

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of Seylan Bank PLC will be held on Tuesday, 11th day of January, 2022 at 11.00 a.m. as an on-line audio-visual meeting with arrangements for the on-line meeting platform made at the registered office of the Company at Seylan Towers, 90 Galle Road, Colombo 3, for the following purpose:

WHEREAS, the Board of Directors (“the Board”) of Seylan Bank PLC (“the Bank”) decided to raise a maximum sum of Rupees Twenty Billion (LKR 20,000,000,000/-) by issuing up to a maximum of Two Hundred Million (200,000,000) Basel III Compliant, Tier 2, Rated, Unsecured, Subordinated, Redeemable Debentures with a feature for Non-Viability Conversion to Ordinary Voting Shares by the Bank (*‘Subordinated Debentures’*) to qualified investors as defined in the Circular to Shareholders accompanying this Notice in the manner explained in the said Circular;

AND WHEREAS in the eventuality of a conversion of the said Subordinated Debentures to Ordinary Voting Shares due to the occurrence of a Trigger Event, as explained in the Circular to Shareholders accompanying this Notice of Extraordinary General Meeting (EGM), approval of the shareholders is required by Special Resolution for the resultant issuance of the Ordinary Voting Shares in terms of Rule 2.2.1.(l) of the Listing Rules of the Colombo Stock Exchange and waiver of the preemptive right entitlement of the Shareholders in terms of Article 4(iv) of the Articles of Association of the Bank and Section 53 of the Companies Act No. 7 of 2007 (as amended).

AND WHEREAS it has become necessary to consider and if thought fit to pass the following as a **SPECIAL RESOLUTION**:

“That the Board of Directors (“the Board”) of Seylan Bank PLC (‘the Bank’ or ‘the Company’) be and is hereby authorized:

1. To issue upto a maximum of Two Hundred Million (200,000,000) Basel III Compliant, Tier 2, Rated, Unsecured, Subordinated Redeemable Debentures with a Non-Viability Conversion to Ordinary Voting Shares by the Bank (**hereinafter referred to as ‘Subordinated Debentures’**) of the par value of Rupees Hundred (LKR 100/-) each amounting to Rupees Twenty Billion (LKR 20,000,000,000.00); and that:
 - (i) the Subordinated Debentures shall be issued by the Bank in one or more issuances during the calendar year, 2022 subject to the maximum of Two Hundred Million (200,000,000) Debentures;
 - (ii) the Subordinated Debentures shall be offered to ‘Qualified Investors’ as defined under the Listing Rule No.2.2.1(m) of the Listing Rules of the Colombo Stock Exchange;

- (iii) the size, the coupon (interest) rate/s, frequency of coupon/s, maturity period/s (tenure/s), issue price in respect of the issue or each issuance as the case maybe shall be determined by the Board;
 - (iv) the minimum tenure or maturity period of the Subordinated Debentures shall be five (05) years;
 - (v) the Subordinated Debentures will be listed on the Colombo Stock Exchange upon issue and allotment and/or in accordance with the requirements of the Central Bank of Sri Lanka for inclusion of the Subordinated Debentures in the Tier 2 Capital of the Bank.
 - (vi) Ordinary Voting Shares of the Bank shall be issued to the holders of Subordinated Debentures to the extent of the amounts due and payable on Subordinated Debentures (i.e. capital sum paid on the Subordinated Debentures plus outstanding interest) in the event the Monetary Board of the Central Bank of Sri Lanka determines that a Trigger Event has occurred;
2. To issue upon the occurrence of a Trigger Event, Ordinary Voting Shares to the holders of Subordinated Debentures in lieu of the amounts due and payable on relevant Subordinated Debentures (i.e. capital sum paid on the Subordinated Debentures plus outstanding interest) at the conversion price that would be determined based on the simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank as published by the Colombo Stock Exchange during the three (03) month period immediately preceding such Trigger Event and which said price mechanism at the point of non-viability conversion is fair and reasonable to the existing shareholders and the Bank;
3. To issue upon the occurrence of a Trigger Event Ordinary Voting Shares to the holders of Subordinated Debentures on the aforesaid basis without such Shares in the first instance being offered to the then existing Ordinary Voting Shareholders or the Ordinary Non-Voting Shareholders of the Bank and such Shares shall rank *pari passu* with the Ordinary Voting Shares then in issue subject to regulatory approvals, namely from the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka being obtained.”

**BY ORDER OF THE BOARD OF DIRECTORS OF
SEYLAN BANK PLC**



(Mrs) N N Najumudeen
Company Secretary

Colombo, 17th day of December, 2021



(Company Registration No. PQ 9)

Seylan Towers, 90, Galle Road, Colombo 3; Tel: 011 2456582, 2456589, 2456594

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s,

ISSUE OF BASEL III COMPLIANT TIER 2 RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES WITH A FEATURE FOR NON-VIABILITY CONVERSION TO ORDINARY VOTING SHARES BY THE COMPANY (SOLELY IF INSTRUCTED BY THE CENTRAL BANK OF SRI LANKA)

We refer to Seylan Bank PLC's ('Seylan Bank' or 'the Bank' or 'the Company') announcement dated 29th October 2021 on the above subject which was published in the website of the Colombo Stock Exchange, informing the decision of the Bank's Board of Directors ('the Board') at the meeting held on 27th October 2021, to raise a maximum sum of Rupees Twenty Billion (LKR 20,000,000,000.00) by issuing up to a maximum of Two Hundred Million (200,000,000) Basel III Compliant, Tier 2, Rated Unsecured, Subordinated Redeemable Debentures with a Non-viability Conversion (hereinafter referred to as 'Debentures' or 'Subordinated Debentures') of the par value of Rupees One Hundred (LKR 100.00).

