LOLC FINANCE PLC
(Company Registration No. PB244PQ)
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s

LOLC FINANCE PLC - PURCHASE OF OWN SHARES BY THE COMPANY IN TERMS OF SECTION 64 OF THE COMPANIES ACT NO 7 OF 2007

THIS DOCUMENT IS OF VALUE – *If you are in doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately*.

We refer to the Announcement dated 23rd July 2026 of the decision of the Board of Directors of LOLC Finance PLC to Repurchase Ordinary Voting Shares of the Company as detailed below in terms of Article 16(b) of the Articles of Association of the Company read together with Section 64 of the Companies Act No. 7 of 2007 and CSE Listing Rule 7.10.1.

The Company has notified the Central Bank of Sri Lanka [CBSL] of the proposed repurchase in the interest of maintaining open and transparent regulatory communication and will continue to comply with all applicable regulatory, statutory and listing requirements.

The Repurchase of Ordinary Voting Shares of the Company, being a distribution, in terms of Article 20 of the Articles of Association of the Company, does not require shareholder approval prior to repurchase.

1. The price at which the shares are to be repurchased – **Rs 7.00 per share**

   The closing market price on 15th July 2026, when the initial decision to repurchase shares was recommended to the Board by the management on 16th July 2026, was Rs 5.00

   The Board, in determining the purchase price, considered two key factors: (a) The Capital Adequacy of the Company both before and after the Repurchase, to ensure that the Company would continue to meet, with comfortable margin, the minimum capital requirements prescribed by the Central Bank of Sri Lanka, while making more effective use of the Company's capital base; so that it is well-positioned to support ongoing operations, absorb potential credit risks, and pursue sustainable growth; and (b) the most appropriate valuation methodology relevant to a finance company. In such entities, valuations typically account for the quality and composition of the lending portfolio, liability structure, net interest margins, and the long-term earning potential, providing a balanced and realistic assessment of both current financial position and future profitability.

   The Company is capitalized well in excess of the regulatory minimums. As at 30th June 2026, the total capital ratio stood at 22.21%, 521 basis points above the minimum requirement of 17%, and the Tier 1 (core capital) ratio stood at 22.43%, 1,243 basis points above the minimum requirement of 10%. This surplus reflects a deliberate strategy of capital accumulation in prior years, and the Repurchase is intended to return a measured portion of that surplus to shareholders.

   The impact of the Repurchase on the Company's Capital Adequacy is set out below: -

As at 30 June 2026	Pre-share Repurchase Rs. '000	Share Repurchase Rs. '000	Post-share Repurchase Rs. '000
Tier, I Core Capital	113,490,481	(16,093,858)	97,396,623
Total Capital Base	112,402,840	(16,093,858)	96,308,982
Total Risk Weighted Amount (RWA)	506,073,418	-	506,073,418
Core capital adequacy ratio – Min. requirement 10%	22.43%	-	19.25%
Total capital adequacy ratio – Min. requirement 17%	22.21%	-	19.03%

Following the Repurchase, the total capital ratio reduces from 22.21% to 19.03%, remaining 203 basis points above the regulatory minimum of 17%, and the core capital ratio reduces from 22.43% to 19.25%, remaining 925 basis points above the regulatory minimum of 10%. Accordingly, both ratios remain above the applicable regulatory minimum following the Repurchase.

In determining the Repurchase price, the Board considered the valuation methodology most relevant to a Licensed Finance Company. The fair value of the Ordinary Voting Shares of the Company as at 30th June 2026 was assessed on the basis of a range of values estimated using the following approaches: -

(a) Comparable Market Multiples and Transaction Multiples – applying Valuation Multiples, principally the Price- to -Book Multiple, observed for comparable listed Non-Bank Financial Institutions, to corresponding financial merits of the Company;

(b) Income Approach using Residual Income – estimating the value of the company by reference to the returns it is projected to generate over and above the required return on its equity, this approach being particularly suited to financial institutions;

(c) Volume Weighted Average Price – having regard to the Volume Weighted Price at which the Company's shares have traded over relevant recent periods; and

(d) Adjusted Net Asset Value – the net asset value of the Company adjusted for unrecognized assets for the purpose of assessing fair value

The Price-to-Book Multiple and the Residual Income approaches were considered the most appropriate for a finance company, whose assets and liabilities largely comprise financial instruments, while the Volume Weighted Average Price and Adjusted Net Asset Value approaches provided further reference points. The determination of the Repurchase price took into account the range of values indicated by these approaches, and the proposed price of Rs. 7.00 per share falls within that range.

As required by Section 64(2)(b) of the Companies Act No 7 of 2007, the terms of the offer and the consideration to be paid for the shares are, in the opinion of the Company's Auditors, Messrs. Deloitte Partners, Chartered Accountants, a fair value.

