

GREEN BOND ISSUE 2024 PROSPECTUS



Joint Managers and Financial Advisors



Structuring Partner



DFCC BANK PLC



PROSPECTUS

AN INITIAL ISSUE OF UPTO TWENTY MILLION (20,000,000) SENIOR, LISTED, RATED, UNSECURED, REDEEMABLE, GREEN 3-YEAR BONDS ("GREEN BONDS"), AT THE PAR VALUE OF SRI LANKAN RUPEES ONE HUNDRED (LKR 100/-) EACH TO RAISE SRI LANKAN RUPEES TWO THOUSAND MILLION (LKR 2,000,000,000/-) WITH AN OPTION TO ISSUE UPTO A FURTHER FIVE MILLION (5,000,000) OF SAID GREEN BONDS TO RAISE UP TO SRI LANKAN RUPEES FIVE HUNDRED MILLION (LKR 500,000,000/-), AT THE DISCRETION OF THE BANK IN THE EVENT OF AN OVER SUBSCRIPTION OF THE INITIAL ISSUE. MAXIMUM ISSUE WILL NOT EXCEED TWENTY-FIVE MILLION (25,000,000) OF SAID GREEN BONDS OF A VALUE OF NOT EXCEEDING SRI LANKAN RUPEES TWO THOUSAND AND FIVE HUNDRED MILLION (LKR 2,500,000,000/-)

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE

RATED "A-(lka)" BY FITCH RATINGS LANKA LIMITED

**ISSUE OPENS ON
12TH SEPTEMBER 2024**

JOINT MANAGERS AND FINANCIAL ADVISORS TO THE ISSUE



STRUCTURING PARTNER TO THE ISSUE



This Prospectus is dated 09th September 2024

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, omitted statements opinions expressed, or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Bonds which is decided solely by the Issuer. Please note that the Bank is bound by the enforcement rules set out in the CSE Listing Rules (as applicable).

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Bank since the date of this Prospectus. If there are material changes, such material changes will be disclosed to the market.

If you are in any doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Managers to the Issue, investment advisor, lawyer, or any other professional advisor.

Responsibility for the Content of the Prospectus

This Prospectus has been prepared by Acuity Partners (Private) Limited and Capital Alliance Partners Limited (hereinafter collectively referred to as ‘Joint Managers’) on behalf of DFCC Bank PLC (hereinafter referred to as ‘DFCC’ or the ‘Bank’). DFCC and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Bank and Bonds offered herein which is material; such information is true and accurate in all material aspects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Bank are honestly held or made and are not misleading in any material respect; this Prospectus contains all material facts and presents them in a clear fashion in all material respects and all proper inquiries have been made to ascertain and to verify the foregoing. The Bank accepts responsibility for the information contained in this Prospectus.

No person has been sanctioned to make any representations not contained in this Prospectus in connection with this offer for Subscription of the Bank’s Bonds. If such representations are made, they must not be relied upon as having been authorized. Neither the delivery of this Prospectus nor any sale made in the offering shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Bank since the date of this Prospectus.

Investors should be informed that the value of investments can vary and that past performance is not necessarily indicative of future performance. In making such investment decisions, prospective investors must rely on their knowledge, perception together with their own examination and assessment on DFCC and the terms and conditions of the Bonds issued including risks associated.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion, that there has been no material change in the affairs of the Bank since the date of this Prospectus.

Registration of the Prospectus

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of section 40 of the Companies Act No.7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Bank.
- b) The written consent of the Rating Agency for the inclusion of their name in the Prospectus as Rating Agency to the Issue and to the Bank.
- c) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- d) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
- e) The written consent of the Company Secretary of the Bank for the inclusion of the name in the Prospectus as Company Secretary to the Bank.
- f) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Independent External Verifier to the Issue for the inclusion of their name in the Prospectus as Independent External Verifier to the Issue.
- i) The written consent of the Anchor Investor to the Issue for the inclusion of their name in the Prospectus as Anchor Investor to the Issue.
- j) The written consent of the Joint Managers and Financial Advisors to the Issue for the inclusion of their names in the Prospectus as Joint Managers and Financial Advisors to the Issue.
- k) The written consent of the Structuring Partner to the Issue for the inclusion of their name in the Prospectus as Structuring Partner to the Issue.
- l) The declaration made and subscribed to, by each of the Directors of the Bank herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Bank, Trustee to the Issue, Bankers to the Issue, Company Secretary, Joint Managers and Financial Advisors to the Issue, Registrars to the Issue, Lawyers to the Issue, Independent External Verifier to the Issue, Anchor Investor to the Issue, Structuring Partner to the Issue, Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar of Companies in Sri Lanka withdrawn such consent.

Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-Resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Section 5.17 'Risks Involved in Investing in the Bonds' of this Prospectus.

Forward Looking Statements

Any Statements included in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of Forward Looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms.

However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Bank are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Bank operates and its ability to respond to them, the Bank’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Bank.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future.

Given the risk and uncertainties that may cause the Bank’s actual future results, performance, or achievements to materially differ from that expected, expressed, or implied by Forward Looking statements in this Prospectus, investors are advised not to place sole reliance on such statements.

ISSUE AT A GLANCE

Issuer	DFCC Bank PLC
Instrument	Senior, Listed, Rated, Unsecured, Redeemable, Green 3-Year Bonds
Listing	The Bonds will be listed on the Colombo Stock Exchange
Number of Bonds to be Issued	In the event of the Bond issue being fully subscribed, the Bonds issued are up to a maximum of 25,000,000 (Twenty-Five Million) Bonds.
Amount to be Raised	Up to Sri Lankan Rupees Two Thousand Million (LKR 2,000,000,000/-) with an option to raise a further Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) at the discretion of the Bank in the event of an oversubscription of the initial Issue in order to raise a maximum amount of Sri Lanka Rupees Two Thousand and Five Hundred Million (LKR 2,500,000,000/-).
Issuer Rating	"A- (lka)/stable)" by Fitch Ratings Lanka Limited
Issue Rating	"A-(lka)" by Fitch Ratings Lanka Limited
Issue Price	LKR 100/- per each Bond
Par Value	LKR 100/- per each Bond
Interest Rates	Fixed rate of 12.00% p.a. payable annually (AER 12.00%)
Maturity/ Redemption from the Date of Allotment	03 Years
Minimum Number of Bonds to be subscribed	Minimum subscription per application is 100 Bonds Sri Lankan Rupees Ten Thousand (LKR 10,000/-) and applications exceeding the minimum subscription should be in multiples of Sri Lankan Rupees Ten Thousand (LKR 10,000/-).
Interest Payment Dates	<p>The dates on which payments of interest in respect of the Bonds shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months thereafter during the period of the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than Three (03) Market Days from each Interest Payment Date.</p>
Interest Period	The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).
Method of Payment of Principal and Interest	Principal Sum and Interest will be paid to Bond Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank details have been provided, or by crossed cheques marked "Account Payee Only" in the event accurate bank details have not been provided.
Issue Opening Date	12 th September 2024, however, applications may be submitted forthwith
Closure Date of the Subscription List	Subject to the provisions contained below, the subscription list for the Bonds will open at 9.30 a.m. on 12 th September 2024 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 3 rd October 2024

	<p>However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following:</p> <ul style="list-style-type: none"> - The maximum of 25,000,000 Bonds being fully subscribed; or - The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 20,000,000 Bonds becoming fully subscribed. <p>In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 5,000,000 Bonds (having subscribed the initial Issue of 20,000,000 Bonds) but subsequently decides to close the subscription list upon part of the further issue of 5,000,000 Bonds becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm.</p> <p>In the event the Board of Directors of the Bank decides to close the Bond Issue without the full subscription of the initial 20,000,000 Bonds, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm. (refer Section 5.2 of this Prospectus).</p>
Date of Allotment	The date on which the Bonds will be allotted by the Bank to Applicants subscribing thereto.
Basis of Allotment	<p>In the event of an oversubscription, the basis of allotment will be decided by the CEO or in his absence the Senior Vice President Treasury and Investment Banking of the Bank in a fair manner within Seven (07) Market Days from the Closing Date.</p> <p>The CEO or in his absence the Senior Vice President Treasury and Investment Banking reserves the right to allocate up to a maximum of 80% of the total number of Bonds to be issued under this Prospectus (25,000,000 Bonds) to the Anchor Investor (Ceylinco Life Insurance Limited) of strategic and operational importance with whom the Bank might have mutually beneficial relationships in the future.</p> <p>In the event the Bank decides to close the Green Bond issue upon the initial 20,000,000 of bonds being fully subscribed, the maximum allocated to the Anchor Investor would be 16,000,000 of the Bonds allotted in total. In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 5,000,000 Bonds (having subscribed the initial Issue of 20,000,000 Bonds) and the maximum of 25,000,000 Bonds being fully subscribed, the maximum allocated to the Anchor Investor would be 20,000,000 of the Bonds allotted in total.</p> <p>The number of Bonds to be allotted to the Anchor Investor on a preferential basis will not exceed 80% of the total number of Bonds to be issued under this Prospectus (25,000,000 Bonds) under any circumstances, unless there is an undersubscription from other investors (Investors that do not fall under the Anchor Investor category).</p>

TABLE OF CONTENTS

1.0 CORPORATE INFORMATION	1
2.0 RELEVANT PARTIES TO THE ISSUE	2
3.0 ABBREVIATIONS USED IN THE PROSPECTUS	4
4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE	5
5.0 INFORMATION RELATING TO THE ISSUE	6
5.1 INVITATION TO SUBSCRIBE	6
5.2 SUBSCRIPTION LIST	6
5.3 OBJECTIVES OF THE ISSUE AND SPECIFIC RISKS RELATING TO THE OBJECTIVES	7
5.4 INTEREST	12
5.5 PAYMENT OF INTEREST	13
5.6 INSPECTION OF DOCUMENTS	13
5.7 UNDERWRITING	13
5.8 THE MINIMUM SUBSCRIPTION APPLICABLE FOR INVESTORS	14
5.9 COST OF THE ISSUE	14
5.10 BROKERAGE	14
5.11 TAXATION	14
5.12 REDEMPTION	14
5.13 RATING OF THE GREEN BOND	14
5.14 TRUSTEE TO THE ISSUE	15
5.15 INDEPENDENT EXTERNAL VERIFIER	15
5.16 RIGHTS AND OBLIGATIONS OF THE BOND HOLDERS	17
5.17 RISKS INVOLVED IN INVESTING IN THE BONDS	17
5.18 BENEFITS OF INVESTING IN THE BONDS	18
5.19 TRANSFER OF BONDS	19
5.20 LISTING	19
6.0 PROCEDURE FOR APPLICATION	20
6.1 ELIGIBLE APPLICANTS	20
6.2 HOW TO APPLY	20
6.3 SUBMISSION OF APPLICANTS	23
6.4 NUMBER OF BONDS TO BE SUBSCRIBED	23
6.5 MODE OF PAYMENT	23
6.6 REJECTION OF APPLICATIONS	25
6.7 BANKING OF PAYMENTS	26
6.8 BASIS OF ALLOTMENT OF BONDS	26
6.9 REFUNDS	26
6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING	27
7.0 FINANCIAL AND OTHER INFORMATION	28
7.1 BACKGROUND	28
7.2 NATURE OF BUSINESS	28
7.3 FINANCIAL YEAR	28
7.4 FINANCIAL STATEMENTS & FINANCIAL SUMMARY	28
7.5 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES	29
7.6 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK	29
7.7 OTHER DEBT SECURITIES IN ISSUE - AS AT THE DATE OF THE PROSPECTUS	29
7.8 DEBT SERVICING DETAILS OF THE BANK	30
7.9 KEY FINANCIAL RATIOS	30
7.10 MAJOR SHAREHOLDERS AS AT 30TH JUNE 2023	31
7.11 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	31
7.12 ACCOUNTANT'S REPORT AND 5-YEAR SUMMARY	32
ANNEXURE I - STATUTORY DECLARATIONS	43
ANNEXURE II - COPY OF THE RATING CERTIFICATE	45
ANNEXURE III - COPY OF THE INDEPENDENT ASSURANCE STATEMENT	48
ANNEXURE IV - COLLECTION POINTS	51
ANNEXURE V - CUSTODIAN BANKS	55
ANNEXURE VI – FATCA DECLARATION	56

