



# Debenture Issue 2020 - Prospectus

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Joint Managers and Placement Agents



Structuring Partner



# DFCC BANK PLC



## PROSPECTUS

AN INITIAL ISSUE OF FIFTY MILLION (50,000,000) BASEL III COMPLIANT-TIER 2, LISTED, RATED, UNSECURED, SUBORDINATED, REDEEMABLE 5 AND 7 YEAR DEBENTURES WITH A NON-VIABILITY CONVERSION ("DEBENTURES"), AT THE PAR VALUE OF LKR 100/- EACH TO RAISE SRI LANKAN RUPEES FIVE BILLION (LKR 5,000,000,000/-) WITH AN OPTION TO ISSUE UPTO A FURTHER TWENTY MILLION (20,000,000) OF SAID DEBENTURES TO RAISE UP TO SRI LANKAN RUPEES TWO BILLION (LKR 2,000,000,000/-), AT THE DISCRETION OF THE BANK IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE.

MAXIMUM ISSUE WILL NOT EXCEED SEVENTY MILLION (70,000,000) OF SAID DEBENTURES OF A VALUE OF NOT EXCEEDING SRI LANKAN RUPEES SEVEN BILLION (LKR 7,000,000,000/-)

TO BE LISTED ON THE  
COLOMBO STOCK EXCHANGE

Rated 'A- (lka)' by Fitch Ratings Lanka Limited

ISSUE OPENS ON  
12<sup>th</sup> October 2020

ISSUE IS LIMITED ONLY TO 'QUALIFIED INVESTORS' AS DEFINED HEREUNDER



Joint Managers and Placement Agents to the Issue

Structuring Partner to the Issue

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The delivery of this Prospectus shall not under any circumstance 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 any material change in the affairs of the Bank occurs subsequent to the Prospectus date and before the Issue opening, same will be notified by way of a market disclosure/an addendum.

By acquiring any Debenture, each Debenture Holder irrevocably consents to the Principal Amount of the Debenture and any accrued and unpaid interest thereon being deemed paid in full by the issuance of Ordinary Shares upon occurrence of a Trigger Event and the resulting Non-Viability Conversion required to be effected by the Bank.

Upon a Non-Viability Conversion;

- i. The Trustees shall not be required to take any further directions from holders/beneficial owners of the Debentures under the Trust Deed and
- ii. The Trust Deed shall impose no duties upon the Trustees whatsoever with respect to conversion of the Debentures into Ordinary Shares upon a Trigger Event
- iii. Upon the occurrence of a Trigger Event, each outstanding Debenture of this Issue will be converted, on a full and permanent basis

We advise you to read the content of the Prospectus carefully prior to investment.

This investment instrument is riskier than a bank deposit.

These Debentures are complex products and have provision for loss absorption in the form of Non-Viability Conversion as set out in the Prospectus. This means that following the occurrence of a Trigger Event as may be determined by the Central Bank of Sri Lanka, the Bank will convert the Debentures into Ordinary Shares. An investor will be deemed paid in full the principal plus accrued and unpaid interest due on the Debentures, upon such conversion. The number and value of Ordinary Shares to be received on a Non-Viability Conversion may be worth significantly less than the Par Value of the Debentures and can be variable.

Please refer to the “Risk Factors Section” of the Prospectus for further details.

Each potential investor in these Debentures must determine the suitability of investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether the investor:

- i. Has sufficient knowledge and experience to make a meaningful evaluation of these Debentures, the merits and risks of investing in the Debentures and the information contained or incorporated by reference in this Prospectus;
- ii. Has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in these Debentures and the impact the Debentures will have on its overall investment portfolio;
- iii. Has sufficient financial resources and liquidity to bear all of the risks of an investment in these Debentures;
- iv. Understands thoroughly the terms of these Debentures, including the provisions relating to the Non-Viability Conversion of the Debentures, and is familiar with the behavior of financial markets; and
- v. Is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in these Debentures unless the investor has the expertise (either alone or with its financial and other professional advisors) to evaluate how the Debentures will perform under changing conditions, the resulting effects on the value of the Debentures and the impact this investment will have on the potential investor’s overall investment portfolio.

This Prospectus is dated 2<sup>nd</sup> October 2020

### **Responsibility for the Content of the Prospectus**

This Prospectus has been prepared with available information.

The Directors of the DFCC Bank PLC (the Bank) have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material 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 this 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 its best judgment.

The Bank accepts responsibility for the information contained in this Prospectus. While the Bank has taken reasonable care to ensure full and fair disclosure of pertinent information, it does not assume responsibility for any investment decisions made by the investors based on the information contained herein. In making such investment decisions, prospective investors are advised to read the Prospectus and rely on their own examination and assessment of the Bank and the terms of the Debentures issued including the risks associated.

### **FOR ENQUIRIES PLEASE CONTACT JOINT MANAGERS AND PLACEMENT AGENTS TO THE ISSUE**

**The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, CSE assumes no responsibility for accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of Debentures which is decided solely by the Issuer.**

### **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 Joint Managers and Placement Agents to the Issue for the inclusion of their names

in the Prospectus as Joint Managers and Placement Agents to the Issue.

- i) 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.
- j) 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 Placement Agents to the Issue, Registrars to the Issue, Lawyers 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.

### **Representation**

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person, individual or any other outside party has been authorized to give any information or to make any representation in this connection with the Issue other than the information and representations contained in this Prospectus and if given or made such information or representations must not be relied upon as having been authorized by the Bank.

### **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.

### **Presentation of Currency Information and Other Numerical Data**

The financial statements of the Bank and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to “LKR”, “Rupees” or “Rs.” is the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

All numerical figures given under Section 7.0 of the Prospectus are audited figures unless otherwise stated.

### **IMPORTANT**

#### **All Qualified Investors should indicate in the Application for Debentures, their Central Depository Systems (Private) Limited (CDS) account number.**

In the event the name, address or NIC number/passport number/company number of the Qualified Investor mentioned in the Application Form differs 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 Qualified Investor. Therefore, Qualified Investors 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.

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 22<sup>nd</sup> November 2010 and Circular No.13/2010 issued by the CDS dated 30<sup>th</sup> November 2010, all Debentures are required to be directly deposited in to the CDS. To facilitate compliance with this directive, all Qualified Investors are required to indicate their CDS account number.

In line with this directive, THE DEBENTURES ALLOTTED TO A QUALIFIED INVESTOR WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH QUALIFIED INVESTOR, the details of which is indicated in their Application Form. If the CDS account number indicated in the Application Form is found to be inaccurate /incorrect or there is no CDS number indicated, the Application will be rejected and no allotments will be made. The Bank may require a Qualified Investor to provide such documentation as is reasonably necessary to satisfy itself that the investor is a Qualified Investor.

#### **PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.**

Qualified Investors who wish to open a CDS account, may do so through a Member/Trading Member of the CSE as set out in Annexure II or through any Custodian Bank as set out in Annexure III of this Prospectus.

## ISSUE AT A GLANCE

Issuer	DFCC BANK PLC					
Instrument	BASEL III compliant - Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 and 7 year Debentures (2020/25 and 2020/27) with a Non-Viability Conversion.					
Listing	The Debentures will be listed on the Colombo Stock Exchange					
Number of Debentures to be Issued	An initial Issue of Fifty Million (50,000,000) Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 and 7 year Debentures (2020/25 and 2020/27) with a Non-Viability Conversion, with an option to issue up to a further Twenty Million (20,000,000) of said Debentures at the discretion of the Bank in the event of an over subscription of the initial Issue.					
Amount to be Raised	A sum of up to Sri Lankan Rupees Five Billion (LKR 5,000,000,000/-) with an option to issue up to a further Sri Lankan Rupees Two Billion (LKR 2,000,000,000/-) at the discretion of the Bank in the event of an over subscription of the initial Issue.					
Entity Rating	“A+ (lka)/stable)” by Fitch Ratings Lanka Limited					
Issue Rating	“A- (lka)” by Fitch Ratings Lanka Limited for Type A and Type B Debentures					
Issue Price	LKR 100/- per each Debenture					
Par Value	LKR 100/- per each Debenture					
Details of Debentures	Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 and 7 year Debentures (2020/25 and 2020/27) with a Non-Viability Conversion, as described below.					
	Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency
	Type A	Fixed Rate	5 years	9.00% p.a.	9.00%	Annual
	Type B	Fixed Rate	7 years	9.25% p.a.	9.25%	Annual
Number of Debentures to be Subscribed	<p>Applicants are allowed to invest in either;</p> <ul style="list-style-type: none"><li>▪ Debentures of Type A; and/or</li><li>▪ Debentures of Type B</li></ul> <p>Subject to the minimum subscription under each type as given below.</p> <p>The minimum subscription requirement applicable for a Qualified Investor applying for debt Securities shall be Rupees Ten Thousand (LKR 10,000/-).</p> <p>Provided however, the minimum subscription requirement applicable for an individual investor applying for BASEL III Compliant Debt Securities shall be Rupees Five Million (LKR 5,000,000/-).</p>					

	Any Application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (LKR 10,000/-).
<b>Interest Payment Date(s)</b>	<p>The dates on which payments of interest in respect of the Debentures shall fall due, which shall be one (1) year from the Date of Allotment and every year therefrom of each year from 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) Working Days from each Interest Payment Date.</p> <p>The final interest payment will be paid together with the Principal Sum within three (03) Working Days from the Date of Redemption.</p>
<b>Interest Period</b>	The one (1) year period from the date immediately succeeding a particular Interest Payment Date and ending on 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 first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding 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).
<b>Mode of Payment of Principal Sum and Interest</b>	Through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS where accurate bank account details are provided by the Debenture Holders subject to the prevalent limitation with regard to SLIPS and RTGS or by cheque marked "Account Payee Only".
<b>Issue Opening Date</b>	12 <sup>th</sup> October 2020
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
<b>Closure Date of the Subscription List</b>	<p>Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 12<sup>th</sup> October 2020 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 29<sup>th</sup> October 2020.</p> <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"> <li>- The maximum of 70,000,000 Debentures being fully subscribed; or</li> <li>- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 50,000,000 Debentures becoming fully subscribed.</li> </ul> <p>In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 20,000,000 Debentures (having subscribed the initial Issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of the further issue of 20,000,000 Debentures 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>

	In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the initial 50,000,000 Debentures, 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).
<b>Basis of Allotment</b>	<p>In the event of an over subscription, the Board of Directors of the Bank will endeavour to decide the basis of allotment of the Debentures in a fair manner within seven (07) Market days from the closure of the Issue.</p> <p><b>The Board however shall reserve the right to allocate up to a maximum of 75% of the Number of Debentures to be allotted under this Prospectus on a preferential basis, to identified institutional investor/s of strategic importance with whom the Bank might have mutually beneficial relationships in the future as future investors.</b></p> <p>Number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).</p>
<b>Non-Viability Conversion</b>	<p>In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of Debentures to Ordinary Shares by the Bank without any requirement of approval by the Debenture Holders, in compliance with BASEL III requirements.</p> <p>Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total Par Value of the Debentures and the Debenture Interest accrued and unpaid as at that date will be permanently converted to Ordinary Shares at the Conversion Price. In the event of any Debenture 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.</p>
<b>Conversion Price</b>	The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Share during the three months (03) period, immediately preceding the date of the Trigger Event.
<b>Volume Weighted Average Price ( VWAP)</b>	The daily Volume Weighted Average Price (VWAP) of an Ordinary Share as published by the Colombo Stock Exchange.
<b>Trigger Event</b>	Means a point at which the Monetary Board of the Central Bank of Sri Lanka determines (a) that the Bank would become non-viable without a write down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No. 1 of 2016 dated 29 <sup>th</sup> December 2016 (as may be amended from time to time); or (b) to make a public sector injection of capital or equivalent support without which the Bank would have become non-viable in terms of item 10 (iii)(b) of the said Direction.

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## 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 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																					
Company Secretary	Ms. A. Withana DFCC Building, P.O. Box 1397 No. 73/5, Galle Road Colombo 03 Tel : +94 11 2 442 219 / 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. L. H. A. L. Silva</td><td>Chief Executive Officer, Executive Director</td></tr><tr><td>Mr. P. M. B. Fernando</td><td>Senior Director , Independent Non-Executive Director</td></tr><tr><td>Ms. S. R. Thambiayah</td><td>Independent Non-Executive Director</td></tr><tr><td>Ms. V. J. Senaratne</td><td>Non – Independent Non-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. N. H. T. I. Perera</td><td>Deputy Chief Executive Officer, Executive Director</td></tr><tr><td>Mr. H. A. J. De Silva Wijeyeratne</td><td>Independent Non-Executive Director</td></tr><tr><td>Mrs. H. M. N. S. Gunawardana</td><td>Independent Non-Executive Director</td></tr></table>		Mr. J. Durairatnam	Chairman, Independent Non-Executive Director	Mr. L. H. A. L. Silva	Chief Executive Officer, Executive Director	Mr. P. M. B. Fernando	Senior Director , Independent Non-Executive Director	Ms. S. R. Thambiayah	Independent Non-Executive Director	Ms. V. J. Senaratne	Non – Independent Non-Executive Director	Ms. L. K. A. H. Fernando	Independent Non-Executive Director	Mr. N. K. G. K. Nemmawatta	Independent Non-Executive Director	Mr. N. H. T. I. Perera	Deputy Chief Executive Officer, Executive Director	Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director	Mrs. H. M. N. S. Gunawardana	Independent Non-Executive Director
Mr. J. Durairatnam	Chairman, Independent Non-Executive Director																					
Mr. L. H. A. L. Silva	Chief Executive Officer, Executive Director																					
Mr. P. M. B. Fernando	Senior Director , Independent Non-Executive Director																					
Ms. S. R. Thambiayah	Independent Non-Executive Director																					
Ms. V. J. Senaratne	Non – Independent Non-Executive Director																					
Ms. L. K. A. H. Fernando	Independent Non-Executive Director																					
Mr. N. K. G. K. Nemmawatta	Independent Non-Executive Director																					
Mr. N. H. T. I. Perera	Deputy Chief Executive Officer, Executive Director																					
Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director																					
Mrs. H. M. N. S. Gunawardana	Independent Non-Executive Director																					