2. Maximum No. of shares to be repurchased - **Up to 2,299,122,556**

3. The opening and closing dates of the Offer to Repurchase - **From 9th September 2026 to 21st September 2026**

4. Date of Payment – **on or before 5th October 2026**

5. The reasons for the company to Repurchase Shares – in order to move towards efficient capital management and optimize shareholder value while maintaining a prudent capital adequacy ratio that enables the business to function without any constraints;

6. The basis of the Offer to Purchase Shares - **In the proportion of Seven (7) shares out of every Ninety (90) Shares held** by shareholders, provided that no shareholder shall, consequent of such entitlement, be entitled to a fraction of a share arising as per the said proportion so that the fractional shares shall be pooled together and be **offered to the respective holders of shares who have offered to sell additional shares.** [Shareholders in the ledger offering to sell to the Company additional shares should complete **Form B in addition to Form A; whilst shareholders in the CDS should complete Forms B & C in addition to Form A**]

The basis of the Offer to Purchase Shares shall be:

$$\frac{\text{Number of ordinary voting shares held by a shareholder as at the end of the Record Date on 28th August 2026} * 7 \text{ (offered shares)}}{90 \text{ (existing shares)}}$$

The fractions that are ignored are the fractions arising post-multiplication by 7 and then by the division of 90 of the existing shares held by a shareholder

The Record Date referred to herein is **1st September 2026**, being the 4th Market Day from and excluding **24th August 2026,** being the date on which a further Announcement was made giving the Record Date, Dispatch Date, Commencement and closing date of the offer to Repurchase shares

7. The total value employed to purchase shares by the Company – **up to Rs.16,093,857,892.00**.

The Repurchase will be effected from the Company's retained earnings as at 31st March 2026, which amounted to Rs. 93,072,462,320.00.

As at the date of this circular, the Company holds excess liquidity, invested in liquid assets which are readily realizable, and these sources are sufficient to meet the total Repurchase consideration of Rs. 16.09 billion in full. As reflected in the Interim Financial Statement as at 30th June 2026, the Company held cash and cash equivalents of Rs. 10.01 billion, securities purchased under resale agreements of Rs. 3.00 billion, and financial assets recognized through profit or loss measured at fair value of Rs. 18.65 billion. These liquid assets, which will be utilized in combination, together amounted to Rs. 31.66 billion as at that date, and are well in excess of the total Repurchase consideration.

Entitlement Date (Record Date) for the purchase of shares by the Company is **1st September 2026** [being the 4th Market Day from and excluding 24th August 2026, being the date on which a further Announcement was made giving the Record Date, Dispatch Date, Commencement and closing date of the offer to Repurchase shares.

8. **Shareholders are not obliged to accept the Repurchase Offer. They may also accept it in full or in part.**

9. **Shareholders may also make an offer to the company to sell shares over and above the number of shares the company offered to purchase, being shares of shareholders who have either partly or fully not accepted the offer made by the company. The company will purchase such shares on a pro rata basis in line with its existing shareholding.**

10. **Tax implications for the shareholders with respect to the consideration received from the company in purchasing their shares.**

The Tax implications for shareholders resulting from the repurchase of shares shall be dealt with in accordance with the tax law of the land. Accordingly, Eligible Shareholders are advised to seek their independent professional advice regarding the tax consequences of a Repurchase.

11. **The procedure for acceptance/offer to sell additional shares is set out below:**

11.1 If a shareholder holds the company shares both through a physical share certificate/s and through CDS Account(s), two separate sets of forms will be mailed to the shareholder. A shareholder must complete separate Form A's for each such holding and forward the forms as stated below. The Forms would also be uploaded on the Company page of the CSE website.

11.2 <u>If a shareholder holds shares in multiple CDS accounts, only one set of Forms will be mailed</u> to the respective shareholder for the total holding in multiple CDS accounts. On Form A, such a shareholder must indicate the CDS account from which the shares should be purchased and the number of shares to be purchased from the said account. Photocopies of the original forms are permitted for this purpose.

11.3 If a Shareholder wishes to offer to sell to the company over and above the number of shares offered by the company to purchase from such shareholder, such shareholder must complete Form B and, where relevant, Form C as well

11.4 **Form of Acceptance – Form A**

11.4.1 **<u>If your shares are not deposited with the CDS</u>**

Shareholders whose shares are not deposited with the CDS who wish to accept all or part of the offer are required to complete **Sections A, B & C of Form A – Form of Acceptance** and return it by post or by hand to the Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, No. 341/5, Kotte Road, Rajagiriya, together with the original share certificate in support of such acceptance to sell, to be received no later than **4.00 p.m. on 21st September. 2026**.