1.0 CORPORATE INFORMATION

Name of the Bank/Issuer	DFCC Bank PLC																			
Legal Status	A quoted public company with limited liability established by DFCC Bank Act No. 35 of 1955 and with the enactment of the DFCC Bank (Repeal and Consequential Provisions) Act No. 39 of 2014, incorporated under the Companies Act No. 07 of 2007 with the name ‘DFCC Bank PLC’ with effect from January 06, 2015. A licensed commercial bank under the Banking Act, No. 30 of 1988.																			
Company Number	PQ 233																			
Place of Incorporation	Colombo, Sri Lanka																			
Registered Address	DFCC Bank PLC No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 442 / Fax: +94 11 2 440 376																			
Company Secretary	Ms. Nimali Ranaraja DFCC Bank PLC No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 540 / Fax: +94 11 2 440 376																			
Rating Agency	Fitch Ratings Lanka Limited No.15-04, East Tower World Trade Centre Colombo 01 Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903																			
Auditors	KPMG Chartered Accountants No. 32A, Sir Mohamed Macan Markar Mawatha Colombo 03 Tel: +94 11 5 426 426 / Fax: +94 11 2 445 872																			
Board of Directors	<table><tr><td>Mr. J. Durairatnam</td><td>Chairman, Independent Non-Executive Director</td></tr><tr><td>Mr. N. H. T. I. Perera</td><td>Chief Executive Officer, Executive Director</td></tr><tr><td>Ms. L. K. A. H. Fernando</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. N. K. G. K. Nemmawatta</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. H. A. J. De Silva Wijeyeratne</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. N Vasantha Kumar</td><td>Independent Non-Executive Director</td></tr><tr><td>Ms. A. L. Thambiayah</td><td>Independent Non-Executive Director</td></tr><tr><td>Mr. W D Batagoda</td><td>Non – Independent Non-Executive Director</td></tr><tr><td>Mr. W. R. H. Fernando</td><td>Independent Non-Executive Director</td></tr></table>		Mr. J. Durairatnam	Chairman, Independent Non-Executive Director	Mr. N. H. T. I. Perera	Chief Executive Officer, Executive Director	Ms. L. K. A. H. Fernando	Independent Non-Executive Director	Mr. N. K. G. K. Nemmawatta	Independent Non-Executive Director	Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director	Mr. N Vasantha Kumar	Independent Non-Executive Director	Ms. A. L. Thambiayah	Independent Non-Executive Director	Mr. W D Batagoda	Non – Independent Non-Executive Director	Mr. W. R. H. Fernando	Independent Non-Executive Director
Mr. J. Durairatnam	Chairman, Independent Non-Executive Director																			
Mr. N. H. T. I. Perera	Chief Executive Officer, Executive Director																			
Ms. L. K. A. H. Fernando	Independent Non-Executive Director																			
Mr. N. K. G. K. Nemmawatta	Independent Non-Executive Director																			
Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director																			
Mr. N Vasantha Kumar	Independent Non-Executive Director																			
Ms. A. L. Thambiayah	Independent Non-Executive Director																			
Mr. W D Batagoda	Non – Independent Non-Executive Director																			
Mr. W. R. H. Fernando	Independent Non-Executive Director																			

2.0 RELEVANT PARTIES TO THE ISSUE

Structuring Partner to the Issue	Treasury and Investment Banking Unit DFCC Bank PLC DFCC Building, P.O. Box 1397 No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 442 / Fax: +94 11 2 440 376
Joint Managers and Financial Advisors to the Issue	Acuity Partners (Private) Limited Acuity House No. 53, Dharmapala Mawatha Colombo 03 Tel: +94 11 2 206 206 / Fax: +94 11 2 437 149 Capital Alliance Partners Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02. Tel: +94 11 2317777, Fax: +94 11 2317788
Independent External Verifier to the Issue	KPMG Chartered Accountants No. 32A, Sir Mohamed Macan Markar Mawatha Colombo 03 Tel: +94 11 5 426 426 / Fax: +94 11 2 445 872
Lawyers to the Issue	Nithya Partners No. 97A, Galle Road Colombo 03 Tel: +94 11 4 712 625 / Fax: +94 11 2 328 817
Registrars to the Issue	S S P Corporate Services (Private) Limited No. 101, Inner Flower Road Colombo 03 Tel: +94 11 2 573 894 / Fax: +94 11 2 573 609
Trustee to the Issue	People's Bank No. 75, Sir Chittampalam A. Gardiner Mawatha Colombo 02 Tel: +94 11 2 481 481 / Fax: +94 11 2 458 842
Company Secretary	Ms. Nimali Ranaraja DFCC Building, P.O. Box 1397 No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 540 / Fax: +94 11 2 440 376
Rating Agency to the Issue	Fitch Ratings Lanka Limited No.15-04, East Tower World Trade Centre Colombo 01 Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
Bankers to the Issue	DFCC Bank PLC No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 442 / Fax: +94 11 2 440 376

Auditors and Reporting Accountants to the Issue	<p>KPMG</p> <p>Chartered Accountants</p> <p>No. 32A, Sir Mohamed Macan Markar Mawatha</p> <p>Colombo 03</p> <p>Tel: +94 11 5 426 426 / Fax: +94 11 2 445 872</p>
Anchor Investor to the Issue	<p>Ceylinco Life Insurance Limited</p> <p>Ceylinco Life Tower,</p> <p>106, Havelock Road,</p> <p>Colombo 05</p> <p>Tel: +94 11 2 461 461 / Fax: +94 11 2 555 959</p>

3.0 ABBREVIATIONS USED IN THE PROSPECTUS

AER	Annual Effective Rate
EBIT	Earnings Before Interest and Taxes
ATS	Automated Trading System of the Colombo Stock Exchange
AWPLR	Average Weighted Prime Lending Rate
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CSE	Colombo Stock Exchange
DFCC/Issuer/Bank	DFCC Bank PLC
ESMC	Executive Sustainability Management Committee
ESMS	Environment and Social Management System
GBP	Green Bond Principles
GFTF	Green Finance Task Force
ICMA	International Capital Markets Association
LKR/ Rupees/ Rs.	Sri Lankan Rupees
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
RPTRC	Related Party Transactions Review Committee
SEC	Securities and Exchange Commission of Sri Lanka
SIA	Securities Investment Account
SLGFT	Sri Lanka Green Finance Taxonomy
SLSQC	Sri Lanka Standard on Quality Control
SLIPS	Sri Lanka Inter-Bank Payment System
UNSDG	United Nations Sustainable Development Goal
USD	United States Dollar

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant/s	Any person who submits an Application Form under this Prospectus
Application Form/Application	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Bonds in Issue.
Bank/ Issuer	DFCC Bank PLC
Bonds	All of the Senior, Listed, Rated, Unsecured, Redeemable Green Bonds to be issued pursuant to this Prospectus
Bond Holder(s)	Any person who is for the time being the holder of the Bonds and includes his/her respective successors in title.
Date of Allotment	The date on which the Bonds will be allotted to the Bond Holders, which will be notified to the Bond Holders.
Date of Redemption	The date on which Redemption of the Bonds will take place as referred to in Section 5.12 of this Prospectus.
Entitlement Date	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Bond Holder would need to be recorded as being a Bond Holder on the list of Bond Holders provided by the CDS to the Bank /in whose name the Bonds are registered in the Bond Holders' register of the Bank (where applicable), in order to qualify for the payment of any interest or any Redemption proceeds.
Green	The proceeds are invested exclusively in green projects that generate climate or other environmental benefits.
International Sustainable Bond Standard)	The Sri Lanka Green Finance Taxonomy and the principles set forth by the International Capital Market Association (ICMA) for Green Bonds. The ICMA Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.
Issue	The offer of Bonds pursuant to this Prospectus.
Market Day	Any day on which trading takes place at the CSE.
Non-Resident(s)	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.
Principal Sum	The product of the number of Bonds allotted and Par Value.
Prospectus	This prospectus dated 09 th September 2024 issued by DFCC Bank PLC.
Redemption	The repayment of the Principal at maturity together with any interest accruing up to that time.
Registered Address	When used in relation to a Bond Holder means the address provided by the Bond Holder to the CDS.
Senior	The claims of the Bond Holders shall in the event of winding up of the Bank rank after all the claims of secured creditors and any preferential claims under any Statutes governing the Bank but pari passu to the claims of unsecured creditors of the Bank and shall rank in priority to and over any subordinated debt of the Bank and the claims and rights of the shareholder/s of the Bank.
Trustee	People's Bank
Trust Deed	Trust Deed executed between the Bank and People's Bank on 28 th August 2024
Working Day	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka.

5.0 INFORMATION RELATING TO THE ISSUE

5.1 INVITATION TO SUBSCRIBE

The Board of Directors of DFCC Bank PLC resolved by the resolution dated 31.07.2024 to raise a sum of up to LKR Two Thousand Million (LKR 2,000,000,000/-) with an option to raise a further LKR Five Hundred Million (LKR 500,000,000/-) at the discretion of the Bank in the event of an oversubscription of the initial issue in order to raise a maximum of amount of LKR Two Thousand and Five Hundred Million (LKR 2,500,000,000/-), from the public by the issue of Senior, Listed, Rated, Unsecured, Redeemable Green Bonds of Three (3) Years.

The below mentioned Bonds will be offered to the public:

Tenure	Interest Rate Basis	Issue Price per Bond (LKR)	Description
3 Years	Fixed	100.00	12.00% p.a payable annually (AER 12.00%)

It is the intention of the Bank to list the Bonds on the Colombo Stock Exchange. The Colombo Stock Exchange has given its in-principle approval for the listing of the Bonds on the Colombo Stock Exchange. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE

Senior, Listed, Rated, Unsecured, Redeemable, Green Bonds issued under the prospectus are not subject to an early redemption or have a “convertible option”. However, Bonds shall become immediately payable at the option of the Trustee on the occurrence of an event of default as specified in Clause 10 and individual green bond holders could call for redemption of Green Bonds in the circumstances as set forth in Rule 7.12.3 (A) (II) (d) of CSE Listing Rules as provided under Clause 4.4 as the dissenting option in the trust deed. Clause 4 specifies instances where immediate payment can happen to the green bond holders. This Bond is not collateralized by any asset of the Bank.

Subject to enforcement actions as per the CSE Listing Rules if the company fails to comply with the continuous listing requirements applicable for a sustainable bond,

- The Bank shall pay the maturity proceeds relating to the Green Bonds held by such dissenting Green Bond Holders within seven (07) Market Days from the meeting of the Green Bond Holders.
- CSE shall cease to recognize such Debt Securities of the Bank as Sustainable Bonds (Green Bonds). Such non-recognition may lead the Bank to effect changes to the existing features of the proposed Green Bonds (e.g. features, rights, interest rates, AER etc. along with any other benefits attached to the proposed green bond).

The instrument rating of these Bonds would move in tandem with the Bank's National Long Term-Rating as senior Bonds bear the identical credit risk associated with the entity at large.

5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Bonds will open at 9.30 a.m. on 12th September 2024 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 3rd October 2024.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following:

- The maximum of 25,000,000 Bonds being fully subscribed; or
- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 20,000,000 Bonds becoming fully subscribed.

In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 5,000,000 Bonds (having subscribed the initial Issue of 20,000,000 Bonds) but subsequently decides to close the subscription list upon part of the further issue of 5,000,000 Bonds becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm.

In the event the Board of Directors of the Bank decides to close the Bond Issue without the full subscription of the initial issue of LKR Two Thousand Million, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm.

Applications can be made forthwith in the manner set out in Section 6.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the Collection Points set out in Annexure IV of this Prospectus.

5.3 OBJECTIVES OF THE ISSUE

The proceeds of the Green Bond will be managed by the Bank's Treasury Department for the following Objectives:

- financing (new lending) for the establishment, acquisition, expansion, and/ or ongoing management of on-shore ground and rooftop solar photovoltaic (PV) power generation facilities. The envisaged timeline for the utilization for this objective is up to 18 months from the date of allotment and the bank will allocate approximately 60% of the funds.
- refinancing on-shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities provided such projects were approved for financing by the Bank and were commissioned within a two (2) year 'lookback' period from the date the project was earmarked for funding by the proceeds of the particular Green Bond. The bank will allocate approximately 40% of the funds.

The total funds raised will be utilized for the financing and refinancing objectives. The funds required will not exceed the funds raised through this Green Bond Issue as the bank will limit its financing and refinancing of Green Projects to the funds raised through this Green Bond Issue.

Summary of the ICMA Green Bond Principles:

The GBP emphasize the required transparency, accuracy and integrity of the information that will be disclosed and reported by issuers to stakeholders through core components and key recommendations.

The four core components for alignment with the GBP are,

1. Use of Proceeds: All designated eligible Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer. The GBP explicitly recognize several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

2. Process for Project Evaluation and Selection: The issuer of a Green Bond should clearly communicate to investors the environmental sustainability objectives of the eligible Green Projects; the process by which the

issuer determines how the projects fit within the eligible Green Projects categories and Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).

3. Management of Proceeds: The GBP encourage a high level of transparency and recommend that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds

4. Reporting: The GBP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.

The proposed Green Bonds will be issued under the framework which aligns with the Green Bond Principles (June 2021, with June 2022 Appendix) of the International Capital Market Association (ICMA). The objectives of the DFCC Green Bond will be 100% utilized for electricity generated from solar energy resources satisfying the GBP principles of contributing to climate change mitigation which is considered as an eligible Green Project as per ICMA GBP. The process, management and reporting detailed below aligns with the GBP.

Factors that will be considered by the relevant divisions of the Bank Sustainability unit, Integrated Risk Management Department, lending unit to assure that the project can be categorized as green projects are as follows:

- SLGFT Eligible Category M4.1 and M6.9: Ground and rooftop mounted Solar PV electricity generation projects conforming to the requirements of the Sri Lanka Green Finance Taxonomy (May 2022) (including mounting structures, transmission infrastructure, grid connections and other supporting infrastructure including inverters, transformers, energy storage systems and control systems).
- Environmental benefit through avoidance of Greenhouse Gas emissions to mitigate Climate Change.
- Contribution to the United Nations Sustainable Development Goal 7: Affordable and Clean Energy (UNSDG)

Management and Reporting on the proceeds and utilization of proceeds,

Applications for funding are initially screened against the Bank's 'Exclusion List' and credit evaluations will be performed by lending units. The lending units will then recommend to the Sustainability Unit, certain solar PV projects as suitable to be financed by the proceeds of the Green Bonds issued under this framework. The sustainability unit of the Bank will screen the recommended projects against the Bank's E&S safeguard standards, and evaluate the projects for eligibility under the SLGFT M4.1 and M6.9 eligibility category, avoidance of greenhouse gas emissions to mitigate climate change and the UN SDG principles covered in the SLGFT framework. Once screened, the projects will be earmarked by the Sustainability Unit for financing by the proceeds of the Green Bond. Thereafter, the Integrated Risk Management Department will carry out an overall risk evaluation and submit the credit facility for approval by the Board of the Bank or the relevant delegated authority.