1. INTRODUCTION

1.1 PURPOSE OF THIS CIRCULAR

The Bank is required to obtain the prior approval of the shareholders for the issuance of Subordinated Debentures, as in the event of there being a 'Trigger Event' as defined in the Banking Act Direction No. 1 of 2016 (as amended) on Capital Requirements under Basel III for Licensed Commercial Banks (LCB) and Licensed Specialised Banks (LSB) [hereinafter sometimes referred to as 'the said Banking Act Direction' or 'Banking Act Direction No.1 of 2016'], the Central Bank of Sri Lanka (CBSL) will instruct the Bank to convert the Subordinated Debentures into Ordinary Voting Shares of the Bank. This is referred to as 'Non-Viability Conversion' in the said Banking Act Direction. Therefore, a Notice of Extraordinary General Meeting (EGM) accompanies this Circular, for the purpose of seeking approval of the shareholders at the EGM in this regard.

Further information on the proposed Subordinated Debenture issue, namely the purpose of a debenture issue, features of the Subordinated Debentures/issue, the relevance of such Debentures to the shareholders in view of the non-viability conversion of the Debentures to Ordinary Voting Shares of the Company in an eventuality, are described in following sections of this Circular.

1.2 ISSUANCE OF DEBENTURES

The proposed issue of a maximum of Two Hundred Million (200,000,000) Debentures of the par value of Rupees One Hundred (LKR 100.00) amounting to a value of Rupees Twenty Billion (LKR 20,000,000,000.00) will be offered/issued in the following manner:

- Offered to the public but limited to 'Qualified Investors' as defined under the Listing Rules of the Colombo Stock Exchange (CSE) and as described under section 3.3 of this Circular.
- The Debentures will be issued by the Bank in one or more issuances during the calendar year, 2022.
- The size of the issuance, coupon (interest) rate/s, frequency of coupon/s, maturity period/s (tenure/s), issue price, etc., will be determined by the Board and notified and published in the prospectus of the issue or each issuance as the case may be prior to the opening of the issue.
- The maturity period (tenure) of the Debenture issue will not be less than five (05) years.
- The Debentures will be listed on the CSE upon issue and allotment and/or in accordance with the requirements of CBSL for inclusion of the Subordinated Debentures in the Tier 2 Capital of the Bank.

1.3 PURPOSE, FINANCIAL AND MARKET RATIONALE FOR ISSUANCE OF DEBENTURES

As published in the Seylan Bank's latest Interim Unaudited Financial Statements for the nine months' period ended 30th September 2021, we wish to inform you that the Bank made a profit of LKR 3.2 Billion (Group profit was LKR 3.3 Billion). Total Equity of the Bank increased from LKR 48.966 Billion as at 31st December 2020 (as per the Audited Financial Statements for the year ended 31st December 2020) to LKR 50.607 Billion as at 30th September 2021 (Group - LKR 53.742 Billion).

The Total Capital Ratio of the Bank reduced from 14.30% as at 31st December 2020 to 13.87% as at 30th September 2021. The decrease was mainly attributed to the reduction of the Common Equity Tier 1 and Total Tier 1 Capital due to the losses on Other Comprehensive Income (OCI) during the first three quarters of the year; the adjustments for Total Capital due to debenture discounts and further, due to the increase in risk weighted assets in view of lending growth during the year.

Even though the said ratio is well within the current minimum regulatory capital requirement of 12.50% applicable for licensed commercial banks other than Domestic Systemically Important Banks as per the Banking Direction No.1 of 2016, based on the periodic review of the Bank's Capital Adequacy Position, the Board recommended that the Bank should take appropriate action to infuse more capital, for an additional buffer so that the Capital Adequacy Ratio of the Bank can be maintained at prudent levels. During the early part of the year 2021, the Bank successfully concluded a Subordinated Debenture Issue totaling to Rupees Six Billion (LKR 6,000,000,000.00), whilst also redeeming a total capital sum of LKR 1,727.72 Million in respect of those Subordinated Debenture Capital issues which matured during 2021. Therefore, it was decided to plan a further issuance of subordinated debentures up to a maximum of Rupees Twenty Billion (LKR 20,000,000,000.00, to be offered for subscription in one or more issuances during the calendar year, 2022

in order to improve the Tier 2 Capital of the Bank and thereby strengthen the Total Capital Ratio of the Bank.

- Please refer sections 2.1 and 2.2 of this Circular for further information on the regulatory minimum capital requirements and Bank's current/expected capital adequacy positions.

The sum raised from the Debentures will be utilized to grow the loans and advances portfolio of the Bank through diverse lending products. The costs associated with the Debentures would be compensated by the income generated from the utilization of the funds raised and the benefits derived from having a strong regulatory capital.

- Please refer section 4.1 for further information on the objectives of the Issue vis-à-vis the utilization of proceeds.

2. CAPITAL ADEQUACY

2.1 CAPITAL ADEQUACY POSITION OF THE BANK

The table below prescribes the minimum capital ratios that are required to be maintained by licensed commercial banks in accordance with the Banking Direction No. 1 of 2016 and the Total Capital Ratios of the Bank as at 31st December 2020 and as at 30th September 2021.

