

## **Financial Wealth**

### **Structured for Growth, Built on Financial Strength**

Anchored by a resilient capital base, backed by sound asset quality, strong liquidity, and a solid regulatory capital position, our Financial Wealth stands as a catalyst for structured and transformative growth. Together, these pillars amplify the credibility and endurance of the business model, empowering MI to pursue its structured growth agenda and long-term value creation with confidence, clarity, and visionary purpose.

In a year marked by transformation and opportunity, Mercantile Investments and Finance PLC (MI) soared to new heights, achieving a record-breaking Profit After Tax (PAT) of Rs. 1.07 billion, an achievement epitomising MI's unwavering commitment towards bold vision, enduring resilience, and disciplined execution in steering purposeful growth amid Sri Lanka's economic resurgence. Propelled by a solid capital base exceeding Rs. 13.83 billion and underpinned by impeccable asset quality, this performance reflects MI's strategic foresight, operational excellence, and ability to harness its core competencies towards sustainable growth trajectory, in a highly-competitive financial landscape.

The evolving economic environment provided vital uplift for MI's structured ascent. The Average Weighted Prime Lending Rate (AWPLR) recorded a notable decline in the first half of 2024, largely driven by the Central Bank of Sri Lanka's (CBSL) accommodative monetary policy stance which stabilised market interest rates, reduced borrowing costs, and improved credit conditions across the economy. MI adeptly harnessed these tailwinds to accelerate growth and expanded its lending portfolio, improved net interest margins, and strengthened cash flow generation while maintaining rigorous cost discipline and executing prudent asset-liability strategies. These calibrated initiatives enabled MI to transcend market constraints through scalable, strategy-led operations, achieving exceptional operational efficiency and fortified financial strength. Moreover, a steadfast focus on robust risk management and a prudent proactive governance style fortified MI's balance sheet strength further in a shifting economic terrain.

MI is strategically positioned to build on this momentum and continue its journey of structured, sustainable elevation whilst focusing on expanding its leasing and gold-backed lending portfolios, diversifying non-interest income streams, and leading digital transformation efforts, in delivering long-term stakeholder value and pioneering a future of resilient, structured growth.

|                            | 2025   | 2024   | Change |
|----------------------------|--------|--------|--------|
| Total Assets (Mn)          | 70,934 | 53,231 | 33%    |
| Capital Base (Mn)          | 13,837 | 12,165 | 14%    |
| Net Lending Portfolio (Mn) | 53,073 | 36,995 | 43%    |
| PAT (Mn)                   | 1,075  | 556    | 93%    |
| NPL                        | 4.91%  | 9.81%  | 4.9%   |

### Financial Management Drivers Exhibited

In a stabilising economic landscape characterised by rigorous fiscal and monetary policies with single-digit interest rates, MI remained firmly committed to steering towards structured growth, through a well-disciplined financial management strategy anchored on three core pillars, embracing a forward-looking and resilient approach. This structured discipline underscores the Company's ability to rise above market constraints, adapt swiftly to evolving conditions, and deliver enduring value to its stakeholders.

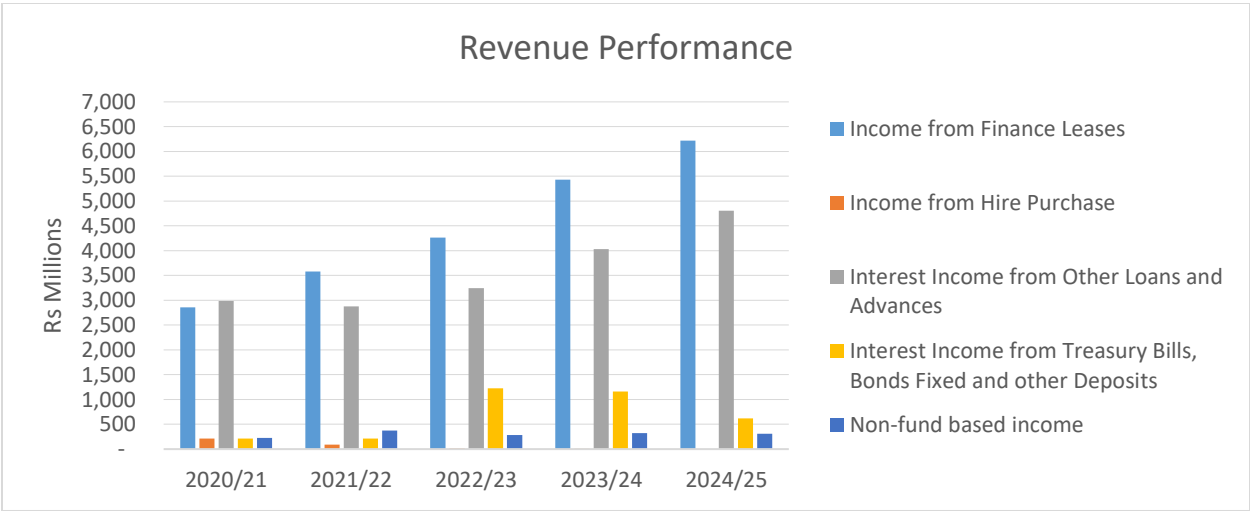
- Sustainable Revenue Growth
- Efficient Treasury Operations
- Cost Optimisation

### Sustainable Revenue Growth

As the economy embarked on a path of recovery and growth, we strategically expanded the branch footprint and product offerings to capitalise on evolving business opportunities, targeting sustainable revenue growth. Despite the persistent decline in interest rates, MI demonstrated strong revenue resilience, marking 9% growth in gross revenue, supported by disciplined lending expansion, improved margins, and product diversification that reflect MI's structured approach to sustainable growth and ability to consistently outperform in a competitive financial services landscape.