## 2.0 RELEVANT PARTIES TO THE ISSUE

<b>Structuring Partner to the Issue</b>	<p>Treasury and Resource Mobilization 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</p>
<b>Joint Managers and Placement Agents to the Issue</b>	<p>NDB Investment Bank Limited  Level 1, NDB Capital Building  No. 135, Bauddhaloka Mawatha  Colombo 04    Tel: + 94 11 2 300 385-90 / Fax: +94 11 2 300 393</p> <p>Acuity Partners (Private) Limited  Acuity House  No. 53, Dharmapala Mawatha  Colombo 03    Tel: +94 11 2 206 206 / Fax: +94 11 2 437 149</p>
<b>Lawyers to the Issue</b>	<p>Nithya Partners  No. 97A, Galle Road  Colombo 03  Tel: +94 11 4 712 625 / Fax: +94 11 2 328 817</p>
<b>Registrars to the Issue</b>	<p>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</p>
<b>Trustee to the Issue</b>	<p>People's Bank  No. 75, Sir Chittampalam A. Gardiner Mawatha  Colombo 02  Tel: +94 11 2 481 481 / Fax: +94 11 2 458 842</p>

<b>Company Secretary</b>	<p>Ms. A. Withana  DFCC Building, P.O. Box 1397  No. 73/5, Galle Road  Colombo 03  Tel : +94 11 2 442 219 / Fax :+94 11 2 440 376</p>
<b>Rating Agency to the Issue</b>	<p>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</p>
<b>Bankers to the Issue</b>	<p>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</p>
<b>Auditors and Reporting Accountants to the Issue</b>	<p>KPMG  Chartered Accountants  No. 32A, Sir Mohamed Macan Markar Mawatha  Colombo 03  Tel : +94 11 5 426 426 / Fax : +94 11 2 445 872</p>

### 3.0 LIST OF ABBREVIATIONS

AER	Annual Effective Rate
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Limited
CSE	Colombo Stock Exchange
DFCC/Issuer/Bank	DFCC Bank PLC
IIA	Inward Investment Account
NIC	National Identity Card
POA	Power of Attorney
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
SLIPS	Sri Lanka Inter-bank Payment System

#### 4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant</b>	Any Qualified Investor who submits an Application Form under this Prospectus.
<b>Application Form/Application</b>	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Debentures in Issue.
<b>Bank/ Issuer</b>	DFCC Bank PLC
<b>Basel III</b>	A Global Regulatory Framework for More Resilient Banks and Banking System, issued by the Basel Committee on Banking Supervision of the Bank for International Settlement in December 2010 (Revised in June 2011).
<b>Closure Date</b>	<p>Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 12<sup>th</sup> October 2020 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 29<sup>th</sup> October 2020.</p> <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"> <li>- The maximum of 70,000,000 Debentures being fully subscribed; or</li> <li>- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 50,000,000 Debentures becoming fully subscribed.</li> </ul> <p>In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 20,000,000 Debentures (having subscribed the initial Issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of the further issue of 20,000,000 Debentures 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 Debenture Issue without the full subscription of the initial 50,000,000 Debentures, 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>
<b>Conversion Price</b>	The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Share during the three months (03) period, immediately preceding the date of the Trigger Event.
<b>Date of Allotment</b>	The date on which the Debentures will be allotted by the Bank to Applicants subscribing thereto.
<b>Date of Redemption</b>	The date on which Redemption of the Debentures will take place as referred to in Section 5.7 of this Prospectus.
<b>Debentures</b>	Basel III compliant – Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 and 7 year Debenture Issue with a Non- Viability Conversion, to be issued pursuant to this Prospectus.
<b>Debenture Holder(s)</b>	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title.

<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption, in the event a Trigger Event does not occur.
<b>Interest Payment Date(s)</b>	<p>The dates on which payments of interest in respect of the Debentures shall fall due, which shall be one (1) year from the Date of Allotment and every year therefrom of each year from 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) Working Days from each Interest Payment Date.</p>
<b>Interest Period</b>	The one (1) year period from the date immediately succeeding a particular Interest Payment Date and ending on 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 first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding 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).
<b>Issue</b>	The offer of Debentures to Qualified Investors pursuant to this Prospectus.
<b>Issue Price</b>	LKR 100/- per each Debenture
<b>Market Day</b>	Any day on which trading takes place at the CSE.
<b>Non-Resident(s)</b>	Persons resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka.
<b>Non Viability Conversion</b>	<p>In the event of an occurrence of a Trigger Event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of Debentures to Ordinary Shares by the Bank without any requirement of approval by the Debenture Holders in compliance with BASEL III requirements.</p> <p>Upon the occurrence of a Trigger Event, the outstanding balance of the Debentures including the total Par Value of the Debentures and debenture interest accrued and unpaid (if any) as at that date will be permanently converted to Ordinary Shares at the Conversion Price.</p> <p>In the event of any Debenture 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.</p>
<b>Par Value</b>	LKR 100/- per each Debenture
<b>Principal Sum</b>	The product of the number of Debentures allotted and the Par Value
<b>Prospectus</b>	This prospectus dated 2 <sup>nd</sup> October 2020 issued by DFCC Bank PLC
<b>Qualified Investors</b>	<p>(a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).</p> <p>(b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended).</p> <p>(c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.</p>

	<p>(d) A venture capital fund/ company and private equity company.</p> <p>(e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act, No 42 of 2011 (as amended).</p> <p>(f) 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)</p> <p>(g) A company licensed by the Insurance Board of Sri Lanka to carry on Insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended)</p> <p>(h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No.7 of 2007.</p> <p>(i) An investment trust or investment company</p> <p>(j) A Non-Resident institutional investor</p> <p>(k) An individual with a minimum initial investment amount of LKR 5,000,000/-</p>
<b>Redemption</b>	Repayment of the Principal Sum and unpaid and accrued interest (if any) with regard to a Debenture to a Debenture Holder by the Bank
<b>Registered Address</b>	The address provided by the Debenture Holders to the CDS
<b>Subordinated</b>	Means the claims of the Debenture Holders shall in the event of winding up of the Bank rank after all the claims of depositors and secured and other unsecured creditors of the Bank and any preferential claims under any Statutes governing the Bank, but shall rank <i>pari passu</i> with other BASEL III subordinated Debenture Holders and in priority to and over the claims and rights of the Shareholder/s of the Bank <b><u>unless there has been an issuance of shares to the Debentures Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture Holder and become a shareholder of the Bank to the extent of such issuance</u></b>
<b>Tier 2</b>	Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and general loan loss provision of the Bank
<b>Trigger Event</b>	Means a point at which the Monetary Board of the Central Bank of Sri Lanka determines (a) that the Bank would become non-viable without a write down in terms of item 10(iii)(a) of the Web Based Return Code 20.2.3.1.1.1 of the Banking Act Direction No.1 of 2016 dated 29 <sup>th</sup> December 2016 (as maybe amended from time to time); or (b) to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, in terms of Item 10(iii)(b) of the said Direction
<b>Trustee</b>	People's Bank
<b>Trust Deed</b>	Trust Deed executed between the Bank and People's Bank on 18 <sup>th</sup> September 2020
<b>Unsecured</b>	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer
<b>Volume Weighted Average Price (VWAP)</b>	The daily Volume Weighted Average Price (VWAP) of an Ordinary Share as published by the Colombo Stock Exchange

## 5.0 PRINCIPAL FEATURES OF THE DEBENTURES

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### 5.1 INVITATION TO SUBSCRIBE

The Board of Directors of DFCC Bank PLC (hereinafter referred to as the “Board”) at the Board Meeting held on 29<sup>th</sup> January 2020 resolved to raise a sum of Rupees Five Billion (LKR 5,000,000,000/- ) by an initial issue of up to Fifty Million (50,000,000) Debentures, each with a Par Value of LKR 100/- and to raise a further sum of Rupees Two Billion (LKR 2,000,000,000/-) by an issue of a further Twenty Million (20,000,000) Debentures, in the event of an over subscription of the initial issue.

As such a maximum amount of Rupees Seven Billion (LKR 7,000,000,000) would be raised by the issue of a maximum of Seventy Million (70,000,000) Debentures each with the Par Value of LKR 100/-.

DFCC Invites Applications for Debentures of Type A and/or Debentures of Type B which will rank equal and *pari passu* in all respects other than with respect to the rate of interest and the tenure of the Debentures as more fully described in Section 5.3 and Section 5.5 of this Prospectus.

The rights of the Debenture Holders with respect to payment of the Principal Sum and accrued interest due thereon upon a winding - up of the Bank will rank after all claims of depositors and secured and other unsecured creditors of the Bank and any preferential claims under any Statutes governing the Bank, but shall rank *pari passu* with other BASEL III subordinated Debenture Holders and in priority to and over the rights of any ordinary shareholders. However, if there has been an issuance of Ordinary Shares to the Debenture Holders upon the occurrence of a Trigger Event a Debenture Holder would cease to be Debenture Holder and would become a shareholder of the Bank to the extent of such issuance and will rank equal and *pari paasu* with existing Ordinary Share Holders.

The Bank has obtained shareholders’ approval through the special resolution passed at the extra ordinary general meeting held on 24<sup>th</sup> June 2020, for the issuance of Ordinary Shares in the event of a non-viability conversion upon the occurrence of a Trigger Event.

It is the intention of the Bank to list the Debentures on the Colombo Stock Exchange. The CSE has given its in principle approval for the listing of the Debentures and any Ordinary Shares which would be issued upon the occurrence of a Trigger Event on the CSE.

As per CSE Listing Rules Section 2.2.1 (m), only Qualified Investors would be eligible to invest in the said Debentures in both the primary and secondary markets, provided that an individual investor entering the market anew through the secondary market (i.e. without having invested in such Debentures through the primary offer) would also need to invest at minimum a sum of LKR 5,000,000/-. Accordingly, the secondary market trading of the Debentures are limited to the Qualified Investors.

## 5.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 12<sup>th</sup> October 2020 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 29<sup>th</sup> October 2020.

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 70,000,000 Debentures being fully subscribed; or
- The Board of Directors of the Bank decides to close the Issue upon the initial Issue of 50,000,000 Debentures becoming fully subscribed

In the event the Board of Directors of the Bank decides to exercise the option to issue further up to 20,000,000 Debentures (having subscribed the initial Issue of 50,000,000 Debentures) but subsequently decides to close the subscription list upon part of the further Issue of 20,000,000 Debentures 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 p.m.

In the event the Board of Directors of the Bank decides to close the Debenture Issue without the full subscription of the initial Fifty Million (50,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and subscription list will be closed on the following Market Day at 4.30 p.m.

## 5.3 TYPES OF DEBENTURES

The Issue consists of only two types of Debentures, i.e. Debentures with fixed coupon rates each with a Par Value of Rupees One Hundred (LKR 100/-).

Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment frequency
Type A	Fixed Rate	5 years	9.00% p.a.	9.00%	Annual
Type B	Fixed Rate	7 years	9.25% p.a.	9.25%	Annual

## 5.4 OBJECTIVES OF THE ISSUE & SPECIFIC RISK RELATING TO THE OBJECTIVES OF THE DEBENTURE ISSUE

The funds generated from the Debenture Issue will be utilized for the following purposes:

### (a) Support the Bank's balance sheet growth

The Bank intends to utilize the funds generated through the Debenture Issue to support the lending activities of the Bank as part of its normal course of business.

It is the understanding of the Bank that the entire quantum of funds will be utilized within a period of 12 months from the Date of Allotment of the Debentures and in the interim period these funds will be invested in Government Securities at zero risk at the current market rates. The current 182 day Treasury bill yield is 4.64% while the 364 day Treasury bill yield is 4.89%

Growth in net loans and advances as per audited financials

Net Loans and advances	LKR Million
Position as at 31-12-2018	249,734
Position as at 31-12-2019	272,818
Growth during the 12 month period	23,084

Based on the past performance of the lending growth, Bank is confident of utilizing the funds generated through the Issue as stated within a period of 12 months.

The proceeds from the Issue will be added to the Bank's pool of funds. This pool is available for on-lending to all parties. Transactions with related parties will be carried out in compliance with all applicable Statutes, Directions, Regulations and section 9 of the CSE Listing Rules.

### (b) Improve the Tier 2 Capital Adequacy Ratio (CAR).

The Subordinated nature of the medium to long term debentures to be issued in compliance with the requirements under BASEL III with a Non-Viability Conversion option will enable the Bank to improve the Tier 2 capital of the Bank under the BASEL III regulations.

In December 2016, Central Bank of Sri Lanka (CBSL) issued Banking Act Direction No.1 of 2016 revising the minimum capital requirement for Banks with effect from 1 July 2017.

The Banking Act Direction No.11 of 2019 further amended the capital adequacy requirement stated in the Banking Act Direction No. 1 of 2016.

In terms of the Direction No. 11 of 2019, Banks which are determined as Domestically Systemically Important Banks will require to maintain an additional Higher Loss Absorbency (HLA) requirement in the form of Common Equity Tier 1.

The revised requirement for Banks commencing from 1<sup>st</sup> January 2020 is to be as follows:

Components of Capital	BASEL III- Minimum Regulatory Requirement with effect from January 2020 (%)	
	All Licensed Banks	Banks determined as Domestically Systemically Important Banks
Common Equity Tier 1 capital with buffers	7.0	7.0 + HLA
Total Tier 1 capital with buffers	8.5	8.5 + HLA
Total capital ratio with buffers	12.5	12.5 + HLA

Based on an annual assessment carried out by the Central Bank on data collected from banks with a leverage ratio exposure measure that exceed Rs 400 billion, if considered to be a Domestically Systemically Important Bank (D-SIBs) the score for HLA will be specified by the Central Bank to the respective Bank. The addition for HLA will be in the range of 1 to 2.

