companies started the first rural village adoption program.
- In 1975, the bank participated in a loan scheme with a leading multi-national Company to assist small holder farmer communities.

Finance Is In The HNB's DNA Now

- In 1979, To facilitate financing farmer communities, the Bank moved to open branches in remote rural areas.
- In 1989, the Bank embarked on a clear strategy to move into microfinance (**“GAMI PUBUDUWA” –Rural Awakening**) specifically targeting the rural farming community.

Key Factors Behind Our Performances



- Our heritage & strong brand name.
- Focus on diversified business avenues with more prominence to the Retail sector.
- Well distributed branch network
- Equipped with necessary technical skills, (Agriculture, Industrial, Legal, Engineering etc)
- Strong partnership between Government & Private sector establishments
- IT platform with on-line real time operation



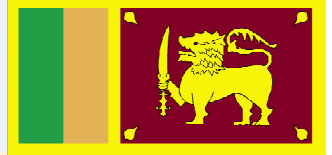
HNB establishes Lead



Role in Small Holder Agri. Finance

- Clear understanding of the agricultural potential in the country
- Empowering the commercialization of Agri Finance (Graduate Farmers to be Entrepreneurs)
- Creating a strong relationship between CBSL & all government stakeholders.
- Establishing of a fully fledged Development Banking Division
- **Creation of Barefoot Bankers**

Creation Of Barefoot Bankers



2008 8 13

Training On Agri Officers











2009 12 8

Play a major role in the on-going revolution we began over twenty years ago.

Back in 1989, we began a movement that changed lives in rural Sri Lanka forever. We named it 'Gami Pubuduwa' or 'Village Reawakening. This novel concept earned praise from the World Bank as a classic in microfinancing. . Gami Pubuduwa' re-defined the phrase 'grass-root levels' and today benefits over 250,000 people from some 50,000 families. We now need to strengthen our team dealing with Agriculture to increase the outreach – and the momentum.



AGRICULTURE FIELD OFFICERS

We have in mind young persons below 35 years with the right degree of dynamism, dedication and determination to take on the job responsibilities: First identifying, then appraising and regularly monitoring agricultural projects of promise. This will necessitate the following prerequisites:

- A Degree in Agriculture from a recognized University and a minimum of one year's post-qualifying experience in the related field.
- A Diploma in Agriculture OR a National Diploma in Agriculture Technology and a minimum of two years' post-qualifying experience in the related field.
- Excellent communication skills in English and Sinhala – or Tamil.
- Leadership qualities
- Clear-thinking analytical and writing skills – especially reports
- A flair for smooth interpersonal relations

Knowledge of Accountancy will be advantageous

Attractive remuneration packages, commensurate with qualifications and experience are on offer.

Applications which should also contain the names and details of two non-related referees, must reach us within ten (10) days of publication of this advertisement. Please note that applications must be routed through www.hnb.net after selecting the option 'Careers at HNB' and using the prescribed format provided.



HNB
Your Partner in Progress



- Cultivation /nurseries
- Farm machinery & equipment
- Dairy farming
- Agro processing
- Food processing
- Fisheries
- Handling of Post harvest
- Transportation of agri products

- Bank has a network of
 - 205 customer centers
 - 112 Microfinance units
 - ATMs - 350
 - 7 Mobile vehicles
- Field strength - 130 field officers



HNB's Lead Role



Largest branch network among the private commercial banks

Second largest private sector asset base.

Most profitable private sector bank in the country

10% of portfolio consists of Agri sector, plans to increase to 20% in the next 3 years.



- Initiated major corporate partnership programs for empowerment of the small holder agriculture farmers.(Markets.)
- Partners will identify prospective small holder farmers and, supply agriculture inputs and advisory services, assist in agro technologies and implement buy back agreements.

