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

19th September 2025

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 up to Thirty Million (30,000,000) Senior, Listed, Rated, Unsecured, Redeemable Blue Bonds, which comprise fixed-rate coupon Bonds to be issued at a par value of LKR 100/- with maturities of up to 5 years, and zero-coupon Bonds to be issued at a discount to face value, with maturities of up to 5 years. This instrument will be listed in the CSE and rated by Fitch Ratings.

The proceeds of the proposed Senior Blue Bonds will be used specifically for financing and/or refinancing the projects that support the sustainable use and protection of marine and coastal ecosystems, promote climate resilience in coastal communities, and enhance the blue economy of Sri Lanka.

We have examined the financial statements included in the annual reports of the Bank, for the financial years ended 31st December 2020 to 31st December 2024. Extracts 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 the 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of the DFCC Bank (Repeal and Consequential Provisions) Act No. 39 of 2014, the DFCC Bank Act No. 35 of 1955 was repealed, and the Bank was incorporated under the Companies Act No. 07 of 2007 as a public limited company listed in the Colombo Stock Exchange with the name 'DFCC Bank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.

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T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA,
W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

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The Bank is engaged in provisioning 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-Year Summary of Financial Statements

A summary of Statement of Profit or Loss, Statement of Financial Position and Statement of Cash Flow of the Bank for the financial years ended 31st December 2020 to 31st December 2024, 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 2020 to 31st December 2024 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 2020 to 31st December 2024. 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 2020 to 31st December 2024 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 2024. 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 2020 to 31st December 2024 is 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 2020 to 31st December 2024.

Year/ Period ended	Dividend Paid (Rs. Mn)	Dividend Per Share (Rs.)
31st December 2020	913	3*
31st December 2021	918	3**
31st December 2022	962	3**
31st December 2023	805	2**
31st December 2024	2,110	5***

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* Rs. 2.50 per share cash dividend and Rs. 0.50 per share scrip dividend.
** Scrip dividend.
***Rs. 3 per share cash dividend and Rs. 2 per share scrip dividend.

2.5. Events after the Reporting Date (as at 31st December 2024)

- **First and Final Dividend**

The Directors have approved the payment of a first and final dividend of LKR 6.00 per share which will consist of LKR 4.00 per share in cash and LKR 2.00 in the form of a scrip dividend, for the financial year ended 31 December 2024. 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.

- **Sale of 50% Stake in Acuity Partners (Pvt) Ltd (Joint Venture of DFCC Bank PLC and Hatton National Bank PLC)**

DFCC Bank PLC sold 75,500,001 number of ordinary voting shares issued and fully paid up representing 50% stake held by DFCC Bank PLC in Acuity Partners (Pvt) Ltd for a consideration of Rupee Six Billion Five Hundred Million (Rs. 6,500,000,000). Following the successful disposal, DFCC Bank PLC does not hold any share of Acuity Partners (Pvt) Ltd.

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 up to Thirty Million (30,000,000) Senior, Listed, Rated, Unsecured, Redeemable Blue Bonds, which comprise fixed-rate coupon Bonds to be issued at a par value of LKR 100/- with maturities of up to 5 years, and zero-coupon Bonds to be issued at a discount to face value, with maturities of up to 5 years.

