Company Registration No: PQ9
Registered Office: Seylan Towers, 90,
Galle Road, Colombo 03, Sri Lanka
Telephone: +94 11 2456589 / 2456584

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s,

ISSUE OF BASEL III COMPLIANT TIER 2 LISTED 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 31 January 2025 on the above subject which was published on the website of the Colombo Stock Exchange, informing the decision of the Bank's Board of Directors' ('the Board') taken at the meeting held on 30 January 2025, whereby it was approved to raise a maximum sum of Rupees Fifteen Billion (LKR 15,000,000,000.00) by issuing up to a maximum of One Hundred and Fifty Million (150,000,000) BASEL III Compliant, Tier 2, Listed, 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) in one or more issuances until 31 December 2025.

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. 01 of 2016 (as amended) on Capital Requirements under BASEL III for Licensed Commercial Banks ('LCB') and Licensed Specialized Banks ('LSB') [hereinafter sometimes referred to as 'the said Banking Act Direction' or 'Banking Act Direction No.01 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.

Shareholders are apprised of the following:

i) Any non-viability conversion of Debentures in the event of a 'Trigger Event' as referred above, is highly remote.
ii) The proposed Debenture Issue does not constitute a major transaction for the Bank in terms of Section 185 of the Companies Act No.07 of 2007, based on the asset value of the Bank as at 31 December 2024.

Further information on the proposed Subordinated Debenture issue, namely the purpose of the 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 One Hundred and Fifty Million (150,000,000) Debentures of the par value of Rupees One Hundred (LKR 100.00) each amounting to a value of Rupees Fifteen Billion (LKR 15,000,000,000.00) will be offered/issued in the following manner:

- Offered to the '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 until 31 December 2025.
- 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 Audited Financial Statements for the year ended 31 December 2024, we wish to inform you that the Bank made a profit of LKR 10.051 Billion (Group profit was LKR 10.153 Billion). Total Equity of the Bank increased from LKR 60.507 Billion as at 31 December 2023 (as per the Audited Financial Statements for the year ended 31 December 2023) to LKR 70.488 Billion as at 31 December 2024 (Group - LKR 73.676 Billion).

The Total Capital Ratio of the Bank increased from 15.84% as at 31 December 2023 to 18.59% as at 31 December 2024. The increase was largely due to the issue of LKR 10.0 Billion BASEL III Compliant, Tier 2, Listed, Rated, Unsecured, Subordinated Redeemable Debentures with a Non-viability Conversion during the year 2024 and increase in profits and reserves.`

Even though the said ratio is well within the current minimum regulatory total capital requirement of 12.50% applicable for Licensed Commercial Banks other than Domestic Systemically Important Banks as per the Banking Act Direction No.01 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.

7,150,000 BASEL III Compliant, Tier 2, Listed, Rated, Unsecured, Subordinated Redeemable Debentures of LKR 100.00 each amounting to LKR 715,000,000.00 allotted in March 2018 are due to mature in 2025. Therefore, it was decided to plan a further issuance of Subordinated Debentures up to a maximum of Rupees Fifteen Billion (LKR 15,000,000,000.00), to be offered for subscription in one or more issuances until 31 December 2025 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 Act Direction No. 01 of 2016 and the Total Capital Ratios of the Bank as at 31 December 2023 and as at 31 December 2024.
(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 Governing Board of the Central Bank (Governing Board) in the form of Common Equity Tier 1 (CET I).

	Regulatory Capital Requirements for Licensed Banks		**Capital Ratios of the Bank**	
Components of Capital including Capital Conservation Buffer	**Ratio to be maintained by Non-DSIBs** *(applicable to Seylan Bank)*	**Ratio to be maintained by DSIBs**	**Bank's Ratio as at 31 December 2023 (Published)**	**Bank's Ratio as at 31 December 2024 (Published)**
Common Equity Tier 1	7.00%	7.00%+HLA	12.52%	14.25%
Total Tier 1	8.50%	8.50%+HLA	12.52%	14.25%
Total Capital Ratio	12.50%	12.50%+HLA	15.84%	18.59%

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 31 December 2025, are expected to be as follows:

