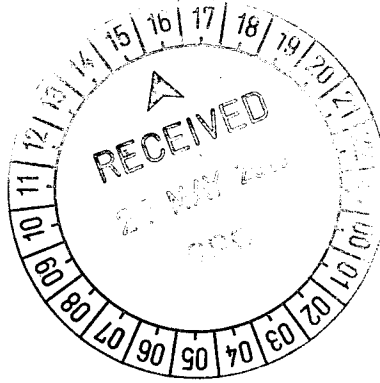


27th May 2019

Mr. Renuka Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
#04-01 West Block,
World Trade Centre,
Echelon Square,
Colombo 01.



Dear Sir,

UNION BANK OF COLOMBO PLC – SHARE REPURCHASE OFFER

Further to our letter dated 23rd May 2019, we enclose herewith 35 copies of the Circular to Shareholders dispatched to the shareholders on 24th May 2019.

Yours faithfully,



INOKA JAYAWARDHANA
COMPANY SECRETARY

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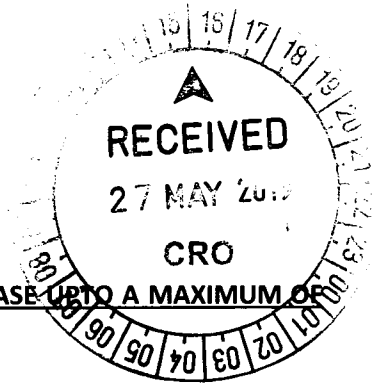
UNION BANK OF COLOMBO PLC

(Company Registration No. PB 676 PQ)

CIRCULAR TO SHAREHOLDERS

Dear Valued Shareholder/s,

OFFER BY UNION BANK OF COLOMBO PLC ('THE BANK') TO REPURCHASE UP TO A MAXIMUM OF 7,851,844 ORDINARY SHARES AT RS.15/- PER SHARE



1. BACKGROUND

The Board of Directors of the Bank is of the opinion that the market value of the listed shares of the Bank as reflected by the price of shares being traded in the Colombo Stock Exchange is undervalued at present and does not represent the growth prospects of the Bank. The closing price of the listed shares of the Bank as at 25th March 2019, the date on which the resolution set out below was passed by the Board, was LKR 11.70 per share when its book value as per the audited financial statements as at 31st December 2018 was LKR 15.23.

As part of the efforts to improve the price of the Bank's shares to reflect its true underlying value and consequently improve the returns to the shareholders of the Bank comprising over 31,000 institutional and individual shareholders, the Board of Directors resolved on 25th March 2019 to repurchase up to a maximum of 7,875,798 of its Ordinary Shares from and out of the 1,091,406,249 issued Ordinary Shares of the Bank held by its shareholders, amounting to 0.72% of the issued shares of the Bank (which number was later reduced by board resolution dated 7th May 2019 to 7,851,844 ordinary shares, amounting to 0.72% of the issued shares), at a consideration of Rupees Fifteen (Rs.15/-) per share ("**Repurchase Offer**"), subject to obtaining shareholder approval and all other approvals under applicable law.

The Board of Directors believe that the Repurchase Offer is in the interest of the shareholders of the Bank as it would enable the shareholders to optimise their returns by diverting the cash returned by the Bank to preferred investments of their choice.

2. TERMS OF THE REPURCHASE OFFER

The Repurchase Offer will be made to all shareholders of the Bank registered in the Shareholders' Ledger and the Central Depository Systems (Private) Limited (CDS) at the end of Trading on 11th June 2019 ("**Entitlement date**") on the basis of one (1) ordinary share for every one hundred and thirty nine (139) ordinary shares held by each such shareholder in the Bank ("**Eligible Shareholder/s**").

If the number of shares subject to the Repurchase Offer made to any Eligible Shareholder when calculated based on the above ratio, is not a whole number, such number would be rounded down to the nearest whole number.

Any fractional entitlements arising based on the aforesaid proportion will be added when calculating the number of shares that the Bank could repurchase under the repurchase of additional shares referred to below. When calculating the total number of additional shares that the Bank could repurchase, the Board will ensure that such total number will not exceed the maximum number of shares that the Bank intends to repurchase under the Repurchase Offer.