DFCC Bank's leverage ratio exposure measure has exceeded Rs 400 billion as at 31 December 2019. However, DFCC Bank is not considered at present as a D-SIB by the Central Bank.

Further, through the press release dated 30<sup>th</sup> March 2020, as an extraordinary regulatory measure to facilitate Banks to support COVID-19 affected Businesses and Individuals, the CBSL decided to allow D-SIBs and non D-SIBs to drawdown their Capital Conservation Buffers by 100 bps and 50 bps. Based on an annual assessment carried out by the CBSL.

Accordingly, the minimum capital requirements from 30<sup>th</sup> March 2020, applicable for DFCC is as provided in the table below

Components of Capital	Capital Adequacy Ratio to be maintained
Common Equity Tier 1 including capital conservation buffer	6.50%
Tier 1 capital Ratio including capital conservation buffer	8.00%
Total capital ratio including capital conservation buffer	12.00%

The Bank has maintained its Capital Adequacy Ratio as per the regulatory requirement applicable as at 30<sup>th</sup> June 2020 with Tier I ratios of 11.14% and Total capital ratio of 15.34%.

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

Components of Capital	Minimum Requirement (%)	30 <sup>th</sup> June 2020 (unaudited) (%)	31 <sup>st</sup> December 2020 Estimated (%) Subsequent to the Issue	
			With LKR 5 Billion	With LKR 7 Billion
Common Equity Tier 1 capital with buffers	6.50	11.40	10.50	10.50
Total Tier 1 capital with buffers	8.00	11.40	10.50	10.50
Total capital ratio with buffers	12.00	15.34	15.05	15.61

As a result of the growth in business, the CAR of the Bank has declined in recent years and will decline further by December 2020 (under Basel III). The Bank is of the view that the CAR of the Bank should be maintained at a level above the minimum requirement in order to accommodate the projected asset growth.

#### Specific risks relating to objectives of the Debenture Issue

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 Debenture Issue will be greatly mitigated through appointing experienced managers to the Issue, pre-marketing and building a pipeline of potential investors.

No further shareholder approval will need to be sought in the event the Debenture Issue is not fully subscribed.

The Bank's portfolio of loans and advances recorded a growth of LKR 23,084 Million and LKR 36,058 Million respectively during the year 2019 and 2018. As such, 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 expanding the Bank's loans and advances portfolio within the specified time line via the proceeds of the Issue up to a maximum of LKR 7 Billion. However, in the highly unlikely event of the Bank failing to lend these funds due to an unforeseen reason, these funds would be invested in Government Securities at zero risk at the current market rates.

The utilization of the proceeds of the Debenture Issue will be disclosed in the Annual Report and the Interim Financial Statements in the following format from the Issue Opening Date and until the objectives of the Debenture Issue are achieved.

**Debenture Issue proceeds utilization as at (dd-mm-yyyy)**

Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (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.s, etc.)
To improve the capital adequacy ratio	Initial issue of LKR 5 Bn and a maximum issue of LKR 7 Bn	Upon the allotment of the Debentures.					
To support the bank's balance sheet growth		Over a period of twelve (12) months from the Date of Allotment					

To be disclosed in the Annual Report and the Interim Financial Statements

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

## 5.5 PAYMENT OF INTEREST

The Debentures will carry a rate of interest as described below on the Interest Payment Dates:

Type	Tenure	Coupon Payment Frequency	Interest Rate
Type A	5 year	Payable Annually on the Interest Payment Date	9.00% p.a. (AER 9.00%)
Type B	7 year	Payable Annually on the Interest Payment Date	9.25% p.a. (AER 9.25%)

The interest rates have been determined giving consideration to the DFCC Bank PLC's rating as Issuer, the instrument rating, market conditions and features of the instruments, including the "convertible feature".

Interest on the Debentures accruing on a daily basis will be paid annually from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days in such Interest Period and will be paid not later than three [03] Working Days from each Interest Payment Date.

In order to accommodate the debenture interest cycles in the CDS System of the CSE, the payment of interest on a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date.

Upon the occurrence of the “Trigger Event”, the Bank shall be required and entitled to issue and within twenty (20) days to allot shares of the Bank ranking equal and *pari passu* with the existing Ordinary Shares, to the Debenture Holders up to the outstanding balance of such Debentures including the total Par Value of the Debentures and debenture interest. As such upon issuance of Ordinary Shares as above, no interest will be accrued on Debentures thereafter, as the Debentures will cease to exist.

## 5.6 APPLICATION OF TAX ON INTEREST PAYMENTS

Interest on the Debentures will be paid after deducting any taxes and charges thereon (if any) as per the applicable laws prevalent at the time of interest payment to the Debenture Holders.

## 5.7 REDEMPTION OF DEBENTURES AND CONSEQUENCE OF A TRIGGER EVENT

### Redemption of Debentures

Redemption of the Debentures will take place on the respective Date of Redemption as described below in accordance with the provisions of the Trust Deed. The Principal Sum and unpaid and accrued interest (if any) payable on the Redemption of Debentures will be paid not later than three (03) Working Days from the Date of Redemption.

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 for each calendar day up to the date immediately preceding such Market Day.

These Debentures shall not be redeemed by the Bank prior to maturity for any reason whatsoever except due to the occurrence of an Event of Default contemplated in Clause 10.1 of the Trust Deed. The Debenture Holder shall not have any right or option to call for Redemption of the Debentures before the date of maturity of such Debenture. However, if a Trigger Event occurs prior to maturity, the Debenture will get converted to Ordinary Shares ranking *pari passu* with the existing Ordinary Shares of the Bank.

### Trigger Event

A “Trigger Event” is determined by and at the sole discretion of the Monetary 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) “Decision that a write down, without which the Bank would become non-viable, is necessary, as determined by the Monetary 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 Monetary Board”.

**Conversion Price**

Outstanding balance of the Debentures including the total Par Value of the Debentures and accrued unpaid Debenture Interest (if any), will be converted at an issue price of such Ordinary Shares which will be based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Share as published by the Colombo Stock Exchange during the three months (03) period, immediately preceding the date of the Trigger Event.

Averaging out of the VWAP over a period of 03 months preceding the Trigger Event as opposed to a shorter window closer to the Trigger Event, is aimed at smoothing out price effects.

If the prevailing 3 month VWAP at the time of the Trigger Event is low, it would result in a comparatively higher number of Ordinary Shares being issued to the Debenture Holders. Alternately, where a higher 3 month Volume Weighted Average Share Price prevails at the time of the Trigger Event it would result in a comparatively lower number of Ordinary Shares being issued to Debenture Holders.

**Issuance of Ordinary Shares upon occurrence of a Trigger Event**

Based on above conversion mechanism the outstanding balance of the Debentures will get converted to Ordinary Shares. In the event of any Debenture 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.

**Applicable timelines**

Upon the occurrence of the Trigger Event as determined by the Monetary Board of the Central Bank of Sri Lanka, 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 Debenture Holders as of the Trigger Date, up to the outstanding balance of such Debentures including the total Par Value of the Debentures and unpaid and accrued Debenture Interest (if any) at an issue price for such Ordinary Shares which will be based on the Conversion Price.

The CDS upload pertaining to Ordinary Shares will be completed within 10 Market Days from the Date of Allotment of such shares. In the event of any Debenture 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.

**Market Announcements**

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 “Conversion Price” and “dates” (i.e. Trigger Event date, Date of Allotment and CDS upload date) pertaining to such conversion of Debentures to Ordinary Shares.

**Compliance with applicable laws and regulations**

Issue of any new Ordinary Shares due to occurrence of a Trigger Event, would be carried out in compliance with the applicable laws and regulations of Sri Lanka, including any regulations applicable on ‘material interest that a shareholder may hold’ in terms of the Banking Act No 30 of 1988.

**Non Occurrence of a Trigger Event**

The proposed Type A and Type B Debentures will be redeemed after 05 years and 07 years respectively from the Date of Allotment of such Debentures and the Principal Sum and unpaid and accrued interest (if any) payable on the Redemption of Debentures will be paid not later than three (03) Working days from the Date of Redemption, unless otherwise a Trigger Event occurs as detailed above.

## 5.8 PAYMENT METHOD

Payment of principal and interest will be made after deducting taxes at source, (if applicable) in Sri Lankan Rupees to the registered Debenture Holders only as of the Entitlement Date. In the case of joint Debenture Holders, the payment of Principal Sum and interest will be made to the one whose name stands first in the register of Debenture Holders on the date of payment.

In the event accurate bank account details are provided to the CDS by the Debenture Holders, the payment of Principal Sum and interest shall be made to Debenture Holders through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as RTGS (arranged only at the expense of the investor) or SLIPS. RTGS transfers however shall be accommodated only for amounts over and above the maximum value of Rupees Five Million (LKR 5,000,000/-) that can be accommodated via SLIPS transfers.

If the Debenture Holder has not provided to the CDS accurate and correct details of his/her/its/their bank account for the payment of Principal Sum and interest, such payment to the Debenture Holder will be posted to the address registered with the CDS through registered post to the Debenture Holder, by crossed cheques marked "Account Payee Only". Interest payable will be made only by cheques within three (03) Market Days from the end of each period.

It is the responsibility of the Non-Resident and Foreign Investors to ensure that their IIA through which they invest for Debentures is recorded correctly against the records in CDS to dispatch their Debenture interest payments.

## 5.9 TRUSTEE TO THE ISSUE

Bank has entered into an agreement with Peoples' Bank, who will act as Trustee to the Issue. Debenture Holders in their Application Forms for subscription will be required to authorize the Trustee, to act as the agent in entering into such deeds, writings and instruments with the Bank and to act as the Agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed.

The fee payable to the Trustee will be Sri Lankan Rupees Three Hundred Thousand (LKR 300,000/-) per annum (payable semi-annually) plus statutory levies. 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.

## 5.10 RATING OF THE DEBENTURE

Fitch Ratings Lanka Limited has assigned a credit rating of 'A- (Ika)' to the Debentures.

'A' National Ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

Source: <https://www.fitchratings.com/products/rating-definitions#about-rating-definitions>

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 when any of the Directors are aware of any changes to the ratings.

## 5.11 RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDERS

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

- Receive the interest on the Interest Payment Dates at the interest rates set out in Section 5.5 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 5.7 of this Prospectus.
- Call and attend meetings of Debenture Holders as set out in the Trust Deed.
- Receive a copy of the Annual Report within 5 months from the financial year end at the same time and in the same manner as an ordinary shareholder would receive the same.
- The other rights of the holders of these Debentures as set out in the Trust Deed.

In the event of the Bank winding up, the claims of the Debenture Holders will rank after all the claims of depositors and the secured and other unsecured creditors of the Bank and the preferential claims under any Statutes governing the Bank, but shall rank *pari passu* with other BASEL III subordinated Debenture Holders and in priority to and over the claims and rights of the shareholders of the Bank, unless there has been an issuance of ordinary shares to the Debenture Holders upon the occurrence of a Trigger Event in which case a Debenture Holder would cease to be a Debenture 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.

(b) Debenture Holders do not have the following rights

- Attend and vote at meetings of holders of shares and other Debentures
- Share the profits of the Bank
- Participate in any surplus in the event of liquidation
- Calling for Redemption before maturity, subject to the provisions stated in the Trust Deed
- Convert the Debentures into Ordinary Shares at their option

However, in the event the Debenture Holders become shareholders of the Bank, due to the occurrence of Trigger Event as described in Section 5.7 above there would be an entitlement to exercise such rights as are exercisable by the shareholders of the Bank.

(c) Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder shall 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. Provided further that the Debenture Holder shall 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 Debenture Holders.

## 5.12 BENEFITS OF INVESTING IN DEBENTURES OFFERED BY THE BANK

- (a) Provides an opportunity to diversify the investment portfolio of the Qualified Investor.
- (b) Provides the Qualified Investor with a regular cash inflow of interest payments.
- (c) Provides the Qualified Investor with an opportunity to invest in Debentures issued by a leading Bank in Sri Lanka.
- (d) Being listed on the CSE, the Debentures will have a secondary market subject to secondary market trading of these Debentures being limited to 'Qualified Investors' as defined in the Prospectus, thus providing the Qualified Investor with an opportunity to exit at the market price prevailing at the time of divestiture subject to market conditions.
- (e) The Debentures may be used as collateral to obtain credit facilities from banks and financial institutions with the exception of the issuing Bank.

## 5.13 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

Subscribers to the Debentures could be exposed to the following risks.

### (a) Interest Rate Risk

Provided all other factors are equal, the market price of the Debentures 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 Debentures resulting from a rise in interest rates.

### (b) Reinvestment Risk

Interest on the Debentures are payable annually. A Qualified 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 Debenture Holders by reinvesting such interest received being higher or lower than the return offered by the Debentures is known as reinvestment risk.

### (c) Duration Risk

Duration is a measure of the price sensitivity of fixed income investments to a change in interest rates based on the time to maturity of principal and coupon payments. The higher the duration, the greater the price volatility or duration risk, while a lower duration carries a lower risk.

### (d) Subordinated Risk

The Debentures will be the Bank's direct Unsecured obligations which, if the Bank becomes insolvent or is wound-up (prior to the occurrence of a Trigger Event), will rank equal with the Bank's other subordinated indebtedness and will be Subordinated in right of payment to the claims of the Bank's depositors and other unsubordinated creditors. Therefore, if, prior to the occurrence of a Trigger Event, the Bank becomes insolvent or is wound-up, the assets of the Bank would first be applied to satisfy all rights and claims of holders of senior indebtedness. If the Bank does not have sufficient assets to settle claims of such senior indebtedness holders in full, the claims of the holders of the Debentures will not be settled and, as a result, the holders will lose the entire amount of their investment in Debentures. The Debentures will share equally in payment with claims under other subordinated indebtedness if the Bank does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, holders could lose all or part of their investment.

