

CIRCULAR TO THE SHAREHOLDERS

UNION BANK OF COLOMBO PLC
(PB 676 PQ)

Dear Shareholders,

EXTENSION OF THE EXERCISE PERIOD OF THE WARRANTS ISSUED TO CULTURE FINANCIAL HOLDINGS LTD AND THE REVISION TO THE EXERCISE PRICE THEREOF

1. INTRODUCTION

As you are aware, on 30th September 2014, the Bank 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 Bank 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 Bank 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 expires on 30th September 2020.

2. EXTENSION OF THE EXERCISE PERIOD OF THE WARRANTS AND REVISION TO THE EXERCISE PRICE OF THE WARRANTS

The Bank 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 the Bank also expects to be compliant therewith on 30th September 2020. Further, there are no expansion or growth plans of the Bank that require infusion of capital on or before 30th September 2020. Therefore, the Bank currently does not have any immediate capital requirement.

In the circumstances, Culture has requested that the exercise period of the Warrants be extended by a further two (2) years (i.e. until 30th September 2022) so that should a need arise, Culture can immediately exercise its right to subscribe to ordinary shares in the Bank and bring in the capital that is needed by the Bank.

In addition to the extension of the validity period of the Warrants, Culture has also requested the Bank that, in the event the Bank agreed to extend the exercise period of the Warrants until 30th September 2022, the exercise price of the Warrants also be revised such that it is equivalent to the average closing price per share for the five day period that immediately precedes the exercise of Warrants so that the exercise price of Warrants is in line with the then prevailing market price of the shares of the Bank.

Culture made the aforesaid request to have the exercise price of the Warrants revised due to the reason that the original exercise price of the Warrants (i.e. LKR 16.00) is no longer financially viable for the holder of the Warrants as the volume weighted average price of the shares of the Bank during the preceding year (i.e. January to December 2019) was LKR 12.55 and therefore, rather than exercise the Warrants and pay the exercise price of LKR 16.00 per share, a warrant holder could purchase the same number of Bank shares on the secondary market at a lower price per share.

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 and adjustment of the exercise price will ensure the warrant holder is able to continue to support the Bank, in a financially viable manner, with capital, as required.

The Board of Directors of the Bank, having considered Culture's request, have decided, subject to obtaining the approval from the regulatory authorities and the shareholders of the Bank, to: (i) extend the exercise period of the Warrants by a further two (2) years (i.e. until 30th September 2022) and (ii) revise the exercise price to a price that is equivalent to the average closing price per share for the five day period that immediately precedes the exercise of Warrants.

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 Bank 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 Bank 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 Bank, 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 Bank sought the approval of the SEC for the extension of the exercise period of the Warrants and the revision of the exercise price and the SEC by its letter dated 8th June 2020 informed the Bank that it has no objection for the extension of the exercise period of the Warrants and the revision of the exercise price thereof provided that the Bank;

- (i) informs the shareholders and the investors of the rationale for revising the exercise price which was previously approved by the shareholders; and
- (ii) Informs the shareholders and the investors of any change to the future prospects of the Bank arising from the proposed change to the exercise date and the exercise price of the Warrants.

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The rationale for the revision of the exercise price of the Warrant is set out in section 2 of this Circular and the Bank does not expect the extension of the exercise period and / or the revision of the exercise price to result in any change or adverse impact to the future prospects of the Bank.

3.2 Confirmation of No Objection from the CBSL

The Bank informed the CBSL of the proposed extension of the exercise period of the Warrants and the revision of the exercise price 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 Bank 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 Bank to issue the Warrants with a tenure of up to six (6) years from the date of the issue.

As stated in section 3.1 of this Circular, the SEC has informed the Bank that it has no objection for the extension of the exercise period of the Warrants.

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

In terms of section 52 of the Companies Act, the Board of Directors has decided that the exercise price of the Warrants will be the price equivalent to the average closing price per share for the five day period that immediately precedes the exercise of Warrants and has opined that the aforesaid exercise price per share is fair and reasonable to the Bank and to all existing shareholders of the Bank.

5. EXTRAORDINARY GENERAL MEETING

Accordingly, an Extraordinary General Meeting of the shareholders has been convened for 10.00 a.m. on 28th September 2020 as per the attached Notice of Meeting, to obtain the approval of the shareholders for the extension of the exercise period of the warrants and the revision to the exercise price, as aforementioned.