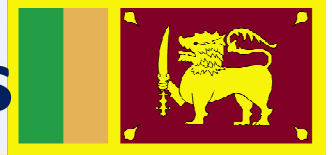
- The Bank will provide financial assistance by promoting credit and drive the approach of building financial literacy and technical know-how.
- Leading top corporate entities as partners:
 - 3 are engaged in Dairy & Agriculture farming and,
 - 2 are large scale supermarket chains







Benefits From the Partnerships



Knowledge and skills of rural farmers in agriculture,

Assist in improving primary and secondary education in rural areas,

Develop a strong out grower network and formulate an agricultural credit program

Generate new employment opportunities

Create awareness for entrepreneurs to move towards new technology, techniques and market opportunities,

Provide opportunities to entrepreneurs to move from subsistence level to commercial level

Improving the living standards



HNB maintains linkages with Government sector entities such as

- Central Bank of Sri Lanka
- Department of Agriculture
- Department of Animal Production and Health
- Coconut Research Institute & Coconut Cultivation Board
- Tea Research Institute
- Paddy Research Institute
- National Aquatic Resources Authority



Technology Employed



On line evaluation

Single core-banking system.

Mobile vehicle with on-line facilities.

New initiatives (@ planning stage)

- Market info through mobile phones, mobile phone banking, Agent banking



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The Bank's Agriculture/ Micro Finance programs go hand in hand with the Financial Literacy Programme.

Programme branded as **DIVI SAVIYA** meaning “**Strength to your life through progress of knowledge**” bring the following values to small holders.

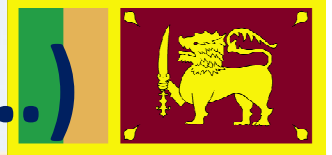
- Financial literacy,
- Technology transfer,
- Personal development,
- Health education



Technical competency on bank Risk Management process and the team right down to branch management through to AO's and FO's

Field level expertise

Corporate Partnerships as Stake holders
(Alternate Risk Transfer- ART)



Graduating small holder farmers to be commercially viable entrepreneurs.

Close monitoring of the growth and set-backs and adherence to quick remedial actions.

Managing disaster situations, arrange possible relief and re-scheduling of facilities when necessary.

Mitigate production risks and market risks through its client training programs and linkages with corporate partners.

	2008 (USD) Mn	2009 (USD)Mn	2010 (USD) Mn
Agriculture Portfolio	41.67	46.78	56.50
Revenue	7.50	8.42	9.04
Financial Expenses	3.33	3.74	2.83
Operating Expenses	2.08	2.34	3.39
Number of Agriculture Borrowers	16,415	17,989	21,627
Portfolio Yield (%)	18	18	16
Average Cost of Funds (%)	12.5	12.3	11.2
Operating Expenses (%)	5	5	6
Loss Ratio (%)	.01	.01	.01
RoA (%)	4.99	5.28	5.47
Gross NPL (%)	6.5	6	5
Portfolio Yield (%)	18	18	16
% of Agricultural Loan Accounts	15	19	19
% Agriculture Portfolio	2.8	3	3.1



Operating Environment



The country is now more focused developing a commercial agriculture framework.

New market has opened for cash crops in the Northern and Eastern provinces.

Government has established a task force for the development of some target sectors. (eg. Dairy, Paddy, Maize etc)

Government is expecting that the agriculture sector growth will be more robust in the next three years.

The Central Bank of Sri Lanka (CBSL) has imposed mandatory lending requirements for the sector by the commercial banks.

More room for capacity building in the agricultural sector.

Sudden changes in government policies on importation of agri products.

The National agriculture policy to be put into a more productive & efficient frame work.

No proper administrative structure since there are many ministries & institutions set up independently for the inter - related agricultural activities.

Political decision for write off agri loans thereby affecting the credit culture.

No proper mechanism for price stability (seasonal & off seasonal abnormal price fluctuations)

Inadequate processing & post-harvest handling (transportation, cold storage, warehousing etc)

Ownership of lands - Majority of the agri lands are own by the Government.

No proper agri insurance mechanism to mitigate the risk on lending.



Creating agricultural entrepreneurship capabilities –
Traditional levels to commercially oriented levels

Eliminating the middle-man intervention with the
partnerships and linkages while reducing risk.

Return on investment- long term (Corporate Patience)

Continuous update on technical know-how for both
entrepreneurs & field staff.

Recruiting of agri experts with passion & talents in fitting
into the rural community.

- Creation of a National Small Holder Finance policy.
- More pragmatic policy for agri lending.
(The current mandatory lending requirement do not benefit small holders.)
- Mechanism to transfer technical know-how from research level to small holder with the objective of enhancing productivity.
- All stakeholders must see the big picture and see eye to eye to **Enhance, Empower & Enrich** Agriculture Small Holders.