



CIRCULAR TO THE SHAREHOLDERS

UNION BANK OF COLOMBO PLC (PB 676 PQ)

EXTRAORDINARY GENERAL MEETING

Dear Shareholders,

I. EXTENSION OF THE EXERCISE PERIOD OF THE WARRANTS ISSUED TO CULTURE FINANCIAL HOLDINGS LTD

1. INTRODUCTION

As you are aware, on 30th September 2014, the Company issued 218,281,250 unlisted warrants ("Warrants") to Culture Financial Holdings Ltd ("Culture") with the primary objective of enabling the holder thereof i.e. Culture, to support the future capital requirements of the Company and to meet any regulatory requirements related to minimum capitalization.

As per the terms of issue thereof, each Warrant confers the holder of that Warrant with the right to subscribe to one (1) new ordinary voting share of the Company within a period of six (6) years from issue of the Warrant at a consideration of LKR 16.00 per share. The exercise period for the Warrants accordingly was due to expire on 30th September 2020.

However, Culture made a request to the Company to extend the exercise period of the Warrants until 30th September 2022 and to revise the exercise price of the Warrants to be a price equivalent to the average closing price per share for the five day period that immediately precedes the exercise of Warrants.

As the Company was in compliance with the minimum capital and other prudential requirements imposed by the Central Bank of Sri Lanka ("CBSL") in terms of the Banking Act No. 30 of 1988 and the Company had no expansion or growth plans that required capital infusion until 30th September 2022, the Company approved and on obtaining approval and confirmation of regulatory authorities recommended to you the extension of the exercise period of the Warrants and the revision of the exercise price of the Warrants as aforesaid and you approved same by way of a special resolution passed at the Extraordinary General Meeting on 28th September 2020.

As per the aforesaid approval, the exercise period of the Warrants now falls on 30th September 2022.

2. EXTENSION OF THE EXERCISE PERIOD OF THE WARRANTS

The Company is currently in compliance with the minimum capital and other prudential requirements imposed by the Central Bank of Sri Lanka ("CBSL") in terms of the Banking Act No. 30 of 1988 and further, there are no expansion or growth plans of the Company that require infusion of capital which will fall due before 30th September 2022. Therefore, the Company currently does not have any immediate capital requirement.

In the circumstances, Culture has requested that the exercise period for the Warrants be extended by a further one and a half (1 ½) years (i.e. until 31st March 2024) so that should a need arise, Culture can immediately exercise its right to subscribe to ordinary shares in the Company and bring in the capital that is needed by the Company.

Given that the exercise of the Warrants is a right vested in the holder thereof and not an obligation, the extension of the exercise period will ensure the warrant holder is able to continue to support the Company, in a financially viable manner, with capital, as required.

The Board of Directors of the Company, having considered Culture's request, have decided, subject to obtaining the approval from the regulatory authorities and the shareholders of the Company, to extend the exercise period of the Warrants by a further one and a half (1 ½) years (i.e. until 31st March 2024)

3. APPROVALS AND CONFIRMATIONS FROM REGULATORY AUTHORITIES

3.1 Approvals from the Securities and Exchange Commission of Sri Lanka ("SEC")

By its letter dated 27th August 2014, the SEC conveyed to the Company its decision to grant the approval under section 29A of the Securities Exchange Commission of Sri Lanka Act No. 36 of 1987 (the "SEC Act") for the Company to issue the Warrants to Culture as per the terms and conditions applicable to the Warrants subject to the consent and the approval of the Central Bank of Sri Lanka (the "CBSL") and the shareholders of the Company, respectively. In terms of the said approval, the terms of the issue of the Warrants cannot be changed/varied without the prior approval of the SEC.

Accordingly, the Company noting the approval of the SEC granted on 08th June 2020 for the extension of the exercise period of the Warrants up until 20th September 2022 and the revision of the exercise price of the Warrants, sought the approval of the SEC for the current proposed extension of the exercise period of the Warrants for a period of one and a half (1 ½) years (i.e 31st March 2024) and the SEC by its letter dated 30th June 2022 informed the Company that it has no objection for the extension of the exercise period of the Warrants provided that the Company;

- (i). informs the shareholders and the investors of the rationale for revising the exercise period; and
- (ii). informs the shareholders and the investors of any change to future prospects of the Company arising from the proposed change to the exercise date of the Warrants.

3.2 Confirmation of No Objection from the CBSL

The Company informed the CBSL of the proposed extension of the exercise period of the Warrants as aforesaid and the CBSL has noted the same and did not raise any objection thereto.