If any funded project fails for any reason, be it technical, managerial, regulatory, or other; the particular green project will be removed from the funding allocation and replaced with another green project as proposed by the lending unit and approved by the Sustainability Unit. The Bank will also ensure that all projects are in continued compliance with E&S safeguards as per the ESMS, during the life of the financing facility. If any E&S issues arise from any funded project, the borrower shall be requested to take corrective action in accordance

with the provisions of the loan agreement, and if the matters are yet unresolved, it shall be replaced by another project.

The proceeds of the Green Bond will be managed by DFCC's Treasury, and fund allocations to specific projects will be done by the Treasury following specific recommendations from the Sustainability Unit. The Treasury will maintain a schedule of projects that are financed and/or refinanced with the proceeds of the Green Bond. Once disbursed, the Credit Services Department will tag the earmarked solar projects in the Bank's core banking system. Pending loan disbursement, the unallocated proceeds of the Green Bond, will be temporarily invested in cash, cash equivalents or Sri Lanka Government securities on a per Green Bond basis, in accordance with the Bank's cash management policies. The unallocated proceeds will be tracked in a separate internal accounting system. It is expected that the Green Bond proceeds will be fully allocated within a period of 18 months from the date of bond issuance. The Bank will follow internal procedure manuals for the management of proceeds.

The Treasury and the Sustainability Unit will prepare and submit allocation reports and impact reports to the Executive Sustainability Management Committee (ESMC) and to the Board on a periodic basis. Any changes to the overall portfolio considered under the Green Bond, or removal and addition of individual projects from the Green Bond portfolio will have to be cleared by the Sustainability Unit. DFCC will publicly disclose the allocation of proceeds and impacts of the Green Bonds in its Annual Report on an aggregate portfolio basis and will not include details of individual projects funded. The Annual Report is published on the DFCC Bank website (www.dfcc.lk) and the Colombo Stock Exchange website (www.cse.lk). The Bank will make and keep, readily available, up to date information on the use of proceeds to be reviewed annually on a timely basis in case of material developments.

Allocation Report,

A detailed internal report will be generated by the Treasury and prepared together with the Sustainability Unit on a quarterly basis until full allocation of proceeds, and thereafter on an annual basis. The following information will be included in the internal report:

- a) A list of solar projects allocated under the green bond, with specific information related to the projects, allocated amounts, etc.
- b) Proportion of new and refinanced projects
- c) Remaining unallocated proceeds

Impact Report,

The Bank will use qualitative performance indicators and quantitative performance measures and disclose key underlying methodology and/or assumptions used in the quantitative determination. DFCC will also refer to and adopt, where applicable, the guidance and impact reporting template provided in the ICMA Harmonized Framework for Impact Reporting.

The environmental impact of each funded solar project will be measured and reported by collecting on an annual basis the;

- a) Capacity/Additional Capacity of the solar power generation plant in kW/MW.
- b) Annual electricity generation data kWh/MWh and
- c) Calculating the annual Greenhouse Gas (GHG) emissions reduced/avoided in tones of CO₂ equivalent.

Post Issuance Verification:

The Bank has obtained an Independent Assurance Statement of this Green Bond framework from the Independent External Verifier, confirming its alignment with the ICMA Green Bond Principles prior to the Green Bond issuance. The Independent External Verifier will also issue a Post Issuance Assurance Report. The Post

Issuance Assurance will include a review of the internal processes and controls, allocation reports and impact reports, and will be performed after 12 months following the issuance of the Green Bond. Thereafter, the annual allocation reports and impact reports will be reviewed by the Independent External Verifier. These reports in abridged form, including the external review, will be published in the DFCC Bank website (www.dfcc.lk). Post issuance verification will be carried out annually until the proceeds are fully utilized and will be submitted along with the annual report.

For each of the Project/s the following approvals need to be obtained by the Borrower:

Rooftop Solar Systems

Mandatory approvals from regulatory agencies:

- Ceylon Electricity Board (or its successors)/ Lanka Electricity Company Ltd

Ground-Mounted Solar Systems

Mandatory approvals from regulatory agencies:

- Ceylon Electricity Board (or its successors)/ Lanka Electricity Company Ltd
- Sri Lanka Sustainable Energy Authority
- Central Environmental Authority

Project/site specific approvals from authorities such as:

- Land clearance from the Divisional Secretariat of the relevant area
- Department of Archaeology

The bank will strive to fund only projects that have all required approvals in place. It will be ensured that all required approvals will be obtained, to the satisfaction of the bank prior to loan disbursement. Hence there will be no instances where approvals are pending. In case the required approvals are not forthcoming the Bank will replace the project with an alternate green project which is in line with the ICMA GBP.

The Bank believes that having a focused strategy to lend to environmentally beneficial sustainable projects will increase shareholder value.

The proceeds of the Green Bond will be managed by DFCC's Treasury Department, and fund allocations to specific projects will be done by the Treasury Back Office following specific recommendations from the Sustainability Unit. Treasury Back Office will maintain a schedule of projects that are financed and/or refinanced with the proceeds of the Green Bond. Once disbursed, the Credit Services Department will tag the earmarked solar projects in the Bank's core banking system.

Any potential transaction with related parties will be carried out in compliance with all applicable Statutes, Directions, Regulations, and section 9 of the CSE Listing Rules including following the due process of RPT Review committee (RPTRC). Please refer to Section 7.11 for the composition of the Related Party Transactions Review Committee as at 30th June 2024.

If the proceeds are not utilized immediately upon the receipt of funds. proceeds of the Green Bond, will be invested in cash, cash equivalents and/or government securities, in accordance with the Bank's cash management policies at the prevailing rates.

This reporting will be validated by the Independent External Verifier and reported on an aggregated basis in the DFCC Annual Report until the lifetime of the funds are fully utilized for the Green Bond objectives.

The Green Bond issue does not fall within the definition of a major transaction in terms of section 185 of the companies act no 7 of 2007.

DFCC undertakes to disclose the progress of the utilization of proceeds in all of their future interim and annual financial statements, until funds are fully utilized for the respective objectives stated in the Prospectus in the format presented below. Continuous Disclosure regarding status of utilization of funds raised via the Bond Issue will be presented in the following format in the subsequent interim and annual financial statements.

Bond Issue proceeds utilization as at dd-mm-yyyy

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party)
1	financing the establishment, acquisition, expansion, and/or ongoing management of on-shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities	Initial Issue of LKR 2 Bn and a maximum of LKR 2.5Bn	In up to 18 months upon allotment of the Bonds	<div style="border: 1px solid black; padding: 10px; text-align: center;"> To be disclosed in the Annual Report and the Interim Financial Statements </div>				
2	refinancing existing on-shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities provided such projects were approved for financing by the Bank and were commissioned within a two (2) year 'lookback' period from the date the project was earmarked for funding by the proceeds of the particular Green Bond.							

In the event the proceeds raised are fully utilized between two financial periods in terms of the objectives disclosed in the prospectus prior to submission of the Bank's next immediate succeeding financial statements (i.e. either interim financial statements or annual report, whichever is published first), the Bank to disclose the fact that proceeds have been utilized in its entirety as per the above template.

The Bank will make immediate disclosure in the instances which specified under item 32 of the Appendix 8A of the Section 8 of the CSE listing Rules. The Bank will comply with the requirements stipulated under continuous listing rules of the CSE specifically applicable to Green Bonds.

The Bank will submit a report on the utilization of the proceeds of the Green bond to CSE as per the tracking done by the bank using the internal process duly signed by two directors of the Bank for dissemination to the market on a quarterly basis along with the quarterly financial statements of the Bank and within twelve (12) months from the date of issuance of the Green Bond and thereafter on an annual basis along with the Annual Report of the Bank until the proceeds allocated to the Green Project/s are fully utilized.

Specific Risk relating to the Objective:

Dependence of proceeds of the Issue to achieve the objectives is marginal, as the Bank in the ordinary course of business has access to multiple sources of funds such as different types of deposits and borrowings.

Further, the risk of under subscription of the Bond Issue will be greatly mitigated through appointing experienced managers to the Issue, pre-marketing and building a pipeline of potential investors.

Based on Banks past experience and the growth achieved as at date there is no specific risk factor that may lead to non-achievement of the disbursement of the proceeds of up to LKR 2.5 Billion as the Bank's portfolio of gross loans and advances recorded a growth of LKR 10.4 Billion in the first six months of 2024.(based on the interims financial statements), with the easing of interest rates. If there are any approvals pending on the Green Projects being assessed or if the project does not fall under the ICMA guidelines for Green Projects, the bank will replace the project/s with alternative ICMA GBP compliant projects.

Gross Loan & Advance Receivable from March to June 2024

Month	Gross Loan & Advance Receivable (LKR'000')
June-2024	405,142,144.96
May-2024	395,202,549.12
April-2024	393,140,413.98
March-2024	401,816,894.16
Monthly Average for the last 3 months	1,108,416.93

However, pending loan disbursement, the unallocated proceeds of the Green Bond, will be temporarily invested in cash, cash equivalents or Sri Lanka Government securities, in accordance with the Bank's cash management policies. It is expected that the Green Bond proceeds will be fully allocated within a period of 18 months from the date of bond listing.

5.4 INTEREST

The Bond Issue comprises of Bonds that will carry rates of interest as described below on the interest payment dates:

Description
Senior, Listed, Rated, Unsecured, Redeemable, Green 03-year Bonds The Bonds will carry a Fixed Interest Rate of 12.00% p.a. payable Annually (AER 12.00% p.a.), issued at a Par Value of LKR 100/- per each Bond.

In relation to the Bonds, Interest on the Bonds accruing on a daily basis will be paid Annually as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Bonds for a particular Interest Period will be calculated based on the actual number of days (irrespective of holidays) in such Interest Period (actual/actual) and will be paid not later than Three (03) Market Days from each Interest Payment Date. In order to accommodate the Bond interest cycles in the CDS,

the payment of interest for a particular Interest Payment Date will include Bond Holders holding Bonds in the CDS as of the Entitlement Date.

Payment of the interest on the Bonds will be made after deducting any taxes and charges thereon (if any) in Sri Lanka Rupees as per the applicable law prevalent at the time of interest payment to the Bond Holders. Please refer Section 5.11 for further details on taxes applicable for Bonds.

5.5 PAYMENT OF INTEREST

The Bank will redeem the Bonds on the Date of Redemption as specified in Section 5.12 and the interest payments will be made as specified in Section 5.5.

The payment of Principal Sum and Interest will be made either through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank account details of the Bond Holders are provided to the CDS to effect such transfers or by cheque/s marked "Account Payee Only" sent by ordinary mail to the addresses provided by the Bond Holders to the CDS, at the risk of the Bond Holders if bank account details are not provided to the CDS or the bank account details provided to the CDS are inaccurate.

RTGS transfers however could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

The payment of Principal Sum and Interest will be made in Sri Lanka Rupees in favour of the Bond Holders as of the Entitlement Date. In the case of joint Bond Holders, the payment of Principal Sum and Interest will be made to the one whose name stands first in the register of Bond Holders.

5.6 INSPECTION OF DOCUMENTS

The Articles of Association, Trust Deed, Accountant's Report and Five Years (05) Summary of Financial Statements for the five years ended 31 December 2019 to 31 December 2023, Audited Financial Statements for the Five (05) years immediately preceding the date of this Prospectus, and Interim Financial Statements for the Quarter ended 30th June 2024, Issue Rating Report and all other documents referred to in Rule 3.3.13 (a) of the CSE Listing Rules, including material contracts and management agreements entered or in the case of contracts not reduced into writing, a Memorandum giving full particulars thereof by the Bank if any, would be made available for Four (04) Market Days including the date of hosting of the Prospectus and documents on the CSE's and other websites stated in this Prospectus to the Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Bank, No. 110, Sir James Peiris Mawatha, Colombo 02, Sri Lanka until the Date of Redemption of the Bonds.

The Prospectus, Trust Deed and Articles of Association of the Bank are available on the website of CSE (www.cse.lk) and the website of the Bank (www.dfcc.lk) for Four (04) Market Days including the date of hosting of the Prospectus and documents on the CSE's and other websites stated in this Prospectus to the opening of the subscription list until the Date of Redemption of the Bonds as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

5.7 UNDERWRITING

The Issue is not conditional upon any minimum subscription amount being raised. The Bank has not entered into any underwriting arrangement with regard to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full and funds raised shall be utilized to the extent of such amount to meet the Objectives of the Issue as stipulated in Section 5.3 of this Prospectus, the

balance funding will be sourced through Bank borrowings and other unutilized credit facilities.

5.8 THE MINIMUM SUBSCRIPTION APPLICABLE FOR INVESTORS

The minimum subscription requirement applicable for an investor applying for Bonds shall be Sri Lankan Rupees Ten Thousand (LKR 10,000/-) and any application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (Rs. 10,000).

5.9 COST OF THE ISSUE

The Board estimates that the total cost of the Issue including fees to professionals, advertising and other costs connected with the Issue will be approximately LKR 25 Million. Such costs will be financed by the internally generated funds of the Bank.

5.10 BROKERAGE

There is no payment of brokerage.