Components of Capital including Capital Conservation Buffer	**Actual CAR As at 31 December 2024** (Published)	**Estimated CAR As at 31 December 2025** (without the Debenture Issue)	**CAR position estimated to be achieved immediately after the Debenture Issue as at 31 December 2025 based on the assumptions that the entirety of the Debentures up to LKR 15.0 Billion would be issued during the year 2025 (In Single or Multiple Issuances)**
			LKR 15.0 Billion
Total Tier 1 Capital Ratio	14.25%	14.91%	14.91%
Total Capital Ratio	18.59%	18.12%	20.67%

3. FEATURES/REQUIREMENTS FOR THE ISSUANCE OF SUBORDINATED DEBENTURES

3.1 REQUIREMENTS UNDER THE BANKING ACT DIRECTION NO.01 OF 2016 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.01 of 2016 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 Governing 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 Governing 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 as defined under the Listing Rule 2.2.1(n) of the CSE Listing Rules read together with the 'Definitions' section of the Listing Rules of the Colombo Stock Exchange. 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, including the amendments made via Banking (Amendment) Act, No 24 of 2024);
(b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended, including the amendments made via Banking (Amendment) Act, No 24 of 2024);
(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.07 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 LKR 5,000,000.00 (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 10,000.00 (Rupees Ten Thousand), i.e. 100 Debentures. The minimum initial investment for an individual investor for the Subordinated Debentures is LKR 5,000,000.00 (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 10,000.00) 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.

In the event if an expected rating is obtained for the primary security prior to the printing of this circular, the Bank will disclose such final or expected rating assigned to the primary security along with the name of the rating Agency. A duly certified true copy of such final or expected rating will be submitted for the records of the Colombo Stock Exchange.

A Final Rating shall be obtained by the Bank prior to the Colombo Stock Exchange granting approval for the opening of the Subordinated Debenture Issuances referred above.

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) Grow the lending portfolio, especially in segments such as Small and Medium Enterprises (SME) and Export oriented industries.
(c) Reduce Maturity gaps in the Assets and Liabilities of the Bank.

Until such credit demands are fully met within 12 Months of the issuance of the Debentures, 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 8.00% p.a. to 8.50% 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 31 December 2024 was approximately LKR 37.9 Billion. It should be mentioned that the Bank experienced a Gross Loan growth of LKR 27.9 Billion during the year 2024.

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 may be 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	3
Objective (as per the Prospectus)			
Amount allocated in LKR (as per the Prospectus)			
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 *(e.g. whether lent to related party or related parties, etc.)*			

In the event the proceeds are fully utilized in terms of the objectives (as stated in this circular and shall be disclosed in the prospectus to the issue/s), prior to publishing the Bank's next financial statements, the Bank will take steps to disclose such fact in the immediately 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 9.14 of the Listing Rules of the CSE (Revised).

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. 01 of 2016 ("Non-Viability Conversion").

A "Trigger Event" is defined in the Banking Act Direction No. 01 of 2016 as a point or event at which the Governing 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 Banking Act Direction No. 01 of 2016; 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 Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 01 of 2016.

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 GOVERNING BOARD

The Debentures would be converted to Ordinary Voting Shares only if the Governing 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 of 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.(m) 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. 07 of 2007 (as amended), to issue up to a maximum of One Hundred and Fifty

Million (150,000,000) Debentures of the par value of Rupees One Hundred (LKR 100.00) each amounting to Rupees Fifteen Billion (LKR 15,000,000,000.00) in one or more issuances until 31 December 2025 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.

In the event a conversion to Ordinary Voting Shares takes place pursuant to a Trigger Event as more fully described under 5.5 of this Circular after the allotment of only a part of the above said Debenture Issue, the Bank will inform the Colombo Stock Exchange of the next course of action forthwith regarding the remaining Debentures to be issued.

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) months period immediately preceding the date on which the Governing 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 Subordinated 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. 07 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 Governing Board, the Bank would seek prior approval from the Governing 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 Governing 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 the proceeds of the issue is to achieve the advance growth. 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, 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 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 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 adjusting assets growth and retained earnings. However, a concern on any under subscription of the Debenture issue may not be arisen as attractive returns to be offered on the Debenture expecting a reasonable demand for same.