Taking into consideration the health and safety guidelines issued by the authorities on account of the COVID-19 pandemic and in the interest of ensuring the health and safety of the shareholders, proxy holders and the employees of the Bank, the Board of Directors has decided to hold the above Extraordinary General Meeting as a virtual meeting by audio or audio and visual means in the manner explained in Paragraph 6 below.

6. PROCEDURE TO BE FOLLOWED AT THE EXTRAORDINARY GENERAL MEETING SCHEDULED FOR 28TH SEPTEMBER 2020

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 Monday the 28th day of September 2020 streamed from the Boardroom of the Bank at No.64, Galle Road, Colombo 03 at 10.00 a.m. using audio or audio and 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 Notes issued by the CSE for the hosting of Virtual Annual General Meetings dated 27th March 2020 and 27th July 2020 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). These measures have been adopted to observe social distancing regulations/requirements to mitigate the dangers of spread of the virus.
- (iii) In order to participate in EGM via the online meeting platform, Shareholders are requested to forward to us their details as per the attached **Registration Form (Annexure 1)** not later than 4.00 p.m. on 24th September 2020 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.

We regret the inability to process any request received after 4.00 p.m. on 24th September 2020.

- (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 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.

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- (vi) Shareholders will be given the opportunity to raise any questions or make comments on the resolutions 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 resolutions 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 24th September 2020. 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 28th September 2020 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. Sheron Joseph	(0094) 11 2374100 Ext. 2911
Ms. Shyamila Samarasinghe	(0094) 11 2374100 Ext. 2912
Ms. Koshila Wanasinghe	(0094) 11 2374100 Ext. 2913

By order of the Board

Sgd. Inoka Jayawardhana

Company Secretary

Union Bank of Colombo PLC

26th August 2020.

NOTICE OF MEETING

UNION BANK OF COLOMBO PLC

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of UNION BANK OF COLOMBO PLC (the "Bank") will be held as a virtual meeting streamed from the Boardroom of the Bank at No.64, Galle Road, Colombo 3 on 28th September 2020 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions which are substantially in the form set forth below, as special resolutions:

IT IS HEREBY RESOLVED THAT;

- (1) The extension of the exercise period of the two hundred and eighteen million two hundred and eighty one thousand two hundred and fifty (218,281,250) unlisted warrants ("Warrants") that have been issued to Culture Financial Holdings Ltd ("Culture") on 30th September 2014, which is due to expire on 30th September 2020, by a further two (2) years (i.e. until 30th September 2022), be and is hereby approved; and
- (2) The revision of the exercise price of the Warrants, which is currently fixed at Sri Lankan Rupees Sixteen (LKR 16.00) per share, to the price equivalent to the average closing price of a share of the Bank for the five (5) day period immediately preceding the exercise of the Warrants, be and is hereby approved.

By order of the Board

Sgd. Inoka Jayawardhana

Company Secretary

Union Bank of Colombo PLC

Notes:

1. A Shareholder unable to attend the Meeting is entitled to appoint a Proxy to attend and vote in his/her/its place. A Form of Proxy is attached to this Notice of Meeting.
2. A Proxy need not be a Shareholder of the Bank.
4. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Bank at No. 64, Galle Road, Colombo 03 not less than thirty six (36) hours before the time appointed for the holding of the meeting.

FORM OF PROXY

EXTRAORDINARY GENERAL MEETING

I/We, ... of
..... being a Shareholder/Shareholders of Union Bank of Colombo PLC
hereby appoint Mr/Mrs/..... (holder of NIC No)
of (or failing him/her)

Mr. Atul Malik	of No. 64, Galle Road, Colombo 03 or failing him
Mr. Priyantha Fernando	of No.12/14, Dharmaratne Avenue, Rawatawatte, Moratuwa or failing him
Mr. Sabry Ghouse	of No. 127A, Campbell Place, Colombo 08 or failing him
Mr. Puneet Bhatia	of No. 64, Galle Road, Colombo 03 or failing him
Mr. Michael J. O'Hanlon	of No. 64, Galle Road, Colombo 03 or failing him
Mr. Indrajit Wickramasinghe	of No. 410/35, Bauddhaloka Mawatha, Colombo 07 or failing him
Mrs. Dilshani Wijayawardana	of No. 40/15, Park Road, Colombo 05 or failing her
Mr. Trevine Fernandopulle	of No.03, Austin Place, Off Kynsey Road, Colombo 08 or failing him
Mr. Sarath Wikramanayake	of No.8, Swarna Place, Nawala

as my/our proxy to represent me/us and to speak and vote for me/us on my/our behalf at the Extraordinary General Meeting of Union Bank of Colombo PLC to be held as a virtual meeting streamed from the Boardroom of the Bank at No. 64, Galle Road, Colombo 3 on 28th September 2020 at 10.00 a. m. and at any adjournment thereof.