(LCBs which are determined as Domestic Systemically Important Banks (DSIBs) from time to time, are required to maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier I (CET I).

Components of Capital including Capital Conservation Buffer	Regulatory Capital Requirements for licensed banks		Capital Ratios of the Bank	
	Ratio to be maintained by Non-DSIBs <i>(applicable to Seylan Bank)</i>	Ratio to be maintained by DSIBs	Bank's Ratio as at 31 st December 2020	Bank's Ratio as at 30 th September 2021
Common Equity Tier 1	7.00%	7.00%+HLA	11.46%	10.56%
Total Tier 1	8.50%	8.50%+HLA	11.46%	10.56%
Total Capital Ratio	12.50%	12.50%+HLA	14.30%	13.87%

2.2 EXPECTED CAPITAL ADEQUACY RATIO BASED ON BASEL III REQUIREMENTS PURSUANT TO THE PROPOSED SUBORDINATED DEBENTURE ISSUE

The current and estimated Capital Adequacy Ratios (CAR) of the Bank in terms of Basel III as well as the projected CARs in the eventuality of successful subscription and allotment of the following estimated sums of the Subordinated Debentures as at the end of the calendar year 2022, are expected to be as follows:

Components of Capital including Capital Conservation Buffer	Actual CAR As at 30 th September 2021	Estimated CAR As at 31 st December 2021*	CAR position estimated* to be achieved after the Debenture Issue as at 31 st December 2022 based on the assumptions in raising the following sums from the successful allotment of new Subordinated Debentures during the calendar year, 2022		
			LKR 10.0 Billion	LKR 15.0 Billion	LKR 20.0 Billion
Total Tier 1 Capital Ratio	10.56%	11.08%	10.52%	10.52%	10.52%
Total Capital Ratio	13.87%	14.31%	14.53%	15.45%	16.20%
<i>*Estimations include expected credit growth, impact of the current market and economic conditions as well as the impact on capital due to the COVID-19.</i>					

2.3 THE COVID 19 IMPACT ON THE BANK AND ITS BUSINESS OPERATIONS

The socio-economic impact of the COVID-19 pandemic situation has had an impact on the Bank's business over the last one and half years. This was mainly due to limitations in the business activities of its customers due to lockdown/curfews and challenges in the market and economic environment. The impact of the moratoriums and increase in non-performing loans too has had an impact on the profitability of the Bank. Agile strategic planning and execution of strategic decisions were taken by the Bank to respond to the situation and its subsequent impact on Bank's business.

The Bank continued to closely monitor its capital adequacy levels, liquidity and the working capital to balance the cash inflow and outflow measurements. The Bank also accounted for impairment and additional provisions as management overlay based on increase in credit risk and by stress testing the exposures to risk elevated sectors and on facilities which have been continuously under moratorium to address the potential implications of the COVID-19 pandemic and moratorium schemes introduced to support the recovery of the economy. Capital augmentation activities such as debenture issues will help bridge the gaps in generating internal capital while strengthening the long term capital requirement.

The Bank continued its operations by complying with the health and safety guidelines issued by the government's health authorities as well as by the relevant regulators, and ensured health and safety protocols for its staff and customers.

3. FEATURES/REQUIREMENTS FOR THE ISSUANCE OF SUBORDINATED DEBENTURES

3.1 REQUIREMENTS UNDER THE BANKING ACT DIRECTION NO.1 OF 2016 (AS AMENDED) TO QUALIFY THE SUBORDINATED DEBENTURES AS TIER 2 CAPITAL

In order to qualify as Tier 2 capital under BASEL III, the Subordinated Debentures that are being offered by the Bank should have the following minimum features, in terms of the Banking Act Direction No.1 of 2016 (as amended) on Capital Requirements under BASEL III for LCBs and LSBs:

- (a) Issued and fully paid in cash;
- (b) Redeemable and issued subject to a minimum tenure (maturity period) of five (05) years;
- (c) Subordinated to the claims of the depositors and general creditors;
- (d) Unsecured and not covered by a guarantee or any other arrangement that legally or economically enhances a seniority of the claim above the depositors and general creditors of the Company;
- (e) Issued with the prior approval from the Monetary Board for inclusion in Tier 2 capital;
- (f) Should be listed on a recognized stock exchange.
- (g) Total approved Tier 2 capital instruments shall not exceed fifty (50) per centum of total Common Equity Tier 1 capital;
- (h) having the feature to convert the Debentures into Ordinary Voting Shares of the Bank (*ranking equal and pari passu with the then existing Ordinary Voting Shares of the Bank*) without any further approvals from the holders of the Debentures, in the event the Monetary Board determines that a Trigger Event has occurred (*refer section 5.1 – for definition of Trigger Event*);

3.2 LISTING AND REGULATORY APPROVAL

The Debentures allotted will be listed on the CSE upon issue and allotment and/or in accordance with the requirements of CBSL for inclusion of the Subordinated Debentures in the Tier 2 Capital of the Bank and therefore, approval of the CSE in respect of such listing will be sought by the Bank. The Bank will also be seeking approval of CBSL for the inclusion of the Subordinated Debentures as Tier 2 capital upon issuance and allotment.