11.4.2 **If your shares are deposited with the CDS**

Shareholders whose shares are deposited with the CDS are required to complete **Sections A, B, C & E of Form A—Form of Acceptance** and forward the same through their stockbroker or custodian bank to reach the CDS by **4.00 p.m. on 21st September. 2026**.

Shareholders having multiple CDS Accounts are advised that if the total number of shares offered to be purchased is required to be credited to the LOLC Finance PLC Share Purchase Acceptance Account from more than one (01) CDS Account, separate **Forms of Acceptance by completing Sections A, B, C & E of Form A - Form of Acceptance** must be used <u>for each</u> such Account from which such Shareholder wishes to credit shares into the LOLC Finance PLC Share Purchase Acceptance Account. The use of photocopies of Form A is permitted for this purpose.

11.5 **Offer to Sell Additional Shares by Shareholders – Form B - Form for Additional Shares (subject to availability)**

11.5.1 If a Shareholder whose shares **are deposited in the CDS** wishes to offer to sell to the Company more shares than the Company offered to purchase from such Shareholder, such Shareholder must complete **Sections A, B, C & E of Form B - Form for Additional Shares (subject to availability)** and forward the same through their stockbroker or custodian bank to reach the CDS no later than **4.00 p.m. on 21st September 2026**.

11.5.2 If a Shareholder whose shares **are not deposited with the CDS wishes** to sell to the company more shares than the company offered to purchase from such Shareholder, such Shareholder must complete **Sections A, B, & C of Form B - Form for Additional Shares (subject to availability)** and return it by post or by hand to the Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, No. 341/5, Kotte Road, Rajagiriya, **together with the original share certificate supporting the request to sell**, to be received no later than **4.00 p.m. on 21st September 2026.**

11.6 **Upon acceptance** by the shareholders whose shares are deposited in the CDS (by completing Forms A) and an offer by a shareholder for sale of additional shares (by completing Forms B), such shares shall be credited to the LOLC Finance PLC Share Purchase Acceptance Account.

12. **Withdrawals and Trading in shares upon Acceptance of Repurchase/Offer of additional shares for Repurchase**

Once a Shareholder submits a Form of Acceptance under the share Repurchase scheme/offer of additional shares for purchase, such Shareholder is not entitled to withdraw it under any circumstances. Please note the **trading restriction** for the shares for which the Repurchase Offer was accepted will remain until the conclusion of the Repurchase (not just the offer period)

During the offer period, eligible Shareholders accepting the Repurchase Offer/offering additional shares for purchase, whose shares are deposited in the CDS, will NOT be permitted to trade in the number of shares for which they have accepted the Repurchase Offer/including the number of additional Ordinary Shares tendered [See paras 14 & 15 pertaining to return of shares in excess on which trading is restricted and shares in excess submitted to the Registrars via Share Certificates]

13. **Purchase consideration**

13.1 **Settlement of consideration in respect of acceptances by Resident Shareholders**

Settlement of consideration will be made either by Banker's draft in favour of the *Principal/Sole Shareholder/First Joint Shareholder stated in the completed Form A and B (if applicable) submitted by the shareholders, and crossed "Not Negotiable – Account Payee Only" and mailed to the address given in the Register / CDS records or via RTGS/CEFT/SLIPS transfer to the Bank Account, as given in Form A and B (if applicable) by the shareholder/s. Please note that if the fund transfer through SLIPS is rejected by the bank for any reason, such refund payments would be made via a Bank Draft in favour of the Principal/Sole Shareholder/First Joint Shareholder and sent by ordinary post at his/her/their risk to the address given on the Form. Therefore, kindly ensure your Bank code, Branch code, and account number, comprising the correct number of digits, are accurately filled in the boxes provided. Kindly check with your bank if you have any doubts about how your details must be provided to effect payments via a fund transfer.

Shareholders will be entitled to interest at the rate of the prevailing Average Weighted Prime Lending Rate (AWPLR) plus 5% on payments not dispatched within the period of ten (10) Market days from the date of closing the Offer (not including the date of Closing).

Any shareholder who opts to receive the consideration in the form of a Banker's draft by post does so at his own risk. For the avoidance of doubt, the Company shall not be liable to pay interest to any shareholder to whose address the Company has duly dispatched the Banker's draft by post within ten (10) days from the closing of the Offer (**on or before 5th October 2026**), notwithstanding any delay in the receipt by such shareholder of the Banker's draft sent to him.