5.11 TAXATION

Interest on the Bond will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent at the time the interest payment is due to the Bond holders.

5.12 REDEMPTION

DFCC Bank PLC shall redeem the said Bonds on the expiry of Three (03) years respectively from the Date of Allotment in accordance with the provisions contained in the Trust Deed. Early redemption is not applicable for Bonds issued under this Prospectus, subject to the provisions contained in the Trust Deed. On the Date of Redemption of the Bonds, the Bank shall in accordance with the provisions contained in the Trust Deed pay to the Bond Holders the Principal Sum of the Bonds which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Maturity/ Redemption of the Bond. If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid up to the date immediately preceding such Market Day (including holidays).

5.13 RATING OF THE GREEN BOND

Fitch Ratings has assigned DFCC Bank PLC's (A-(lka)/Stable) proposed Sri Lankan rupee-denominated senior unsecured listed green bonds of up to LKR2.5 billion a final National Long-Term Rating of 'A-(lka)'.

The proposed green bond is rated at the same level as DFCC's National Long-Term Rating as it constitutes a direct, unconditional, unsubordinated, and unsecured obligation of the bank, and will rank pari passu with all of its present and future unsecured and unsubordinated obligations.

the first listed green bond issuance in Sri Lanka, will mature in three years with fixed coupons. Proceeds from the bond issuance will be used to finance and refinance eligible green projects such as photovoltaic power generation.

Source: <https://www.fitchratings.com/research/banks/fitch-rates-dfcc-bank-debut-green-bond-final-a-lka-02-09-2024>

The Board of Directors will undertake to keep the Trustee of the Debenture Issue and CSE informed on any change to the credit rating of the Debentures as soon as the Bank / any of the Directors are aware of any changes to the ratings.

5.14 TRUSTEE TO THE ISSUE

People's Bank has agreed to act as the Trustee to the Bond Holders. The Bank has entered into an agreement with the Trustee (hereinafter called the "Trust Deed"). Bond Holders in their Application Forms for subscription will be required to authorize the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Bank and to act as the agent and Trustee for the Bond Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Bonds will be subject to the terms and conditions incorporated in the said Trust Deed. The annual fee payable to the Trustee will be LKR 275,000/- plus statutory levies until maturity of the Bonds. Trustee and the Directors of the Trustee has no conflict of interest with the Bank, except that the Trustee is one of the Bank's rendering banking related services to the Bank.

5.15 INDEPENDENT EXTERNAL VERIFIER

The Bank has appointed KPMG Sri Lanka as the Independent External Verifier to the issue. (hereinafter referred to as 'External Verifier'). The annual financial auditing function and the issue of independent external verification report are handled by two separate partners within KPMG. The External Verifier has agreed to provide an Independent Assurance Statement (Annexure III) for DFCC Bank PLC's Green Bond Framework in accordance with the Green Bond Principles – Voluntary Process Guidelines for Issuing Green Bonds (June 2021) issued by the International Capital Market Association (ICMA). The External Verifier has no conflict of interest with the Bank and The External Verifier is an independent party to the Bank and will remain independent until the maturity of Bonds. External Verifier team includes professionals with suitable skills and experience in carrying out assurance engagements on environmental, social and economic information in line with the requirements of SLSAE 3000 standard complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. External Verifier applies Sri Lanka Standard on Quality Control 1(SLSQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Key Personnel involved in the Independent External Verifier Report:

Pyumi Sumanasekara

Partner – ESG, Global Assurance, Family Business & Board Governance

Pyumi is a Partner of KPMG's member firm in Sri Lanka and counts over 16 years of experience in audit services and advisory services a large portfolio of banking and financial services clients. Pyumi has considerable industry experience and has a strong understanding of SLFRS and IFRS.

Gergő Wieder

Director – FS & ESG Advisory

Gergő has more than 15 years' experience in the financial sector regulations, and sustainable finance. He joined to KPMG in 2008 as member of the Financial Services Sector business line, currently he is participating in various risk and regulatory related projects in Hungary and other Euro European Union resident financial institutions, insurance companies and investment service providers. He is a certified economist majoring in risk management and corporate finance, a registered risk manager and a registered Basel 3., ICAAP, SREP expert. He often publishes articles, gives interviews and present at conferences regarding several regulatory topics, and green finance.

Shazaad Ninzer

Associate Director – Climate Change & Sustainability Services, Global Assurance

Shazaad counts 9 years of experience in Audit and Assurance Services and has considerable industry experience which includes Agriculture, insurance, banking and NBFI hospitality, consumer markets and logistics.

Callishia Fernando

Senior Manager - Climate Change & Sustainability Services, Global Assurance

Callishia counts over 6 years of experience in Global Assurance Division and has considerable industry experience which includes consumer markets, banking and finance, manufacturing and logistics.

Fahima Mohideen

Deputy Manager-Climate Change & Sustainability Services, Global Assurance

Fahima counts 7 years of experience in KPMG under Global Assurance and Tax. She has considerable industry experience which includes consumer markets, banking and finance, manufacturing, and construction.

Amrithaa Chandrakumar

Senior Consultant – Climate Change & Sustainability Services, Global Assurance

Amrithaa counts over 5 years of experience in the global assurance division at KPMG Sri Lanka. She has considerable industry experience, which includes airline and aviation sector, oil and gas, banking and finance, technological mobility solutions, manufacturing and automotive sector.

Adrienn Anga

Senior Consultant – FS & ESG Advisory

Adrienn joined KPMG in 2018 . Before joining KPMG, she has been working as a business development intern at FCT Flames in Adelaide, Australia. She has been involved in various projects during the four months like assessing market opportunities, proposing marketing strategy ideas, and creating international expansion plans. She conducted an own research on the South Australian wine industry in 2017 /18 by examining local wineries' behaviors towards climate change.

Bálint Toronyai

Senior Consultant – FS & ESG Advisory

Bálint has more than 4 years' experience in macroeconomic, and policy analysis. Bálint has started his career as a macroeconomic analyst at AKK (Hungarian Government Debt Management Agency) in a supporting role of policy and regulatory formulation for macroeconomic and financial stability for 2 years. He has joined KPMG's Financial Risk Management & ESG practice in 2020 where he gained experience in various engagements in regulatory compliance, green finance and macroeconomic analysis, and obtained the Financial Risk Manager (FRM) designation and also the Sustainability and Climate Risk (SCR) certificate of GARP in 2021.

Past Experience of the Independent External Verifier:

- Green bond assurance for Alfa Equity Holding in Hungary (2021)
- Assurance of Erste Mortgage Bank's green mortgage bond in Hungary issuance in line with Climate Bonds Standard (pre and post issuance). (2021)
- Second Party Opinion on OTP's extended Green Loan Framework in Hungary (2023)

The scope of pre-issuance assurance engagement included information on material aspects of the Green Bond Framework which formed the basis for the proposed green bond based on the Pre-Issuance Requirements set out in the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix) as listed below:

- Use of Proceeds
- Process for Project Evaluation & Selection

- Management of Proceeds
- Reporting

5.16 RIGHTS AND OBLIGATIONS OF THE BOND HOLDERS

(a) Bond Holders are entitled to the following rights.

- Receiving Annual interest at the Rate of Interest as set out in Section 5.4 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.5 of this Prospectus.
- In the event of liquidation, rank above the ordinary voting shareholders of the Bank.
- To receive a copy of the Annual Report of the Bank within the timeline stipulated in terms of Rule 7.5 (a) of the CSE Listing Rules.
- Calling and attending meetings of Bond Holders under this Bond Issue as set out in the Trust Deed.
- The other rights of the holders of these Bonds as set out in the Trust Deed.
- In the event of any Green Bond Holders dissenting to the resolution/s passed at the meeting of the Green Bond Holders referred to in Listing Rule 7.12.3 (A) (II) (c) (iii), the Bank shall pay the maturity proceeds relating to the Green Bonds held by such dissenting Green Bond Holders within seven (07) Market Days from the meeting of the Sustainable Bond Holders

(b) Bond Holders do not have the following rights

- Attending and voting at meetings of holders of Shares and other Bonds
- Sharing in the profits of the Bank
- Participating in any surplus in the event of liquidation
- Calling for redemption before maturity, subject to the provisions stated in the Trust Deed

(c) Obligations on the Bonds

Each Bond Holder must ensure that the information in respect of the securities account maintained with the CDS/the Company Secretaries or Registrars (where applicable) is up to date and accurate. Each Bond Holder absolve the Bank from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS/Bank.

Provided further that the Bond Holders absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Bond Holders.

5.17 RISKS INVOLVED IN INVESTING IN THE BONDS

Subscribers to the Bonds could be exposed to the following risks. It is vital to note that these risks are not unique to Bonds Issued by the Bank and apply generally to any Bond listed in the CSE.

(a) Interest Rate Risk

Provided all other factors are equal, the market price of the Bonds will generally fluctuate in the opposite direction to the fluctuation in market interest rates. Thus, the interest rate risk could be identified as the reduction in the market price of Bonds resulting from a rise in interest rates.

(b) Reinvestment Risk

Interest on the Bonds are payable annually. An Investor may decide to reinvest these interest payments and earn interest from that point onwards. Depending on the prevailing interest rates at the point of

reinvestment, the risk of returns generated by Bond Holders by reinvesting such interest received being higher or lower than the return offered by the Bonds is known as reinvestment risk.

(c) Call Risk

Call risk refers to the risk that the issuer will retire all of the Principal Value of the Bonds before maturity. The risk to investor is in that, the timing of the call is not known and the investor will be faced with a reinvestment risk in the event the call is made at a time when the market interest rates have declined. The Bonds issued under this prospectus do not have a call option hence free from call risk.

(d) Credit Risk

Credit risk is also referred to as default risk. This is the risk that the issuer of a Bond may default, i.e. the issuer will not be able to pay interest and principal payments on a timely basis. This risk is gauged in terms of rating assigned by different rating agencies. Fitch Ratings Lanka Limited has assigned a National Long-term Rating of “A-(lka)” to these Bonds and will be periodically reviewing the same.

(e) Liquidity Risk

Liquidity risk is associated with the ease in which an investment can be sold after the initial placement. In order to reduce the liquidity risk of the Bonds, the Bank has applied for a listing of these Bonds on the CSE and has received in-principle approval for such listing whereby Bond Holders will be able to sell the Bonds through the CSE in order to convert the Bonds to cash and exit from the investment. However, transaction price or bid-ask spread will be dependent upon the marketability, demand, supply and other macro factors such as market interest rates. Furthermore, it should be noted that the secondary debt market is not as developed as the secondary equity market in Sri Lanka.

(f) Sustainable Bond Risk

The International Capital Market Association's (ICMA) Green Bond Principles (GBP), the European Green Bond Standard (EUGBS) and the Climate Bonds Initiative Standards (CBI Standards) serve as benchmarks for determining the green credentials of a bond. When issuing a Green Bond on the Colombo Stock Exchange (CSE), issuers must obtain an Independent Assurance Statement from an independent external Verifier to confirm that the Green Bonds align with at least one of these standards. However, the market has faced challenges in evaluating the environmental benefits claimed by green bond issuers. The reputational risk for issuers is significant, as bonds labeled as green may not always align with true environmental objectives. This can erode investor trust and hinder the growth of the green bond market. Dissenting option would be provided to debt holders, where they could prematurely get their bonds redeemed in its entirety. The CSE shall cease to recognize such Debt Securities of the Bank as Sustainable Bonds (Green Bonds). Such non-recognition may lead the Bank to effect changes to the existing features of the proposed Green Bonds along with any other benefits attached to the proposed Green Bond.

5.18 BENEFITS OF INVESTING IN THE BONDS

- Provides an opportunity to earn a regular cash flow of interest payments on a periodic basis, up to a fixed period of Three (03) years.
- Opportunity to realize capital gains according to interest rate fluctuations in the financial market. Also, if held to maturity, there will be no capital loss incurred.
- Listed Bonds provide the investor with an exit option through the CSE thereby bringing liquidity to these Bonds.
- These Bonds could be used as collateral to obtain both corporate and personal facilities from financial institutions, subject to the policies of those institutions.

5.19 TRANSFER OF BONDS

The Bonds will be transferable and transmittable in the manner set out in the Trust Deed, which is reproduced below.

- (a) These Bonds shall be freely transferable and transmittable through the CDS as long as the Bonds are listed in the CSE and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (b) Subject to provisions contained in the Trust Deed, the Bank may register without assuming any liability any transfer of Bonds, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- (c) In the case of death of a Bond Holder;
 - (i) The survivor where the deceased was a joint holder; and
 - (ii) The executors or administrators of the deceased (or where the administration of the estate of the deceased is in law not compulsory the heirs of the deceased) where such Bond Holder was the sole or only surviving holder; shall be the only persons recognized by the Bank as having any title to his/her Bonds.
- (d) Any person becoming entitled to any Bond in consequence of bankruptcy or winding up of any Bond Holder, upon producing proper evidence that such person sustains the character in respect of which such person proposes to act or such person's title as the Board of Directors of the Bank thinks sufficient, may at the discretion of the Board be substituted and accordingly, registered as a Bond Holder in respect of such Bonds subject to the applicable laws, rules and regulations of the Bank, CDS , CSE and SEC.
- (e) No change of ownership in contravention to these conditions will be recognized by the Bank.

5.20 LISTING

An application has been made to the CSE for permission to obtain a listing for the Bonds and the CSE has granted its approval in-principle for the same. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE. It is the intention of the Bank to list the Bonds on the Colombo Stock Exchange upon the allotment thereof. There are no other approvals required for the said Bond issue apart from the approval of the CSE.