The Bank will comply with the Listing Rules of the CSE and for such purpose, among other requirements, the proposed Subordinated Debentures will only be offered to 'Qualified Investors' as defined in section 3.3 of this Circular;

3.3 'QUALIFIED' INVESTORS – ELIGIBLE TO INVEST IN BASEL III COMPLIANT SUBORDINATED DEBENTURES

Investment and trading in the Debentures will be limited to Qualified Investors in compliance with Rule 2.2.1(m) of the CSE Listing Rules. The term 'Qualified Investors' for this purpose would mean the following:

- (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended),
- (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended),

- (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund,
- (d) A venture capital fund/ company and private equity company,
- (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act. No 42 of 2011 (as amended),
- (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended),
- (g) A company licensed by the Insurance Board of Sri Lanka to carry on Insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended),
- (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No.7 of 2007,
- (i) An investment trust or investment company,
- (j) A non-resident institutional investor, and
- (k) An individual with an initial investment amount of Rs.5,000,000/- (Rupees Five Million).

3.4 MINIMUM SUBSCRIPTION REQUIREMENT AND ALLOTMENT OF DEBENTURES

The minimum subscription requirement for the Subordinated Debentures by a Qualified Investor other than an individual investor will be LKR 10,000/- (Rupees Ten Thousand), i.e. 100 Debentures. The minimum initial investment for an individual investor for the Subordinated Debentures is LKR 5,000,000/- (Rupees Five Million), i.e. for 50,000 Subordinated Debentures as stated in section 3.3(k) above. Any application in excess of such minimum subscriptions shall be in multiples of 100 Debentures (LKR 10,000/-) thereafter.

It has also been decided by the Board that the Bank shall consider allocating up to seventy five per centum (75%) of the issue value on a preferential basis to Qualified Investors of strategic importance. The Board however, will reserve the right to refuse any application or accept any application or to accept any application in part only, without assigning any reason thereto.

3.5. RATING FOR THE DEBENTURES

The Bank will be obtaining a rating from a Rating Agency for the Subordinated Debentures subsequent to shareholders' approval, but prior to the respective issuance and such rating will be published in the prospectus of the issue or each issue as the case maybe.

4. OBJECTIVES AND UTILIZATION OF THE ISSUE OF DEBENTURES AND DISCLOSURES

4.1 OBJECTIVES OF THE ISSUE OF DEBENTURES

The primary objectives of the issue of the Debentures are:

- (a) to strengthen the Tier 2 Capital base of the Bank as per BASEL III requirements by the issue of subordinated debentures; and
- (b) to meet the current credit demand (loans and advances) of the Bank over a period of twelve (12) months from the date of allotment of the issue or each issue as the case maybe or 31st December 2023 whichever is earlier.

Until such credit demands are fully met, the proceeds would be invested in government securities which are risk free investments. They would be invested at

the current market rates and are expected to generate a return at the rate of approximately 7.0% p.a. to 7.75% p.a.

The monthly average disbursement of funds in loans and advances (excluding overdrafts, revolving imports loans and short term loans) during the quarter ended 30th September, 2021 was approximately LKR 35.48 Billion. It should be mentioned that the Bank experienced a net loan growth of LKR 14.51 Billion during the year 2020 and LKR 34.46 Billion for the nine (9) month period ended 30th September 2021.

4.2 CONTINUOUS DISCLOSURE REGARDING STATUS OF UTILIZATION OF FUNDS RAISED VIA THE DEBENTURE ISSUE AS AT DD-MM-YYYY

The utilization of the proceeds from the Debenture issue will be disclosed in the Interim Financial Statements and the Annual Report of the Bank from the issue opening date of the issue or each issue as the case maybe until the objectives of the Debenture issue with respect to the utilization of the proceeds are achieved. The disclosure would contain the information as per the following template:

Objective Number	1	2
Objective (as per the Prospectus)		
Amount allocated (as per the Prospectus) (LKR)		
Proposed date of utilization (as per the Prospectus)		
Amount allocated from proceeds in LKR (A)		
% of total proceeds		
Amount allocated from proceeds in LKR (B)		
% of utilization against allocation (B/A)		
Clarification if not fully utilized including whether the funds are invested (<i>e.g. whether lent to related party or related parties etc.</i>)		

In the event the proceeds are fully utilized in terms of the objectives (as stated in this circular and will also be disclosed in the prospectus to the issue/s), prior to publishing the Bank's next financial statements, i.e., the Bank will disclose such fact in the immediate succeeding Annual Report or in the Interim Financial Statements, whichever is published first.

The Bank does not intend utilizing any funds from the issue of the Debentures to be provided to related parties. However, in the event the Bank decides to utilize any funds from the issue of the Debentures to related parties, it will ensure compliance in terms of section 9 of the Listing Rules of the CSE.

5. ISSUANCE OF ORDINARY VOTING SHARES UPON THE OCCURRENCE OF A TRIGGER EVENT

5.1 OCCURRENCE OF A TRIGGER EVENT

The proposed Subordinated Debentures are required to be converted into Ordinary Voting Shares of the Company, in the event of there being a 'Trigger Event' as

defined in the Banking Act Direction No. 1 of 2016 (the “said Banking Act Direction”) (“Non-Viability Conversion”).

A “Trigger Event” is defined in the said Direction as a point or event at which the Monetary Board of CBSL determines:

- (a) that the Bank would become non-viable, without a write-down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the said Banking Act Direction; or
- (b) to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable in terms of item 10(iii)(b) of the said Banking Act Direction.

Please refer section 5.5 for further explanation on the conversion referred to above, in the event of a Trigger Event.