Fractional entitlements referred to above shall mean the fractions arising after applying the following formula,

Number of shares held by a shareholder as at end of trading on the Entitlement date X 1

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By letter dated 12th March 2019, issued by the Bank Supervision Department of the Central Bank of Sri Lanka, the major shareholder of the Bank, Culture Financial Holdings Limited ("CFHL") is entitled to increase its shareholding up to 75% of the issued shares of the Bank (in terms of the letter dated 6th August 2014 of the Central Bank of Sri Lanka), by acquiring shares from the market, without exercising the warrants issued by the Bank or to exercise the warrants if CFHL cannot acquire 75% of the issued shares of the Bank from the market. In light of this fact, CFHL has informed the Bank that it will not accept the Repurchase Offer.

Subsequent to the disclosure made by the Bank to the Colombo Stock Exchange ("CSE") on 27th March 2019 with regard to the Repurchase Offer, Mr. Alexis Indrajit Lovell and Vista Knowledge Pte Ltd., have informed the Bank in writing that they will not accept the said offer to be made by the Bank for the repurchase of his/its shares.

Accordingly, a total of three shareholders, namely, CFHL, Mr. Alexis Indrajit Lovell and Vista Knowledge Pte Ltd., holding an aggregate number of 853,033,616 shares representing 78.16% of the issued shares in the Bank have informed the Bank that the Repurchase Offer will not be accepted by them.

The Board has resolved that where an Eligible shareholder does not accept the Repurchase Offer or accepts the Repurchase Offer only in part, the Bank will re-purchase additional shares from any other Eligible shareholders (who have tendered more than their proportion of shares for which the Repurchase Offer has been made to each of them, for repurchase by the Bank), on a pro-rata basis, up to the maximum number of shares that the Bank intends to re-purchase. Fractional entitlements referred to above will be added when calculating additional shares that the Bank would repurchase under the repurchase of additional shares referred to herein, subject to the Bank not exceeding the maximum number of shares that it intends to repurchase under the Repurchase Offer.

As at 31st December 2018, the stated capital of the Bank is Rs. 16,334,782,000/- consisting of 1,091,406,249 ordinary shares. The above repurchase of shares would not amount to any reduction

of the stated capital of the Bank. If upon approval of the shareholders of the Bank, the repurchase of shares under reference takes place, assuming all shares offered under the Repurchase Offer is repurchased by the Bank, post repurchase of such shares, the number of shares of the Bank in issue would be reduced to 1, 083, 554, 405 Ordinary Shares.

An Offer Document detailing the terms of the Repurchase Offer including the number of shares to be repurchased from each Shareholder, offer period, the forms to be completed for the acceptance of the Repurchase Offer (Form of Acceptance) and for tendering additional shares (Form of Additional Shares) and the procedure for acceptance will be circulated to the Shareholders.

Once a shareholder submits the "Form of Acceptance", such shareholder cannot withdraw or vary the acceptance of the Repurchase Offer made thereby and the shares in respect of which the Repurchase Offer has been accepted will be transferred to a reserve account titled 'UBC Share Repurchase Acceptance Account' maintained with the CDS. Hence, shareholders accepting the Repurchase Offer will not be able to trade in the shares in respect of which they have accepted the Repurchase Offer.

In the event the total number of additional shares tendered exceeds the maximum number of additional shares repurchased by the Bank subsequent to the closure of the Repurchase Offer, the balance shares will be credited back to the shareholder's CDS account within 10 market days after the closure of the Offer.

The proposed date of the Repurchase Offer will be 27th June 2019 and the proposed date of the closing will be 11th July 2019.

The payment of consideration to shareholders accepting the Repurchase Offer will be made within 10 market days from the closing date (excluding the closing date) mentioned above. In case the payment for share repurchase on valid acceptances is not made within 10 market days from the closing date of the Repurchase Offer, shareholders accepting the Repurchase Offer will be entitled to an interest up to the actual date of payment, computed based on the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus 5%.

3. LEGAL AND REGULATORY REQUIREMENTS

The repurchase of shares by the Bank is carried out in accordance with the applicable provisions of the Companies Act No.7 of 2007 ("**the Companies Act**"), the Listing Rules of the Colombo Stock Exchange ("**CSE**"), the Banking Act No. 30 of 1988 and regulations issued thereunder and the articles of association of the Bank.

Article 13 of the Articles of Association of the Bank authorises the Bank to purchase or otherwise acquire any of its own shares in accordance with the provisions of the Companies Act.