The CSE however, assumes no responsibility for the correctness of the statements made or omitted statements or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Bank or of its Bonds.

6.0 PROCEDURE FOR APPLICATION

6.1 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Bonds from the following categories of applicants.

- (a) Citizens of Sri Lanka, resident in Sri Lanka and above 18 years of age.
- (b) Corporate bodies and societies registered/incorporated/established in Sri Lanka and authorized to invest in Bonds.
- (c) Approved unit trusts licensed by SEC.
- (d) Approved provident funds and contributory pension schemes registered/incorporated/established in Sri Lanka and authorized to invest in Bonds. In the case of approved provident funds and approved contributory pension schemes, the Application should be in the name of the trustee/board of management.
- (e) Regional and country funds approved by SEC and authorized to invest in Bonds.
- (f) Non-Residents: foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

Applications will not be accepted from Applicants who are under the age of 18 years, or in the names of sole proprietorships, partnerships, or unincorporated trusts.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act in Gazette No. 12 of 2017 in Gazette No. 2045/56 dated 17 November 2017.

When permitting Non-residents to invest in the Bonds, the Bank will comply with the relevant Exchange Control Regulations including the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Bonds of companies incorporated in Sri Lanka to foreign investors as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17 November 2017.

6.2 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection from the website of CSE, www.cse.lk and the website of the Bank, www.dfcc.lk.

The Prospectus and Application Form can be downloaded on the website of CSE (www.cse.lk) and the website of the Bank (www.dfcc.lk) for Four (04) Market Days including the date of hosting of the Prospectus and documents on the CSE's and other websites stated in this Prospectus to the opening of the subscription list until the Date of Redemption of the Bonds as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

The bank has formally requested a waiver of Rule 2.4 (f) of the CSE Listing Rules, which pertains to the printing of the prospectus, through a letter addressed to the CSE dated August 9, 2024. This request was made with the bank's commitment to environmental sustainability and the green initiative of this Green Bond Issue. The CSE has decided to grant the waiver, allowing the bank to proceed without adhering to the standard prospectus printing requirements outlined in the aforementioned rule.

Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected.

- (b) If the ownership of the Bonds is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (c) An applicant of a joint application will not be eligible to apply for the Bonds through a separate Application Form either individually or jointly. Such applicants are also deemed to have made multiple applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Bank shall not be bound to register more than three (03) natural persons as joint holders of any Bonds (except in the case of executors, administrators or heirs of a deceased member). Joint Applicants should note that all parties to the Application should either be residents of Sri Lanka or Non-Residents.

- (d) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Bonds and should be made under their common seal or in any other manner as provided by their articles of association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the trustee/board of management.
- (e) All Applicants should indicate in the Application for Bonds, their CDS account number.

All resident individual Applicants should ensure that;

- If the Applicant's CDS account carries the NIC number, the NIC number of the Applicant is stated in the relevant cage of the Application Form; or
- If the Applicant's CDS account carries the passport number, the passport number of the Applicant is stated in the relevant cage of the Application Form.

All Non-Resident individual Applicants and corporate Applicants should ensure that the passport number/company number and CDS Identification Number (CDS ID) are stated in the relevant cages of the Application Form.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number

mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

In the case of Joint Applicants, a joint CDS account in the name of the Joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (f) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider, requesting a direct deposit of the Bonds to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can apply under their own name and such Applications will not be construed as multiple Applications.

- (g) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. Original of the POA should not be attached.
- (h) As per the Foreign Account Tax Compliance Act (FATCA) "US Persons" must provide the duly completed declaration as per the specimen given in Annexure VI together with the Application Form. Under the provisions of FATCA, "US Persons" include;
- US Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
 - A lawful citizen of the U.S. (including Green card holders)
 - A person residing in the U.S.
 - A person who spends certain number of days in the U.S. each year
 - U.S. Corporations, estates and trusts
 - Any entity that has a linkage or ownership to U.S. or the U.S. territories
 - Non U.S. entities that have at least one U.S. Person as a "substantial beneficial owner"
- (i) Funds for the investment in Bonds and the payment for Bonds by Non-Residents should be made only out of the monies available to the credit of a "Inward Investment Account" (IIA) of the Non- Resident Applicants opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (j) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Bonds and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Bonds, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

6.3 Submission of Applicants

Applications sent by post or courier or delivered to any Collection Point set out in Annexure IV of this Prospectus should reach the office of the Registrars to the Issue, **SSP Corporate Services (Pvt) Limited, No. 101 Inner Flower Road, Colombo 03, at least by 4.30 p.m. local time on the following Market Day immediately upon the Closing Date.** Applications received after the said period will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date or carry a postmark dated prior to the Closing Date.

Applications delivered by hand to the Registrars to the Issue after the Closing Date of the Issue will also be rejected.

Investors applying through Margin trading accounts or making payment through bank guarantee, Non-Resident Applicants and Foreign Citizens must send Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application should be enclosed in an envelope marked **“DFCC BANK PLC – GREEN BOND ISSUE 2024”** on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to the Registrars to the Issue or Collection Points mentioned in Annexure IV of this Prospectus.

Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

PLEASE NOTE THAT ALLOTMENT OF BONDS WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.

Please note that upon the allotment of Bonds under this Issue, the allotted Bonds would be credited to the Applicant's CDS account so indicated.

Hence, BOND CERTIFICATES WILL NOT BE ISSUED.

6.4 NUMBER OF BONDS TO BE SUBSCRIBED

Applicants are allowed to invest in Bonds subject to the minimum subscription 100 Bonds (LKR 10,000.00). Applications exceeding the minimum subscription should be in multiples of 100 Bonds (LKR 10,000.00)

6.5 MODE OF PAYMENT

- (a) Payment in full for the total value of Bonds applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or RTGS/SLIPS/CEFTS transfers directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to (b) below.
- (b) Payments for Applications for values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either;
 - Bank guarantee issued by a licensed commercial bank; or

- Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka; or
- An RTGS / Internal Direct transfer with value on the Issue opening date.

Multiple cheques, Bank Guarantees or RTGS transfers will not be accepted for Applications for values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-).

In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be accepted.

- (c) Cheques or bank drafts should be made payable to **“DFCC Bank PLC – Green Bond Issue 2024”** and crossed **“Account Payee Only”**, and must be honoured on the first presentation.
- (d) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of **“DFCC Bank PLC – Green Bond Issue 2024”** in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date (i.e. 12th September 2024).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (e) In case of RTGS transfers (only for Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), such transfers should be made to the credit of **“DFCC Bank PLC – Green Bond Issue 2024”** bearing Account Number **109925244211** at DFCC Bank PLC (Ramanayake Mawatha Branch) with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

It is mandatory to provide the CDS Account Number as the transaction reference for RTGS transfers

The Applicant should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of Bonds applied for to the credit of **“DFCC Bank PLC - Green Bond Issue 2024”** bearing Account Number **109925244211** at DFCC Bank PLC with value on Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date) and should be attached with the Application Form.

For RTGS transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of Two Decimal Five Zero per centum (2.50%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers are not realized before 4.30 p.m of the Closure Date of the Subscription List. Furthermore, even if such RTGS transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (f) Cash and SLIPS/CEFTS transfers will not be accepted to ensure the accuracy of the application submission process, bank reconciliation process and timely allocation of Bond within the given time lines
- (g) Payment for the Bonds by Non-Residents should be made only out of funds received as inward remittances or available to the credit of **“Inward Investment Account”** (IIA) maintained with any licensed commercial

bank in Sri Lanka in accordance with directions given by the Director Department of Foreign Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS has been made out of the funds available in the IIA.

- (h) The amount payable should be calculated by multiplying the number of Bonds applied as the minimum subscription per application is 100 Bonds Sri Lankan Rupees Ten Thousand (LKR10,000) and Applications exceeding the minimum subscription should be in multiples of 100 Bonds.

If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/SLIPS, the Application will be rejected.

- (i) In the event that cheques are not realized prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Bonds will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) All cheques/bank drafts received in respect of the Applications for Bonds will be banked commencing from the Working Day immediately following the Closing Date.

6.6 REJECTION OF APPLICATIONS

- Application Forms and the accompanying cheques/bank drafts/bank guarantee or RTGS transfers, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and in the Application Form will be rejected at the sole discretion of the Bank.
- Applications received from Applicants who are under the age of 18 years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.
- Any Application Form, which does not state a valid CDS account number, will be rejected and no allotment shall be made to such investor.
- More than one application submitted by an applicant will not be accepted. If two or more application forms are submitted from a single applicant, those would be considered as multiple applications and the Bank will not accept such multiple applications or suspected multiple applications.
- Any application form with more than three (03) natural persons as joint applicants for any type of Bonds will be rejected.
- Applications delivered by hand to the Registrars to the Issue after the subscription list is closed will be rejected. Applications received by post or courier after 4.30 p.m. on the Market Day immediately following the Closing Date will be also rejected even if they carry a post mark dated prior to the Closing Date.
- Applications delivered to any place mentioned in Annexure IV should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closing Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date.

- In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Bonds will be made.
- Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

6.7 BANKING OF PAYMENTS

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closure Date as set out in Section 5.2 of this Prospectus, in terms of the CSE Listing Rules.

6.8 BASIS OF ALLOTMENT OF BONDS

The CEO or in his absence the Senior Vice President Treasury and Investment Banking reserves the right to allocate up to a maximum of 80% of the total number of Bonds to be issued under this Prospectus (25,000,000 Bonds) to the Anchor Investor (Ceylinco Life Insurance Limited) of strategic and operational importance with whom the Bank might have mutually beneficial relationships in the future.

In the event the Bank decides to close the Green Bond issue upon the initial 20,000,000 of bonds being fully subscribed, the maximum allocated to the Anchor Investor would be 16,000,000 of the bonds allotted in total. In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 5,000,000 Bonds (having subscribed the initial Issue of 20,000,000 Bonds) and the maximum of 25,000,000 Bonds being fully subscribed, the maximum allocated to the Anchor Investor would be 20,000,000 of the bonds allotted in total.

As per the Board Resolution dated 28th August 2024, In the event of an oversubscription, the basis of allotment will be decided by The CEO or in his absence the Senior Vice President Treasury and Investment Banking of the Bank in a fair and equitable manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. The number of Bonds to be allotted to the Anchor Investor on a preferential basis will not exceed 80% of the total number of Bonds to be issued under this Prospectus (25,000,000 Bonds) under any circumstances, unless there is an undersubscription from other investors (Investors that do not fall under the Anchor Investor category).

Upon the allotments being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Bank reserves the right to reject any Application or to accept any Application in part only, without assigning any reason thereto. A written confirmation informing successful Applicants on their allotment of Bonds will be dispatched within Ten (10) Market Days from the Closing Date as required by the CSE.

6.9 REFUNDS

- Where an Application is rejected for reasons given in Section 6.6 of this Prospectus, subsequent to the cheque being realized, the applicant's money in full or where an Application is accepted only in part, the balance of the applicant's money will be refunded.
- The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque).

- If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.
- If the applicant has provided accurate and complete details of his/her bank account in the application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees One Hundred Million (LKR 100,000,000/-) to the bank account specified by the Applicant, through RTGS and a payment advice will be sent.
- Funds received via IIA accounts will be refunded via IIA accounts in the event there are refunds to be made.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the Bank will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.

In the case of Joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;

<https://www.lankaclear.com/downloads/bank-branch-directory/>

Refunds on Applications rejected, or partly allotted Bonds would be made within eight (08) Market Days from the date of closing the issue (excluding the date of issue closure). Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus Five decimal Zero per centum (5.00%) for the delayed period on any refunds not made within this period.

6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING

Bonds allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Bank will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Bonds.

Trading of Bonds on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

7.0 FINANCIAL AND OTHER INFORMATION

7.1 BACKGROUND

Founded in 1955, DFCC Bank is one of the oldest development banks in Asia. A unique institution; private sector in form but more like a public-private partnership in outlook, DFCC Bank was set up under an act of Parliament, to give rise to the post independent industrial growth through private sector participation.

Setting off to accomplish its mandate in uncharted territory, against a tapestry of changing political and economic scenarios, DFCC has for over half a century played an innovative and catalytic role in the development of the private sector with special support from the government which continues to date. DFCC's role has not been confined to providing long term loans alone but one that has extended to capacity building and business facilitation.

In January 2015, DFCC became a Public Quoted Company incorporated under the Companies Act No. 07 of 2007, transforming into DFCC Bank PLC. In October 2015, in a landmark event in Sri Lanka's banking and financial sector, DFCC Bank PLC and its subsidiary – DFCC Vardhana Bank amalgamated to form a fully-fledged commercial bank supervised by the Central Bank of Sri Lanka

DFCC Bank delivers its services through 139 branches island-wide and customers are served by over 2000 plus dedicated employees. Our customers have access to over 4,500 ATMs across the country via the LankaPay ATM network and can avail themselves of the Bank's services via online and mobile banking and DFCC MySpace, the Bank's self-banking solution.

7.2 NATURE OF BUSINESS

DFCC Bank operates within a broad ecosystem that includes a number of stakeholders namely its customers, shareholders, employees, regulators, communities, and the environment. The Bank's activities have a direct and wide-ranging impact on these stakeholders, depending on how the Bank manages its operations. To create value for its stakeholders, DFCC Bank uses a range of capitals, such as financial, employee, intellectual, social, and natural capitals. These capitals are continually transformed and enhanced by the Bank's activities, resulting in outputs and outcomes that generate value for all stakeholders. The Bank's on-balance sheet activities, such as loans and investments, generate financial value for its shareholders and customers. These activities also contribute to the growth and development of the economy, which benefits society.