5.2 ANNOUNCEMENT UPON THE DETERMINATION AND NOTIFICATION OF A TRIGGER EVENT BY THE MONETARY BOARD

The Debentures would be converted to Ordinary Voting Shares only if the Monetary Board has determined that a Trigger Event has occurred and in such event, the Bank will make a market announcement of such determination and also announce the Bank’s decision to convert the Debentures to Ordinary Voting Shares at the “conversion price” that would be determined and the relevant dates, i.e. ‘cut-off dates’, etc.

5.3 SHAREHOLDERS APPROVAL FOR THE ISSUE OF SUBORDINATED DEBENTURES WITH A NON-VIABILITY CONVERSION TO ORDINARY VOTING SHARES

For the proposed issue of Subordinated Debentures with a Non-Viability Conversion to Ordinary Voting Shares (*which is subject to receipt of principle approval of the CSE in respect of issue of such Subordinated Debentures and in respect of such Ordinary Voting Shares that may be issued in the event there being a ‘Trigger Event’*), shareholder approval is being sought by way of passing a Special Resolution at the EGM being convened in terms of the CSE Listing Rule 2.2.1.(I) and for the waiver of the pre-emptive right entitlement of the shareholders in terms of Article 4(iv) of the Articles of Association of the Bank and Section 53 of the Companies Act No. 7 of 2007 (as amended), to issue a up to a maximum of Two Hundred Million (200,000,000) Debentures of the par value of Rupees One Hundred (LKR 100.00) each amounting to Rupees Twenty Billion (LKR 20,000,000,000.00) in one or more issuances during the year 2022 limited to ‘Qualified’ Investors and to be listed on the CSE upon issue and allotment and/or in accordance with the requirements of CBSL for inclusion of the Subordinated Debentures in the Tier 2 Capital of the Bank.

5.4 APPROVAL FOR THE LISTING OF ORDINARY VOTING SHARES TO BE ISSUED IN THE EVENTUALITY OF A NON-VIABILITY CONVERSION

Upon receiving the approval of the Shareholders at an EGM as aforesaid, and the Board deciding the time, size and tenure of the issuance, issue price, application to list the Debentures along with an application to list the Ordinary Voting Shares that may be issued, will be submitted to the CSE for review and approval of the CSE.

5.5 CONVERSION PRICE RELATING TO THE CONVERSION OF THE DEBENTURES TO ORDINARY VOTING SHARES UPON A TRIGGER EVENT

The Board has resolved that in the event of an occurrence of a Trigger Event, the holders of Subordinated Debentures shall be issued Ordinary Voting Shares of the Bank in lieu of the value of the Debentures. The new Ordinary Voting Shares that may be issued will rank equal and *pari passu* with the then existing Ordinary Voting Shares to the extent of the amounts due and payable on the Debentures (i.e. capital sum paid on the Debentures plus outstanding interest) at an issue price calculated

based on the simple average of the daily Volume Weighted Average Price (“VWAP”) of an Ordinary Voting Share of the Bank (as published by the CSE) during the three (03) month period immediately preceding the date on which the Monetary Board may determine such Trigger Event.

The use of VWAP over a period of three (03) months immediately preceding the Trigger Event as opposed to the use of a share price closer to the Trigger Event smoothens out price fluctuations which may occur in the very short run and is therefore more reasonable to both the Bank as well as the holder of the Debentures.

In the event of the VWAP being relatively high this would result in a comparatively lower number of Ordinary Voting Shares being issued to the holders of the Debentures which would cause a lesser degree of dilution in the holding percentage of then existing shareholders. Conversely, if the VWAP is comparatively low it would result in a comparatively higher number of Ordinary Voting Shares being issued to the holders of the Debentures which would dilute the holding percentage of the then existing shareholders to a relatively greater degree.

The Board is of the opinion that the aforesaid price mechanism at which the Subordinate Debentures may be converted to Ordinary Voting Shares (in an eventuality), is fair and reasonable to the Bank and to all existing shareholders in terms of Section 52 of the Companies Act No. 7 of 2007 (as amended).

5.6 SHAREHOLDING LIMITS EXCEEDING REGULATORY THRESHOLD

In the event of the conversion resulting in a particular holder of Subordinated Debentures exceeding the shareholding limits imposed by the Monetary Board, the Bank would seek prior approval from the Monetary Board prior to the conversion of the Subordinated Debentures to Ordinary Voting Shares.

5.7 ALLOTMENT OF ORDINARY VOTING SHARES TO HOLDERS OF THE DEBENTURES IN THE EVENT OF AN OCCURRENCE OF A TRIGGER EVENT

Upon the occurrence of a Trigger Event, the Bank shall be required and entitled without further approval of the holders of the Debentures to issue and within twenty (20) days to allot Ordinary Voting Shares of the Bank ranking equal and *pari passu* with the then existing Ordinary Voting Shares up to the capital value of the Debentures and the outstanding Debenture interest at an issue price as morefully described in section 5.5 above. In the event of any holder of the Debentures being entitled to a fractional allotment of an Ordinary Voting Share on such issuance and allotment, the Bank shall settle such sums in cash, based on the issue price of such share within fourteen (14) market days from the date of allotment of the said Ordinary Voting Shares.

If there is an issuance of Ordinary Voting Shares to the holders of the Debentures upon the occurrence of the Trigger Event, a holder of Debentures would cease to be a holder of Debentures and would become a shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with the then existing Ordinary Voting Shareholders with voting rights after the date of allotment of new shares.