13.2 **Settlement of consideration in respect of acceptances by Non-Resident Shareholders**

Settlement of consideration will be made to the Principal Shareholders Inward Investment Account (IIA) **through which Account the shares were purchased by the Principal Shareholder**, to which the proceeds of the purchase would be deposited, as given by the Shareholder in Form A in the manner set out in (iv) or to the Capital Transaction Rupee Account (CTRA) provided by the shareholder on Form A as the case may be. Please note that it is the responsibility of Foreign Investors/Non-Resident Sri Lankans to comply with the laws of the jurisdiction in which they reside and of Sri Lanka.

14. **Share Certificates in excess**

The certificates for the balance shares of shareholders who have forwarded share certificates carrying over and above the number of shares accepted for purchase by the Company will not be issued to the shareholders. Such shares will be uploaded to the Central Depository System (CDS) by the Registrars to the Company upon the shareholder communicating to the Registrars the details of their CDS Account, within seven (07) market days of receiving such information by the Registrars to the Company.

15. **Shares Deposited into the LOLC Finance PLC Share Purchase Acceptance Account**

Shares deposited to the LOLC Finance PLC Share Purchase Account that have not been purchased will be credited back to the CDS Account of the Shareholder within Ten (10) Market Days of the closing date for the acceptance of Repurchase, namely, **on or before 5th October 2026**.

16. **Cancellation of Shares**

The Shares purchased by the Company shall be deemed to be canceled immediately upon acquisition, in terms of Section 63(3) of the Companies Act No. 7 of 2007.

17. Acceptance of the Offer of deceased Shareholders may be made (a) by the Executor/Administrator, appointed by Court, or (b) with respect to a person deceased without leaving a last will and with an estate of a value below the administrable value, by the heirs of the deceased, provided that sufficient documents as acceptable to the Company, in proof of their status vis-à-vis the estate of the deceased Shareholder are submitted to the Company. In all instances, the consideration would be paid to and in the name of the estate of the deceased.

18. Non-Resident Shareholders are advised to submit their acceptance of the Offer **along with proof** that the shares they hold in the Company were purchased through their Inward Investment Account (IIA), either through their Bank in which such IIA is maintained or through their Broker involved in the purchase of the shares of the Company.

19. Shareholders who have lost/misplaced their relevant share certificate and/or other documents of title or where such documents of title are not readily available may nevertheless complete Form A & B (if applicable) and forward the same along with the Indemnity (refer to Annexure 1) and an Affidavit (refer to Annexure 2) to Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, No. 341/5, Kotte Road, Rajagiriya, on or before the closing date of the Repurchase Offer. The Registrars would follow the procedure for a lost share certificate as directed by the Company.

20. If any document is signed under a Power of Attorney, the original should be first registered in the books of the Company through the Registrars to the Company, and a copy thereof duly certified by a Notary Public should be sent along with Form A & B (if applicable).

21. Subject to the terms of the Repurchase Offer, the Company reserves the right to reject or treat as invalid any acceptances of the Repurchase Offer that are not in order or which are not accompanied by the relevant original share certificate(s) and/or other document(s) such as those relating to Title or Indemnities. In such an event, the consideration under the Repurchase Offer will not be released to the accepting shareholders until the shortcomings are rectified or the share certificate(s) and/or other document(s), such as those relating to the title or indemnities satisfactory to the Company, are received, as the case may be.

    The Company or the Registrars to the offer will not under any circumstances be under any duty or obligation to inform the Shareholder of any invalidity of acceptance before the Closing date. In the case of an invalid acceptance, all documents forwarded to the CDS through the stockbroker/custodian bank or to the Registrars to the Offer will be returned to such Shareholder by ordinary post at the risk of such Shareholder only after the work pertaining to repurchase has been completed. In the case of any Shareholder holding shares in the Repurchase Offer jointly, the said documents will be returned to the Shareholder whose name first appears on the share certificate(s) or the CDS account.

    If a shareholder does not adhere to the procedure set out herein, such shareholder's "Form A/Form B" (as applicable) will be rejected.

22. Payments to shareholders on acceptances that are not accompanied by the relevant original share certificate(s) and/or other document(s) of title or indemnity/affidavit but have been treated as valid by the company will not be released until the share certificate(s) and/or other document(s) or indemnity/affidavit satisfactory to the company are received in accordance with the terms and conditions of the offer.

23. Documents with regard to the Offer, dispatched by courier or post, should reach the Registrars to the Offer or the CDS through your stockbroker or custodian bank, as applicable to you, as mentioned in this document, not later than **4.30 p.m. on 21st September 2026**, the Closing Date of the Repurchase Offer.

    Any documents received by hand, courier, or post after the above deadline will be rejected, even if the courier or postmark is dated before the Closing Date.

Yours faithfully,

By Order of the Board of
LOLC FINANCE PLC

Sgd.
M V S C Rodrigo
Company Secretary

24th August 2026