For **Against**

To consider and, if thought fit, pass the following resolutions as special resolutions:

"IT IS HEREBY RESOLVED THAT;

- (1) The extension of the exercise period of the two hundred and eighteen million two hundred and eighty one thousand two hundred and fifty (218,281,250) unlisted warrants ("Warrants") that have been issued to Culture Financial Holdings Ltd ("Culture") on 30th September 2014, which is due to expire on 30th September 2020, by a further two (2) years (i.e. until 30th September 2022), be and is hereby approved; and
- (2) The revision of the exercise price of the Warrants, which is currently fixed at Sri Lankan Rupees Sixteen (LKR 16.00) per share, to the price equivalent to the average closing price of a share of the Bank for the five (5) day period immediately preceding the exercise of the Warrants, be and is hereby approved."

☐☐

Signed on this day of Two Thousand and Twenty.

.....
Signature

Notes:

1. Instructions as to completion appear overleaf.
2. Please indicate with 'X' in the space provided, how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in its discretion will vote as it thinks fit.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Form of Proxy should be forwarded to the Company Secretary via email address csd@unionb.com or via fax to +94 112374190 or handed over/posted to the Head Office of the Bank at No.64, Galle Road, Colombo 03 not less than thirty six (36) hours before the time appointed for the holding of the Meeting. No registration of proxies will be accommodated after this deadline.
3. The Proxy shall –
 - (a) in the case of an individual, be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Bank.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
The Bank may but shall not be bound to, require evidence of the authority of any such attorney or officer.
 - (c) in the case of joint holders, be signed by the joint holder whose name appears first in the Register of Members.
4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in close proximity to the alteration or addition intended to be authenticated.
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on the resolutions. If no indication is given, the Proxy will vote as it thinks fit.
6. Shareholders who are unable to participate at the meeting through the online meeting platform are encouraged to appoint a director as his/her/its proxy by forwarding 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 as specified under section 2 above in order that their vote may be identified and recorded as if he/she/it were present at the meeting.

Please fill the details:

Share Certificate No./ CDS Account No.	:
Name	:
Address	:
Jointly with	:
National Identity Card No/s. Passport No/s of the shareholders	:

REGISTRATION FORM FOR PARTICIPATION AT THE VIRTUAL MEETING

EXTRAORDINARY GENERAL MEETING – 28TH SEPTEMBER 2020

BY EMAIL/FAX/POST

To: The Company Secretary
Union Bank of Colombo PLC
64, Galle Road, Colombo 3, Sri Lanka.

Part I – Shareholder's details

Full name of Shareholder/s	
Address	
Shareholders' NIC No./ Passport No./Co. Reg. No.	
CDS Account No.	
Contact Telephone No.	Residence – Mobile –
Email Address	

Part II – Proxyholder's details

Name of the Proxyholder	
Proxyholder's NIC No./ Passport No./Co. Reg. No.	
Proxyholder's Contact Telephone No.	Residence – Mobile –
Proxyholder's Email Address	

.....
Signature of the Shareholder/Proxyholder

.....
Date

Notes:

1. The Shareholders/Proxyholders who wish to participate in the EGM via the online meeting platform should forward the completed **Registration Form (Annexure 1)** not later than 4.00 p.m. on 24th September 2020 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, in order to enable the Company Secretary to provide them with the login information to their email address provided in the **Registration Form (Annexure 1)**.
2. **PLEASE NOTE THAT SINCE THE EGM IS TO BE HELD AS A VIRTUAL MEETING, YOU ARE REQUIRED TO PROVIDE AN EMAIL ID IN THE REGISTRATION FORM (ANNEXURE 1) FOR THE LOGIN INFORMATION TO BE FORWARDED TO YOU. IN THE EVENT AN EMAIL ID IS NOT PROVIDED, YOU WILL NOT BE ABLE TO PARTICIPATE IN THE EGM.**
3. 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. Sheron Joseph	(0094) 11 2374100 Ext. 2911
Ms. Shyamila Samarasinghe	(0094) 11 2374100 Ext. 2912
Ms. Koshila Wanasinghe	(0094) 11 2374100 Ext. 2913