



**DFCC BANK PLC**  
**[Company Registration No. PQ 233]**

## **EXTRAORDINARY GENERAL MEETING**

**to be held on Thursday, 30 October 2025 at 9:00 a.m.**

**at the “Visionarium”, 4th Floor, DFCC Bank Head Office**

**No. 73/5, Galle Road, Colombo 03**

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## DFCC Bank PLC

73/5, Galle Road, Colombo 00300, Sri Lanka

Tel: +94 11 2442442; Fax: + 94 11 2440376

Website: www.dfcc.lk; Email: care@dfccbank.com

### CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s

Your Bank has made a profit of LKR 5,555 million from continuing operations and a profit of LKR 10,523 million including disposal gain from Acuity Partners (Pvt) Ltd for the six months ended 30 June 2025 (Group LKR 5,747 million and LKR 5,863 million respectively). Total shareholders' funds increased from LKR 84,033 million as at 31 December 2024 to LKR 96,006 million as at 30 June 2025 (Group equity increased from LKR 89,400 million to LKR 96,632 million) as reflected in the unaudited interim Financial Statements as at 30 June 2025. The figures shown herein are extracted from published Financial Statements.

Having identified the need to strengthen the Tier II Capital Base as per BASEL III requirements which will facilitate the Bank's forecasted asset growth, the Board of Directors of DFCC Bank PLC (Bank) at its meeting held on 30 July 2025 decided and recommends the following:

**ISSUE OF BASEL III COMPLIANT - TIER II SUBORDINATED, LISTED, RATED, UNSECURED, REDEEMABLE GSS+ [GREEN (INCLUDING BLUE), SOCIAL, SUSTAINABLE AND ANY OTHER LABELS THAT QUALIFY] BONDS WITH A TERM OF UP TO 10 YEARS, WITH A NON-VIABILITY CONVERSION OPTION TO ORDINARY SHARES WITH VOTING RIGHTS SOLELY, IF INSTRUCTED BY THE CENTRAL BANK OF SRI LANKA. THE NON-VIABILITY CONVERSION OPTION WILL BE INVOKED UPON THE OCCURRENCE OF THE TRIGGER EVENT (THE TRIGGER EVENT IS REFERRED TO IN SECTION 4),**

**To raise a sum of up to Rupees Ten Billion (LKR 10,000,000,000) by an issue of up to One Hundred Million (100,000,000) Bonds, each with a par value of LKR 100/- (Hereinafter collectively called "the Bonds").**

Given the available options, the Bank has decided to proceed with the issue of BASEL III compliant convertible bonds taking into consideration the following:

- a. Capital raised through such an issue will enhance the Tier II Capital of the Bank.
- b. Issue will not dilute the Return on Equity (ROE) of the Bank. However, if the non-viability conversion option is invoked, it will then result in a dilution of the ROE.

The issuance of the BASEL III compliant Tier II Bonds ("the Bonds") and trading of such Bonds in the secondary market is limited to "Qualified Investors" (please refer section 5 for definition of qualified investor).

**THE ABOVE ISSUE IS SUBJECT TO THE APPROVAL OF THE COLOMBO STOCK EXCHANGE (CSE), CENTRAL BANK OF SRI LANKA & ANY OTHER REGULATORY APPROVALS (AS APPLICABLE).**

The rating for the proposed Bond Issue which will have a convertible option in compliance with BASEL III requirements will be issued subsequent to the special resolution being passed by the shareholders at the EGM convened and the instrument rating will be incorporated in the Bond Issue Prospectus.

#### 1. OBJECTIVES OF THE ISSUE

The funds generated from the Bond Issue will be utilised for the following purposes:

##### 1.1 Improve the Tier II Capital Adequacy Ratio (CAR)

Funds raised through this Bond Issue are expected to improve the Bank's Capital Adequacy. The medium- to long-term duration of the Bonds 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. Approval will be obtained from the Central Bank of Sri Lanka to include the Basel III compliant Bonds under Tier II capital.

The Bank has complied with the CBSL BASEL III minimum capital adequacy requirement as at 30 June 2025 with Tier I ratios of 12.479% and Total capital ratio of 15.004%.

