

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s

FIRST AND FINAL DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER 2019 TO BE SATISFIED PARTLY BY THE PAYMENT OF CASH AND PARTLY BY THE ALLOTMENT AND ISSUE OF NEW ORDINARY SHARES

Recommendation of a First and Final Dividend

The Board of Directors of Seylan Bank PLC ("the Company") is pleased to inform the shareholders of the Company that a first and final dividend of Rupees Two (LKR 2.00) on each Ordinary (voting) share and Ordinary (non-voting) share is recommended by the Board for the financial year ended 31st December 2019. The dividend is subject to due declaration and approval by the shareholders at the Company's Annual General Meeting ("AGM") to be held on Monday, 30th March 2020.

The dividend so declared will be satisfied:

- (i) Partly by way of payment in cash for a value of Rupee One (LKR 1.00) for each Ordinary (voting) share and Ordinary (non-voting) share held; and
- (ii) partly by the allotment and issue of Ordinary (voting) share/s and Ordinary (non-voting) share/s for a value of Rupee One (LKR 1.00) for each Ordinary (voting) share and Ordinary (non-voting) share held.

Such dividend will be paid out of the profit of the Company for the year ended 31st December 2019 which said profit has been recorded under "retained earnings" in the Company's Statement of Financial Position as at 31st December 2019. The Company made a profit of LKR 3,680 Million, as reflected in the Audited Financial Statements for the year ended 31st December 2019.

The total amount of the dividend that is proposed to be so declared is Rupees One Billion Seven Million Two Hundred and Forty Seven Thousand Five Hundred and Seventy Two only (LKR 1,007,247,572/-). The dividend to be satisfied in the following manner:

<u>Method of satisfaction</u>	<u>Total Amount (LKR)</u>
• By way of a payment in cash:	503,623,786.00
• By the allotment and issue of new Ordinary shares:	503,623,786.00
Total	1,007,247,572.00

The Board of Directors is confident that the Company will be able to satisfy the 'Solvency Test' set out in Section 57 of the Companies Act No.07 of 2007 immediately after the payment of such dividends and have signed a Certificate of Solvency in terms of Section 56(3). The Bank also obtained a Certificate of Solvency from its Auditors, M/s KPMG, Chartered Accountants.

Issue of New Ordinary Shares to Entitled Shareholders

In view of the aforementioned proposal, the Company intends to allot and issue new Ordinary (voting) and new Ordinary (non-voting) shares to those shareholders who are registered in the Company's Share Register as well as those shareholders whose names appear on the Central Depository System (Pvt) Ltd ("CDS") as at the end of trading on the date on which the requisite resolution of the shareholders declaring the dividend is duly passed. Accordingly, the shares to be allotted would be as follows:

- (a) One new fully paid Ordinary (voting) share for every 48.0000030539 existing Ordinary (voting) shares held by the entitled shareholders; and
- (b) One new fully paid Ordinary (non-voting) share for every 30.9000035661 existing Ordinary (non-voting) shares held by the entitled shareholders.

Consequently, a maximum of five million two hundred and thirty nine thousand one hundred and twenty two (5,239,122) new Ordinary (voting) shares and a maximum of eight million one hundred and sixty thousand sixty one (8,160,061) new Ordinary (non-voting) shares will be issued. Accordingly, the Ordinary (voting) shares in issue will increase from 251,477,872 to 256,716,994 and the Ordinary (non-voting) shares in issue will increase from 252,145,914 to 260,305,975. The Ordinary (voting) shares and Ordinary (non-voting) shares to be so issued shall not be eligible for the cash dividend to be declared which is referred to above.

The above mentioned share ratio is based on a value of Rupees forty eight (LKR 48.00) per Ordinary (voting) share and Rupees thirty and cents ninety (LKR 30.90) per Ordinary (non-voting) share respectively, being the closing prices of the respective shares as at the end of trading on 20th February 2020. The Board is satisfied that the consideration for which the new shares are to be issued is fair and reasonable to the Company and to the existing shareholders of respective class of shares.

The new Ordinary (voting) shares and Ordinary (non-voting) shares to be so issued, shall, immediately consequent to due allotment thereof to the entitled shareholders, rank equal and *pari passu* in all respects with the existing issued and fully paid Ordinary (voting) shares and Ordinary (non-voting) shares of the Company, respectively. Consequent to the allotment and issue of such new shares, the Stated Capital of the Company will increase from LKR 17,044,722,726.90 to LKR 17,548,346,512.90. Any difference in the Stated Capital arising due to the rounding-off of the number of shares to be issued will be considered together with the residual share fractions.