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 Friday, 28 March 2025 at 11.00 a.m. (after the Annual General Meeting of the Bank which is scheduled on the same day) at "The Balmoral" of The Kingsbury Hotel, No. 48, Janadhipathi Mawatha, Colombo 01, Sri Lanka 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. 07 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) Saraswathie Poulraj
Company Secretary

03 March 2025
Colombo

Company Registration No: PQ9
Registered Office: Seylan Towers, 90,
Galle Road, Colombo 03, Sri Lanka
Telephone: +94 11 2456589 / 2456584

NOTICE OF
EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of Seylan Bank PLC will be held on Friday, 28 March 2025 at 11.00 a.m. (after the Annual General Meeting of the Bank which has been scheduled on the same day) at "The Balmoral" of The Kingsbury Hotel, No.48, Janadhipathi Mawatha, Colombo 01, Sri Lanka 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 Fifteen Billion (LKR 15,000,000,000.00) by issuing up to a maximum of One Hundred and Fifty Million (150,000,000) BASEL III Compliant, Tier 2, Listed, 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.(m) of the Listing Rules of the Colombo Stock Exchange and 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. 07 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 up to a maximum of One Hundred and Fifty Million (150,000,000) BASEL III Compliant, Tier 2, Listed, 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 100.00) each amounting to Rupees Fifteen Billion (LKR 15,000,000,000.00); and that:
   (i) The Subordinated Debentures shall be issued by the Bank in one or more issuances until 31 December 2025 subject to the maximum of One Hundred and Fifty Million (150,000,000) Debentures;
   (ii) The Subordinated Debentures shall be offered to 'Qualified Investors' as defined under the Listing Rule No.2.2.1(n) read together with the 'Definitions section' 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 may 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 Governing 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) months 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. Such resultant Ordinary Voting Shares arising from the non-viability conversion of Debentures as referred above, will be listed on the Colombo Stock Exchange."

BY ORDER OF THE BOARD OF DIRECTORS OF
SEYLAN BANK PLC

(Mrs) Saraswathie Poulraj
Company Secretary

03 March 2025
Colombo

Form of Proxy (Voting Shareholders)
Extraordinary General Meeting (EGM)

I/We*(full name of Shareholder and names of joint holder/s', if any) ……

……..

of (address of main Shareholder) ……..

……

being Shareholder/s of Seylan Bank PLC ('the Bank') hereby appoint Mr/Mrs/Miss*(full name of proxyholder)

……..

……(N.I.C.No……)

of…… (whom failing)

Justice Buwaneka Pandukabaya Aluwihare, PC of Thalawathugoda (whom failing)
Mr Ramesh Joseph Jayasekara of Colombo 04 (whom failing)
Mrs Sandya Kumari Salgado of Panadura (whom failing)
Mr Don Manuwelge Don Krishan Thilakaratne of Battaramulla (whom failing)
Mr Dissanayake Mudiyanselage Rupasinghe of Kadawatha (whom failing)
Mr Lokugan Hewage Ananda Lakshman Silva of Dehiwela (whom failing)
Mrs Vithana Godellage Sarajika Sunjeevani Kotakadeniya of Nugegoda (whom failing)
Mrs Averil Anne Ludowyke of Rajagiriya

As my/our* Proxy to represent me/us* on my/our* behalf at the Extraordinary General Meeting of the Bank to be held on **Friday, 28 March 2025 at 11.00 a.m.** (after the Annual General Meeting of the Bank which is scheduled on the same day) and at any adjournment thereof.

I/we* the undersigned hereby authorise 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 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.	☐	☐

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

……
Contact No. of the Shareholder

Signed this ……. day of ……, 2025

*(*Please delete the inappropriate words)*
*(**Please mark your preference with an "X")*
(Instructions as to the completion of the Form of Proxy are annexed.

INSTRUCTIONS FOR THE COMPLETION OF FORM OF PROXY

1. In terms of Article 63 of the Articles of Association of Seylan Bank PLC ('the Bank') the instrument appointing a proxy shall be in writing and

   i) In the case of an individual be under the hand of the Shareholder or his/her attorney OR

   ii) 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 Bank may appoint any of its officers or any other person to be its representative or proxy at any meeting or meetings of the Bank and any person so appointed shall be entitled to be present and vote and exercise all other powers in regard to any such meetings on behalf of the company or corporation which he/she represents as if he/she were a member holding the shares of such company or corporation.
(The Bank 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 Ordinary Voting Shareholder should be filled legibly on the Form of Proxy together with the National Identity Card Number/Passport/Company Registration Number/CDS Account Number (as applicable).