The forecasted ratios taking into account the intended proceeds of the Bond Issue computed under BASEL III will be as follows:

	31.08.2025 Minimum Capital Requirement, % [Banking Act Direction No 1 of 2016 (as amended)]	31.12.2025 Estimated, % Subsequent to the Issue
Common Equity Tier 1 capital with buffers	7.0	12.12
Total Tier 1 capital with buffers	8.5	12.12
Total capital ratio with buffers	12.5	16.31

As at 30 June 2025, total equity increased by LKR 11,973 million, supported by a profit after tax of LKR 10,523 million and fair value gains across the Bank's securities portfolios. In alignment with the Bank's growth strategy and the improving economic condition, the net loan portfolio grew by 19%. Leveraging the strengthened equity base, the Bank was able to absorb the additional capital requirements associated with this portfolio growth. As a result, the Tier 1 Capital Ratio was maintained at 12.479%, and the Total Capital Ratio at 15.004%, compared to 12.402% and 15.759% respectively, as at 31 December 2024.

In the unlikely event of any shortfall of funds from the proposed Bond issue, the Bank will adjust the asset growth to maintain the desired level in CAR.

The Bank's intention herein is to obtain shareholders' approval for the issuance of any shares which may be caused by the Central Bank of Sri Lanka instructing the Bank to exercise the convertible option attached to these Bonds (The occurrence of the "Trigger Event" referred to in section 4).

In order for the Bonds to be recognised as Tier II Capital of the Bank under BASEL III as detailed in the Banking Act Direction No. 1 of 2016 issued by the Central Bank of Sri Lanka, the Bonds are required to have the following minimum features:

- Listed on a recognised Stock Exchange
- Redeemable
- Subordinated
- Of a minimum tenor of five (5) years
- Rated by an acceptable rating agency
- Having an option where, in the event the Governing Board of the Central Bank of Sri Lanka deeming it appropriate that the Bonds being converted into ordinary shares of the Bank (ranking equal and *pari passu* with the existing ordinary shares of the Bank) through issuance of new shares to cover the total outstanding under the Bonds is in the best interest of the Bank, directs the Bank to convert the Bonds into ordinary shares of the Bank (ranking equal and *pari passu* with the existing ordinary shares of the Bank) through issuance of new shares to cover the total outstanding under the Bonds (the Trigger Event referred to in section 4)

## 1.2 Support the Bank's balance sheet growth through financing GSS+ projects

The Bank intends to fully utilise the funds generated through the Bond Issue to finance or re-finance new and/or existing eligible Green (including Blue), Social, Sustainable projects and any other labels that qualify as per the Sustainable Bond Framework of the Bank which complies with the Principles and Guidelines issued by the International Capital Market Association and Sri Lanka Green Finance Taxonomy issued by the Central Bank of Sri Lanka (GSS+ Projects).

The Bank has appointed an Independent External Reviewer to provide an external review in the form of an independent verification (pre-issuance assurance) of the Sustainable Bond Framework of the Bank. Following the successful issuance of the Bonds, the Bank will appoint an Independent External Reviewer to carry out post issuance verification/s (assurance/s) as required.

It is the understanding of the Bank that the entire quantum of funds will be utilised within a period of 18 months from the date of allotment of the Bonds. In the interim period, these funds will be invested in Government Securities at zero risk at the prevailing market rates. The Current 182-day Treasury bill yield is 7.89% while the 364-day Treasury bill yield is 8.02%.

The Bank is confident of utilising the funds generated through the Issue as stated within a period of 18 months.

Expanding the GSS+ lending portfolio will support the Bank's efforts on sustainable initiatives while strengthening the brand image with regards to the same aspect.

Transactions with related parties will be carried out in compliance with all applicable Statutes, Directions, Regulations and Section 9 of the CSE Listing Rules.

The proposed 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.

## 2. DISCLOSURE IN THE INTERIM FINANCIAL STATEMENTS & THE ANNUAL REPORT

The utilisation of the proceeds of the Bond Issue will be disclosed in the Annual Report and the Interim Financial Statements from the allotment Date and until the objectives of the Bond Issue are achieved.

## 3. SPECIFIC RISKS RELATING TO OBJECTIVES OF THE BOND ISSUE (the Issue) AND OCCURRENCE OF TRIGGER EVENT

The primary objective of the Bond Issue is to strengthen the Bank's capital position, whilst supporting asset growth through the financing of GSS+ projects as an ancillary objective.

Given the growing demand for green and socially sustainable credit in the market and the Bank's track record of lending growth, there is no specific risk factor identified that is likely to prevent the achievement of the stated objectives within stipulated timelines.

In the unlikely event of any shortfall of funds raised from the proposed Bond Issue, the Bank will adjust asset growth to maintain the desired level in CAR. However, the Bank does not anticipate an under-subscription of the issue.

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

As at date, the Bank has not identified any related parties for the allocation of Bonds.

In the event, the funds raised are deployed with related parties in future, such deployment will be done in accordance with Rule 9 of the CSE Listing Rules.