In addition, holders should be aware that, upon the occurrence of a Trigger Event, all the Bank's obligations under the Debenture shall be deemed paid in full by the issuance of Ordinary Shares upon a Non-Viability Conversion, and each holder will be effectively further Subordinated due to the change in their status following such a conversion from being the holder of a debt instrument ranking ahead of holders of Ordinary Shares to being the holder of Ordinary Shares. As a result, upon Non-Viability Conversion, the holders could lose all or part of their investment in the Debentures irrespective of whether the Bank has sufficient assets available to settle what would have been the claims of the holders of the Debentures or other securities subordinated to the same extent as the Debentures, in proceedings relating to an insolvency or winding-up.

**(e) Credit Risk**

Credit risk is also referred to as default risk. This is the risk that the issuer of a debenture 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 Long-term Rating of A- (lka) to these Debentures and will be periodically reviewing the same.

**(f) 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 Debentures, the Bank has applied for a listing of these Debentures on the CSE and has received in-principle approval for such listing whereby Debenture Holders will be able to sell the Debentures through the CSE in order to convert the Debentures to cash and exit from the investment.

Due to the unprecedented COVID-19 situation, banks can expect adverse impacts on credit growth, credit quality, liquidity and revenue growth, which would ultimately impact profitability. However, it should be noted that the Bank has taken measures and introduced new products and digital platforms to mitigate any negative impact arising from the COVID – 19 pandemic.

**ADDITIONAL RISKS ARISING FROM THE DEBENTURES BEING A BASEL III NON VIABILITY CONVERSION INSTRUMENT**

**Risks arising from Non-Viability Conversion features**

**(i) Conversion Risk**

Upon the occurrence of a Trigger Event the Bank shall convert the Debentures into Ordinary Shares and any accrued but unpaid interest will be added to the Par Value of the Debentures and such accrued but unpaid interest, together with the principal amount of the Debentures will be deemed paid in full by the issuance of Ordinary Shares. Upon conversion the Debenture Holders shall have no further rights and the Bank shall have no further obligations to holders of the Debentures under the Trust Deed. Moreover, Non-Viability Conversion upon the occurrence of a Trigger Event is not an event of default under the terms of the Debenture or the Trust Deed.

Potential investors in Debentures should understand that, if a Trigger Event occurs and Debentures are converted into Ordinary Shares, Investors are obliged to accept the Ordinary Shares even if they do not at the time consider such Ordinary Shares to be an appropriate investment for them and despite any change in the financial position of the Bank since the Issue of the Debentures or any disruption to the market for those Ordinary Shares or to capital markets generally.

**(ii) The number and value of Ordinary Shares to be received on a Non - Viability Conversion may be worth significantly less than the Par Value of the Debentures and can be variable.**

Upon the occurrence of Non-Viability Conversion even though Ordinary Shares of equivalent value would be initially issued at the VWAP, yet there is no certainty of the value of such Ordinary Shares to be received by the holders of the Debentures being maintained at such levels and the value of such Ordinary Shares could eventually be significantly less than the Par Value of the Debentures.

Moreover, there may be an illiquid market, or no market at all, in Ordinary Shares received upon the occurrence of a Non-Viability Trigger Event, and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment and as a result may suffer significant loss.

**(iii) The Debentures are loss-absorption instruments that involve risk and may not be a suitable investment for all investors**

The Debentures are loss-absorption financial instruments designed to comply with applicable banking regulations and involve certain risks. Each potential Qualified Investor of the Debentures must determine the suitability (either alone or with the help of a financial advisor) of the investment in light of its circumstances. In particular, each potential Qualified Investor should understand thoroughly the terms of the Debentures, such as the provisions governing the Non-Viability Conversion, including under what circumstances a Trigger Event could occur.

A potential Qualified Investor should not invest in the Debentures unless he/she has the knowledge and expertise (either alone or with the financial advisor) to evaluate how the Debentures will perform under changing conditions, the resulting effects on the likelihood of the Non-Viability Conversion into Ordinary Shares and the value of the Debentures, and the impact this investment will have on the potential Qualified Investor's overall investment portfolio. Prior to making an investment decision, potential Qualified Investor should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus.

**(iv) Uncertainty regarding the Trigger Event**

Due to the inherent uncertainty regarding the determination of when a Trigger Event may occur, it will be difficult to predict when, if at all, the Debentures will be converted into Ordinary Shares. In addition, investors in the Debentures are likely not to receive any advance notice of the occurrence of a Non-Viability Trigger Event. As a result of its uncertainty, trading behavior in respect of the Debentures is not necessarily expected to follow trading behavior associated with other types of convertible and exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Debentures and the Ordinary Shares, whether or not such Trigger Event actually occurs. Therefore, in such circumstances, investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to other types of subordinated debentures, including the Bank's other subordinated debt securities. In addition, a Non-Viability Conversion could drive down the price of Ordinary Shares subsequent to the conversion itself arising from the additional shares in issue of the Bank.

**(v) Following a Non-Viability Conversion, the Qualified Investor will no longer have rights as a creditor and will only have rights as a holder of Ordinary Shares**

Upon a Non-Viability Conversion, the rights, terms and conditions of the Debentures, including with respect to priority and rights on liquidation, will no longer be relevant as all such Debentures will have been converted on a full and permanent basis into Ordinary Shares ranking *pari passu* with all other outstanding Ordinary Shares. If a Non-Viability Conversion occurs, then the interest of depositors, other creditors of the Bank, and holders of Bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Debentures.

Given the nature of the Non-Viability Trigger Event a Holder of Debentures will become a holder of Ordinary Shares at a time when the Bank's financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Non-Viability Trigger Event, as holders of Ordinary Shares investors may receive substantially less than they might have received had the Debentures not been converted in to Ordinary Shares.

**(vi) An investor's remedies for the Bank's breach of its obligations under the Debentures are limited**

Absent an Event of Default (which shall occur if the Bank becomes insolvent or bankrupt, the Bank goes into liquidation either voluntarily or under an order of a court of competent jurisdiction, or the Bank otherwise acknowledges its insolvency), the Trustees and holders of Debentures shall not be entitled to declare the principal amount of the Debentures due and payable under any circumstance. As a result, the Qualified Investor will have no right of acceleration in the event of a non-payment of interest or a failure or breach in the performance of any other covenant of the Bank, although legal action could be brought to enforce any covenant given by the Bank.

**(g) Acknowledgement of the CBSL Resolution Powers**

The CBSL retains full discretion regarding the determination that a Trigger Event has occurred; as the resolution authority of banks in Sri Lanka, the CBSL has resolution powers through statute.

The Monetary Board determines the Trigger Event and effects a conversion after considering the other bail-in alternatives available to the Bank. Further, Section 30 and 30(9) of the Monetary Law Act No.58 of 1949 (as amended) and Part VII (A) and Part VIII of the Banking Act No.30 of 1988 (as amended) specify certain events upon which Monetary Board can exercise its resolution mechanism. In view of the above, based on the statutory authority of the Monetary Board, CBSL retains full discretion to choose or not to choose to trigger for Non-Viability as has been provided for in the Banking Act Direction No.1 of 2016 on Capital Requirements under BASEL III for Licensed Commercial Banks and Licensed Specialized Banks.

As the CBSL retains full discretion to choose not to trigger Non-Viability Conversion notwithstanding a determination that the Bank has ceased, or is about to cease to be viable, under such circumstances, the holders of the Debentures may be exposed to losses through the use of other resolution tools under applicable statutes.

**(h) Generic Risks**

**(i) The ability to transfer the Debentures may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Debentures**

In Sri Lanka the secondary trading activity in the corporate debt market is limited. The debentures are a new issue of securities and have no established secondary trading market. Further, the secondary market trading is only limited to Qualified Investors as defined in the Prospectus. There can be no assurance that an active secondary trading market will develop. If the Debentures are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Bank.

Even if an active secondary trading market does develop, it may not be liquid and may not continue. Therefore, Qualified Investors may not be able to sell their Debentures easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the secondary market for the Debentures is limited, there may be few buyers for the Debentures and this may significantly reduce the relevant market price of the Debentures.

**(ii) Credit ratings may not reflect all risks associated with an investment in the Debentures**

A credit rating reflects a relative ranking of credit risk and does not reflect the potential impact of all risks related to the structure, market, additional factors discussed herein, and other factors that may affect the value of the Debentures.

**(iii) A Downgrade, suspension or withdrawal of the rating assigned by any rating agency to the Debentures could cause the liquidity or market value of the Debentures to decline**

Rating initially assigned to the Debentures may be lowered or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes to the Bank's business, so warrant. If the rating agency lowers or withdraws its rating, such event could reduce the liquidity or market value of the Debentures. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

**(iv) Changes in law, or changes in regulatory classification may affect the rights of holders as well as the market value of the Debentures**

The regulatory regime in connection to these instruments is evolving. Changes in law may include change in statutory, tax and regulatory regimes during the life of the Debentures, which may have an adverse effect on the investment in the Debentures.

## 5.14 TRANSFER OF DEBENTURES

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

- (a) These Debentures shall be freely transferable amongst Qualified Investors 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) The Debentures shall be transferable and transmittable through the CDS among Qualified Investors as long as the Debentures are listed in the CSE. Subject to the provisions contained herein the Bank may register without assuming any liability on any transfer of Debentures, 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 Debenture 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 Debenture Holder was the sole or only surviving holder;shall be the only persons recognized by the Bank as having any title to his/her Debentures.
- (d) Any person becoming entitled to any Debentures in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that he/she/it sustains the character in respect of which he/she/it proposes to act or his/her title as the Board of Directors of the Bank thinks sufficient may in the discretion of the Board be substituted and accordingly registered as a Debenture Holder in respect of such Debentures 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.

## 5.15 LISTING

An Application has been made to the CSE for permission to obtain a listing for the Debentures and any shares which may be issued upon the occurrence of a Trigger Event and the CSE has granted its approval in-principle for the same. It is the intention of the Bank to list the Debentures in the Colombo Stock Exchange upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made 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 Debentures.

## **5.16 COST OF THE ISSUE**

The Board of Directors estimates that the total cost of the Issue including fees to professionals, printing, advertising and other costs connected with the Issue will be approximately LKR 39 Million. Such costs will be financed by the internally generated funds of the Bank.

## **5.17 BROKERAGE FEE**

Brokerage fee of Fifteen Cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any Bank operating in Sri Lanka or a member/trading member of the CSE or any other party identified by the Bank and/or Joint Managers and Placement Agents as involved in the Issue.

## **5.18 UNDERWRITING**

This Issue is not underwritten.

The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Bank is confident that any short fall in the funds required to meet the objectives of the Issue can be financed through internally generated funds and other credit facilities that could be obtained by the Bank, at its discretion depending on the situation.

## 6.0 PROCEDURE FOR APPLICATION

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### 6.1 INSPECTION OF DOCUMENTS

Articles of Association, the Trust Deed, Auditors' Report and Audited Financial Statements for the five (05) financial years ended 31<sup>st</sup> December 2019 (i.e. the five (05) financial years immediately preceding the date of this Prospectus) and all other documents referred to in Rule 3.3.12 (a) of the CSE Listing Rules, including material contracts and management agreements entered into by the Bank (if any) would be made available for inspection by the public during normal working hours, seven (07) Market Days prior to the date of opening of the subscription list at the registered office of the Bank at DFCC Building, P.O. Box 1397, No.73/5, Galle Road, Colombo 03, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and the Articles of Association of the Bank, will be available on the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.dfcc.lk](http://www.dfcc.lk) from seven (07) Market Days prior to the date of opening of the subscription list until the date of maturity of the Debentures as stipulated in Rule 3.3.12 (b) of the CSE Listing Rules.

Audited financial statements of DFCC Bank PLC made up to 31<sup>st</sup> December 2019, Accountants Report and the five year summary of financial statements will be available on the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.dfcc.lk](http://www.dfcc.lk).

Furthermore, copies of the Prospectus and Application Forms will be made available free of charge from the collection points as set out in Annexure II of this Prospectus from seven (07) Market Days prior to the date of opening of the subscription list.

### 6.2 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Debentures from the following categories of Qualified Investors.

- (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.
- (d) A venture capital fund/ company and private equity company.
- (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act, No. 42 of 2011 (as amended).
- (f) 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).
- (g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended).
- (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007.
- (i) An investment trust or investment company.
- (j) A Non-Resident institutional investor.
- (k) An individual with a minimum initial investment amount of LKR 5,000,000/-.

In view of the above, trading of the Debentures on the CSE will also be limited to Qualified Investors.

Applications will not be accepted from individuals and Sri Lankans residing outside Sri Lanka who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts, or bodies of persons. Applications will also not be entertained from any financial institution over which the Bank has control.

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

When permitting Non - Residents to invest in the Debentures, the Bank will comply with the relevant Foreign Exchange Regulations including, the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Debentures of Companies incorporated in Sri Lanka to persons resident outside Sri Lanka as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17<sup>th</sup> November 2017.

### 6.3 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 with the Registrar to the Issue and also issued free of charge by the parties listed in Annexure II of this Prospectus.

The Application Form can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of the Bank, [www.dfcc.lk](http://www.dfcc.lk) and the websites of Joint Managers and Placement Agents to the Issue, [www.ndbib.com](http://www.ndbib.com), [www.acuity.lk](http://www.acuity.lk) until the Closure Date.

The Prospectus will be made available and can be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Bank, [www.dfcc.lk](http://www.dfcc.lk) until the Date of Redemption of the Debentures and from the websites of Joint Managers and Placement Agents to the Issue, [www.ndbib.com](http://www.ndbib.com) and [www.acuity.lk](http://www.acuity.lk) until the Closure Date.

**Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected. The Bank reserves the right to ask for additional information to satisfy itself that the Applicant is a Qualified Investor.**

- (b) Applicants should apply for only one Type of Debentures (i.e. either Debentures of Type A or Debentures of Type B) under one Application Form.
- (c) In the event an Applicant wishes to apply for more than one Type of Debentures, separate Application Forms should be used. Once an Application Form has been submitted for a particular Type of Debentures, it will not be possible for an Applicant to switch between the Types of Debentures.