The Monetary Board has granted approval for the Bank to repurchase shares from existing shareholders, subject to the following conditions:

- (a) CHFL's shareholding in the Bank shall not exceed 75% of the Bank's issued shares;
- (b) The total value of the repurchase amount shall not exceed 25% of the audited profits for 2018;
- (c) The maximum number of shares to be repurchased from the Bank's shareholders shall be limited to 1% of the existing total number of shares;
- (d) The Bank shall not distribute any dividends from the profit of the Bank for the year 2018;
- (e) The Bank shall obtain approval from any other relevant regulatory entities and the consent of the shareholders for the repurchase of its shares;
- (f) The Bank shall complete the share repurchase under reference within 6 months from the date of grant of approval therefor, by the Central Bank of Sri Lanka.

As required by Section 64(2) of the Companies Act, the Board of Directors of the Bank has resolved that,

- (i) the acquisition of the said 7,851,844 Ordinary Shares at a consideration of Rupees Fifteen (Rs.15/-) per share is in the interest of the Bank;
- (ii) the terms of the Repurchase Offer and the consideration to be paid for the shares is, in the opinion of the Bank's Auditors, a fair value;
- (iii) other than the matter set out in the subsequent paragraph, the Board is not aware of any information that has not been disclosed to shareholders which is material to an assessment of the value of the shares and as a result of which the terms of the Repurchase Offer or consideration offered for the shares are unfair to shareholders accepting the Repurchase Offer;
- (iv) the Bank disclose to the shareholders that by letter dated 12th March 2019, issued by the Bank Supervision Department of the Central Bank of Sri Lanka, the major shareholder of the Bank, Culture Financial Holdings Limited ("CFHL") is entitled to increase its shareholding up to 75% of the issued shares of the Bank (in terms of the letter dated 6th August 2014 of the Central Bank of Sri Lanka), by acquiring shares from the market, without exercising the warrants issued by the Bank or to exercise the warrants if CFHL cannot acquire 75% of the issued shares of the Bank from the market; and in light of this fact, CFHL will not accept an offer made by the Bank for the repurchase of its shares;

The Board further resolved on 25th March 2019 that where a shareholder does not accept the Repurchase Offer or accepts the said offer only in part, the Bank will re-purchase additional shares from any shareholder; and in the event the number of such additional shares exceeds the maximum number of shares that the Bank intends to re-purchase, the number of additional shares that will be repurchased by the Bank shall be reduced on a pro-rata basis.

The Board further resolved on 25th March 2019 that the Board is satisfied that the Bank would satisfy the solvency test as defined in Section 57 of the Companies Act immediately after the distribution of Rupees One Hundred and Eighteen Million One Hundred and Thirty Six Thousand Nine Hundred and Seventy (Rs.118,136,970/-) (which amount was later reduced to Rupees One Hundred and

Seventeen Million Seven Hundred and Seventy Seven Thousand Six Hundred and Sixty (Rs.117,777,660/-) pursuant to the reduction of the number of shares to be repurchased under the Repurchase Offer to 7,851,844 ordinary shares by board resolution dated 7th May 2019) upon the repurchase of its shares under reference and the directors have accordingly signed a certificate setting out such opinion in terms of section 56 of the Companies Act. Further, a Certificate of Solvency has been obtained from the Auditors of the Bank certifying that the Bank will satisfy the solvency test immediately upon the payment of the consideration for the repurchase of shares.

The settlement of consideration to the shareholders who accept the Repurchase Offer will be made out of retained earnings of the Bank, which, as at 31st March 2019, is approximately Rs. 445,347,000/.

In terms of section 63(3) of the Companies Act, the Shares that are repurchased by the Bank under this Repurchase Offer will be deemed to be cancelled immediately upon such repurchase.

The repurchase of shares under reference is not a major transaction of the Bank in terms of section 185 of the Companies Act.

A disclosure was duly made to the Colombo Stock Exchange in terms of Rule 7.11.1 (d) of the Listing Rules of the Colombo Stock Exchange with regard to the Board's decision dated 25th March 2019 to implement a repurchase subject to obtaining all necessary approvals under applicable law.

4. RECOMMENDATION

The Board of Directors seeks the sanction of the shareholders of the Bank by ordinary resolution for the proposed distribution of Rupees One Hundred and Seventeen Million Seven Hundred and Seventy Seven Thousand Six Hundred and Sixty (Rs.117,777,660/-) by way of the aforesaid repurchase of shares.