No further shareholder approval will be required in the event the Bond Issue is not fully subscribed.

The Bonds are to be redeemed within a period of upto 10 years. In the event of the occurrence of the trigger event prior to redemption, in the interest of the shareholders, the then existing shareholders will be first called upon to bring in additional capital (subject to CSE & SEC approval as applicable), and only, if they are unable to infuse fresh capital, will the proposed bond/s get converted to ordinary share capital.

## 4. OCCURRENCE OF THE TRIGGER EVENT

A 'Trigger Event' is determined by and at the sole discretion of, the Governing Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1. (10) (iii) (a & b) as a point /event is the earlier of:

- (a) "A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Governing Board, **OR**
- (b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Governing Board."

Upon the occurrence of the Trigger Event, the non-viability conversion option will be invoked and the Bank shall be required and entitled to issue and within twenty (20) days to allot ordinary shares of the Bank ranking equal and *pari-passu* with the existing ordinary shares to the Bond Holders up to the outstanding balance of such Bonds including the total par value of the Bonds and unpaid accrued Bond Interest at an issue **price for such ordinary shares which will be based on the Volume Weighted Average Price (VWAP) of an ordinary share of the Bank during the three months (03) period, immediately preceding the date of the Trigger Event.** The calculation of the VWAP would be based on the simple average of the daily VWAP of an ordinary share as published by the Colombo Stock Exchange during the said 3 month period. In the event of any Bond Holder being entitled to a fractional allotment of an ordinary share on such issuance and allotment, the Bank shall settle such sums in cash, based on the issue price of such share within fourteen (14) market days from the date of allotment of the said ordinary shares.

Averaging out of the VWAP over a period of 3 months preceding the Trigger Event as opposed to a shorter window closer to the Trigger Event, is aimed at smoothening out changes in price movements as it provides an equitable pricing formula, thus minimizing the extent of the dilution impact of the conversion.

However, if there is an issuance of ordinary shares to the Bond Holders upon the occurrence of the Trigger Event, a Bond Holder would cease to be a Bond Holder and would become a shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with existing ordinary shareholders with voting rights after the date of allotment of new shares to such shareholders (i.e. the previous Bond Holders). In the event of the conversion, the shares will be allotted to the respective Bond Holders in accordance with the applicable laws and regulations including any regulations applicable on “material interest that a shareholder may hold” in terms of the Banking Act No 30 of 1988, as guided by the instructions of the Governing Board of the Central Bank of Sri Lanka with regard to the application of the Single Holder Limit.

The ordinary shares (with voting rights) arising from the conversion of Bonds will be listed on the CSE.

In the event of the Bond Holders becoming shareholders of the Bank due to the occurrence of the Trigger Event, they would be entitled to exercise such rights as are exercisable by the other shareholders of the Bank holding ordinary shares. In the event of conversion to ordinary shares, there would be a dilution of the existing shareholding percentage held by the existing shareholders, however the extent of dilution will be dependent on several factors that cannot be determined at this point, due to the following;

- (a) The number of shares to be issued resulting from such conversion will be determined by the ‘conversion price’ at the ‘Trigger point’ as detailed above.
- (b) The extent of dilution of existing shareholders will need to be determined by how many shares are in issue at the time of such conversion. Such a number can vary due to issuance of new shares by way of scrip dividends, capitalization of reserves or rights issues during the tenure of the subject Bond.

In the event the conversion price based on the above VWAP formula at the time of the Trigger Event is low, this would result in a comparatively higher number of ordinary shares (with voting rights) being required to be issued by the Bank which would further dilute the holding percentage of existing shareholders. On the contrary, if a higher VWAP prevails at the time of a Trigger Event, this would result in comparatively low number of ordinary shares (with voting rights) requiring to be issued which would lead to a lesser degree of dilution in the holding percentage of existing shareholders.

In the event of there being a likelihood of an occurrence of a ‘Trigger event’, the then existing shareholders will be first called upon to bring in additional capital (subject to CSE & SEC approval as applicable), and only, **if they are unable to infuse fresh capital, (i.e.; Tier I Capital) will the proposed bond get converted to ordinary share capital (Tier I capital) upon the determination of the non-viability point by the Governing Board.**

Reduction of the Bond liability of the Bank will reduce the strain on the assets of the Bank in the event of liquidation. i.e. more assets leftover for distribution to the shareholders though on a diluted basis with the inclusion of newly converted Bond Holders (existing shareholders plus newly converted shareholders).

With the reduction of the interest bearing liabilities as stated above, the financing cost will reduce and improve the bottom line of the Bank.