3. The completed Form of Proxy should either be:
   i. Addressed to the Company Secretary of Seylan Bank PLC and posted or hand delivered to the registered office of the Bank at Level 15, Seylan Towers, No. 90, Galle Road, Colombo 03 OR,
   ii. Scanned and e-mailed to the e-mail address: egm2025@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.

2. If the Form of Proxy has been signed by an attorney, a 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 Bank.

3. 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.

REQUEST TO SHAREHOLDERS
Shareholders are kindly requested to indicate the 'Folio Number' appearing in the Address Label (pasted on the envelope) in the space provided for 'Folio Number' in the Form of Proxy. This is for the convenience of the Registrars.
However, please note that non-indication of the 'Folio Number' will not invalidate the Form of Proxy, under any circumstances.

Form of Proxy (Non-Voting Shareholders)
Extraordinary General Meeting (EGM)

I/We*(full name of Shareholder and names of joint holder/s', if any) ……

……..

of (address of main Shareholder) ……..

……being Shareholder/s of Seylan Bank PLC ('the Bank') hereby appoint Mr/Mrs/Miss*(full name of proxyholder)

……

……(N.I.C.No……) of……

…… (whom failing)

Justice Buwaneka Pandukabaya Aluwihare, PC of Thalawathugoda (whom failing)
Mr Ramesh Joseph Jayasekara of Colombo 04 (whom failing)
Mrs Sandya Kumari Salgado of Panadura (whom failing)
Mr Don Manuwelge Don Krishan Thilakaratne of Battaramulla (whom failing)
Mr Dissanayake Mudiyanselage Rupasinghe of Kadawatha (whom failing)
Mr Lokugan Hewage Ananda Lakshman Silva of Dehiwela (whom failing)
Mrs Vithana Godellage Sarajika Sunjeevani Kotakadeniya of Nugegoda (whom failing)
Mrs Averil Anne Ludowyke of Rajagiriya

As my/our* Proxy to represent me/us* on my/our* behalf at the Extraordinary General Meeting of the Bank to be held on **Friday, 28 March 2025 at 11.00 a.m.** (after the Annual General Meeting of the Bank which is scheduled on the same day) and at any adjournment thereof.

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

……
Contact No. of the Shareholder

Signed this ……. day of ……., 2025

*(*Please delete the inappropriate words)*
(Notes and Instructions as to the completion of the Form of Proxy are annexed).

INSTRUCTIONS FOR THE COMPLETION OF FORM OF PROXY

1. In terms of Article 63 of the Articles of Association of Seylan Bank PLC ('the Bank') the instrument appointing a proxy shall be in writing and
   (i) In the case of an individual be under the hand of the Shareholder or his attorney
   or

   (i) 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 Bank may appoint any of its officers or any other person to be its representative or proxy at any meeting or meetings of the Bank.
   (The Bank 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 Ordinary Non-Voting Shareholder should be filled legibly on the Form of Proxy together with the National Identity Card Number/Passport/Company Registration Number/CDS Account Number (as applicable).

3. The completed Form of Proxy should either be:
   i. Addressed to the Company Secretary of Seylan Bank PLC and posted or hand delivered to the registered office of the Bank at Level 15, Seylan Towers, No. 90, Galle Road, Colombo 03 OR,
   ii. Scanned and e-mailed to the e-mail address: egm2025@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 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 Bank.

REQUEST TO SHAREHOLDERS
Shareholders are kindly requested to indicate the 'Folio Number' appearing in the Address Label (pasted on the envelope) in the space provided for 'Folio Number' in the Form of Proxy. This is for the convenience of the Registrars.
However, please note that non-indication of the 'Folio Number' will not invalidate the Form of Proxy, under any circumstances.

Printed Matter

If undelivered Please return to:

The Company Secretary
Seylan Bank PLC
Level 15, Seylan Towers
90, Galle Road,
Colombo 03, Sri Lanka