

**Investment Banking Division**

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1<sup>st</sup> July 2021

Mr Renuke Wijayawardhane  
Chief Regulatory Officer  
Colombo Stock Exchange  
Level 4, West Tower  
World Trade Centre, Echelon Square  
Colombo 01

Dear Sir,

**ISSUE OF LKR 3.0 BILLION BASEL III COMPLIANT, RATED, UNLISTED, UNSECURED, SUBORDINATED, PERPETUAL, ADDITIONAL TIER 1 CAPITAL BONDS WITH NON-VIABILITY FULL AND PERMENENT WRITE DOWN FEATURES BY WAY OF PRIVATE PLACEMENT WITH AN OPTION TO INCREASE UP TO LKR. 8.0 BILLION IN THE EVENT OF OVER SUBSCRIPTION**

We write to inform that the Board of Directors of Bank of Ceylon has decided to issue Basel III Compliant, Rated, Unlisted, Unsecured, Subordinated, Additional Tier 1 (AT1) Capital Perpetual bonds with the under mentioned salient features.

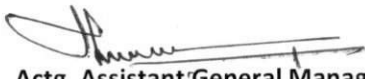
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|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Listing</b>                      | The Bonds are Unlisted (will not be listed on the CSE or any other Exchange)                                                                                                                                                                                                                                                      |
| <b>Number of Bonds to be issued</b> | An initial issue of Thirty Million (30,000,000) Basel III Compliant, Rated, Unlisted, Unsecured, Subordinated, Additional Tier 1 Capital Perpetual Bonds with an option to issue up to a further Fifty Million (50,000,000) of said Bonds at the discretion of the Bank in the event of an over subscription of the initial issue |
| <b>Amount to be Raised</b>          | A sum of up to Sri Lankan Rupees Three Billion (LKR 3,000,000,000/-) with an option to issue up to a further Sri Lankan Rupees Five Billion (LKR 5,000,000,000/-) at the discretion of the Bank in the event of an over subscription of the initial issue                                                                         |

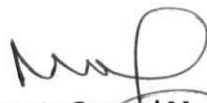
| Details of Bonds                                                                                                                                                                                                                                                              | <table><tr><th>Type of Interest</th><th>Tenure</th><th>Interest Rate</th><th>Interest Payment Frequency</th></tr><tr><td>Floating Rate</td><td>Perpetual</td><td>Weighted Average 12 months Net Treasury Bill rate + 1.50% p.a. with a floor rate of 9.00% p.a.</td><td>Annually</td></tr></table>                                                                                                                                                                                                                             | Type of Interest | Tenure                                                                                         | Interest Rate              | Interest Payment Frequency | Floating Rate | Perpetual | Weighted Average 12 months Net Treasury Bill rate + 1.50% p.a. with a floor rate of 9.00% p.a. | Annually |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------|----------------------------|----------------------------|---------------|-----------|------------------------------------------------------------------------------------------------|----------|
|                                                                                                                                                                                                                                                                               | Type of Interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Tenure           | Interest Rate                                                                                  | Interest Payment Frequency |                            |               |           |                                                                                                |          |
|                                                                                                                                                                                                                                                                               | Floating Rate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Perpetual        | Weighted Average 12 months Net Treasury Bill rate + 1.50% p.a. with a floor rate of 9.00% p.a. | Annually                   |                            |               |           |                                                                                                |          |
| Interest payment frequency is annually at the expiry of every one-year period from the date of allotment of the Bonds, subject to the conditions described under sections 7 to 9 of item 20.2.2.1.1.1 of the Web Based Return Code of the Banking Act Direction No.1 of 2016. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Issue Rating                                                                                                                                                                                                                                                                  | [SL] AA (hyb) with Negative Outlook by ICRA Lanka Ltd                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Issue Price / Par Value                                                                                                                                                                                                                                                       | LKR 100/- per each Bond                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Minimum subscription                                                                                                                                                                                                                                                          | <p>The minimum subscription requirement for a Qualified Investor shall be Sri Lankan Rupees One Million (LKR 1,000,000/-).</p> <p>Provided however, the minimum subscription requirement for an individual investor shall be Sri Lankan Rupees Fifty Million (LKR 50,000,000/-)</p> <p>Any Application in excess of the minimum subscription requirement shall be in multiples of Sri Lankan Rupees One Million (LKR 1,000,000/-)</p>                                                                                          |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Redemption                                                                                                                                                                                                                                                                    | These Bonds are irredeemable, subject to the Call Option mentioned below.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Call Option                                                                                                                                                                                                                                                                   | These Bonds may be callable by the Bank at its discretion at any time after the expiry of five (5) years from the date of issue, subject to the approval of the Monetary Board of Central Bank of Sri Lanka (CBSL) and other conditions described under section 5 of item 20.2.2.1.1.1 of the Web Based Return Code of the Banking Act Direction No.1 of 2016                                                                                                                                                                  |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Write-down Mechanism                                                                                                                                                                                                                                                          | In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Monetary Board of Central Bank of Sri Lanka, there would be a full and permanent write-down of Bonds by the Bank without any requirement of approval by the Bond Holders, in compliance with Basel III requirements.                                                                                                                                                                                                              |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Trigger Event                                                                                                                                                                                                                                                                 | <p>Means the earlier of a point at which the Monetary Board of the Central Bank of Sri Lanka determines,</p> <p>a. that the Bank would become non-viable without a write down in terms of item 11(iii)(a) of the Web Based Return Code 20.2.2.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29<sup>th</sup> December 2016; or</p> <p>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 11 (iii)(b) of the said Direction</p> |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |
| Issue Opening Date                                                                                                                                                                                                                                                            | 5 <sup>th</sup> July 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                                                                                                |                            |                            |               |           |                                                                                                |          |