The Bank on receipt of a Trigger Event notification from the Central Bank of Sri Lanka will immediately make a market announcement of the same and further announce the “price” and “dates” (i.e. trigger event date, date of allotment) pertaining to such conversion of Bonds to ordinary shares.

On 21 January 2025 Fitch Ratings upgraded the National Long-Term Ratings of 10 Sri Lankan banks following the sovereign upgrade and recalibration of the agency's Sri Lankan national rating scale. Consequently, the Issuer Rating of DFCC Bank PLC was upgraded to 'A(lka)', from 'A-(lka)'.

## 5. QUALIFIED INVESTOR

‘Qualified Investor’ shall mean,

- a commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended);
- a specialised bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended);
- a mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund;
- a venture capital fund/company and private equity company;

- a finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011(as amended);
- a company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended);
- a company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended);
- a corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007 (as amended);
- an investment trust or investment company;
- a non-resident institutional investor; and,
- an individual with an initial investment of Rs. 5,000,000/-.

## 6. REDEMPTION OF BONDS

The proposed Bonds will be redeemed at maturity and the principal sum and unpaid accrued interest (if any) payable on the redemption of Bonds will be paid not later than three (03) Market days from the date of redemption, unless a 'trigger event' occurs as detailed above.

## 7. EXTRAORDINARY GENERAL MEETING

As per rule No. 2.2.1.p of the Listing Rules of the Colombo Stock Exchange and the Articles of Association of the Bank, DFCC Bank is required to obtain the approval of the shareholders for the proposed Bond Issue by way of a special resolution. Further, it will also be necessary to obtain, by way of a duly passed special resolution, the approval of the shareholders for the proposed share issue which arises pursuant to the conversion of Bonds, which may affect the rights attached to the Bank's existing ordinary shares, in compliance with Section 99 of the Companies Act No. 7 of 2007.

An Extraordinary General Meeting of the Bank is being convened, in accordance with the Notice of Meeting attached hereto, for the purpose of passing the special resolution set out therein.

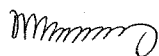
Shareholders and proxy holders attending the **Extraordinary General Meeting** to be held on **Thursday, 30 October 2025** at the "Visionarium" of the Bank, No. 73/5, Galle Road, Colombo 03, at **9:00 a.m.** are kindly requested to bring with them their National Identity Card (NIC) or any other form of valid identification.

A shareholder appointing a proxy (other than a Director of the Bank) to attend the meeting should indicate the proxy holder's NIC number on the form of proxy (enclosed) and request the proxy holder to bring his/her NIC to the meeting. Instructions as to completion are provided in the form of proxy.

Please note that only registered shareholders and proxy holders will be permitted to attend the meeting.

The Directors regret any inconvenience these arrangements may cause to shareholders; however, they are considered to be in the best interests of the Bank and its shareholders.

By Order of the Board  
DFCC BANK PLC



Nimali Ranaraja  
Company Secretary

24 September 2025

## DFCC Bank PLC

73/5, Galle Road, Colombo 00300, Sri Lanka  
Website: www.dfcc.lk; Email: care@dfccbank.com

### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of DFCC Bank PLC will be held on Thursday, 30 October 2025 at 9:00 a.m. at the "Visionarium" of the Bank, No 73/5, Galle Road, Colombo 03 for the purpose of considering, and if thought fit, to pass the following Special Resolution:

### SPECIAL RESOLUTION

"THAT the Directors be and are hereby authorised to issue a maximum of 100,000,000 Subordinated, Listed, Rated, Unsecured, Redeemable GSS+ Bonds of LKR 100/- each with a term of up to 10 years compliant with BASEL III requirements and also to issue and allot ordinary shares of the Bank to the holders of the said Bonds ("Bonds") through a non-viability conversion option of the Bonds and issuance of new ordinary shares with voting rights to cover the total outstanding under the Bonds in the event the Governing Board of the Central Bank of Sri Lanka ("CBSL") considers that a 'Trigger Event' has occurred and has deemed it appropriate that the total outstanding of the Bonds being converted to ordinary shares of the Bank (rank equal and *pari passu* with the existing ordinary shares of the Bank) is in the best interest of the Bank, without which the Bank would become non-viable. The consequent conversion of the Bonds to ordinary shares and issuance of new ordinary shares to cover the total outstanding under the Bonds is required under the Banking Act Direction No. 1 of 2016 dated 29 December 2016 (as may be amended from time to time), and that the issue price for such conversion (conversion price) to ordinary shares shall be the Volume Weighted Average Price (VWAP) of an ordinary share of the Bank during the three (03) months period (The calculation of the VWAP would be based on the simple average of the daily VWAP of an ordinary share as published by the Colombo Stock Exchange during the said 3 month period), immediately preceding the date on which the CBSL has determined as aforesaid and that such shares be offered to the holders of the Bonds on the aforesaid basis in lieu of the amounts due and payable on the Bonds without such shares being in the first instance offered to the then existing ordinary shareholders of the Bank with voting rights *pari passu* to their shareholding.