Licenses to carry out banking business do not have a date of expiry.

7.3 FINANCIAL YEAR

The financial year of the Bank commences on 01st January and ends on 31st December.

7.4 FINANCIAL STATEMENTS & FINANCIAL SUMMARY

The following financial information is hosted on the Bank's web site, www.dfcc.lk and CSE web site www.cse.lk;

- Audited financial statements of DFCC Bank PLC as at 31st December 2023
- Interim financial statements of DFCC Bank PLC as at 30th June 2024
- Summarized financial statement for the five years ended 31st December 2019 to 31st December 2023 preceding the date of the Application stating the accounting policies adopted by the Bank certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

7.5 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES

Contingent Liabilities of the Bank as at 30th June 2024 and 31st December 2023

Description	30 th June 2024*	31st Dec 2023
	LKR '000'	LKR '000'
Acceptances	6,301,761	5,672,575
Guarantees	22,631,167	25,064,466
Bid Bond	790,735	627,145
Documentary letters of Credit	11,678,197	8,502,867
Forward Contracts	62,381,392	63,934,697
Commitments for unutilized credit facilities	112,899,858	89,301,635
Other capital expenditure commitments	473,784	889,385
Total	217,156,894	193,992,770

*unaudited

Apart from legal proceedings in the normal course of its banking business, the Bank and its subsidiaries are not a party to any litigation or arbitration proceedings and is not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Bank, would have a significant effect upon the Bank's financial position nor has it been a party to any such proceedings in the recent past.

7.6 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK

The outstanding borrowings of DFCC as at 30th June 2024 and 31st December 2023 comprise of the following categories of borrowings;

Description	30 th June 2024*	31st Dec 2023
	LKR '000'	LKR '000'
Due to banks	3,089,072	52,793,464
Other borrowing	80,434,431	72,022,734
Debt securities issued	11,421,953	16,311,577
Subordinated term debt	17,529,774	9,072,265

*unaudited

7.7 OTHER DEBT SECURITIES IN ISSUE - AS AT THE DATE OF THE PROSPECTUS

Details on the Debentures in issue are as follows:

Debenture Code	Ranking	Tenor	Interest Rate p.a.	Issue Value LKR (Mn)	Issue Date	Maturity Date
105386158564 (Unlisted)	Senior	5 Years	11.00%	5,000.00	12-Jun-2020	12-Jun-2025
DFCC-BD-29/03/25-C2394-13	Subordinated	7 Year	13.00%	4,086.53	29-Mar-2018	29-Mar-2025
DFCC-BD-28/03/26-C2418-13.75	Senior	7 years	13.75%	1,784.07	28-Mar-2019	28-Mar-2026
DFCC-BD 28/03/29-C2417-13.9	Senior	10 years	13.90%	4,411.17	28-Mar-2019	28-Mar-2029
DFCC-BD-23/10/27-C2457-9.25	Subordinated	7 years	9.25%	205.00	23-Oct-2020	23-Oct-2027
DFCC-BD-23/10/25-C2458-9	Subordinated	5 years	9.00%	4,318.00	23-Oct-2020	23-Oct-2025
DFCC-BD-16/01/29-C2523-15.25	Subordinated	5 years	15.25%	7,945.23	16-Jan-2024	16-Jan-2029
DFCC-BD-16/01/31-C2524-14.75	Subordinated	7 years	14.75%	54.77	16-Jan-2024	16-Jan-2031

Outstanding Basel III Compliant Tier 2 Debentures with a Non- Viability Conversion as at the date of this Prospectus are as follows:

- DFCC-BD-29/03/25-C2394-13 – LKR 4,086,530,000
- DFCC-BD-23/10/27-C2457-9.25 – LKR 205,000,000
- DFCC-BD-23/10/25-C2458-9 – LKR 4,318,000,000
- DFCC-BD-16/01/29-C2523-15.25 – LKR 7,945,230,000
- DFCC-BD-16/01/31-C2524-14.75 – LKR 54,770,000

7.8 DEBT SERVICING DETAILS OF THE BANK

The details of the Debenture interest payments made during past five years are given below:

	2023	2022	2021	2020	2019
	LKR(Mn)	LKR(Mn)	LKR(Mn)	LKR(Mn)	LKR(Mn)
Gross interest due on Debentures (LKR' 000)	3,607.55	3,998.53	4,114.79	4,168.21	2,810.87
Debenture interest paid on or before due date (LKR' 000)	3,607.55	3,998.53	4,114.79	4,168.21	2,810.87
Debenture interest paid after the due date (LKR' 000)	N/A	N/A	N/A	N/A	-
Debenture interest not paid as of to date (LKR' 000)	N/A	N/A	N/A	N/A	-

7.9 KEY FINANCIAL RATIOS

	30.06.2024*	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Debt / Equity Ratio (Times) **	1.76	2.54	2.51	1.85	2.06	2.03
Interest Cover Ratio (Times) ***	3.01	2.27	1.47	2.26	1.52	1.44
Capital adequacy - Core capital ratio % ****	12.22	11.49	10.09	9.31	10.82	11.342
Capital adequacy - Total capital ratio % ****	15.97	13.51	13.15	13.03	15.764	15.81

*unaudited

** Debt/ Equity Ratio = $\frac{\text{Long Term Borrowings}}{\text{Total Equity}}$

*** Interest Cover Ratio = $\frac{\text{Profit before Tax} + \text{Depreciation} + \text{Amortization} + \text{Impairment} + \text{Interest Expense}}{\text{Interest Expense}}$

**** Minimum Statutory requirement of core capital and total capital ratio for the year 2022 was 8.50% and 12.50% respectively

7.10 MAJOR SHAREHOLDERS AS AT 30TH JUNE 2023

Twenty (20) largest shareholders of the Bank as at 30th June 2024 are given below:

NO	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	HATTON NATIONAL BANK PLC A/C NO 1	53,964,933	12.47
2	BANK OF CEYLON-NO2 A/C (BOC PTF)	45,261,691	10.46
3	SAMPATH BANK PLC/ LOLCINVESTMENT HOLDINGS THREE PRIVATE LIMITED	42,194,864	9.75
4	MR. M.A. YASEEN	36,425,874	8.41
5	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	32,812,546	7.58
6	EMPLOYEE'S PROVIDENT FUND	28,995,322	6.70
7	LOLC FINANCE PLC/DON & DON HOLDINGS (PVT) LTD	28,151,601	6.50
8	MELSTACORP PLC	26,633,027	6.15
9	SEAFELD INTERNATIONAL LIMITED	21,080,233	4.87
10	PEOPLE'S LEASING & FINANCE PLC / DON AND DON HOLDINGS (PRIVATE) LIMITED	10,142,522	2.34
11	RENUKA CITY HOTELS PLC	8,241,899	1.90
12	SEYLAN BANK PLC/ARRC CAPITAL (PVT) LTD	5,307,954	1.22
13	RENUKA HOTELS PLC	4,846,664	1.12
14	EMPLOYEES TRUST FUND BOARD	4,745,041	1.09
15	CARGO BOAT DEVELOPMENT COMPANY PLC	3,277,180	0.75
16	AKBAR BROTHERS PVT LTD A/C NO 1	3,229,014	0.74
17	DON AND DON HOLDINGS PRIVATE LIMITED	2,872,839	0.66
18	PEOPLES LEASING & FINANCE PLC/MRS. M.E. AMARASINGHE	2,577,938	0.59
19	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	2,562,622	0.59
20	STASSEN EXPORTS (PVT) LIMITED	2,256,884	0.52

7.11 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was established by the Board to be effective from 1st January 2016 in terms of Section 9 of the Listing Rules of the Colombo Stock Exchange.

Composition of the Related Party Transactions Review Committee as at 30th June 2024 is as follows:

Name of the Board Subcommittee Member	Membership Status	Directorship Status
N K G K Nemmawatta	Chairman	Independent Non-Executive Director
J Durairatnam	Member	Independent Non-Executive Director
Ms A L Thambiayah	Member	Independent Non-Executive Director
N H T I Perera	Member	Chief Executive Officer, Executive Director

7.12 ACCOUNTANT'S REPORT AND 5-YEAR SUMMARY



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

The Board of Directors,
DFCC Bank PLC,
No. 73/5, Galle Road,
Colombo 03.

9th August 2024

Dear Members of the Board ,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF DFCC BANK PLC

This report has been prepared for the inclusion in the prospectus issued in connection with the issuance of green bonds amounting to an initial issue of LKR 2 Bn, with an option to raise another LKR 0.50 Bn in the event of an oversubscription. The tenor of the instrument will be 3 years and it is annually couponed. This instrument will be listed in the CSE & rated by Fitch ratings. The proceeds of the proposed green bond will be used specifically for financing,

- a) the establishment, acquisition, expansion, and/ or ongoing management of onshore ground mounted, floating, rooftop solar photovoltaic (PV) power generation facilities.
- b) the refinancing of existing onshore ground mounted, floating, rooftop solar photovoltaic (PV) power generation facilities that are compliant with the Sri Lanka Green Finance Taxonomy (May 2022).

We have examined the financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), for the financial years ended 31st December 2019 to 31st December 2023 extracted from the annual reports of the respective years, included in the prospectus and report as follows.

1. INCORPORATION

DFCC Bank PLC ("the Bank") is a limited liability Company incorporated and domiciled in Sri Lanka. It was incorporated in 1955 under DFCC Bank Act No. 35 of 1955. Consequent to the enactment of the DFCC Bank (Repeal and Consequential Provisions) Act No. 39 of 2014, the DFCC Bank Act No. 35 of 1955 was repealed and the Bank was incorporated under the Companies Act No. 07 of 2007 as a public limited Company listed in the Colombo Stock Exchange with the name 'DFCC Bank PLC' with effect from 6th January 2015.

DFCC Bank PLC (DFCC) also obtained a commercial banking license from the Monetary Board of the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988, as amended, and accordingly upon the amalgamation now operates as a licensed commercial bank.

The registered office of the Bank is at 73/5, Galle Road, Colombo 3.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajasekera FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekera FCA

T.J.S. Rajakarier FCA
W.K.D.C. Abeyaratne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

W.W.J.C. Perera FCA
S.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alshakoor ACA

Principals: S.H.I. Perera FCA(UK), LL.B., Attorney-at-Law, H.S. Gurusawardene ACA, Ms. F.R. Ziyad FCA(UK), FOT, K. Somasundaram ACMA(UK), R.G.H. Raddella ACA



The Bank is engaged in providing range of financial services such as accepting deposits, corporate credit and retail banking, personal financial services, project financing, investment banking, foreign currency operations, trade finance, and dealing in Government Securities and Treasury-related products. The Bank does not have an identifiable parent of its own.

2. FINANCIAL STATEMENTS

2.1. Five Years Summary of Financial Statements

A summary of Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flow and Statement of Changes in Equity of the Bank for the financial years ended 31st December 2019 to 31st December 2023, based on the audited financial statements of the Bank are set out in Annexure 1.

Summaries presented for operating results, assets, liabilities and shareholders' funds for financial years ended 31st December 2019 to 31st December 2023 are based on the financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), effective from 1st January 2012 in the annual reports of the respective years.

2.2. Audit Report

We have audited the financial statements of the Bank for the years ended 31st December 2019 to 31st December 2023. Unqualified audit opinions have been issued for the said financial reporting years.

2.3. Application of Accounting Standards and Accounting Policies

The financial statements of the Bank for the financial years ended 31st December 2019 to 2023 prepared in accordance with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/"LKAS") laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007.

The accounting policies of the Bank are stated in detail in the audited financial statements of DFCC Bank PLC for the year ended 31st December 2023. The adoption of revised / new accounting standards and a summary of related amendments to the accounting policies of the Bank for the financial years ended 31st December 2019 to 31st December 2023 are set out in Annexure 2.

2.4. Dividends

The Bank has paid the following dividends in respect of Ordinary Shares during the financial years ended 31st December 2019 to 31st December 2023.

Year/Period ended;	Dividend Paid (Rs. Mn)	Dividend declared Per Share
31 st December 2019	928	3*
31 st December 2020	913	3**
31 st December 2021	918	3***
31 st December 2022	962	2****
31 st December 2023	2,110	5****

* Cash dividends.

** Rs. 2.50 per share cash dividend and Rs. 0.50 per share scrip dividend.

*** Scrip dividends.

**** Rs. 3 per share cash dividend and Rs. 2 per share scrip dividend.



2.5. Events after the Reporting Date (as at 31st December 2023)

• First and Final Dividend

The Directors have approved the payment of a first and final dividend of Rs 5.00 per share which will consist of Rs. 3.00 per share in cash Rs. 2.00 per share in the form of a scrip dividend, for the financial year ended 31 December 2023. The Board of Directors confirms that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained the certificate from the Auditor.

• Proposed Green Bonds Issue

The Board of Directors decided to issue green bonds up to an initial issue of LKR 2 Bn with an option to raise another LKR 0.50 Bn in the event of an oversubscription. The tenor of the instrument will be 3 years and it is annually couponed. This instrument will be listed in the CSE & rated by Fitch ratings. The proceeds of the proposed green bond will be used specifically for financing,

- (a) the establishment, acquisition, expansion, and/ or ongoing management of onshore ground mounted, floating, rooftop solar photovoltaic (PV) power generation facilities.
- (b) the refinancing of existing onshore ground mounted, floating, rooftop solar photovoltaic (PV) power generation facilities that are compliant with the Sri Lanka Green Finance Taxonomy (May 2022).