4. COMPLIANCE WITH THE LAW

4.1 Compliance with the provisions of the Listing Rules of the Colombo Stock Exchange ("CSE")

Rule 5.10.1(iv) of the CSE Listing Rules provides that the tenure of the warrants to be issued by the Company must not exceed two (2) years from the date of issue. However, the SEC by its letter dated 30th April 2014 waived the application of the Rule 5.10.1(iv) of the CSE Listing Rules in respect of the issue of the Warrants, allowing the Company to issue the Warrants with a tenure of up to six (6) years from the date of the issue and subsequently approved on 8th June 2020 a further extension of the warrants up until 30th September 2022.

As stated in section 3.1 of this Circular, the SEC has informed the Company that it has no objection for the extension of the exercise period of the Warrants until 31st March 2024.

4.2 Compliance with the Companies Act No 7 of 2007 (the "Companies Act")

In terms of section 51(2) of the Companies Act, the Board of Directors has decided to extend the exercise period of the Warrants.

II. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On a recent perusal of the existing Articles of Association of the Company, it was identified that a few provisions therein need to be amended in order to align same with the applicable regulatory and procedural requirements. These provisions and the rationale for the proposed amendments to same are explained below.

1. Proposed amendment to substitute Articles 18A and 46(v) with a new Article 18A

Articles 18(A) and 46(v) of the Articles of Association of the provide for the manner in which the Company shall deal with the acquisition of shares in the Company by any existing or prospective shareholder in excess of the maximum ownership thresholds specified in the Banking Act No.30 of 1988 (as amended) and the Directions issued thereunder. These provisions also empower the Board of Directors and/or the Company Secretary of the Company to monitor the compliance by the shareholders with the said thresholds.

The aforesaid Articles 18(A) and 46(v) however are standalone provisions in the Articles of Association and a close examination thereof reveals that they conflict with each other because Article 18A provides that the Board may at its discretion direct the concerned shareholder/transferee to reduce the number of shares that exceeds the permitted threshold failing which the Bank shall not recognize the same for purposes of voting rights or distributions, whilst Article 46(v) provides that the Board shall direct the concerned shareholder/transferee to sell the excess shares failing which the Company Secretary shall do so on behalf of that shareholder.

Therefore, it is observed that these two provisions could result in an ambiguity as to which of these provisions should be followed by the Company in an instance where a shareholder has acquired shares in the Company in excess of the permitted thresholds.

In the circumstances, it is proposed to incorporate the following new article numbered as 18A in substitution of existing Articles 18(A) and 46(v) thus eliminating the aforesaid ambiguities,

Proposed Article 18A

- “(i) Notwithstanding any other provision to the contrary herein contained, the shares issued by the Company shall be held by shareholders of the Company in accordance with the Statutory Requirements for the time being in force, which may limit the number of shares or the percentage of shares that may howsoever be held by any person in the Company.**
- (ii) For the purposes of Article 18A(i) above, the Company Secretary may conduct such inquiry/inquiries as the Board of Directors may deem fit, into the beneficial ownership of any share/s in the Company, at any time, whether such share/s are held by any person/s or are to be acquired by any person/s.**
- (iii) (a) Upon the direction of the Board of Directors, the Company Secretary may require any shareholder of the Company or a transferee of a share in the Company to disclose by means of a sworn affidavit or by such other means whatsoever as may be necessary as specified by the Company Secretary, all information and other relevant documents that the Company Secretary may deem relevant to ascertain their shareholding in the Company.**

The information required to be disclosed may include particulars of the direct and indirect associations and/or relationships of any other person or entity whomsoever and whatsoever, with the shareholder or the transferee, as the case may be, as to the ultimate beneficial interest in the share.

(b) The Company Secretary may require such a shareholder or transferee to also submit any other documents that the Company Secretary may deem necessary in ascertaining that the ultimate beneficial interest in the share/s is with the person or persons who is or are said to have or seem to have the ultimate beneficial interest in such share/s.

(iv) (a) Whenever the Company Secretary, after making all such inquiries as he/she may consider necessary, is of the opinion that any share/s held in the Company that is registered in its share register in the name of any person whomsoever, including the Central Depository System (CDS), contravenes Article 18A(i) above, the Company Secretary, upon the direction of the Board of Directors, shall issue a notice on such person whose name is so registered, requiring such person to sell the number of shares held by such person in excess of the shareholding permitted under Article 18A(i) above within the time stipulated in such notice.