- (d) More than one Application submitted by an Applicant under the same Type of Debentures will not be accepted. If more than one Application Forms are submitted for one Type of Debentures from a single Applicant, those would be construed as multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.
- (e) If the ownership of the Debentures 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.
- (f) An Applicant of a joint Application will not be eligible to apply for the Debentures 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 Debentures (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (g) Applications by companies, corporate bodies, incorporated 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 Debentures 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.
- (h) All Qualified Investors should indicate in the Application for Debentures, their CDS account number.

In the event the name, address or NIC number/passport number/company number of the Qualified Investor 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/company number as per CDS records will prevail and be considered as the name, address or NIC number/passport number company number of such Qualified Investor. Therefore, Qualified Investors 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.

- (i) 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 Debentures 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.

- (j) 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.

- (k) As per the Foreign Account Tax Compliance Act (FATCA) "US Persons" must provide the duly completed declaration as per the specimen given in Annexure IV 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"

- (l) Funds for the investments in Debentures and the payment for Debentures by Non-Residents should be made only out of funds received as inward remittances or available to the credit of "Inward Investment Account" (IIA) (formerly known as Securities Investment Accounts) of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Director of the 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.

Applications not made in line with the instructions will be rejected.

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

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application if not remitted through RTGS transfer should be enclosed in an envelope Marked “DFCC BANK PLC - DEBENTURE ISSUE 2020” on the top left hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the Issue or collection points mentioned in Annexure II of this Prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this Prospectus should reach the office of the Registrar to the Issue, S S P Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 03 at least by 4.30 p.m. on the following Market Day immediately upon the Closure 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 Closure Date or carry a postmark dated prior to the Closure Date.

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

**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 DEBENTURES 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 Debentures under this Issue, the allotted Debentures would be credited to the Applicant’s CDS account so indicated.**

**Hence, DEBENTURE CERTIFICATES SHALL NOT BE ISSUED.**

#### **6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED**

Applicants are allowed to invest in either;

- Debentures of Type A; and/or
- Debentures of Type B

subject to the minimum subscription under each Type of Debentures as given below.

The minimum subscription requirement applicable for a Qualified Investor applying for Debt Securities shall be Rupees Ten Thousand (LKR 10, 000/-).

Provided however, the minimum subscription requirement applicable for an individual investor applying for BASEL III Compliant Debt Securities shall be Rupees Five Million (LKR 5,000,000/-).

Any Application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (LKR 10,000/-).

An Applicant should apply only for one Type of Debentures under one Application Form.

## **6.5 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS**

- (a) Payment in full for the total value of Debentures 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 transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to the following:
- (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 a;
  - Bank guarantee issued by a licensed commercial bank; or
  - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
  - RTGS / Internal Direct transfer with value on the Issue opening date.

**Multiple cheques 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 - DEBENTURE ISSUE 2020” 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 - DEBENTURE ISSUE 2020” in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date (12<sup>th</sup> October 2020).

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 - DEBENTURE ISSUE 2020” bearing Account Number 001001023093 at DFCC Bank PLC with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

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 Debentures applied for to the credit of "DFCC BANK PLC - DEBENTURE ISSUE 2020" bearing Account Number 001001023093 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 and Internal Direct 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 the end of the Closure Date. 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 will not be accepted.
- (g) Payment for the Debentures 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) In the event that cheques are not realized within Two (02) Market Days of deposit, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (i) The amount payable should be calculated by multiplying the number of Debentures applied for by the Par Value (LKR 100/-). 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, the Application will be rejected.
- (j) In the event that cheques are not realised prior to the date of deciding the basis of allotment, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (k) All cheques/bank drafts received in respect of the Applications for Debentures will be banked commencing from the Working Day immediately following the Closure Date.

## 6.6 REJECTION OF APPLICATIONS

Application Forms and the accompanying cheques/bank drafts/bank guarantees 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 from individuals and Sri Lankans residing outside Sri Lanka 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.

More than one Application Form submitted under one Type of Debentures by an Applicant will not be accepted. If more than one Application Form is submitted under one type of Debentures by a single Applicant, those would be considered as multiple Applications and the Bank reserves the right to reject such multiple Applications or suspected multiple Applications.

Any Application Form from a non-Qualified Investor will also be rejected.

Any Application Form with more than three (03) natural persons as joint Applicants for any type of Debentures will be rejected.

Applications delivered by hand to the Registrars to the Issue after the 'Closure Date' will be rejected. Applications received at the Registrar's office by post or courier after 4.30 p.m. on the Market Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.

Applications delivered to any place mentioned in Annexure II 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 Closure 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 Closure Date.

In the event that cheques are not realized within Two (02) Market Days of deposit and realized after such date, the monies will be refunded and no allotment of Debentures 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 DEBENTURES**

In the event of an over subscription, the Board of Directors of the Bank will endeavour to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE.

The Board however shall reserve the right to allocate up to a maximum of 75% of the number of Debentures to be allotted under this Issue to institutional and or identified investor/s of strategic importance with whom the Bank might have mutually beneficial relationships in the future.

Number of Debentures to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).

The number of Debentures to be issued under Debentures of Type A and Debentures of Type B will be in accordance with the basis of allotment which will be decided at the discretion of the Board of Directors of the Bank in a fair manner in the event of an oversubscription.

The Bank reserves the right to reject any Application or to accept any Application in part only, without assigning any reason therefor.

A written confirmation informing successful Applicants of the allotment of Debentures will be dispatched within ten (10) Market Days from the Closure Date as required by the CSE.

## **6.9 REFUNDS**

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.6 of this Prospectus; or
- the Application is accepted only in part.

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 in the event of refunds over Rupees Five Million (LKR 5,000,000/-). If the Applicant has provided accurate and correct details of his/her bank account refunds will be made via RTGS or if the Applicant has not provided accurate and correct details of his/her 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.

It is the responsibility of Non-Residents/Foreign Investors to ensure that their IIA details are accurately provided on the Application Form to forward the refund to IIA through which the Application was made.

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

<https://www.lankaclear.com/products-and-services/slips/#slips-member>

Refunds on Applications rejected or partly allotted Debentures would be made within eight (8) Market Days excluding the Closure Date. 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 per centum (5.00%) for the delayed period on any refunds not made within this period.

#### **6.10 CDS ACCOUNTS AND SECONDARY MARKET TRADING**

Debentures 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 Debentures.

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

Further, as per CSE Listing Rule 3.3.5 (ii) (a) (ii), the secondary market trading of the Debentures shall be limited to the "Qualified Investors".

## 7.0 THE BANK

### 7.1 FINANCIAL YEAR

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

### 7.2 STATED CAPITAL

The stated capital of the Bank represents ordinary shares as given below.

Stated Capital	31 <sup>st</sup> December 2019	30 <sup>th</sup> June 2020*
Balance (LKR' 000)	7,530,371	7,682,465
Number of Shares (No.)	304,188,756	305,997,250

\*unaudited

The Bank does not have non - voting, preference or any other classes of shares in issue. The Bank also does not have any outstanding convertible debt securities other than the Basel III Compliant Tier 2 Debentures with a Non- Viability Conversion issued in 2018.

At the Extra Ordinary General Meeting held on 28<sup>th</sup> March 2019, shareholders approved a resolution to issue 106,039,075 ordinary shares by way of a rights issue to the existing shareholders of the Bank in the proportion of two ordinary shares for every five ordinary shares (2:5) held as at end of trading on 28<sup>th</sup> March 2019 at an issue price of Rs. 72/- per share. Accordingly, Bank raised LKR 2.81 Billion through the issue of 39,091,068 ordinary shares.

### 7.3 MAJOR SHAREHOLDERS AS AT 30<sup>th</sup> June 2020

Twenty (20) largest shareholders of the Bank as at 30<sup>th</sup> June 2020 are given below:

No	Name	No. of Shares	%
1	Hatton National Bank PLC A/c No.1	45,624,242	14.91
2	Bank of Ceylon No.2 - A/C (BOC PTF)	38,266,153	12.51
3	Mr.M.A. Yaseen	30,599,724	10.00
4	Sri Lanka Insurance Corporation Ltd-Life Fund	26,667,440	8.71
5	Employees Provident Fund	24,513,876	8.01
6	Melstacorp PLC	22,516,691	7.36
7	Seafeld International Limited	17,822,125	5.82
8	BPSS Lux- Aberdeen standard sicav I-Asia Pacific Equity Fund	13,095,720	4.28
9	Citi Bank New York S/A Norges Bank Account 2	9,103,101	2.97
10	CB London S/A Aberdeen Asia Pacific Equity Fund	7,400,530	2.42
11	Renuka City Hotels PLC	6,968,052	2.28
12	BP2S London - Edinburgh Dragon Trust PLC	6,377,350	2.08

13	BP2S London - Aberdeen Standard Asia Focus PLC	5,245,937	1.71
14	Renuka Hotels PLC	4,097,577	1.34
15	Employees Trust Fund Board	4,011,661	1.31
16	Akbar Brothers Pvt Ltd A/C No.01	2,594,019	0.85
17	Cargo Boat Development Company PLC	2,513,052	0.82
18	BP2S London - Aberdeen New Dawn Investment Trust XCC6	1,909,575	0.62
19	Stassen Exports (Pvt) Limited	1,908,067	0.62
20	Anverally International (Pvt) Limited	1,692,148	0.55
		<b>272,927,040</b>	<b>89.19</b>
	Balance held by Other Shareholders	33,070,210	10.81
	Total number of shares in issue	<b>305,997,250</b>	<b>100.00</b>

#### 7.4 DETAILS OF OTHER DEBENTURES IN ISSUE

The details of other debentures issued by DFCC Bank PLC as at the date of this Prospectus are given in the table below;

Debenture Code	Ranking	Tenure	Interest Rate p.a.	Issue Value LKR (Mn)	Issue Date	Maturity Date
DFCC- BD - 09/11/21-C2366 – 12.15	Subordinated	5 Years	12.15%	956.86	09-Nov-2016	09-Nov-2021
DFCC- BD – 09/11/23-C2367- 12.75	Subordinated	7 Years	12.75%	6,043.14	09-Nov-2016	09-Nov-2023
DFCC-BD- 29/03/23-C2393-12.6	Subordinated	5 years	12.60%	2,913.47	29-Mar-2018	29-Mar-2023
DFCC-BD- 29/03/25-C2394-13	Subordinated	7 years	13.00%	4,086.53	29-Mar-2018	29-Mar-2025
DFCC-BD- 28/03/24-C2416-13.5	Senior	5 years	13.50%	3,804.76	28-Mar-2019	28-Mar-2024
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

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

- DFCC-BD-29/03/23-C2393-12.6 – LKR 2,913,470,000
- DFCC-BD-29/03/25-C2394-13 – LKR 4,086,530,000

The debenture holders of the above stated debentures do not have the following rights;

- Sharing in the profits of the Bank
- Participating in any surplus in the event of liquidation or any special rights

The above mentioned debenture holders are at any event not barred from being shareholders of the Bank and if they are shareholders they will enjoy the rights and privileges entitled to shareholders.

In the case of the death of a debenture holder pertaining to above mentioned classes:

- the survivor where the deceased was a joint holder; or
- if not the joint holder the heirs of the deceased shall be the only person/s recognized by the Bank as having any title to his/her debentures. Any person becoming entitled to debentures in consequence of bankruptcy or winding up of any debenture holder, upon producing proper evidence that it/he/she sustains the character in respect of which it/he/she proposes to act or its/his/her 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 debenture holder in respect of such debentures subject to the applicable laws and rules and regulations of the Bank and the CSE.

In the event of liquidation or winding up, the claims of the above mentioned subordinated debenture holders will be ranked after all the claims of the senior debt holders of the Bank and the preferential claims under Section 365 of the Companies Act No.7 of 2007 but in priority to the claims and rights of the Shareholders of the Bank.

## 7.5 PARTICULARS OF LONG TERM LOANS AND OTHER BORROWINGS OF THE BANK

As at 31<sup>st</sup> December 2019 and 30<sup>th</sup> June 2020 the outstanding balances are given in the table below.

Category	LKR' 000
Balance as at 31 <sup>st</sup> December 2018	82,613,984
Net of New borrowings / (Settlements)	20,296,512
Balance as at 31 <sup>st</sup> December 2019	102,910,496

Category	LKR' 000
Balance as at 31 <sup>st</sup> December 2019	102,910,496
Net of New borrowings / (Settlements)	(1,915,190)
Balance as at 30 <sup>th</sup> June 2020*	100,995,306

\*unaudited

Borrowing of DFCC Bank PLC as at 31<sup>st</sup> December 2019 and 30<sup>th</sup> June 2020 comprise of the following categories.

Category	As at 31 <sup>st</sup> December 2019 LKR' 000	As at 30 <sup>th</sup> June 2020* LKR' 000
Due to banks	24,594,828	27,111,006
Other borrowings	47,307,556	43,775,734
Debt securities in issue	14,148,198	15,323,921
Subordinated term debt	16,859,914	14,784,645
<b>Total</b>	<b>102,910,496</b>	<b>100,995,306</b>

\*unaudited

## 7.6 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE BANK

The details of the contingent liabilities as at 31<sup>st</sup> December 2019 and 30<sup>th</sup> June 2020 and litigation against the Bank as at the date of the Prospectus are given below.

Commitments and Contingencies	As at 31 <sup>st</sup> December 2019 LKR' 000	As at 30 <sup>th</sup> June 2020* LKR' 000
Guarantees	11,119,967	10,702,905
Performance bonds	5,122,213	5,195,464
Documentary credit	12,958,343	8,763,485
Forward Contracts	17,089,574	2,048,987
Bills for collection	3,131,185	3,288,387
Commitments for unutilized credit facilities	78,944,548	69,139,674
Other capital expenditure commitments	2,224,570	1,052,534
<b>Total</b>	<b>130,590,400</b>	<b>100,191,435</b>

\*unaudited

## LITIGATIONS AGAINST THE BANK

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.