Given the fact that CFHL, Mr. Alexis Indrajit Lovell and Vista Knowledge Pte Ltd., have informed the Bank that they will not accept the Repurchase Offer that is made to them by the Bank, assuming all other shareholders accept the Repurchase Offer and apply for additional shares over and above their entitlements ("remaining shareholders"), the Bank will be able to distribute among the remaining shareholders, the aforesaid aggregate amount of Rupees One Hundred and Seventeen Million Seven Hundred and Seventy Seven Thousand Six Hundred and Sixty (Rs.117,777,660/-) by re-purchasing from each remaining shareholder, the number of shares offered to be repurchased by the Bank under the Repurchase Offer and any additional shares tendered by the said remaining shareholders at the same consideration of Rs.15/- per share, subject to the maximum number of shares the Bank intends to purchase.

5. EXTRAORDINARY GENERAL MEETING

Accordingly, an Extraordinary General Meeting of the Shareholders has been convened in terms of the attached Notice, at which the Shareholders will be requested to consider and if thought fit to pass an ordinary resolution approving a payment of a maximum sum of Rupees One Hundred and

Seventeen Million Seven Hundred and Seventy Seven Thousand Six Hundred and Sixty (Rs.117,777,660/-) as consideration for the Repurchase Offer.

If you are unable to be present at the aforesaid Extraordinary General Meeting to be held on the 11th of June 2019 at 2.00 p.m., you are kindly requested to complete and return the Form of Proxy to reach the registered office of the Bank not later than thirty six (36) hours before the time appointed for the holding of the meeting.

By Order of the Board
UNION BANK OF COLOMBO PLC
(Sgd.) Inoka Jayawardhana
Company Secretary

At Colombo, on this 17th day of May 2019.

**UNION BANK OF COLOMBO PLC
(PB 676 PQ)**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of Union Bank of Colombo PLC will be held on Tuesday, the 11th day of June 2019 at 2.00 p.m. at the "New Wing Auditorium" of Sri Lanka Foundation at No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07, to consider and if thought fit to pass the following resolution:

ORDINARY RESOLUTION

WHEREAS the Board has resolved on 25th March 2019 that subject to the necessary approvals, the Bank carry out a repurchase upto a maximum of 7,875,798 of its ordinary shares from its shareholders (which number was later reduced by board resolution dated 7th May 2019, to 7,851,844 ordinary shares), at a consideration of Rs. 15/- per share ("Repurchase Offer"), on the basis of shares held by each shareholder in the Bank on the Entitlement date referred to below, at the proportion of one (1) ordinary share for every one hundred and thirty nine (139) ordinary shares held by each shareholder of the Bank as morefully explained in the circular to shareholders dated 17th May 2019; and

WHEREAS according to the circular, if the number of shares subject to the Repurchase Offer made to any shareholder, when calculated based on the above ratio, is not a whole number, such number would be rounded down to the nearest whole number; and

WHEREAS any fractional entitlements arising based on the aforesaid proportion will be added when calculating the number of shares that the Bank could repurchase under the repurchase of additional shares referred to in the circular, subject to the Bank not exceeding the maximum number of shares that it intends to repurchase under the Repurchase Offer; and

WHEREAS fractional entitlements referred to above shall mean the fractions arising after applying the following formula,

Number of shares held by a shareholder as at end of trading on the Entitlement date X 1

[139]

WHEREAS the Repurchase Offer is to be made by the Bank to all holders of ordinary shares of the Bank listed in the shareholders' ledger of the Bank and in the CDS as at the end of trading on 11th June 2019 ("Entitlement date")

ACCORDINGLY IT IS HEREBY RESOLVED that subject to obtaining all necessary approvals under applicable law, the repurchase of a maximum of 7,851,844 shares and the distribution of up to a maximum of Rupees One Hundred and Seventeen Million Seven Hundred and Seventy Seven Thousand Six Hundred and Sixty (Rs.117,777,660/-) by the Bank as consideration for the repurchase of shares, referred to in the circular to shareholders dated 17th May 2019, be and is hereby approved.

By order of the Board.
UNION BANK OF COLOMBO PLC
(Sgd.) Inoka Jayawardhana
Company Secretary

Date: 17th May 2019

Notes:

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