(b) Whenever the Company Secretary, after making all such inquiries as he/she may consider necessary, is of the opinion that a transferee is acquiring shares contrary to Article 18A(i) above, the Company Secretary as authorised by the Board of Directors shall not enter the name of such transferee in the share register of the Company, in respect of the number of shares purchased by such transferee or the CDS, as the case may be, in excess of the shareholding permitted under Article 18A(i) above.

(v) In the event that a person to whom a notice is addressed by the Company Secretary in accordance with this Article to sell any excess shares within a stipulated time period fails to comply with the said notice, shall be deemed for all intent and purposes of having duly appointed the Company Secretary to immediately act for and on behalf of such person, to sell such excess shares as aforementioned, to take steps to open a securities account at the CDS, to give directions to licensed stock brokers, to sign the transfer form/s and all other documents and to do all other acts whatsoever that are necessary for the sale of the aforementioned excess shares, to receive the sale proceeds thereof for and on behalf of such person and to retain such sale proceeds for collection by such person, less all charges and expenses pertaining to such sale.

(vi) Whenever the Company Secretary is deemed to have been appointed as aforementioned, the said person shall forthwith surrender to the Company Secretary on demand, the share certificate(s) held by him, if the relevant shares are not already deposited in a securities account at the CDS. In the event that he fails to do so, the Board of Directors may order the cancellation of such certificate(s) and issue of a fresh certificate(s) in lieu thereof to the said person for the number of shares such person is entitled to hold in terms of Article 18A(i) above, whereupon the said share certificate shall be deemed to have been cancelled and the said person shall be deemed to have for all intent and purposes consented to the issuance of the fresh certificate(s) in his name.

- (vii) Any person claiming under or through a shareholder or a transferee or any person connected to them shall have no right or claim whatsoever against the Company and/or Board of Directors and/or the Company Secretary regarding the sale of such excess shares, except to receive as aforesaid the net sale proceeds retained by the Company Secretary.
- (viii) For avoidance of doubt, it is expressly stated by this Sub-Article that all the provisions in this Article 18(A) shall apply to persons for whose benefit any shares in the Company are held in trust by the CDS.

2. Proposed Amendment to Article 110

Article 110 of the Articles of Association of the Company provides that the quorum for a Board meeting is at least three directors, two of whom shall be independent non-executive directors.

In terms of the Corporate Governance Directions issued under the Banking Act No.30 of 1988 (as amended), the number of directors on the board should not be less than 7 and not more than 13 and not less than half the directors constituting the quorum for a meeting should be non-executive directors.

Hence, in order to rationalise the quorum requirement for a Board meeting vis-à-vis the composition of the Board, it is proposed that Article 110 of the Articles Association of the Bank be amended to read as follows,

Proposed Article 110

Subject to the Statutory Requirements, the quorum necessary for the transaction of the business of the Directors may be fixed by the Directors from time to time, and unless so fixed such quorum shall be five. A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

The Board of Directors approved the aforesaid amendments to the Articles of Association subject to obtaining the approval of the Central Bank of Sri Lanka (CBSL) and the shareholders for such amendments.

3. Approval from Central Bank of Sri Lanka (“CBSL”)

The Monetary Board of the Central Bank of Sri Lanka by their letter dated 15th March 2022 granted approval in terms of Section 14A of the Banking Act to amend the Articles of Association of the Company as aforesaid subject to obtaining the approval of the shareholders for same.

4. Compliance with the Companies Act No.7 of 2007

The proposed amendment to the Articles of Association is in compliance with section 15 of the Companies Act.

III EXTRAORDINARY GENERAL MEETING

Accordingly, an Extraordinary General Meeting of the shareholders has been convened for 2.30 p.m. on 31st August 2022 as per the attached Notice of Meeting, to obtain the approval of the shareholders for the extension to the exercise period of the warrants and for the amendment to the Articles of Association, as aforementioned

Taking into consideration the current fuel crisis prevailing in the country and the resultant inability of the shareholders of comfortably commuting and also the Company' policy of further continuing with practising health and safety guidelines relating to the COVID-19 pandemic, the Board of Directors has decided to hold the above Extraordinary General Meeting as a virtual meeting in the manner explained in Paragraph IV below.

Further, as the Company observes that the present environment in the country is not conducive for the despatch of notices by post in view of any possible delays/disruptions to the postal services operations, in accordance with the Articles of Association of the Company and based on the legal advice obtained thereon the **Notices** pertaining to the above Extraordinary General Meeting of the Company will be published in daily newspapers/e-newspapers in Sinhala, Tamil and English languages. The Notice and the Form of Proxy together with the Registration Form will be made available on the Colombo Stock Exchange website (www.cse.lk) and the Bank's official website (www.unionb.com).