2.6. Restriction on Use

This report is prepared solely for the purpose of the Board of Directors of DFCC Bank PLC for inclusion in the prospectus in connection with the issuance of green bonds amounting to an initial issue of LKR 2 Bn, with an option to raise another LKR 0.50 Bn in the event of an oversubscription.

Yours faithfully,

CHARTERED ACCOUNTANTS
Colombo

Annexure 1-Five year summary of Financial Statements (Bank)

Description	Years ended 31st December				
	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)	2019 (Rs. Mn)
Operating results					
Gross income	106,883	74,960	42,649	43,300	43,297
Interest income	96,922	69,863	36,599	39,090	42,060
Interest expenses	65,697	43,342	23,946	28,083	29,398
Net interest income	31,224	26,521	12,653	11,007	12,662
Non-Interest Income	8,627	4,330	5,757	4,078	1,117
Operating profit before taxes on financial services	14,146	3,693	5,544	4,400	4,538
Operating profit after taxes on financial services	10,960	2,439	4,326	3,398	2,989
Profit for the year	7,220	2,513	3,222	2,388	2,074
Financial Position					
Assets					
Cash and cash equivalents	14,478	16,123	10,688	7,724	5,450
Balances with Central Bank of Sri Lanka	2,108	9,031	9,359	4,902	8,667
Placements with banks	29,138	15,225	6,288	15,414	165
Derivative financial assets	16,499	20,474	280	835	631
Financial assets measured at fair value through profit or loss	1,741	1,429	219	610	5,307
Financial assets at amortised cost – Loans to and receivables from banks				4,153	8,403
Financial assets at amortised cost – Loans to and receivables from other customers	348,767	369,072	365,901	301,909	272,818
Financial assets at amortised cost – Debt and other instruments	68,031	50,948	26,675	31,604	21,744
Financial assets measured at fair value through other comprehensive income	134,903	63,319	54,329	88,718	72,716
Investments in subsidiaries	237	237	217	217	187
Investments in associate	33	33	35	35	35
Investments in joint venture	755	755	755	755	755
Investment property	10	10	10	10	10
Property, plant and equipment	3,500	3,199	3,237	3,407	3,231
Intangible assets and goodwill	1,926	2,198	2,228	1,713	1,185
Deferred tax asset	5,408	4,138	1,359		309
Other assets	12,963	9,751	3,925	3,070	3,283
Asset held for sale					
Total assets	640,498	565,940	485,505	465,077	404,897
Liabilities					
Due to banks	52,793	15,858	3,350	14,910	24,595
Derivative financial liabilities	382	85	814	268	519
Financial liabilities at amortised cost – Due to depositors	407,225	370,314	319,861	310,027	247,787
Financial liabilities at amortised cost – Due to other borrowers	72,023	81,146	69,589	46,847	47,308
Debt securities in issue	16,312	16,304	16,297	16,291	14,148
Retirement benefit obligation	1,371	592	689	643	561
Current tax liabilities	4,427	2,480	952	1,013	581
Deferred tax liability	-	-	-	244	-
Other liabilities	9,152	10,041	6,580	6,120	5,059
Subordinated term debt	9,072	18,400	18,387	19,357	16,860
Total liabilities	572,757	515,219	436,519	415,720	357,418
Equity					
Stated capital	13,867	13,182	8,600	7,682	7,530
Statutory reserve	3,240	2,875	2,747	2,584	2,462
Retained earnings	28,250	22,601	22,092	19,652	18,228
Other reserves	22,384	12,063	15,547	19,439	19,259
Total equity attributable to equity holders of the Bank	67,741	50,721	48,986	49,357	47,480
Non-controlling interests					
Total equity	67,741	50,721	48,986	49,357	47,480
Total equity and liabilities	640,498	565,940	485,505	465,077	404,897
Contingent liabilities and commitments	193,993	169,133	148,132	130,764	130,590



Annexure 1-Five year summary of Financial Statements (Bank) - Cont.

Description	Years ended 31st December				
	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)	2019 (Rs. Mn)
Statement of Changes in Equity					
Balance as at the Beginning of the year	50,721	48,986	49,357	47,480	43,846
Adjustment on surcharge tax		(1,232)	-	-	-
Adjustment on initial application of SLFRS 9, net of tax		-	-	-	-
Restated balance as at the Beginning of the year		47,754	-	-	-
Profit for the year	7,220	2,513	3,222	2,388	2,074
Other comprehensive (expenses)/income, net of tax	9,916	(3,133)	(3,602)	243	(325)
Total comprehensive (expenses)/ income for the year	17,136	(620)	(381)	2,631	1,749
Transfers		-	-	-	-
Transfer of gains/(losses) on disposal/write-off of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-
Rights issue		3,584	-	-	2,805
Forfeiture of unclaimed dividends		3	10	7	6
Transactions with equity holders of the Bank, recognised directly in equity		-	-	-	-
Forfeiture of unclaimed dividends	5	-	-	-	-
Final dividend approved	(121)	-	-	(760)	(928)
Total contributions from and distribution to equity holders	(116)	3,587	10	(754)	1,884
Balance at the end of the year	67,741	50,721	48,986	49,357	47,480



Annexue 1-Five year summary of Financial Statements (Bank) - Cont.

Description	Years ended 31st December				
	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)	2019 (Rs. Mn)
Statement of cash flows					
Operating cash flows before changes in operating assets and liabilities	26,214	20,483	2,503	(1,162)	(2,903)
(Increase)/decrease in operating assets: and operating liabilities:	48,696	33,093	(59,304)	33,625	(11,142)
Net cash flows (used in)/from operating activities before income tax	74,910	53,577	56,801	32,464	(14,045)
Surcharge tax paid	-	(1,232)			
Income tax paid	(4,306)	(1,531)	(1,621)	(615)	(1,692)
Net cash flows (used in)/from operating activities	70,605	50,813	(58,422)	31,848	(15,737)
Net cash flows used in investing activities	(84,293)	(31,257)	41,760	(7,397)	(5,401)
Net cash flows from/(used in) financing activities	25,958	(5,185)	10,500	(6,928)	21,289
Net increase/(decrease) in cash and cash equivalents	12,269	14,371	(6,162)	17,523	151
Cash and cash equivalents at the beginning of year	31,347	16,976	23,139	5,615	5,465
Cash and cash equivalents at the end of year	43,617	31,347	16,976	23,139	5,615
Reconciliation of cash and cash equivalents with items reported in the statement of financial position					
Cash and cash equivalents	14,478	16,123	10,688	7,724	5,450
Placements with banks	29,138	15,225	6,288	15,414	165
Cash and cash equivalents at the end of year	43,617	31,347	16,976	23,139	5,615



Annexure 1-Five year summary of Financial Statements (Bank) - Cont.

Description	Years ended 31st December				
	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)	2019 (Rs. Mn)
Debt / Equity Ratio (Times) **	2.54	2.51	1.85	2.06	2.03
Interest Cover Ratio (Times) ***	2.27	1.47	2.26	1.52	1.44
Total Tier I capital adequacy ratio - Basel III (%) ****	11.49	10.09	9.31	10.82	11.34
Total capital adequacy ratio - Basel III (%) ****	13.51	13.15	13.03	15.76	15.81

** Debt / Equity Ratio = $\frac{\text{Long Term Borrowings}}{\text{Total Equity}}$

*** Interest Cover Ratio = $\frac{\text{Profit before Tax} + \text{Depreciation} + \text{Amortization} + \text{Impairment} + \text{Interest Expense}}{\text{Interest Expense}}$

**** Minimum Statutory requirement of Total Tier I capital and total capital ratio for the year 2023 was 8.50% and 12.50% respectively.



Annexure 2 - The adoption of revised / new accounting standards and a summary of related amendments to the accounting policies of the Bank for the financial years ended 31st December 2019 to 2023

Financial year ended	Adoption of revised Accounting Standards and related changes in Accounting Policies
31st December 2019	<p>SLFRS 16 - 'Leases'</p> <p>The Bank has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.</p> <p>Policy applicable from 1 January 2019</p> <p>At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in SLFRS 16.</p> <p>This policy is applied to contracts entered into, on or after 1 January 2019.</p> <p>As a lessee</p> <p>At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.</p> <p>The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.</p> <p>The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment.</p> <p>In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.</p> <p>The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate.</p> <p>Generally, the Bank uses its incremental borrowing rate as the discount rate.</p> <p>The bank determines its incremental borrowing rate by obtaining interest rates from</p>



the Bank's internal records (weighted average cost of funds) to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable

under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately.

It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease



is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Bank applies SLFRS 15 to allocate the consideration in the contract.

The Bank applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Bank recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of “other revenue”.

Generally, the accounting policies applicable to the Bank as a lessor in the comparative

Policy applicable prior to 1 January 2019

Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Bank determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Bank separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Bank concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Bank's incremental borrowing rate.

Leased Assets

Leases of property, plant and equipment that transfer to the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Bank's statement of financial position.

Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent rents, if any, are recognised as revenue in the period in which they are earned.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.



31st December 2020 SLFRS 3 - 'Business Combinations'

The Bank has initially adopted Definition of a Business (Amendments to SLFRS 3) from 1 January 2020 to business combinations whose dates of acquisition are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

31st December 2021 Interest Rates Benchmark Reform -Phase 2 (Amendments to SLFRS 9, LKAS 39, LKAS 39, SLRFS 7)

Interest Rates Benchmark Reform -Phase 2 (Amendments to SLFRS 9, LKAS 39, SLRFS 7) become effective on 1 January 2021.

31st December 2023 Disclosure of Accounting Policies – Amendments to LKAS 1 and SLFRS Practice Statement 2

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2). the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements from 1 January 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The Group has adopted deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12) from 1 January 2023.



ANNEXURE I - STATUTORY DECLARATIONS

STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named herein as Directors of DFCC Bank PLC hereby declare and confirm that we have read the provisions of CSE Listing Rules and of the Companies Act No.7 of 2007 and any amendments thereto relating to the issue of the Prospectus and those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Bank have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Bank and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

The parties to the Issue including Joint Managers and Financial Advisors, Lawyers, External Verifier, Auditors, Registrars, Company Secretary and Rating Company have submitted declarations to the Bank declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Bank. Nevertheless, Acuity Partners (Pvt) Limited, one of the Joint Managers and Financial Advisors to the Issue is a joint venture between DFCC Bank PLC and Hatton National Bank PLC. Additionally, One of the Directors of Acuity Partners (Pvt) Limited is also a Director of the Bank. Further, two senior management officials of the bank are Directors of Acuity Partners (Pvt) Limited.

An application has been made to the CSE for permission to deal in and for a listing for Bonds issued by the Bank and those Bonds which are the subject of this Issue.

Such permission will be granted when Bonds are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Bank or of the Bonds issued.

Name of Directors	Designation	Signature
Mr. J. Durairatnam	Chairman, Independent Non-Executive Director	Sgd.
Mr. N. H. T. I. Perera	Chief Executive Officer, Executive Director	Sgd.
Ms. L. K. A. H. Fernando	Independent Non-Executive Director	Sgd.
Mr. N. K. G. K. Nemmawatta	Independent Non-Executive Director	Sgd.
Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director	Sgd.
Mr. N Vasantha Kumar	Independent Non-Executive Director	Sgd.
Ms. A. L. Thambiayah	Independent Non-Executive Director	Sgd.
Mr. W D Batagoda	Non – Independent Non-Executive Director	Sgd.
Mr. W. R. H. Fernando	Independent Non-Executive Director	Sgd.

STATUTORY DECLARATION BY THE JOINT MANAGERS AND FINANCIAL ADVISORS TO THE ISSUE

We, Acuity Partners (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Joint Managers and Financial Advisors to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by DFCC Bank PLC, the Prospectus constitutes full and true disclosure of all material facts about the Issue and DFCC Bank PLC whose Bonds are being listed.

Signed by two Directors of Acuity Partners (Private) Limited, being duly authorized thereto, at Colombo on this 9th September 2024.

Sgd.
Director

Sgd.
Director

We, Capital Alliance Partners Limited, of Level 5, Millennium House, 46/58, Navam Mawatha, Colombo 02, who are named in the Prospectus as the Joint Managers and Financial Advisors to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by DFCC Bank PLC, the Prospectus constitutes full and true disclosure of all material facts about the Issue and DFCC Bank PLC whose Bonds are being listed.

Signed by two Directors of Capital Alliance Partners Limited, being duly authorized thereto, at Colombo on this 9th September 2024.

Sgd.
Director

Sgd.
Director



Country Head MD/CEO



Fitch Rates DFCC Bank's Debut Green Bond Final 'A-(lka)'

Fitch Ratings - Colombo - 02 Sep 2024: Fitch Ratings has assigned DFCC Bank PLC's (A-(lka)/Stable) proposed Sri Lankan rupee-denominated senior unsecured listed green bonds of up to LKR2.5 billion a final National Long-Term Rating of 'A-(lka)'.

The final rating is the same as the expected rating assigned on 12 August 2024 and follows the receipt of documents conforming to information already received.

KEY RATING DRIVERS

The proposed green bond is rated at the same level as DFCC's National Long-Term Rating as it constitutes a direct, unconditional, unsubordinated and unsecured obligation of the bank, and will rank pari passu with all of its present and future unsecured and unsubordinated obligations.