Yours faithfully,

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

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

Description	Years ended 31st December				
	2024 (Rs. Mn)	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)
Operating results					
Gross income	89,559	106,883	74,960	42,649	43,300
Interest income	76,907	96,922	69,863	36,599	39,090
Interest expenses	48,786	65,697	43,342	23,946	28,083
Net interest income	28,121	31,224	26,521	12,653	11,007
Non-Interest Income	11,246	9,273	4,330	5,757	4,078
Operating profit before taxes on financial services	17,914	14,146	3,693	5,544	4,400
Operating profit after taxes on financial services	13,498	10,960	2,439	4,326	3,398
Profit for the year	8,353	7,220	2,513	3,222	2,388
Financial Position					
Assets					
Cash and cash equivalents	13,505	14,478	16,123	10,688	7,724
Balances with Central Bank of Sri Lanka	2,328	2,108	9,031	9,359	4,902
Placements with banks	11,229	29,138	15,225	6,288	15,414
Derivative financial assets	9,643	16,499	20,474	280	835
Financial assets measured at fair value through profit or loss	7,416	1,741	1,429	219	610
Financial assets at amortised cost – Loans and advances to banks	1,500	-	-	-	4,153
Financial assets at amortised cost – Loans and advances to customers	394,361	348,767	369,072	365,901	301,909
Financial assets at amortised cost – Debt and other instruments	105,642	68,031	50,948	26,675	31,604
Financial assets measured at fair value through other comprehensive income	138,258	134,903	63,319	54,329	88,718
Investments in subsidiaries	237	237	237	217	217
Investments in associate	33	33	33	35	35
Investments in joint venture	-	755	755	755	755
Investment property	10	10	10	10	10
Property, plant and equipment	3,873	3,500	3,199	3,237	3,407
Intangible assets and goodwill	2,002	1,926	2,198	2,228	1,713
Deferred tax asset	4,893	5,408	4,138	1,359	
Other assets	7,821	13,416	9,751	3,925	3,070
Asset held for sale	755	-	-	-	-
Total assets	**703,508**	**640,950**	**565,940**	**485,505**	**465,077**
Liabilities					
Due to banks	7,149	52,793	15,858	3,845	14,910
Derivative financial liabilities	909	382	85	814	268
Financial liabilities at amortised cost – Due to depositors	465,153	407,225	370,314	319,861	310,027
Financial liabilities at amortised cost – Due to other borrowers	96,756	72,023	81,146	69,094	46,847
Debt securities in issue	14,691	16,312	16,304	16,297	16,291
Retirement benefit obligation	1,409	1,371	592	689	643
Current tax liabilities	3,067	4,427	2,480	952	1,013
Deferred tax liability	-	-	-	-	244
Other liabilities	12,107	9,605	10,041	6,580	6,120
Subordinated term debt	18,234	9,072	18,400	18,387	19,357
Total liabilities	**619,475**	**573,209**	**515,219**	**436,519**	**415,720**
Equity					
Stated capital	14,710	13,867	13,182	8,600	7,682
Statutory reserve	3,658	3,240	2,875	2,747	2,584
Retained earnings	35,835	28,250	22,601	22,092	19,652
Other reserves	29,830	22,384	12,063	15,547	19,439
Total equity attributable to equity holders of the Bank	84,033	67,741	50,721	48,986	49,357
Total equity	**84,033**	**67,741**	**50,721**	**48,986**	**49,357**
Total equity and liabilities	**703,508**	**640,950**	**565,940**	**485,505**	**465,077**
Contingent liabilities and commitments	222,538	193,993	169,133	144,278	130,764

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

Description	Years ended 31st December				
	2024 (Rs. Mn)	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)
Statement of cash flows					
Operating cash flows before changes in operating assets and liabilities	14,452	26,214	20,483	488	(1,162)
(Increase)/decrease in operating assets: and operating liabilities:	15,766	48,696	33,093	(58,200)	33,625
Net cash flows (used in)/from operating activities before income tax	30,218	74,910	53,577	57,711	32,464
Surcharge tax paid	-	-	(1,232)	-	-
Income tax paid	(5,992)	(4,306)	(1,531)	(1,621)	(615)
Net cash flows (used in)/from operating activities	24,227	70,605	50,813	(59,333)	31,848
Net cash flows used in investing activities	(29,180)	(84,293)	(31,257)	42,670	(7,397)
Net cash flows from/(used in) financing activities	(13,929)	25,958	(5,185)	10,500	(6,928)
Net increase/(decrease) in cash and cash equivalents	(18,882)	12,269	14,371	(6,162)	17,523
Cash and cash equivalents at the beginning of year	43,617	31,347	16,976	23,139	5,615
Cash and cash equivalents at the end of year	24,734	43,617	31,347	16,976	23,139
Reconciliation of cash and cash equivalents with items reported in the statement of financial position					
Cash and cash equivalents	13,505	14,478	16,123	10,688	7,724
Placements with banks	11,229	29,138	15,225	6,288	15,414
Cash and cash equivalents at the end of year	24,734	43,617	31,347	16,976	23,139

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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 2020 to 31st December 2024**
Financial year ended	**Adoption of revised Accounting Standards and related changes in Accounting Policies**
31st December 2020	**SLFRS 3 – ' Business Combinations'** The Bank has adopted Definition of a Business (Amendments to SLFRS 3) from 1st January 2020 to business combinations whose dates of acquisition are on or after 1st 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 1st 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) from 1st January 2023. Although 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 1st 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 1st January 2023.

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