Fractions arising on Allotment and Issue of New Shares

The residual share fractions arising from the aforementioned issue and allotment of new Ordinary (voting) shares and Ordinary (non-voting) shares will be aggregated and the Ordinary (voting) shares and Ordinary (non-voting) shares arising consequent to such aggregation will be allotted to a trustee to be nominated and appointed by the Board of Directors. The trustee so nominated and appointed will hold the said shares in trust and dispose such shares on the trading floor of the Colombo Stock Exchange ("CSE") within a reasonable period of time. The sales proceeds arising therefrom shall be distributed to a charity or charities as shall be determined and approved by the Board of Directors.

Fractional entitlement referred to herein shall mean the fractions after applying the respective formula for the issue and allotment of the new shares as indicated below:

Ordinary (voting) shares	$\frac{\text{Number of Ordinary (voting) shares held by a shareholder as at end of trading on the AGM date}}{48.0000030539} \times 1$
Ordinary (non-voting) shares	$\frac{\text{Number of Ordinary (non-voting) shares held by a shareholder as at end of trading on the AGM date}}{30.9000035661} \times 1$

Listing on the Colombo Stock Exchange

Pursuant to an application made by the Company to the CSE, the CSE has granted approval in principle for the listing of the new Ordinary (voting) and Ordinary (non-voting) shares on the official list of the CSE upon allotment.

Allotment of New Shares

In the event that the shareholders pass the requisite resolution declaring the aforementioned dividend and its satisfaction partly by way of the allotment and issue of new Ordinary (voting) shares and Ordinary (non-voting) shares, the accounts of the shareholders whose shares are deposited in the CDS would be directly uploaded with the new shares (to the extent each shareholder has become entitled thereto) within 7 market days from and excluding the date on which the resolution is passed.

In calculating the number of shares held by a shareholder as at the entitlement date, the shareholding of such shareholder as appearing in the CDS and the Shareholders' Register maintained by the Company will not be aggregated. However, if a shareholder holds shares with multiple stockbrokers the shares held with such stockbrokers will be aggregated for calculation purposes, and the shares arising as a result of the proposed allotment and issue of new shares will be uploaded proportionately to the respective CDS accounts held with each broker.

Allotment of New Shares to Shareholders who do not hold CDS Accounts

In view of the Direction issued by the Securities and Exchange Commission of Sri Lanka and Circular No. 13/2010 issued by the CDS pertaining to the dematerialization of listed securities, shareholders who hold shares in scrip form (i.e. in the form of a share certificate) as per the Shareholders' Register maintained by the Company, will not be issued share certificates for the new shares allotted in their favour. Such shareholders are requested to open an account with the CDS and to deposit the share certificates in their possession in the CDS, prior to the date of the AGM, to enable the Company to directly deposit the new shares into such CDS account of the shareholder.

As regards the new Ordinary (voting) share and/or Ordinary (non-voting) share entitlements of those shareholders who fail or were unable to open an account with the CDS prior to the date of the AGM, the Company will register in the respective shareholder's account in the Share Register maintained by the Company, the share entitlements allotted. If such shareholders open CDS accounts after the AGM and inform the Company Secretary in writing of the CDS account number, the Company will take steps to directly upload the new share entitlements to the respective CDS accounts within five market days.

Statement of Compliance

The Board of Directors hereby confirms that the allotment and issue of the new Ordinary (voting) shares and Ordinary (non-voting) shares is in compliance with the Articles of Association of the Company, the Listing Rules of the Colombo Stock Exchange and the provisions of the Companies Act No. 7 of 2007.

The Board of Directors emphasizes that the aforementioned allotment and issue of new Ordinary (voting) shares and Ordinary (non-voting) shares is in part satisfaction of the first and final dividend for the year ended 31st December 2019 and shall be dependent on and subject to the shareholders passing the resolution declaring the said dividend.

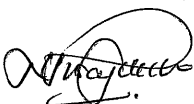
Annual General Meeting

The Annual Report of the Company and the Notice of the AGM scheduled to be held on Monday, 30th March 2020 setting out in item 2 thereof, the relevant resolution to be passed by the shareholders in relation to the declaration of the stated dividend are circulated with this Circular to Shareholders.

Shareholders who are unable to attend the meeting in person are entitled to appoint a proxy to attend and speak and also vote on their behalf, depending on their voting rights. A shareholder who wishes to appoint a proxy, should complete and return the enclosed Form of Proxy (in accordance with instructions specified therein) addressed to the Registered Office of the Company not less than forty eight (48) hours before the time scheduled for the holding of the AGM.

Yours faithfully

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



(Mrs) N N Najumudeen
Company Secretary

2nd March 2020

Note: Please contact the Company Secretariat on +94 11 245 6582, +94 11 245 6589 or +94 11 245 6551 for any clarification/information.