

## **CIRCULAR TO SHAREHOLDERS**

Dear Shareholder/s

### **FIRST AND FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2020 TO BE SATISFIED BY THE ALLOTMENT AND ISSUE OF NEW ORDINARY SHARES (SCRIP DIVIDEND)**

#### **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 One and Cents Fifty (LKR 1.50) on each Ordinary Voting share and Ordinary Non-voting share is recommended by the Board for the financial year ended 31 December 2020. The dividend is subject to due declaration and approval by the shareholders at the Company's Annual General Meeting ("AGM") to be held on Tuesday, 30 March 2021.

The dividend so declared will be satisfied by the allotment and issue of Ordinary Voting share/s and Ordinary Non-voting share/s for a value of Rupee One and Cents Fifty (LKR 1.50) 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 31 December 2020 which said profit has been recorded under "retained earnings" in the Company's Statement of Financial Position as at 31 December 2020. The Company made a profit of LKR 3,011.3 Million, as reflected in the Audited Financial Statements for the year ended 31 December 2020.

The Board, in making the aforementioned recommendations aligned to its dividend policy and the Banking Act Directions issued by the Monetary Board of the Central Bank of Sri Lanka on liquidity and capital requirements, took into account the expected assets growth, business expansion and the impact of COVID-19 pandemic whilst ensuring that a prudent balance is maintained between shareholders' expectations and preserving the organic capital which in return safeguards stakeholders' interest with long-term growth momentum as opposed to short-term strategies. Further, the impact due to the COVID-19 pandemic on businesses resulted in the impairment charges of the Company for Stage III advances increasing from LKR 3.9Bn to LKR 5.7Bn during the year, as reported in the Company's Annual Report for the year, 2020.

The total amount of the dividend that is proposed to be so declared is Rupees Seven Hundred and Seventy Five Million Five Hundred and Thirty Four Thousand Four Hundred and Fifty Three and Cents Fifty only (LKR775,534,453.50) by the allotment and issue of new Ordinary Voting and Ordinary Non-voting shares of the Company.

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 34.0000037083 existing Ordinary Voting shares held by the entitled shareholders; and
- (b) One new fully paid Ordinary Non-voting share for every 27.0666689888 existing Ordinary Non-voting shares held by the entitled shareholders.

The above mentioned share ratio is based on a value of Rupees Fifty One (LKR 51.00) per Ordinary Voting share and Rupees forty and cents sixty (LKR 40.60) per Ordinary Non-voting share respectively, being the closing prices of the respective shares as at the end of trading on 19 February 2021. 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.

A maximum of seven million five hundred and fifty thousand four hundred and ninety nine (7,550,499) new Ordinary Voting shares and a maximum of nine million six hundred and seventeen thousand two hundred and fifteen (9,617,215) new Ordinary Non-voting shares will be issued. Accordingly, the Ordinary Voting shares in issue will increase from 256,716,994 to 264,267,493 and the Ordinary Non-voting shares in issue will increase from 260,305,975 to 269,923,190.

The new Ordinary Voting shares and Ordinary Non-voting shares to be so issued, shall, upon 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 LKR17,548,347,003.01 to LKR18,323,881,456.51. Any difference in the Stated Capital arising due to the rounding-off of the number of shares to be issued to individual shareholders 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     | $\frac{\text{Number of Ordinary Voting shares held by a shareholder as at end of trading on the AGM date} \times 1}{34.0000037083}$     |
| Ordinary Non-voting shares | $\frac{\text{Number of Ordinary Non-voting shares held by a shareholder as at end of trading on the AGM date} \times 1}{27.0666689888}$ |

#### **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 shares 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 such 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.

Further, the new Ordinary Voting Shares and Ordinary Non-voting Shares will be allotted and issued in satisfaction of the first and final dividend for the year ended 31<sup>st</sup> December 2020, only upon the shareholders passing the resolution declaring the said dividend at the AGM.

**Annual General Meeting (AGM)**

The Notice of the AGM scheduled to be held on Tuesday, 30<sup>th</sup> March 2021 as a virtual meeting (on-line/audio-visual means) setting out in item 2 thereof, the relevant resolution to be passed by the shareholders in relation to the declaration of the stated dividend is circulated with this Circular to Shareholders.

Shareholders who are unable to participate at the meeting are entitled to appoint a proxy to participate 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) 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**



(Ms) N N Najumudeen  
Company Secretary

Colombo,  
2 March 2021

*Note: Please contact the Company Secretariat on 011 2456582;  
011 2456589, or; 011 2456594 for any clarification/information.*

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Fourth Annual General Meeting of Seylan Bank PLC ("the Bank" or "the Company") will be held on Tuesday, 30<sup>th</sup> day of March, 2021 at 11.00 a.m. as an on-line audio-visual meeting with arrangements for the on-line meeting platform made at the registered office of the Company at "Seylan Towers", 90, Galle Road, Colombo 03, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31 December 2020 together with the Report of the Auditors thereon.
2. Resolution No. 1 - To declare a first and final Dividend for the financial year ended 31 December 2020 as recommended by the Board of Directors which said declaration is further explained in the Circular to Shareholders dated 2 March 2021 accompanying this Notice, and for this purpose to consider and if thought fit to pass the following resolution as an Ordinary Resolution:

"THAT a first and final Dividend of a total sum of Rupees Seven Hundred and Seventy Five Million Five Hundred and Thirty Four Thousand Four Hundred and Fifty Three and Cents Fifty only (LKR 775,534,453.50) which constitutes a Dividend of Rupees One and Cents Fifty (LKR 1.50) per share be distributed to the holders of Ordinary Voting and Ordinary Non-voting shares by way of allotment and issue of new Ordinary Voting shares in the ratio of one new fully paid Ordinary Voting share for every 34.0000037083 existing Ordinary Voting shares held and one new fully paid Ordinary Non-voting share for every 27.0666689888 existing Ordinary Non-voting shares;

THAT such dividend be paid out of the profit of the Company for the year ended 31 December 2020 which said profit has been recorded under "retained earnings" of the Company's Statement of Financial Position as at 31 December 2020;

THAT the shareholders entitled shall be those who are duly registered in the Company's Register of Shareholders including those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd as at the end of trading on the date of the Annual General Meeting;

THAT the total number of new Ordinary Voting shares to be issued would be a maximum of seven million five hundred and fifty thousand four hundred and ninety nine (7,550,499) and the total number of Ordinary Non-voting shares to be issued would be a maximum of nine million six hundred and seventeen thousand two hundred and fifteen (9,617,215);

THAT the shares issued consequent to the allotment referred to above be listed on the Colombo Stock Exchange (CSE);

THAT the residual share fractions arising from the aforementioned issue and allotment of new Ordinary Voting shares and Ordinary Non-voting shares be aggregated and allotted to a trustee who will dispose such shares on the trading floor of the CSE and the sales proceeds arising therefrom shall be distributed to a charity or charities as shall be determined and approved by the Board of Directors."

*The residual share fractions referred to in the above resolution shall mean the fractions after applying the respective formula for the issue and allotment of the new shares as indicated in the Circular dated 2 March 2021.*

3. Resolution No. 2 - To re-elect as a Director, Ms M C Pietersz, who retires by rotation at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company.  
*Ms M C Pietersz is an Independent Non-Executive Director and Senior Director of the Bank appointed to the Board on 23 September 2013. Her profile and other directorships held are published on pages 67 and 115 respectively in the Annual Report.*
4. Resolution No. 3 - To re-elect as a Director, Mr P L S K Perera who retires at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company.  
*Mr P L S K Perera is an Independent Non-Executive Director of the Bank and was appointed to the Board on 23 September 2013. His profile is published on page 68 of the Annual Report.*
5. Resolution No. 4 - To re-elect as a Director, Mr D M D K Thilakaratne, who retires at the Annual General Meeting in terms of Article 82 of the Articles of Association of the Company.  
*Mr D M D K Thilakaratne is a Non-Independent, Non-Executive Director of the Bank appointed to the Board on 1 October 2018. His profile and other directorships held are published on pages 69 and 116 respectively in the Annual Report.*
6. Resolution No. 5 - To re-appoint M/s KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorize the Board of Directors to determine their remuneration.
7. Resolution No. 6 - To authorize the Board of Directors to determine donations to be made by the Bank during the year, 2021.
8. To consider any other business of which due notice may have been given.

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



(Ms) N N Najumudeen  
Company Secretary

Colombo,  
2 March 2021

**Notes and instructions regarding attendance at the Annual General Meeting (AGM).**

Article 45 of the Articles of Association of the Company provides that a general meeting may determine its own procedure (to the extent it is not governed by the provisions in the Articles). Therefore, taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors of the Company decided that the AGM scheduled to be held on Tuesday, 30 March 2021 at 11.00 a.m. shall be held as a virtual meeting (on-line/via audiovisual means).

- (a) Shareholders who wish to participate in the AGM virtually (on-line) are requested to email the information in the form that follows, to email address: [agm2021@seylan.lk](mailto:agm2021@seylan.lk) with the email subject titled "SEYLAN AGM 2021". PLEASE ALSO READ THE DETAILED NOTES AND INSTRUCTIONS TO SHAREHOLDERS, ENCLOSED.
- (b) An Ordinary Voting shareholder who is entitled to participate, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf.



- (c) An Ordinary Non-voting shareholder who is entitled to participate and speak at the meeting is entitled to appoint a proxy holder to attend and speak on his/her behalf.
- (d) A proxy holder need not be a shareholder of the Company. A Form of Proxy is enclosed for this purpose.
- (e) The completed Form of Proxy should either be:
- (i) Addressed to the 'Company Secretary' and posted or hand delivered to the registered office of the Company at Seylan Towers, No. 90, Galle Road, Colombo 03;
- or
- (ii) Scanned and emailed to the email address: [agm2021@seylan.lk](mailto:agm2021@seylan.lk) with the email subject titled "SEYLAN AGM PROXY"
- not less than 48 hours before the time appointed for the holding of the AGM.
- Please also refer notes and instructions in the Form of Proxy for further details.

#### PARTICIPATION AT THE ANNUAL GENERAL MEETING (AGM)

Shareholders who wish to participate in the AGM virtually (on-line) are requested to email the following information to [agm2021@seylan.lk](mailto:agm2021@seylan.lk) with the email subject titled "SEYLAN AGM 2021".

| Details of shareholder                                                                                          |                             |         |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------|---------|
| 1. Full name                                                                                                    |                             |         |
| 2. Address                                                                                                      |                             |         |
| 3. National Identity Card number/<br>Company Registration number                                                |                             |         |
| 4. CDS Account number                                                                                           |                             |         |
| 5. Contact number                                                                                               | Land line (residence/work): | Mobile: |
| 6. Email address of shareholder (to<br>which the on-line meeting link<br>should be forwarded by the<br>Company) |                             |         |

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