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|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issue Closing Date</b>                   | 6 <sup>th</sup> July 2021 or such earlier date on which; <ul style="list-style-type: none"> <li>• The initial 30,000,000 Bonds are fully subscribed; or</li> <li>• The additional 50,000,000 Bonds or part thereof are subscribed as may be decided by the Bank</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Qualified Investors</b>                  | The issue of Bonds is confined to Qualified Investors who are classified as those applicants that meet one or more of the criterion mentioned below: <ol style="list-style-type: none"> <li>a) A licensed commercial bank within the meaning of the Banking Act No.30 of 1988;</li> <li>b) A licensed specialized bank within the meaning of the Banking Act No.30 of 1988 as amended by Act No.33 of 1995;</li> <li>c) Development Banks;</li> <li>d) Specialized Savings Banks;</li> <li>e) Housing Banks;</li> <li>f) Co-operative Bank Unions, excluding Co-operative Societies;</li> <li>g) A finance company registered under the Finance Companies Act No.78 of 1988;</li> <li>h) A person registered to carry on finance leasing business under the Finance Leasing Act No.56 of 2000;</li> <li>i) Licensed securities dealer or broker acquiring for its own account or acting as agent for or for the purpose of selling to another qualified investor;</li> <li>j) A regulated finance company;</li> <li>k) A registered insurer;</li> <li>l) The trustee or manager of a mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund;</li> <li>m) A Company with net assets of Rs.500,000,000 or more as disclosed in the last audited accounts of the company;</li> <li>n) An individual whose initial investment is Rs.50,000,000 or more.</li> </ol> |
| <b>Trustee to the Issue</b>                 | This bond issue does not have a Trustee. However, bond certificates are issued to the investors under the common seal of the Bank with the signatures of a Director and the General Manager.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Managers and Registrars to the Issue</b> | Investment Banking Division - Bank of Ceylon                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Lawyers to the Issue</b>                 | Chief Legal Officer - Bank of Ceylon                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Bankers to the Issue</b>                 | Corporate Branch - Bank of Ceylon                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

Approvals of the Securities & Exchange Commission of Sri Lanka and Central Bank of Sri Lanka were obtained for the proposed bond issue.

Yours faithfully,

  
**Actg. Assistant General Manager**  
**(Investment Banking)**

  
**Deputy General Manager**  
**(International, Treasury & Investment)**