## 7.7 KEY FINANCIAL RATIOS

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	30.06.2020*
Debt / Equity Ratio (Times) **	0.98	1.01	1.77	1.83	2.03	1.92
Interest Cover Ratio (Times) ***	2.04	2.12	0.99	1.64	1.44	1.81
Capital adequacy - Core capital ratio % ****	17.71	14.60	13.09	10.89	11.34	11.14
Capital adequacy - Total capital ratio % ****	16.62	17.47	16.53	16.17	15.81	15.34

\*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 2018 was 7.875 % and 11.875% respectively.

\*\*\*\* With effect from 20<sup>th</sup> December 2019, the required minimum capital adequacy ratios of Tier 1 and Total Capital Ratio was increased to 8.50% and 12.50% respectively.

## 7.8 DEBENTURE INTEREST PAYMENT DETAILS

	2015	2016	2017	2018	2019
Gross interest due on debentures (LKR' 000)	681.67	1,022.84	2,328.85	1,912.53	2,810.87
Debenture interest paid on or before due date (LKR' 000)	681.67	1,022.84	2,328.85	1,912.53	2,810.87
Debenture interest paid after the due date (LKR' 000)	-	-	-	-	-
Debenture interest not paid as of to date (LKR' 000)	-	-	-	-	-

## **7.9 TAXATION**

The Bank is not enjoying any tax exemptions as at the date of the Prospectus.

## **7.10 FINANCIAL STATEMENTS & FINANCIAL SUMMARY**

The following financial information is hosted on the Bank's web site, [www.dfcc.lk](http://www.dfcc.lk) and CSE web site [www.cse.lk](http://www.cse.lk);

- Audited financial statements of DFCC Bank PLC as at 31<sup>st</sup> December 2019
- Interim financial statements of DFCC Bank PLC as at 30<sup>th</sup> June 2020
- Summarized financial statement for the five years ended 31<sup>st</sup> December 2015 to 31<sup>st</sup> December 2019 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.

## 8.0 BOARD OF DIRECTORS

### 8.1 DETAILS OF THE DIRECTORS

The details of the Board of Directors of DFCC Bank PLC as at the date of this Prospectus are given below:

Name of Directors	Designation
Mr. J. Durairatnam	Chairman, Independent Non-Executive Director
Mr. L. H. A. L. Silva	Chief Executive Officer, Executive Director
Mr. P. M. B. Fernando	Senior Director , Independent Non-Executive Director
Ms. S. R. Thambiayah	Independent Non-Executive Director
Ms. V. J. Senaratne	Non – Independent Non-Executive Director
Ms. L. K. A. H. Fernando	Independent Non-Executive Director
Mr. N. K. G. K. Nemmawatta	Independent Non-Executive Director
Mr. N. H. T. I. Perera	Deputy Chief Executive Officer, Executive Director
Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director
Mrs. H. M. N. S. Gunawardana	Independent Non-Executive Director

### 8.2 BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was established by the Board to be effective from 1<sup>st</sup> 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 30<sup>th</sup> June 2020 is as follows.

Name of the Board Subcommittee Member	Membership Status	Directorship Status
P M B Fernando	Chairman	Independent Director
J Durairatnam	Member	Independent Director
L H A L Silva	Member	Executive Director

## 9.0 STATUTORY DECLARATIONS

### 9.1 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 Placement Agents, Lawyers, 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 Placement Agents to the Issue is a joint venture between DFCC Bank PLC and Hatton National Bank PLC. Additionally, two of the Directors of Acuity Partners (Pvt) Limited are also Directors of the Bank.

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

Such permission will be granted when Debentures 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 Debentures issued.

Name of Directors	Designation	Signature
Mr. J. Durairatnam	Chairman, Independent Non-Executive Director	Sgd.
Mr. L. H. A. L. Silva	Chief Executive Officer, Executive Director	Sgd.
Mr. P. M. B. Fernando	Senior Director, Independent Non-Executive Director	Sgd.
Ms. S. R. Thambiayah	Independent Non-Executive Director	Sgd.
Ms. V. J. Senaratne	Non – Independent Non-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. N. H. T. I. Perera	Deputy Chief Executive Officer, Executive Director	Sgd.
Mr. H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director	Sgd.
Mrs. H. M. N. S. Gunawardana	Independent Non-Executive Director	Sgd.

## 9.2 STATUTORY DECLARATION BY THE JOINT MANAGERS AND PLACEMENT AGENTS TO THE ISSUE

We, NDB Investment Bank Limited of No. 135, Bauddhaloka Mawatha, Colombo 04, who are named in the Prospectus as the Joint Managers and Placement Agents 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 Debentures are being listed.

Signed by two Directors of NDB Investment Bank Limited, being duly authorised thereto, at Colombo on this 30<sup>th</sup> September 2020.

Sgd.  
Director

Sgd.  
Director

We, Acuity Partners (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Joint Managers and Placement Agents 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 Debentures are being listed.

Signed by two Directors of Acuity Partners (Private) Limited, being duly authorised thereto, at Colombo on this 2<sup>nd</sup> October 2020.

Sgd.  
Director

Sgd.  
Director

## 10.0 FINANCIAL INFORMATION

### 10.1 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



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

Tel : +94 - 11 542 6426  
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Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

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

12<sup>th</sup> August 2020

Dear Sirs

#### **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 proposed issue of up to 50,000,000 Basel III compliant Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non Viability Conversion aggregating value up to LKR 5,000,000,000/- with an option to issue up to further 20,000,000 of the said debentures with a value of LKR 2,000,000,000/- in the event of an oversubscription of the initial issue by DFCC Bank PLC ("the Bank"), if required regulatory approvals are obtained from the Central Bank of Sri Lanka.

We have examined the financial statements of DFCC Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), for the nine months ended 31<sup>st</sup> December 2015 and for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019 included in the prospectus and report as follows,

#### **1. INTRODUCTION**

DFCC Bank PLC ("the Bank") is a public 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 6<sup>th</sup> January 2015. The registered office of the Bank is situated at 73/5, Galle Road, Colombo 3.

The Bank is engaged in the provision of financial products and services to industrial, agricultural and commercial enterprises in Sri Lanka.

M.R. Mithulal FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakumar FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyaratne FCA	S.T.D.L. Perera FCA

## 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 DFCC Bank for the nine months ended 31<sup>st</sup> December 2015 and for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019 based on the audited financial statements of the Bank are set out in the prospectus.

Summaries presented for Assets, Liabilities and Shareholders' funds as at 31<sup>st</sup> December 2015, 2016, 2017, 2018 and 2019 are based on the financial statements prepared in accordance with SLFRSs and LKASs, effective from 1<sup>st</sup> January 2012. Summaries presented for Assets, Liabilities and Shareholders' funds as at 31<sup>st</sup> December 2019 are based on the Sri Lankan Accounting Standards (SLFRSs and LKASs).

Operating results summaries presented for the nine months period ended 31<sup>st</sup> December 2015 and for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019 are based on the financial statements prepared in accordance with SLFRSs and LKASs, effective from 1<sup>st</sup> January 2012. Operating results summaries presented for the financial year ended 31<sup>st</sup> December 2019 are based on the SLFRSs and LKASs.

### 2.2. Audit Report

We have audited the financial statements of the Bank for the nine months ended 31<sup>st</sup> December 2015 and for the years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019. Unqualified audit opinions have been issued for the said financial reporting periods.

The new audit report format became effective from 1<sup>st</sup> January 2018 which includes a section for Key Audit Matters (KAM). Accordingly following KAMs were prescribed in the audit report for the years ended 31<sup>st</sup> December 2018 and 2019.

— Impairment of loans and advances and transition with the adoption of SLFRS 9 – “Financial Instruments”

*Given the complexity of SLFRS 9 and its expected pervasive impact on the financial sector we focused on the Bank's disclosure of the expected impact of measuring credit losses on Loans and receivables and the significant judgment exercised by the Bank. The Bank's models to calculate ECLs are inherently complex and judgment is applied in determining the correct construct of the models. There are also a number of key assumptions made by the Bank in applying the requirements of SLFRS 9 to the models including selection and input of forward looking information.*

— IT systems and controls over financial reporting

*The Bank's key financial accounting and reporting processes are highly dependent on the automated controls over the Bank's information systems. As such that there exist a risk that gaps in the IT control environment, including automated accounting procedures, IT dependent manual controls and controls preventing unauthorized access to systems and data could result in the financial accounting and reporting records being materially misstated. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our*

*audit approach could significantly differ depending on the effective operation of the Group's IT controls.*

### 2.3. Application of Accounting Standards and Accounting Policies

The financial statements of the Bank for the nine months ended 31<sup>st</sup> December 2015 and for the financial years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019 complied with the applicable Sri Lanka Accounting Standards (LKAS and SLFRS).

The accounting policies of the Bank are stated in detail in the audited financial statements of DFCC Bank PLC for the year ended 31<sup>st</sup> December 2019. The adoption of revised / new accounting standards and a summary of related amendments to the accounting policies of the Bank from the nine months ended 31<sup>st</sup> December 2015 and the financial years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019 are given below.

Financial Year	Adoption of revised Accounting Standards and related changes in Accounting Policies
31 <sup>st</sup> December 2015	<p>The Bank changed its financial year from 31 March to 31 December in the year 2015. Accordingly, the consolidated financial statements for the period ended 31 December 2015 included the results of DFCC Bank PLC and its subsidiaries with the reporting year ending 31 March for the nine months to 31 December 2015, and results of subsidiaries, associate and joint venture company with the reporting year ending 31 December for 12 months to 31 December 2015.</p> <p>DFCC Vardhana Bank PLC, which was a subsidiary of the Group was amalgamated with DFCC Bank PLC on 1 October 2015. Accordingly, on 1 October 2015 the book values of DFCC Vardhana Bank PLC, was amalgamated with that of the of the DFCC Bank PLC and the investment in subsidiary of LKR 5,945 million recorded in DFCC Bank PLC (including balance payment to minority shareholders amounting to 122 million), was set off against the equity of DFCC Vardhana Bank PLC</p>
31 <sup>st</sup> December 2018	<p><b><i>SLFRS 09 'Financial Instruments'</i></b></p> <p>The Bank has adopted SLFRS 9 - 'Financial Instruments', issued in July 2014, with a date of initial application of 1 January 2018. The requirements of SLFRS 9 represent a significant change from LKAS 39 - 'Financial Instruments: Recognition and Measurement.' The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.</p> <p>The key changes to the Bank's accounting policies resulting from its adoption of SLFRS 9 are summarized below</p> <p><b><i>Classification of financial assets and financial liabilities</i></b></p> <p>SLFRS 9 contains three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing LKAS 39 categories of held-to-maturity, loans and receivables and</p>

available-for-sale. The SLFRS 9 classification is generally based on the business model in which financial asset is managed and its contractual cash flows.

Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

### ***Reclassification***

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Bank's changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9

Although implementation of SLFRS 9 resulted in few classification changes except for the reclassification of a part of the Commercial Bank portfolio, others were not material. As at 1<sup>st</sup> January 2018, Bank decided to transfer 4.6 Bn worth of Commercial Bank share investment from fair value through other comprehensive income (FVOCI) to fair value through profit or loss (FVTPL) category after the reassessment of the classification against the business model.

### ***Impairment of financial assets***

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets that are not measured at FVTPL and also to certain loan commitments and financial guarantee contracts but not to equity investments.

Under SLFRS 9, credit losses are recognized earlier than under LKAS 39

### ***Measurement of impairment of financial assets***

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The most significant impact on the Bank's Financial Statements from the implementation of SLFRS 9 was resulted from the new impairment requirements. Impairment losses increased by 48% in opening day adjustment and 4% increase in 31<sup>st</sup> December 2018 compared to day one adjustment.

The Bank has employed statistical models to analysis the data collected and generate estimates of the remaining lifetime PD of exposure and how these are expected to change as a result of the passage of time. This analysis include the identification and calibration of relationship between changes in default rates and changes in key macroeconomic factors as well as analysis of the impact of certain other factors on the risk of default.

The Bank has estimated LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD for lending commitments and financial guarantees, include the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which has been estimated based on historical observations and forward looking forecasts. Under SLFRS 9, the Bank has incorporated forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Bank has completed the impact assessment on its Financial Statements for the year ended 31 December 2017 and December 2018, resulted from the application of SLFRS 9 with the assistance of an external consultant.

Based on the assessments undertaken to date which was audited, the total estimated additional loan loss provision on the financial statements for the year ended 31 December 2017 and December 2018 on adoption of SLFRS 9 was respectively 3.7 Bn and 0.474 Bn. It had an impact on capital adequacy ratio due to the reduction in the retained earnings.

The Group did not have significant impact on the Consolidated Financial Statements resulting from the application of SLFRS 9 on the other group entities except for those reported by the Bank.

#### ***SLFRS 15 – “Revenue from Contracts with Customers”***

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities applied five step model to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised.

It replaced existing revenue recognition guidance, including LKAS 18 – “Revenue” and LKAS 11 “Construction Contracts” and IFRIC 13 – “Customer Loyalty Programs”.

The Group/Bank adopted this standard from 1<sup>st</sup> January 2018 and did not have significant impact on its financial statements resulting from the application of SLFRS 15.

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#### 31<sup>st</sup> December 2019 **SLFRS 16 – ‘Leases’**

The Bank adopted SLFRS 16 – “Leases”, with initial application on 1 January 2019. The requirements of SLFRS 16 represent a significant change from LKAS 17.

The key changes to the Bank’s accounting policies resulting from its adoption of SLFRS 16 are summarized below.

##### *As a lessee*

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

The Bank recognises 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.

##### *As a lessor*

Generally, the accounting policies applicable to the Bank as a lessor were not different from LKAS 17.