6. BENEFITS OF THE ISSUE OF THE DEBENTURES TO THE BANK AND TO THE SHAREHOLDERS

The issue of the Debentures would result in the following benefits:

- The conversion of the Debentures to shares upon the occurrence of a Trigger Event will improve the viability of the Bank since the conversion would result in additional Tier 1 capital and a consequent improvement in the capital adequacy ratios as per the capital requirements under BASEL III.
- Reduction of the Debenture liability of the Bank will reduce the strain on the assets of the Bank in the event of a liquidation arising from the payment of fixed-sum debt obligations, i.e. more assets leftover for distribution to the shareholders though on a diluted basis, since there would be more ordinary voting shares in issue arising from the conversion.
- With the reduction of the interest bearing liabilities as stated above, financing cost will be reduced and thereby improve the bottom line of the Bank.

7. RISKS RELATING TO THE ISSUE OF THE DEBENTURES

The issue of the Debenture would result in the following risks to the shareholders:

- Dilution of shareholding held by the existing shareholders which nevertheless cannot be determined at this point due to the following:
 - The number of shares to be issued due to a conversion would be determined by the 'conversion price' upon the occurrence of the Trigger Event.
 - The extent of dilution will be determined by how many shares are in issue at the time of such a conversion. The number of shares in issue may vary during the tenure of the Debentures due to issuance of new shares by way of scrip dividends, shares issued by way of capitalization of reserves or rights issues.
- In the event of the conversion a particular holder or holders of Debentures may hold a larger number of Ordinary Voting Shares of the Bank (subject to the approval being sought by the Bank and granted by the Monetary Board prior to the conversion) which would alter the proportions held by the Ordinary Voting Shareholders and may have implications on the Bank and the other shareholders.

8. RISKS ASSOCIATED WITH THE OBJECTIVES STATED

8.1 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES STATED

There are no specific risks associated with the objectives stated, as dependence of proceeds of the issue to achieve the objective of advance growth is marginal since the Bank in the ordinary course of business has access to multiple sources of funds such as different types of deposits and borrowings.

In deploying these funds, the Bank's internal procedures ensure a rigorous assessment of the credit applicants' credit worthiness, ability for repayment through

realistic projected cash flows, collaterals, etc., close monitoring of repayment of loans, etc. All these ensure that the associated credit risk is mitigated.

8.2. RISK FOR NOT BEING ABLE TO INVEST THE FUNDS RAISED WITHIN THE SPECIFIED TIMELINES SUBSEQUENT TO RAISING FINANCE

Based on past experience, there is strong growth in the advances portfolio of the Bank. As such, there is no specific risk for the Bank not being able to invest the funds

raised within the specified timelines to meet the key objective of credit lending. However, the proceeds would be invested in government securities which are risk free investments until they are utilized for lending purposes. They would be invested at the interest rates prevailing at such time in the market.

8.3 IN THE EVENT OF AN UNDER SUBSCRIPTION OF THE DEBENTURES

The Tier 2 capital adequacy envisaged to be met from this issue will support the above mentioned growth of the Bank. In the event the objective of raising Tier 2 capital is not achieved fully, the Bank would have to restrict itself to a slower growth in the future. However, the Bank would be able to supplement this requirement to a certain degree with retention of expected profits. However, the risk of under subscription of the Debenture issue will be greatly mitigated by the attractive returns offered on the Debenture and the strong financial performance of the Bank as the issuer.

In the event the Debenture issue is not fully subscribed or if the time lines are changed if thought fit by the Bank, no further shareholder approval will need to be sought.

8.4 IN THE EVENT THE BANK DOES NOT UTILIZE THE FUNDS FOR THE STATED OBJECTIVES

In the event the Bank does not utilize the funds raised for the stated objectives and proposes to utilize the same for another objective or objectives, it will issue an announcement to that effect and take steps to seek shareholder approval prior to such utilization.

9. REDEMPTION OF DEBENTURES

The Debentures issued will be redeemed at the end of the tenure of the Debentures (date of redemption) which will not be less than five (5) years from the date of allotment of the issue or each issue as the case maybe unless a Trigger Event as morefully described in this Circular occurs prior to such date.

10. EXTRAORDINARY GENERAL MEETING

An EGM is scheduled to be held on Tuesday, 11th January 2022 at 11.00 a.m. to give effect to the matters set out in the Notice of Meeting forwarded with this Circular, i.e. to seek approval of the Shareholders for the proposed issue of Subordinated Debentures by way of a Special Resolution for the issue of Ordinary Voting Shares in the eventuality of conversion of the Subordinated Debentures to Ordinary Voting Shares due to the occurrence of a Trigger Event and the waiver of the pre-emptive rights entitlement of the Shareholders of the Bank in terms of Article 4(iv) of the Articles of Association of the Bank and Section 53 of the Companies Act No. 7 of 2007 (as amended).

If you are unable to attend the EGM, you are entitled to appoint a proxy to attend the EGM on your behalf. If you are appointing a proxy, please complete and send the attached Form of Proxy to the Company Secretary at the registered office of Seylan Bank PLC, Seylan Towers, No. 90, Galle Road, Colombo 03, not less than 48 hours before the time appointed for the holding of the EGM.

