KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. 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

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 One Hundred Million (100,000,000) Basel III Compliant, Subordinated, Listed, Rated, Unsecured, Redeemable GSS+ Bonds with a non – viability conversion option, each at an issue price (par value) of LKR 100/- with a term of up to 10 years and it is annually couponed. This instrument will be listed in the CSE and rated by Fitch Ratings. The proceeds of the proposed GSS+ Bonds will be used specifically for the purpose of,

a) Improving the Tier II Capital Adequacy Ratio (CAR) of DFCC Bank PLC

Funds raised through this Bond issue are expected to improve the capital adequacy of the bank. The medium to long term duration of the Bond and the subordinated nature of the instrument issued in compliance with Basel III requirements will enable the bank to strengthen the tier II capital base as per Basel III requirements. Approval will be obtained from the Central Bank of Sri Lanka to include the Basel III compliant Bond under tier II capital.

b) Financing / Re-financing New or Existing Eligible GSS+ Projects

The Bank intends to fully utilize the funds generated through the Bond issue to finance or re-finance new and/or existing eligible GSS+ projects as per the principles and guidelines issued by the International Capital Market Association (ICMA), the Guidelines for Sustainability-Linked Loans Financing Bonds (SLLBG) (June 2024) issued by the Loan Market Association (LMA) and the International Capital Market Association (ICMA), the Sustainability-Linked Loan Principles (SLLP) (March 2025) issued by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA), and the Sri Lanka Green Finance Taxonomy (May 2022) issued by the Central Bank 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.

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. 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

KPMG

## 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.

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.

KPMG

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*** |

* 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.

KPMG

**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 One Hundred Million (100,000,000) Basel III Compliant, Subordinated, Listed, Rated, Unsecured, Redeemable GSS + Bonds with a non – viability conversion option, each at an issue price (par value) of LKR 100/- with a term of up to 10 years and it is annually couponed.

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 |

KPMG Chartered Accountants

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 |



| 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'**<br><br>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)**<br><br>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**<br><br>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.<br><br>**Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to LKAS 12**<br><br>The Group has adopted deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12) from 1st January 2023. |

KPMG Chartered Accountants