The notes, which would be the first listed green bond issuance in Sri Lanka, will mature in three years with fixed coupons. Proceeds from the bond issuance will be used to finance eligible green projects such as photovoltaic power generation.

Fitch affirmed DFCC's National Long-Term Rating on 22 July 2024 in our commentary "[Fitch Affirms DFCC Bank at 'A-\(lka\)'; Outlook Stable](#)".

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of the bank's National Long-Term Rating would lead to the downgrade of the issue rating.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of the bank's National Long-Term Rating would lead to the upgrade of the issue rating.

DATE OF RELEVANT COMMITTEE

19 July 2024

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

16/3/24

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
<input type="text"/>	<input type="text"/>	<input type="text"/>
DFCC Bank PLC		
senior unsecured	Natl LT A-(lka) New Rating	A-(EXP)(lka)

PREVIOUS

Page 1 of 1

10 rows ▼

NEXT

[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

- [National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)
- [Bank Rating Criteria \(pub. 16 Mar 2024\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

- [Solicitation Status](#)
- [Endorsement Policy](#)
- [Potential Conflicts Resulting from Revenue Concentrations](#)

ENDORSEMENT STATUS

DFCC Bank PLC -

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating s

[READ MORE](#)



SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

Introduction

DFCC Bank PLC ("Issuer") is proposing to issue a green bond in 2024 and has appointed KPMG in Sri Lanka to provide independent pre-issuance assurance. This report presents our independent limited assurance conclusion on conformance of the accompanying 'Green Bond Framework' with the requirements of the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix) which will form the basis for the proposed Green Bond. The projects and assets that are intended to be associated with the Issuer's Green Bond offering include loans on solar PV projects, including the financing, the establishment, acquisition, expansion, and/or ongoing management of on-shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities and refinancing existing on-shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities ('projects'). The actual list of projects to which bond proceeds are allocated will be captured in the post-issuance assessment.

Assurance Standard

We conducted our limited assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka

Scope

The scope of our pre-issuance assurance engagement included information on material aspects of the Green Bond Framework which formed the basis for the proposed green bond based on the Pre-issuance Requirements set out in the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix) as listed below:

- Use of Proceeds
- Process for Project Evaluation & Selection
- Management of Proceeds
- Reporting

Approach

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in more detail below, were based on our professional judgment and included, as appropriate, inquiries, inspection of documents and evaluating the appropriateness of reporting policies. Our engagement included assessing the appropriateness of the subject matter information, the Issuers Green Bond Framework for suitability with the criteria, being the Requirements of the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix). We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyaratne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnayakara FCA

W. W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Mahasekara ACA

Principals: S.R.I. Perera FCPA (UK), LLB, Attorney at Law, H.S. Ganesaratne ACA, Ms. F.R.Ziyad FCPA (UK), FCIT, K. Somasundaram ACA (UK), R. G. H. Reddella ACA



To reach our conclusion we conducted:

- Interviews with management and key staff of Issuer responsible for the Green Bond to obtain an understanding of the processes, systems and controls in place for management of bond proceeds;
- Inspection of the Issuer's Green Bond Framework that describes processes, systems and controls in place for management of bond proceeds; investment areas for green bond proceeds and intended management of unallocated proceeds; and
- Inspection of the planned technical specification of the Issuer's Green Bond Framework defined projects, which will qualify to be associated with the Green Bond and assessment of their conformance with the eligibility requirements set out in the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Issuer's Green Bond Framework.

Exclusions and Inherent Limitations

Our assurance process was subject to the following limitations as we have not been engaged to:

- Determine which, if any, recommendations should be implemented
- Provide assurance on information outside the defined reporting boundary and period
- Verify the Issuer's financial statements & economic performance
- Verify the Issuer's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects provided by the Issuer

Our work was not designed to opine on the design, implementation or operating effectiveness of controls employed by Issuer to ensure ongoing compliance with the Issuers Green Bond Framework and, accordingly, we do not express a conclusion thereon.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Management's responsibility

The Management of the Issuer is responsible for ensuring that the Issuer and its Green Bond including the Green Bond Framework complies with the Pre-Issuance Requirements of the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix). This responsibility includes designing, implementing and maintaining systems and processes relevant for the management of green bond proceeds and for the evaluation process related to the selection of eligible projects.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Issuer's Green Bond Framework are free from material misstatement whether due to fraud or error.

The Management of the Issuer is also responsible for preventing and detecting fraud and for identifying and ensuring that the Issuer complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description in the issuer's Green Bond Framework are properly trained, and information systems are properly updated.



Our responsibility

Our responsibility is to report in the form of an independent limited assurance conclusion in relation to the above scope based on the procedures performed and the evidence obtained. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in carrying out assurance engagements on environmental, social and economic information in line with the requirements of SLSAE 3000 standard.

This assurance report is made solely to the Issuer in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to the Issuer those matters we have been engaged to state in this assurance report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Issuer in the context of awarding the Certification mark for any purpose or in any context. Any party other than Issuer who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Issuer for our work, for this independent limited assurance report, or for the conclusions we have reached.

Other Matters

The maintenance and integrity of the issuer's website is the responsibility of the Issuer's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on Issuer's website.

Conclusion

The following conclusion is based on the work performed, evidence obtained, and the scope of our assurance engagement described above.

Nothing has come to our attention that causes us to believe that the Issuer's Green Bond Framework which will form the basis for its Green Bond proposed to be issued in 2024, is not, in all material respects, conforming to the Pre-Issuance Requirements of the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix).

CHARTERED ACCOUNTANTS
Colombo
30th August 2024

ANNEXURE IV - COLLECTION POINTS

Issuer DFCC Bank PLC No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 442 Fax: +94 11 2 440 376	Joint Managers and Financial Advisors to the Issue Acuity Partners (Private) Limited Acuity House No. 53, Dharmapala Mawatha Colombo 03 Tel: +94 11 2 206 206, Fax: +94 11 2 437 149 Capital Alliance Partners Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02. Tel: +94 11 2317777, Fax: +94 11 2317788
Registrars to the Issue S S P Corporate Services (Private) Limited No. 101, Inner Flower Road Colombo 03 Tel: +94-11 2 573 485 Fax: +94-11 2 573 037	Bankers to the Issue DFCC Bank PLC DFCC Building, No. 73/5, Galle Road Colombo 03 Tel: +94 11 2 442 442 Fax: +94 11 2 440 376

Trading Participants of the CSE

Acuity Stockbrokers (Private) Limited Level 6, Acuity House 53, Dharmapala Mawatha Colombo 03 Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: sales@acuitystockbrokers.com	Asha Securities Limited No. 60, 5 th Lane, Colombo 03 Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net
Asia Securities (Private) Limited 4 th Floor, Lee Hedges Tower No. 349, Galle Road Colombo 03 Tel: +94 11 7 722 000 Fax: +94 11 2 372 280 E-mail: inquiries@asiasecurities.lk	Bartleet Religare Securities (Private) Limited Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02 Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetstock.com

Capital Trust Securities (Private) Limited 42, Sir Mohamed Macan Markar Mawatha Colombo 03 Tel: +94 11 2 174 174 / 75 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk	CT CLSA Securities (Private) Limited 4-14, Majestic City 10, Station Road Colombo 04 Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: info@ctcls.lk
First Capital Equities (Pvt) Limited Level 12, Vallible Property Building, No. 480, Galle Road, Colombo 03. Tel: +94 11 2 639 898 E-mail: equity@firstcapital.lk	J B Securities (Private) Limited 150, St. Joseph Street Colombo 14 Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk
John Keells Stock Brokers (Private) Limited 186, Vauxhall Street, Colombo 02. Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com	Lanka Securities (Private) Limited 3 rd Floor, "M2M Veranda Offices", No34, W.A.D. Ramanayeke Mawatha, Colombo 2. Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com
Somerville Stockbrokers (Private) Limited 410/95,1/1, Bauddhaloka Mawatha, Colombo 7 Tel: +94-11 2 502 852/ 54/ 58/ 62 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk	NDB Securities (Private) Limited Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04 Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk
SC Securities (Private) Limited 5 th Floor, No. 26B, Alwis Place Colombo 03 Tel: +94 11 4 711 000 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk	Nation Lanka Equities (Pvt) Ltd No. 44, Guildford Crescent, Colombo 07 Tel: +94 11 789 8302 E-mail: info@nlequities.com
Almas Equities (Pvt) Ltd Westin Tower, 5th Level, No 2 - 4/1, Lake Drive, Colombo 8 Tel: +94 707 144 551 Fax: +94 11 2 673 908 E-mail: info@almasequities.com	

Softlogic Stockbrokers (Private) Limited Level 16, One Galle Face Tower Colombo 02 Tel: +94 11 7 277 000 Fax: +94 11 7 277 099 Email: ssb.inquiry@softlogic.lk	Capital Alliance Securities (Private) Limited Level 5, "Millennium House" 46/58, Navam Mawatha Colombo 02 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: info@cal.lk
Ambeon Securities (Private) Limited 2nd Floor, No. 10, Gothami Road Colombo 08 Tel: +94 11 5 328 200 / +94 11 5 328 100 Fax: +94 11 5 328 177 E-mail: info@ambeonsecurities.lk	First Guardian Equities (Private) Limited 32 nd Floor, East Tower World Trade Centre Echelon Square Colombo 01 Tel: +94 11 5 884 400 Fax: +94 11 5 884 401 E-mail: info@fge.lk
Senfin Securities Limited 4th Floor, No.180, Bauddhaloka Mawatha, Colombo 04 Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info@senfinsecurities.com	LOLC Securities (Private) Limited No.481, T.B. Jayah Mawatha Colombo 10 Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: info@lolcsecurities.com
Enterprise Ceylon Capital (Private) Limited 2nd Floor-4B, Liberty Plaza, 250, R A De Mel Mawatha, Colombo 3 Tel: +94 11 2 445 644 E-mail: info@ecc.lk	Nestor Stock Brokers (Pvt) Limited No. 428, 2/1, R.A. De Mel Mawatha, Colombo 3. Tel: +94 11 4 758 813 Fax: +94 11 2 550 100 E-mail: info@nestorstockbrokers.lk
ACAP Stock Brokers (Pvt) Limited No. 46/46, 7th Floor, Greenlanka Towers, Nawam Mawatha, Colombo 02. Tel: +94 11 7 564 000 Fax: +94 112 331 756 E-mail: info@acapstockbrokers.lk	Richard Pieris Securities (Pvt) Limited No. 310, High Level Road Navinna, Maharagama Tel: +94 11 4 310 500 Fax: +94 11 2 802 385 E-mail: rpfs@rpsecurities.com

Trading Participants – Debt

Capital Alliance Limited Level 5, "Millenium House" 46/58, Nawam Mawatha Colombo 2 Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 E-mail: info@cal.lk	Wealthtrust Securities Limited No. 102/1 Dr. N. M. Perera Mawatha Colombo 08. Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-mail: info@wealthtrust.lk
Seylan Bank PLC Level 3, Seylan Towers, 90, Galle Road, Colombo 03. Tel: +94 11 245 6300 Fax: +94 11 245 2215 E-Mail: info@seylan.lk	

ANNEXURE V - CUSTODIAN BANKS

Bank of Ceylon (Head Office) 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2 448 348, 2 338 742/55, 2 544 333	Citi Bank, N A 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 2 447 316/8, 2 447 318, 2 449 061
Commercial Bank of Ceylon PLC Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: +94 11 2 445 010-15, 238 193-5, 430 420	Deutsche Bank AG 86, Galle Road, Colombo 03 T: +94 11 2 447 062, 2 438 057
Hatton National Bank PLC HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 11 2 661 762	The Hong Kong and Shanghai Banking Corporation Limited 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
People's Bank (Head Office) 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2 206 782	Standard Chartered Bank 37, York Street, Colombo 01 T: +94 11 4 794 400, 2480 450
Sampath Bank PLC 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5 600 374	State Bank of India 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 4 622 350
Seylan Bank PLC Level 8, Ceylinco Seylan Towers, 90, Galle Road, Colombo 03 T: +94 11 2 456 789, 4 701 812, 4 701 819	Union Bank of Colombo Limited 64, Galle Road, Colombo 03 T: +94 11 2 374 100
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4 711 411	Pan Asia Banking Corporation PLC (Head Office) 450, Galle Road, Colombo 03 T: +94 11 2 565 565
Public Bank Berhad 340, R.A. De Mel Mawatha, Colombo 03 T: +94 11 2 576 289	Banque Indosuez C/o Hatton National Bank Limited, Cinnamon Garden Branch, 251, Dharmapala Mawatha, Colombo 07. T: +94 11 2 686 537, 011 2 689 176

ANNEXURE VI – FATCA DECLARATION

Manager

DFCC Bank PLC

.....

I/We.....

.....and.....

.....of.....

(address).....holder/s of Passport Number/
NIC Number..... who fall under definition of a US Persons under the provision of the Foreign Account
Tax Compliance Act (“FATCA”) which is a US legislation aimed at preventing tax evasion by US persons through
overseas assets. I/We confirm that I/We understand FATCA is extraterritorial by design and requires “US
Persons” to report their financial assets held overseas.

I/We hereby request DFCC Bank PLC which is recognized as a Foreign Financial Institutions (FFIs) in terms of the
FATCA to report all information pertaining to the accounts and investments held by me/us in the DFCC Bank PLC
and to remit any tax payable to the Internal Revenue Services (IRS) of the United States of America. I/We further
confirm that this request is made by me/us with full knowledge and understanding of FATCA.

Date:

Signature/s of Applicants