**BY ORDER OF THE BOARD OF DIRECTORS OF
SEYLAN BANK PLC**



(Mrs) N N Najumudeen
Company Secretary

Colombo, 17th day of December, 2021

NOTES AND INSTRUCTIONS TO SHAREHOLDERS

VIRTUAL EXTRAORDINARY GENERAL MEETING OF SEYLAN BANK PLC

We wish to inform you the following in respect of the Extraordinary General Meeting (EGM) to be held via a virtual platform (on-line by audio-visual means):

- a) Article 45 of the Articles of Association of Seylan Bank PLC (the Company) provides that a general meeting may determine its own procedure (to the extent it is not governed by the provisions in the Articles).
- b) The Board of Directors ('the Board') decided that the EGM of the Company scheduled to be held on Tuesday, 11th January 2022 at 11.00 a.m. as a virtual meeting (on-line/via audio-visual means) with arrangements for the virtual meeting platform made at the registered office of the Company. The virtual meeting platform is in the interest of safeguarding public health and complying with the health and safety guidelines issued by the authorities in view of the COVID-19 pandemic situation.
- c) The Chairman, certain members of the Board, the Company Secretary will be present in person at the registered office for the conduct of the virtual (on-line) EGM. Other members of the Board, key management members of the Company, and any other invitees including the Auditors and the Lawyers will participate virtually (on-line).
- d) **Shareholders who wish to participate in the EGM virtually** (on-line), should ensure that he/she or, his/her proxy holder has the Microsoft Teams App downloaded in his/her smart phone or on his/her laptop/desktop computer if he/she intends to join the Virtual EGM via such devices, namely, the **"Microsoft Teams Mobile App"** in his/her smart phone and similarly, the **"Microsoft Teams Desktop App"** in his/her desktop computer, through compatible web browsers (Google Chrome; Microsoft Edge) via a desktop computer.

Shareholders are requested to email to: egm2022@seylan.lk their requests to join the Virtual EGM, by forwarding to the Company Secretariat of the Bank, the information requested in the form accompanying the Notice of EGM. "SEYLAN EGM 2022" shall be the subject of the email. The email should be received by the Company Secretariat 48 hours prior to the time scheduled for the EGM. On receipt of the shareholder's information, the Company Secretariat will email the log in information to the shareholder concerned.

- e) **Shareholders who wish to appoint a Proxy to participate in the EGM** – shall forward the duly completed Form of Proxy accompanying the Notice of EGM addressed to the Company Secretary and posted or hand delivered to the registered office of the Company at Seylan Towers, No. 90, Galle Road, Colombo 03. It can also be scanned and emailed to, egm2022@seylan.lk (*with the email subject titled "SEYLAN EGM PROXY"*) or faxed to fax number 011-2452584, not later than 48 hours before the time appointed for the holding of the EGM.

- f) **Option to appoint any member of the Board as a Proxy** – A shareholder may opt to appoint a member of the Board of Directors as the proxy holder to represent such shareholder at the EGM, by completing the Form of Proxy accordingly (in which event, proxy holder email address will not be applicable).
- g) **Questions and Queries** - Shareholders may send in their questions or queries on the matters listed in the Notice of EGM to email address: csy@seylan.lk or by fax number 011-2452584 addressed to the Company Secretary, Seylan Bank PLC. We request the shareholders to mention their full name, National Identity Card Number; telephone number and email address in such communications and the subject titled “EGM Queries”.
- h) Documents (requests/information for on-line registration, Form of Proxy, questions/queries) received later than 48 hours before the time appointed for the meeting will not be accepted.
- i) At the EGM, the Chairman of the meeting will deal with questions/comments which are relevant to the agenda item in the Notice of EGM.
- j) **Voting on the Resolution listed in the Notice of EGM** - Ordinary shareholders with voting rights could vote their preference on the Resolution and, procedure/s with regard to same will be explained at the EGM.
- k) The date fixed for the EGM will not be affected even if a public holiday is declared or curfew is imposed on such date since arrangements will be in place to proceed via an on-line platform.

OUTLINE OF THE REGISTRATION/PARTICIPATION PROCESS FOR THE VIRTUAL EGM

1. The information (name, national identity card number/CDS account number, etc.) received of a shareholder in his/her request to register for the above, should tally with the information in the Register of Shareholders. If the Company is satisfied with the request and supporting documents, it will accept such request for registration for participation at the EGM and will forward an email confirmation acknowledging the registration.
2. The shareholders and proxy holders whose on-line participation requests have been accepted will receive a separate email containing the Microsoft Teams meeting link/web-link from the Company, twenty-four (24) hours prior to the commencement of the EGM together with further instructions/guidelines. If the Shareholder has appointed a valid Proxy, such email with instructions/guidelines will be forwarded to the relevant Proxy holder.
3. Shareholders/proxy holders are required to click on the Microsoft Teams Meeting link and click on “JOIN” which will be prompted on the screen for the shareholders to join the Virtual EGM. An authorized officer of the Bank will allow you to enter the Virtual EGM.

It is recommended that the Shareholders / Proxy holders complete the process outlined above and join the EGM at least five (05) minutes before the start of the EGM.

4. Shareholders/ Proxy holders are given the opportunity to raise your questions/concerns verbally (within a given time slot) via the 'Raise Hand' option. Once your name is called upon by the Chairman you can unmute the microphone and raise your questions/concerns.
5. When declaring the voting on the resolution, Chairman will take into account the voting of the Shareholders/ Proxy holders participating virtually. Thirty (30) seconds will be allocated for Shareholders / Proxy holders to cast your vote in respect of the resolution by clicking the 'raise hand' option or by typing 'YES' on the chat box.
6. In a situation where a poll is demanded, shareholders are required to vote on the poll, a mechanism similar to that referred to for voting, will be applicable. This will be moderated by the Chairman of the meeting.