IV PROCEDURE TO BE FOLLOWED AT THE EXTRAORDINARY GENERAL MEETING SCHEDULED FOR 31ST AUGUST 2022

Set out below is the procedure to be followed for participation of shareholders in the aforesaid Extraordinary General Meeting ("EGM") which will be convened as a virtual meeting on Wednesday 31st day of August 2022 streamed from the Boardroom of the Bank at No.64, Galle Road, Colombo 03 at 2.30 p.m. using audio or audio visual means,

- (i) The EGM shall be held in compliance with the Companies Act No.7 of 2007, the Articles of Association of the Bank, the principles set out in the Guidance Note issued by the CSE for the hosting of Virtual Annual General Meetings and the legal advice obtained thereon.
- (ii) Only the key officials of the Bank, including certain members of the Board, Director/Chief Executive Officer and the Company Secretary, who are essential for the administration of the formalities of the meeting will be physically present in the Boardroom. All others, including the shareholders, will participate in the meeting via an online meeting platform (i.e. Microsoft Teams).
- (iii) Shareholders who wish to participate in the EGM via audio or audio visual means are requested to forward to us their details as per the Registration Form made available in the Colombo Stock Exchange website not later than 4.00 p.m. on 24th August 2022.

by email to the email address, csd@unionb.com or by fax to +94 112374190. or by handing over or posting the same to the Registered Office of the Bank at No.64, Galle Road, Colombo 3., if possible.

We regret the inability to process any request received after 4.00 p.m. on 24th August 2022.

- (iv) Adequate arrangements will be made for shareholders who register themselves to participate in the EGM via the online meeting platform with log in information being forwarded to them well in advance of the meeting. In addition, a dedicated telephone line will be made available to assist them in resolving any difficulties they may encounter in using/accessing the online meeting platform. A detailed guidance note covering all of these will be provided to the shareholders who register themselves to participate in the EGM, prior to the meeting.
- (v) The log in information referred to in (iv) above is authorized only for use by shareholders (in the case of individuals) and by authorized representatives (in the case of corporate shareholders) and such information should strictly not be divulged to any other person.
- (vi) Shareholders will be given the opportunity to raise any questions or make comments on the resolution specified in the attached Notice of Meeting during the time allotted for participants to make comments as directed by the Chairman of the meeting. All individuals participating in the EGM remotely through the online platform are required to first identify themselves by providing the name and NIC number before raising any questions or making comments.

Voting on the resolution set out in the attached Notice of Meeting will be registered by using an online platform or a designated ancillary online application.

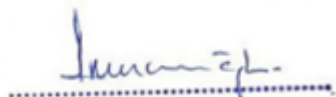
All of such procedures will be explained to the shareholders prior to the commencement of the meeting.

- (vii) Shareholders are also reminded that they have a right to appoint a member of the Board to act as their proxy if they choose. Those shareholders who wish to appoint a director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote in respect of the resolutions set out in the Form of Proxy to the Company Secretary in the manner specified in section (iii) above in order that their vote may be identified and recorded as if he/she/it were present at the meeting.
- (viii) Shareholders who are unable to participate at the EGM via the designated online meeting platform are invited to forward their suggestions, questions and concerns relating to resolutions set out in the attached Notice of Meeting to the email address csd@unionb.com not later than 4.00 p.m. on 26th August 2022. The Board will ensure that they are discussed and addressed at the EGM, if relevant to the agenda of the meeting.
- (ix) The Bank will proceed to hold the EGM as planned on 31st August 2022 with the shareholders who wish to participate through the online platform, irrespective of whether it is declared a public holiday or curfew is imposed on that day since the aforesaid measures will enable full participation at the meeting.
- (x). The Bank has taken adequate measures to ensure that a contingency plan exists to enable the conduct of the EGM successfully in the event of a technical malfunction.

Please contact the following staff members of the Bank between 8.30 a.m. to 4.30 p.m. on any working day, if you need any assistance/clarification with regard to this circular or any other document attached thereto.

Name of the Staff Member	Contact Number
Ms. Saraniya Paramalingam	(0094) 11 2374100 Ext. 2911
Ms. Shyamila Samarasinghe	(0094) 11 2374100 Ext. 2912
Ms. Prasadini Nethmi	(0094) 11 2374100 Ext. 2913

By order of the Board



Christine Munasinghe
Company Secretary

Colombo, on this 29th day of July 2022