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## 2.4. Dividends

The Bank has paid the following dividends in respect of Ordinary Shares during the nine months ended 31<sup>st</sup> December 2015 and the financial years ended 31<sup>st</sup> December 2016, 2017, 2018 and 2019.

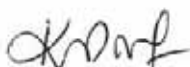
Year/ Period ended;	Dividend Paid (Rs. Mn)	Dividend declared Per Share (Rs.)
31 <sup>st</sup> December 2015	1,591	2.50
31 <sup>st</sup> December 2016	663	4.50
31 <sup>st</sup> December 2017	1,193	5.00
31 <sup>st</sup> December 2018	1,325	3.50
31 <sup>st</sup> December 2019	928	3.00*

\* The payment of a first and final dividend of LKR 3.00 per share which will consist of LKR 2.50 per share in cash and 50 cents in the forms of a scrip dividend, for the financial year ended 31 December 2019.

## 2.5. Events after the Reporting Date (as at 31<sup>st</sup> December 2019)

- The Directors have recommended to the shareholders for approval, the payment of a first and final dividend of LKR 3.00 per share which will consist of LKR 2.50 per share in cash and 50 cents in the forms of a scrip dividend, for the financial year ended 31 December 2019. The Board of Directors confirm 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.
- The Board of Directors decided to issue up to seventy million (70,000,000) Basel III compliant, subordinated, listed, rated, unsecured, redeemable debentures with a non-viability conversion option, each at an issue price (par value) of LKR 100 with a term up to seven years subject to obtaining all necessary regulatory and other approvals.
- No other circumstances have arisen which would require disclosure or adjustment to the financial statements

Yours faithfully,



**CHARTERED ACCOUNTANTS**  
Colombo



# Annexure 1 – Five year summary of Financial Statements (Bank)

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months (Rs. Mn)
	2019 (Rs.Mn)	2018 (Rs.Mn)	2017 (Rs.Mn)	2016 (Rs. Mn)	
<b>Operating Results</b>					
Income	43,297	39,154	35,942	26,754	10,036
Interest Income	42,060	38,148	32,987	24,194	8,918
Interest Expense	29,398	25,733	21,644	15,293	5,560
Net Interest Income	12,662	12,415	11,343	8,901	3,358
Non-Interest Income	1,117	937	2,954	2,560	1,119
Profit Before Income Tax and VAT	4,538	5,692	7,251	5,400	1,932
Profit Before Income Tax	2,989	4,233	5,792	4,414	1,589
Profit After Tax	2,074	2,768	4,415	3,289	1,068
<b>Financial Position</b>					
<b>Assets</b>					
Cash, Placements with Banks and Statutory Deposit with CBSL	14,282	17,307	21,355	13,745	9,859
Loans and Receivables	281,221	262,589	224,660	198,085	164,920
Investments	100,745	85,223	81,642	73,363	67,684
Property, Equipment and Intangible Assets	4,416	2,289	1,771	1,132	1,190
Deferred Tax Assets	309	492	-	-	-
Other Assets	3,924	7,007	3,679	3,737	2,497
<b>Total Assets</b>	<b>404,897</b>	<b>374,908</b>	<b>333,107</b>	<b>290,061</b>	<b>246,151</b>
<b>Liabilities</b>					
Deposits from Customers	247,787	242,238	193,308	140,514	110,891
Borrowings	71,902	56,860	50,961	58,854	60,319
Debt securities Issued (Include debentures)	31,008	25,753	33,646	38,385	27,060
Deferred Tax Liability	-	-	1,194	852	880
Other Liabilities	6,720	6,210	6,121	5,606	4,182
<b>Total Liabilities</b>	<b>357,417</b>	<b>331,061</b>	<b>285,230</b>	<b>244,211</b>	<b>203,332</b>
<b>Equity</b>					
Stated Capital	7,530	4,715	4,716	4,716	4,716
Statutory Reserve Fund	2,462	2,358	2,224	2,004	1,834
Retained Earnings	18,229	17,187	13,858	10,800	8,203
Other Reserves	19,259	19,585	27,079	28,330	28,065
<b>Total Equity</b>	<b>47,480</b>	<b>43,846</b>	<b>47,877</b>	<b>45,850</b>	<b>42,819</b>
<b>Total Liabilities and Equity</b>	<b>404,897</b>	<b>374,908</b>	<b>333,107</b>	<b>290,061</b>	<b>246,151</b>
<b>Contingent Liabilities and Commitments</b>	<b>130,590</b>	<b>137,143</b>	<b>135,571</b>	<b>101,452</b>	<b>76,015</b>



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

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months (Rs. Mn)
	2019 (Rs.Mn)	2018 (Rs.Mn)	2017 (Rs.Mn)	2016 (Rs. Mn)	
<b>Statement of Changes in Equity</b>					
Balance at the beginning of the year *	43,846	47,877	45,850	42,819	44,095
Super gain tax	-	-	-	-	(777)
Adjustment on initial application of SLFRS 09, net of tax	-	(2,533)	-	-	-
Adjustment on initial application of SLFRS 16, net of tax	-	-	-	-	-
Balances transferred on amalgamation	-	-	-	-	3,319
Profit for the year	2,074	2,768	4,415	3,289	1,068
Other comprehensive (expenses)/income net of tax	(325)	(2,882)	(1,216)	405	(3,296)
<b>Total comprehensive (expenses)/income for the year</b>	<b>1,749</b>	<b>(114)</b>	<b>3,199</b>	<b>3,693</b>	<b>(2,228)</b>
Increase in ownership interest by the Bank that does not result in change of control	-	-	-	-	-
Change in holding through joint venture	-	-	-	-	-
Preference share dividend paid by subsidiary of joint venture	-	-	-	-	-
Transfer of gains/(losses) on disposal/ write-off of equity investments at fair value through other comprehensive income to retained earnings	-	(63)	-	-	-
Right issue	2,805	-	-	-	-
Forfeiture of unclaimed dividends	6	5	21	-	-
Final dividend approved	(928)	(1,325)	(1,193)	(663)	(1,591)
Dividend distributed to non-controlling interest by subsidiaries					
<b>Balance at the end of the year</b>	<b>47,480</b>	<b>43,846</b>	<b>47,877</b>	<b>45,850</b>	<b>42,819</b>



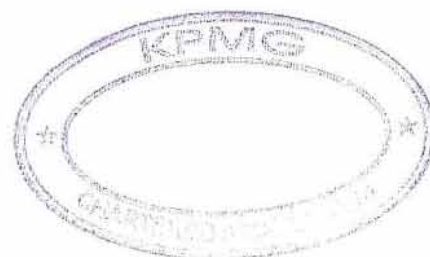
**Annexure 1 – Five year summary of Financial Statements (Bank) – Cont.**

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months (Rs. Mn)
	2019 (Rs.Mn)	2018 (Rs.Mn)	2017 (Rs.Mn)	2016 (Rs. Mn)	
<b>Statement of Cash Flows</b>					
Operating cash flows before changes in operating assets and liabilities	(2,903)	1,974	805	2,300	1,976
(Increase)/decrease in operating assets and operating liabilities	(11,142)	17,544	21,945	(7,238)	(1,205)
Net cash flows (used in)/from operating activities before income tax	(14,045)	19,518	22,750	(4,938)	771
Income tax paid	(1,692)	(318)	(1,405)	(649)	(951)
<b>Net cash flows (used in)/from operating activities</b>	<b>(15,737)</b>	<b>19,200</b>	<b>21,345</b>	<b>(5,587)</b>	<b>(181)</b>
<b>Net cash flows used in investing activities</b>	<b>(5,401)</b>	<b>(15,629)</b>	<b>(1,897)</b>	<b>(620)</b>	<b>(5,205)</b>
<b>Net cash flows from/(used in) financing activities</b>	<b>21,289</b>	<b>(8,904)</b>	<b>(14,332)</b>	<b>7,584</b>	<b>5,213</b>
Net increase/(decrease) in cash and cash equivalents	151	(5,333)	5,116	1,377	(172)
Cash and cash equivalents at the beginning of year	5,465	10,798	5,682	4,305	499
Cash and cash equivalents of DFCC Vardhana Bank PLC as at the date of amalgamation	-	-	-	-	3,979
<b>Cash and cash equivalents at the end of year</b>	<b>5,615</b>	<b>5,465</b>	<b>10,798</b>	<b>5,682</b>	<b>4,305</b>
Reconciliation of cash and cash equivalents with items reported in the statement of financial position					
Cash and cash equivalents	5,450	5,040	4,106	4,331	4,305
Placements with banks	165	425	6,691	1,351	-
<b>Cash and cash equivalents at the end of year</b>	<b>5,615</b>	<b>5,465</b>	<b>10,798</b>	<b>5,682</b>	<b>4,305</b>

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

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months) (Rs. Mn)
	2019 (Rs. Mn)	2018 (Rs. Mn)	2017 (Rs. Mn)	2016 (Rs. Mn)	
<b>Performance Indicators</b>					
Return on Average Shareholder Funds (%)*	7.6	7.6	13.4	10.99	5.0
Income Growth (%)	10.6	8.9	34.34	166.58	-3.44
Return on Average Total Assets (%)*	0.78	0.8	1.48	1.3	1.0
Dividends Cover (Times)	2.04	2.09	3.70	4.96	0.70
Property, Equipment and Intangible Assets to Shareholders' Funds (%)	9.3	5.2	3.7	2.5	2.8
Total Assets to Shareholders' Funds (Times)	8.53	8.55	6.95	6.32	5.75
Total Deposit Liabilities to Capital (%)	521.9	552.5	403.8	306.5	259.0
Capital Funds to Liabilities (including Contingent Liabilities) (%)	9.7	9.4	11.4	13.3	15.3
Statutory Liquid Assets Ratio (%)					
- DFCC	24	24	27	27	22
<b>Share Information</b>					
Market Value Per Share (LKR)	91.90	93.00	124	122.5	168.10
Earnings Per Share (LKR)	7.14	10.44	16.65	12.41	4.03
Dividends Per Share (LKR)	3.0	3.50	5.0	4.5	2.50
Net Assets Per Share (LKR)	156.09	165.40	180.60	172.95	161.52
<b>Other Information</b>					
Number of Branches	124	110	101	90	79
Number of Service Centers	15	28	37	47	58
Number of Staff	2,076	1,860	1770	1642	1,445

\* After eliminating fair value reserve.





## Annexure 2 – Five year summary of Financial Statements (Group)

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months (Rs. Mn)
	2019 (Rs. Mn)	2018 (Rs. Mn)	2017 (Rs. Mn)	2016 (Rs. Mn)	
<b>Operating Results</b>					
Income	43,648	39,448	35,987	26,980	17,503
Interest Income	42,062	38,150	32,995	24,206	15,309
Interest Expense	29,363	25,691	21,597	15,263	8,923
Net Interest Income	12,699	12,459	11,397	8,943	6,385
Non-Interest Income	1,467	1,230	2,992	2,773	2,185
Profit Before Income Tax and VAT	4,666	5,828	7,165	5,499	3,064
Profit Before Income Tax	3,308	4,676	5,891	4,674	2,553
Profit After Tax	2,300	3,070	4,434	3,469	1,642
<b>Financial Position</b>					
<b>Assets</b>					
Cash, Placements with Banks and Statutory Deposit with CBSL	14,326	17,332	21,390	13,823	9,871
Loans and Receivables	281,221	262,589	224,660	198,085	164,945
Investments	101,864	86,255	82,369	73,904	68,109
Property, Equipment and Intangible Assets	4,675	2,562	1,873	1,251	1,290
Other Assets	4,826	8,024	4,176	4,151	2,894
<b>Total Assets</b>	<b>406,912</b>	<b>376,762</b>	<b>334,468</b>	<b>291,214</b>	<b>247,109</b>
<b>Liabilities</b>					
Deposits from Customers	247,458	241,915	192,920	140,220	110,551
Borrowings	71,902	56,835	50,932	58,839	60,321
Debt securities Issued (Include debentures)	31,008	25,753	33,647	38,385	27,060
Deferred Tax Liability	97	90	1,232	874	880
Other Liabilities	7,020	6,510	6,336	5,786	4,329
<b>Total Liabilities</b>	<b>357,485</b>	<b>331,106</b>	<b>285,066</b>	<b>244,104</b>	<b>203,141</b>
<b>Equity</b>					
Stated Capital	7,530	4,716	4,716	4,716	4,716
Statutory Reserve Fund	2,462	2,358	2,224	2,004	1,834
Investment Fund Account	-	-	-	-	-
Retained Earnings	21,278	20,107	17,360	14,231	11,506
Other Reserves	17,893	18,217	24,825	25,899	25,659
Non-Controlling Interests	263	258	277	260	253
<b>Total Equity</b>	<b>49,426</b>	<b>45,656</b>	<b>49,402</b>	<b>47,110</b>	<b>43,968</b>
<b>Total Liabilities and Equity</b>	<b>406,912</b>	<b>376,762</b>	<b>334,468</b>	<b>291,214</b>	<b>247,109</b>
<b>Contingent Liabilities and Commitments</b>	<b>130,590</b>	<b>137,144</b>	<b>135,571</b>	<b>101,452</b>	<b>76,015</b>