<p>It is advised to check the online EGM access at least 3 hours prior to the meeting and also ensure that your devices have an audible sound system so that you could participate in the EGM without any inconvenience.</p>
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XXX

Extraordinary General Meeting

FORM OF PROXY

I/We*
of
being a shareholder/s of Seylan Bank PLC hereby appoint
Mr/Mrs/Miss*
(N.I.C.No.....) of
..... **or failing him/her**

Mr Wadugamudalige Marius Ravindra Srilal Dias of Colombo 05, whom failing
Mr Waduthanthri Darshan Kapila Jayawardena of Battaramulla, whom failing,
Ms Miriam Coralie Pietersz of Battaramulla, whom failing,
Mr Kapila Prasanna Ariyaratne of Colombo 03, whom failing,
Mr Srikumaradas Viran Corea of Dehiwela, whom failing,
Mr Anushka Sheran Wijesinha of Colombo 05, whom failing
Ms Sandya Kumari Salgado of Panadura, whom failing
Mr Don Manuwelge Don Krishan Thilakaratne of Battaramulla, whom failing
Mr Darshan Ravindra Abeyesuriya of Rajagiriya
Mr Dissanayake Mudiyanseelage Rupasinghe of Kadawatha

as my/our* Proxy to represent me/us* on my /our* behalf at the Extraordinary General Meeting of the Company to be held on Tuesday, 11th January 2022 and at any adjournment thereof.

The following to be completed by Ordinary Voting Shareholder/s only

I/We* the undersigned hereby authorize my/our* Proxy to vote for me/us* and on my/our* behalf in accordance with the preferences as indicated below:

	(**)	FOR	AGAINST
To pass as a Special Resolution authorizing the Board of Directors of Seylan Bank PLC to issue Basel III Compliant, Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable Debentures with a Non-viability Conversion as set out in the Notice of Extraordinary General Meeting.		<input type="checkbox"/>	<input type="checkbox"/>

.....
Signature/s of Shareholder/s **Shareholder/s' N.I.C/Co. Reg. No.**

Signed this day of, 20..
(*Please delete the inappropriate words)
(**Please mark your preference with an "X")

Notes and Instructions as to the completion of the Form of Proxy are noted on the reverse hereof.

INSTRUCTIONS FOR THE COMPLETION OF FORM OF PROXY

1. *In terms of Article 63 of the Articles of Association of the Company the instrument appointing a proxy shall be in writing and*
 - a) *in the case of an individual be under the hand of the shareholder or his attorney or*
 - b) *if such shareholder is a company or corporation either under its common seal or under the hand of an officer or attorney authorized in that behalf in accordance with its Articles of Association or constitution.*

In terms of Article 69, a company or corporation being a member of the Company may appoint any of its officers or any other person to be its representative or proxy at any meeting or meetings of the company and any person so appointed shall be entitled to be present and vote and exercise all other powers in regard to any such meeting on behalf of the company or corporation which he represents as if he were a member holding the shares of such company or corporation.

The Company may, but shall not be bound to require evidence of the authority of any such attorney or representative officer.

2. *The full name and address of the shareholder should be filled in legibly on the form of proxy together with the National Identity Card Number /Passport/Company Registration Number (as applicable).*

Please indicate with an 'X' in the space provided as to how your proxy is to vote on the Resolution. If no indication is given, the proxy shall exercise his/her discretion and vote as he/she thinks fit.

3. *The completed Form of Proxy together with the requested information in the following table should either be :*
 - (i) *Addressed to the Company Secretary of Seylan Bank PLC and posted or hand delivered to the registered office of the Company at Level 15, Seylan Towers, No. 90, Galle Road, Colombo 03 OR,*
 - (ii) *Scanned and e-mailed to the e-mail address : egm2022@seylan.lk with the e-mail subject titled "SEYLAN EGM PROXY" or faxed to fax number 011-2452584;*
not later than 48 hours before the time appointed for the holding of the Meeting.
4. *If the Form of Proxy has been signed by an attorney, a certified copy of the Power of Attorney certified by a Notary Public should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.*
5. *If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.*

6. In addition to the completion of the Form of Proxy, the shareholder appointing a proxy shall complete the following details of shareholder and proxy holder and dispatch same together with the Form of Proxy, forty-eight (48) hours prior to the time fixed for the EGM as per the instructions given in 3 above.

CDS Account Number of the Shareholder(s)	
National Identity Card Number (NIC) of the shareholder	
Shareholder's contact number/s	Land line (residence/work): Mobile:
Email address of the proxy holder (on-line meeting link will be forwarded by the Company to such email)	
Proxy holder's NIC number:	

Please also read the enclosed detailed Notes and instructions to shareholders on the virtual AGM/on-line registration procedure, logging-in process, etc.

PARTICIPATION AT THE EXTRAORDINARY GENERAL MEETING (AGM)

Shareholders who wish to participate in the EGM virtually (on-line) are requested to email the following information to egm2022@seylan.lk with the email subject titled "SEYLAN EGM 2022".

Details of shareholder		
1. Full name		
2. Address		
3. National Identity Card number/ Company Registration number		
4. CDS Account number		
5. Contact number	Land line (residence/work):	Mobile:
6. Email address of shareholder (on-line meeting link will be forwarded by the Company to such email)		