In the event the conversion price based on the above VWAP formula at the time of the Trigger Event is low, this would result in a comparatively higher number of ordinary shares (with voting rights) being required to be issued by the Bank which would further dilute the holding percentage of existing shareholders. On the contrary, if a higher VWAP prevails at the time of a Trigger Event, this would result in comparatively low number of ordinary shares (with voting rights) requiring to be issued which would lead to a lesser degree of dilution in the holding percentage of existing shareholders.

The ordinary shares (with voting rights) arising from the conversion of Bonds will be listed on the CSE.


The issuance of the BASEL III compliant Tier II Bonds ("the Bonds") and trading of such Bonds in the secondary market is limited to "Qualified Investors".

The subject BASEL III compliant Bonds Issue is subject to regulatory approvals from the CBSL, the Colombo Stock Exchange and any other regulatory approvals (as applicable).

In order for the Bonds to be recognised as Tier II Capital of the Bank under BASEL III as detailed in the Banking Act Direction No. 1 of 2016 issued by the Central Bank of Sri Lanka, the Bonds are required to have the following minimum features:

- Listed on a recognised Stock Exchange
- Redeemable
- Subordinated
- Of a minimum tenor of five (5) years
- Rated by an acceptable rating agency
- Having an option where, in the event the Governing Board of the Central Bank of Sri Lanka deeming it appropriate that the Bonds being converted into ordinary shares of the Bank (ranking equal and *pari passu* with the existing ordinary shares of the Bank) through issuance of new shares to cover the total outstanding under the Bonds is in the best interest of the Bank, directs the Bank to convert the Bonds into ordinary shares of the Bank (ranking equal and *pari passu* with the existing ordinary shares of the Bank) through issuance of new shares to cover the total outstanding under the Bonds (the Trigger Event above referred to)"

By Order of the Board



Nimali Ranaraja  
Company Secretary

24 September 2025

## FORM OF PROXY

I/We .....

of .....

being a shareholder/shareholders of DFCC Bank PLC hereby appoint:

.....

of .....or failing him/her\*

Mr. Jegatheesan Durairatnam	<i>of Colombo or failing him*</i>
Ms. Ladduwa Kavisge Anne Hiroshini Fernando	<i>of Colombo or failing her*</i>
Mr. Wellege Ruwan Harsha Fernando	<i>of Colombo or failing him*</i>
Mr. Pradeep Arjuna Jayatunga	<i>of Colombo or failing him*</i>
Mr. Nemmawatta Kankanamalage Gamini Kithsiri Nemmawatta	<i>of Colombo or failing him*</i>
Mr. Neelakanni Hettiarachchige Thimal Ishan Perera	<i>of Colombo or failing him*</i>
Ms. Arnala Lakshmi Thambiayah	<i>of Colombo or failing her*</i>
Mr. Namasivayam Vasantha Kumar	<i>of Colombo or failing him*</i>
Mr. Harin Amendra Joseph de Silva Wijeyeratne	<i>of Colombo*</i>

*\*Please select what is required and delete the others*

as my/our proxy to represent me/us and to speak on my/our behalf at the **Extraordinary General Meeting** of the Bank to be held on **Thursday, 30 October 2025** and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote:

**Please mark your preference with "X"**

**For    Against**

1. To pass a special resolution for the issuance of Subordinated, Listed, Rated, Unsecured, Redeemable Bonds with a term of up to 10 years (BASEL III compliant) with an option for conversion to ordinary shares if directed, at the discretion of the Central Bank of Sri Lanka, as set out in the Notice convening the meeting

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.....  
Signature

.....  
Date



Please provide the following details:

Shareholder's NIC No. ....

Share Certificate/CDS No. ....

Number of Shares held .....

Proxy holder's NIC No. ....  
(If not a Director of the Bank)

**Instruction as to Completion:**

- 1 In order to appoint a proxy, this form duly completed, together with any Power of Attorney under which it is signed, must be deposited at the Head Office of the Bank, 73/5, Galle Road, Colombo 03, not later than 48 hours prior to the time appointed for the holding of the meeting.
- 2 The proxy appointed need not be a shareholder of the Bank.
- 3 In the case of a corporate shareholder, the proxy must be executed under its Common Seal or by its authorised attorney.