Annexure 2 – Five year summary of Financial Statements (Group) cont-

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup>
	2019 (Rs. Mn)	2018 (Rs. Mn)	2017 (Rs. Mn)	2016 (Rs. Mn)	December 2015 (09 months (Rs. Mn)
Statement of Changes in Equity					
Balance at the beginning of the year *	45,656	49,402	47,110	43,968	48,263
Super gain tax	-	-	-	-	(811)
Adjustment on initial application of SLFRS 09, net of tax	-	(2,518)	-	-	-
Adjustment on initial application of SLFRS 16, net of tax	(7)	-	-	-	-
Balances transferred on amalgamation	-	-	-	-	-
Profit for the year	2,300	3,070	4,434	3,469	1,642
Other comprehensive (expenses)/income net of tax	(325)	(2,842)	(1,032)	383	(3,358)
Total Comprehensive (expenses)/income for the year	1,975	229	3,401	3,852	1,717
Transfers	-	(63)	-	-	-
Increase in ownership interest by the Bank that does not result in change of control	-	-	-	-	(122)
Change in holding through joint venture	-	4	117	(1)	10
Preference share dividend paid by subsidiary of joint venture	-	-	-	-	(7)
Transfer of gains/(losses) on disposal/ write-off of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-
Right issue	2,805	-	-	-	-
Forfeiture of unclaimed dividends	6	5	21	-	-
Final dividend approved	(928)	(1,325)	(1,193)	(663)	(1,591)
Dividend distributed to non- controlling interest by subsidiaries	(82)	(78)	(55)	(47)	(57)
Balance at the end of the year	49,426	45,656	49,402	47,110	43,968

\* In 2015 - Balance as at 01.04.2015



**Annexure 2 – Five year summary of Financial Statements (Group) cont-**

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months) (Rs. Mn)
	2019 (Rs. Mn)	2018 (Rs. Mn)	2017 (Rs. Mn)	2016 (Rs. Mn)	
<b>Statement of Cash Flows</b>					
Operating cash flows before changes in operating assets and liabilities	(2,632)	2,296	1,034	2,465	3,746
(Increase)/decrease in operating assets and operating liabilities	(11,096)	17,574	21,839	(6,968)	(12,321)
Net cash flows (used in)/from operating activities before income tax	(13,729)	19,870	22,873	(4,503)	(8,575)
Income tax paid	(1,747)	(347)	(1,455)	(694)	(1,248)
<b>Net cash flows (used in)/from operating activities</b>	<b>(15,476)</b>	<b>19,524</b>	<b>21,417</b>	<b>(5,198)</b>	<b>(9,823)</b>
<b>Net cash flows used in investing activities</b>	<b>(5,468)</b>	<b>(15,871)</b>	<b>(1,953)</b>	<b>(762)</b>	<b>(9,293)</b>
<b>Net cash flows from/(used in) financing activities</b>	<b>21,114</b>	<b>(8,995)</b>	<b>(14,393)</b>	<b>7,403</b>	<b>18,227</b>
Net increase/(decrease) in cash and cash equivalents	170	(5,343)	5,072	1,444	(889)
Cash and cash equivalents at the beginning of year	5,490	10,832	5,760	4,316	5,205
Cash and cash equivalents of DFCC Vardhana Bank PLC as at the date of amalgamation	-	-	-	-	-
<b>Cash and cash equivalents at the end of year</b>	<b>5,660</b>	<b>5,490</b>	<b>10,832</b>	<b>5,760</b>	<b>4,316</b>
<b>Reconciliation of cash and cash equivalents with items reported in the statement of financial position</b>					
Cash and cash equivalents	5,460	5,050	4,120	4,344	4,314
Placements with banks	200	440	6,712	1,416	2
<b>Cash and cash equivalents at the end of year</b>	<b>5,660</b>	<b>5,490</b>	<b>10,832</b>	<b>5,760</b>	<b>4,316</b>



**Annexure 2 – Five year summary of Financial Statements (Group) cont-**

Description	Years ended 31 <sup>st</sup> December;				31 <sup>st</sup> December 2015 (09 months) (Rs. Mn)
	2019 (Rs. Mn)	2018 (Rs. Mn)	2017 (Rs. Mn)	2016 (Rs. Mn)	
<b>Performance Indicators</b>					
Return on Average Shareholder Funds (%)*	5.32	7.70	12.08	10.3	5.6
Income Growth (%)	10.6	9.6	33.38	54.15	(12.89)
Return on Average Total Assets (%)*	0.59	0.88	1.47	1.4	0.8
Dividends Cover (Times) **	2.54	3.25	3.7	4.96	0.7
Property, Equipment and Intangible Assets to Shareholders' Funds (%)	9.5	5.3	3.8	2.7	2.93
Total Assets to Shareholders' Funds (Times)	8.23	8.25	6.77	6.18	5.62
Total Deposit Liabilities to Capital (%)	501%	530%	391	298	251
Capital Funds to Liabilities (including Contingent Liabilities) (%)	10.13	9.75	13.63	11.74	15.75
Statutory Liquid Assets Ratio (%)					
- DFCC **	26.89	23.90	27	27	22
<b>Share Information</b>					
Market Value Per Share (LKR) **	91.90	93.00	124	122.5	168.10
Earnings Per Share (LKR)	7.62	11.36	16.45	12.88	6.01
Dividends Per Share (LKR) **	3.00	3.50	5.0	4.5	2.50
Net Assets Per Share (LKR)	161.62	171.25	185.31	176.73	164.90
<b>Other Information</b>					
Number of Branches	124	110	101	90	79
Number of Service Centers	15	28	37	47	58
Number of Staff	2,192	1,963	1869	1760	1,659

\* After eliminating fair value reserve.

\*\* Reported only for the Bank.





TRUE COPY

*Apm/11* 24/9/20

Ms. Anomie Withanage  
Company Secretary  
DFCC Bank PLC  
PQ 233  
73/5, Galle Road  
Colombo 03

#### RATING ACTION COMMENTARY

## Fitch Rates DFCC Bank's Basel III Subordinated Debt Final 'A-(Ika)'

Thu 24 Sep, 2020 - 2:28 AM ET

Fitch Ratings - Singapore - 24 Sep 2020: Fitch Ratings has assigned DFCC Bank PLC's (A+ (Ika)/Stable) proposed Basel III-compliant subordinated unsecured debentures a final National Long-Term Rating of 'A-(Ika)'.

The final ratings are the same as the expected ratings affirmed on 5 August 2020 and follow the receipt of documents conforming to information already received.

The notes, which will total up to LKR7 billion and mature in five and seven years, include a non-viability clause and will qualify as regulatory Tier 2 capital for the bank. The bank plans to use the proceeds to strengthen its Tier 2 capital base and support its loan expansion.

The debentures are to be listed on the Colombo Stock Exchange.

#### KEY RATING DRIVERS

DFCC's Sri Lankan rupee-denominated subordinated debt is rated two notches below the National Long-Term Rating anchor. This reflects Fitch's baseline notching for loss severity for this type of debt and our expectations of poor recoveries. There is no additional notching for non-performance risks.

DFCC's National Long-Term Rating reflects its standalone profile, including pressure on the bank's capital buffers from deteriorating asset quality, weak earnings and increased operating environment-related risks.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

DFCC's subordinated debt would be upgraded if the bank's National Long-Term Rating is upgraded.

The prospect of an upgrade appears unlikely in the near term due to the deteriorating operating environment. An upgrade of DFCC's rating is contingent upon the bank's credit profile improving relative to the rated universe of Sri Lankan entities. This could result from achieving a sustained and significant improvement in its capitalisation relative to peers that can help it withstand higher operating environment-related risks.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

DFCC's subordinated debt would be downgraded if the bank's National Long-Term Rating is downgraded or if notching is widened due to expectations of higher loss severity.

DFCC's rating would be downgraded if loss-absorption buffers deteriorate further, either through aggressive loan book growth or a greater share of unprovisioned non-performing loans.

## **DATE OF RELEVANT COMMITTEE**

04 August 2020

## **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.

## **RATING ACTIONS**

ENTITY/DEBT	RATING			PRIOR
DFCC Bank PLC				
● subordinated	Natl LT	A-(lka)	New Rating	A- (EXP) (lka)

[VIEW ADDITIONAL RATING DETAILS](#)

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

## **APPLICABLE CRITERIA**

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 08 Jun 2020\)](#)

## **ADDITIONAL DISCLOSURES**

[Solicitation Status](#)

[Endorsement Policy](#)

## **ENDORSEMENT STATUS**

DFCC Bank PLC

EU Endorsed

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## SOLICITATION STATUS

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

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Banks   Asia-Pacific   Sri Lanka

## ANNEXURE II - COLLECTION POINTS

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Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

<b>Issuer</b>  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	<b>Joint Managers and Placement Agents to the Issue</b>  NDB Investment Bank Limited Level 1, NDB Capital Building No. 135, Bauddhaloka Mawatha Colombo 04  Tel: + 94 11 2 300 385-90 Fax: +94 11 2 300 393  Acuity Partners (Private) Limited Acuity House No. 53, Dharmapala Mawatha Colombo 03  Tel: +94 11 2 206 206 Fax: +94 11 2 437 149
<b>Registrars to the Issue</b>  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	<b>Bankers to the Issue</b>  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

### Branch Network of DFCC Bank PLC

Copies of the Application Form can be obtained free of charge from all branches/customer centers of DFCC Bank PLC

## Members of the CSE

<p><b>Acuity Stockbrokers (Private) Limited</b></p> <p>Level 6, Acuity House 53, Dharmapala Mawatha Colombo 03</p> <p>Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: sales@acuitystockbrokers.com</p>	<p><b>Asha Securities Limited</b></p> <p>No. 60, 5<sup>th</sup> Lane, Colombo 03</p> <p>Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: <a href="mailto:asl@ashasecurities.net">asl@ashasecurities.net</a></p>
<p><b>Asia Securities (Private) Limited</b></p> <p>4<sup>th</sup> Floor, Lee Hedges Tower No. 349, Galle Road Colombo 03</p> <p>Tel: +94 11 7 722 000 Fax: +94 11 2 372 280 E-mail: marketinfo@asiasecurities.lk</p>	<p><b>Assetline Securities (Private) Limited</b></p> <p>120, 120A, Pannipitiya Road Battaramulla</p> <p>Tel: +94 11 4 700 100 Fax: +94 11 4 700 112 E-mail: info@assetline.lk</p>
<p><b>Bartleet Religare Securities (Private) Limited</b></p> <p>Level "G", "Bartleet House" 65, Braybrooke Place Colombo 02</p> <p>Tel: +94 11 5 220 200 Fax: +94 11 2 434 985 E-mail: info@bartleetreligare.com</p>	<p><b>Capital TRUST Securities (Private) Limited</b></p> <p>42, Sir Mohamed Macan Markar Mawatha Colombo 03</p> <p>Tel: +94 11 2 174 174 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk</p>
<p><b>CT CLSA Securities (Private) Limited</b></p> <p>4-14, Majestic City 10, Station Road Colombo 04</p> <p>Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk</p>	<p><b>First Capital Equities (Pvt) Limited</b></p> <p>No.2, Deal Place, Colombo 03.</p> <p>Tel: +94 11 2 639 898 Fax: +94 11 5 736 264 E-mail: equity@firstcapital.lk</p>
<p><b>J B Securities (Private) Limited</b></p> <p>150, St. Joseph Street Colombo 14</p> <p>Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk</p>	<p><b>John Keells Stock Brokers (Private) Limited</b></p> <p>186, Vauxhall Street, Colombo 02.</p> <p>Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com</p>

<p><b>Lanka Securities (Private) Limited</b></p> <p>228/1, Galle Road Colombo 04</p> <p>Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com</p>	<p><b>Somerville Stockbrokers (Private) Limited</b></p> <p>No. 1A, Park way, Park Road, Colombo 05.</p> <p>Tel: +94-11 2 502 852/ 54/ 58/ 62 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk</p>
<p><b>NDB Securities (Private) Limited</b></p> <p>Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04</p> <p>Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk</p>	<p><b>SC Securities (Private) Limited</b></p> <p>5<sup>th</sup> Floor, No. 26B, Alwis Place Colombo 03</p> <p>Tel: +94 11 4 711 000 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk</p>
<p><b>Nation Lanka Equities (Pvt) Ltd</b></p> <p>No. 44, Guildford Crescent, Colombo 07</p> <p>Tel: +94 11 2 030 900 Fax: +94 11 2 673 355 E-mail: info@nlequities.com</p>	

## Trading Members

<b>Softlogic Stockbrokers (Private) Limited</b> Level 16, One Galle Face Tower Colombo 02  Tel: +94 11 7 277 000-98 Fax: +94 11 7 277 099 Email: <a href="mailto:ssb.inquiry@softlogic.lk">ssb.inquiry@softlogic.lk</a>	<b>Capital Alliance Securities (Private) Limited</b> Level 5, "Millennium House" 46/58, Navam Mawatha Colombo 02  Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 Email: <a href="mailto:info@cal.lk">info@cal.lk</a>
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<b>Candor Equities Limited</b> Level 8, South Wing Millennium House 46/58, Navam Mawatha Colombo 02 Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: <a href="mailto:info@candorh.com">info@candorh.com</a>	<b>LOLC Securities (Private) Limited</b> No.481, T.B. Jayah Mawatha Colombo 10  Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: <a href="mailto:info@lolcsecurities.com">info@lolcsecurities.com</a>
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<b>Enterprise Ceylon Capital (Private) Limited</b> No. 73/1, Dharmapala Mawatha Colombo 07  Tel: +94 11 2 445 644 Fax: +94 11 2 372 541 E-mail: <a href="mailto:info@ecc.lk">info@ecc.lk</a>	<b>TKS Securities (Private) Limited*</b> 4th Floor, No. 245, Dharmapala Mawatha, Colombo 07.  Tel: +94 11 7 857 799 Fax: +94 11 7 857 857 E-mail: <a href="mailto:info@tks.lk">info@tks.lk</a>
<b>Navara Securities (Private) Limited*</b> No.12B, Gregory's Road Colombo 07. Tel: +94 11 2 358 700/20, Fax: +94 11 5 005 551 E-mail: <a href="mailto:info@navarasecurities.lk">info@navarasecurities.lk</a>	

\*Inactivated operations as per Stockbroker Rules

**Trading Members – Debt**

<b>NSB Fund Management Limited</b>  No. 400 , Galle Road Colombo 3  Tel: +94 -11 2 564 601 Fax: +94 11 2 574 387	<b>Capital Alliance Limited</b>  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
<b>Wealthtrust Securities Limited</b>  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	

### ANNEXURE III - CUSTODIAN BANKS

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

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Manager

DFCC Bank PLC

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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