While credit demand remained subdued in the first half of the year, MI capitalised on improving market sentiment in the latter half by accelerating disbursements in its Gold Loan segment and rolling out targeted leasing solutions. A notable strategic development was the introduction of sustainable finance lending products, aligning the Company’s portfolio with evolving ESG imperatives and positioning MI for future forward, responsible growth.

To support topline performance, MI executed the highest branch network expansion in the industry, a 43% expansion of its branch footprint, reaching 73 strategic locations. This network growth, coupled with an omni-channel digital presence, enabled broader customer acquisition and deeper credit penetration across high potential regions. As policy rates trended downward, MI meticulously managed pricing strategies to balance affordability and profitability, prioritising high-yield, medium- to long-term products to secure repricing advantages while effectively controlling funding costs. Overall, these strategic efforts enabled us to record a remarkable milestone in the bottom line as well, underscoring MI’s capacity to adapt to shifting monetary conditions, manage risk prudently, and sustain long-term value creation for stakeholders.



**Treasury Operations**

In an easing monetary policy environment characterised by declining policy rates, MI effectively minimised funding costs while maintaining an impeccable liquidity profile and robust contingency funding mechanisms. Treasury operations were strategically calibrated to optimise short-term deposit mobilisation, enabling the Company to reprice deposits downward in line with falling

rates. Moreover, to support the expanding loan book, the Company resorted to bank funding and securitised borrowings, whilst managing the maturity profile of assets and liabilities. This disciplined approach strengthened operational efficiency and prudent capital allocation, reinforcing MI's financial resilience and capacity for sustained value creation, whilst optimising its maturity profile.

As credit disbursements reached historically high levels during this financial year, with branch expansions and MI's growth momentum, the Treasury team effectively managed the increased funding requirements by mobilising Rs. 10.6 billion in longer-term borrowings and maintaining Rs. 2.5 billion in unutilised funding lines, sustaining a robust liquidity safety net with a liquidity ratio of 19.82%, well above the regulatory minimum of 10%. MI's strategic focus on deposit repricing and diversified funding sources allowed us to harness the benefits of declining policy rates, successfully preserving net interest margins above the threshold of 9%. Despite industry-wide challenges to maintain the optimal blend of funding to bridge the mismatches, MI's proactive funding strategy ensured a balanced asset-liability maturity profile, uplifting trust and confidence of our stakeholders.

### Treasury Management Priorities

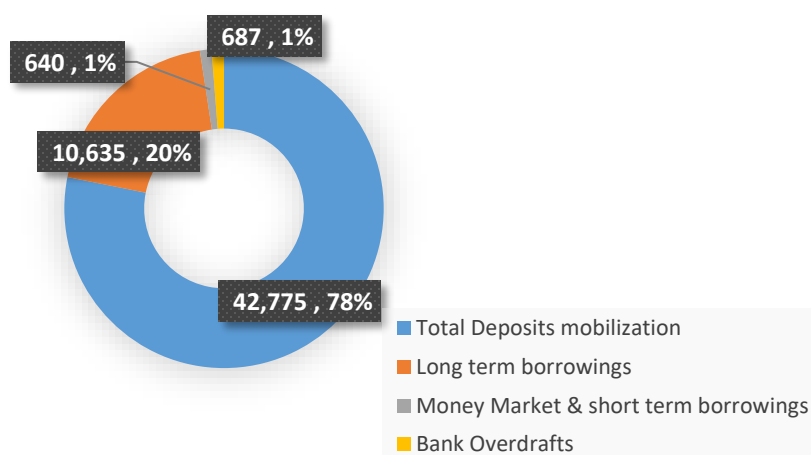
| Priority   | Target   | Actual     | Status   |
|--|--|------------|----------|
| <b>Generate sound investment yields and optimise funding costs to maintain acceptable NIMs</b> | >9%  | 11.87%     | Achieved |
| <b>Maintain optimum liquidity levels while bridging maturity mismatches</b>                    | Strong liquidity level > Staying above minimum requirement of 10%                                  | 19.82%     | Achieved |
|  | 1 year assets and liabilities mismatch < Staying below threshold level of Rs. 4 Bn across the year | Rs. 0.4 Bn | Achieved |

|  |  |            |          |
|--|--|------------|----------|
|  | Maintain a minimum contingency fund of Rs. 2 Bn. | Rs. 2.8 Bn | Achieved |
|--|--|------------|----------|

## Funding Mix

We strategically maintained a balanced blend of deposits and borrowings to optimise funding costs, while carefully managing asset-liability maturity gaps to ensure financial stability and operational efficiency. The deposits business remained the primary contributor to the funding mix, accounting for 78% of total funding. During the year, we strategically raised bank and securitised borrowings, both long and short term, to 22% of the funding mix, up from 7% in the previous year, leveraging attractive capital market terms to diversify funding sources and enhance financial agility. This recalibration of the funding mix was undertaken to align with asset-liability management objectives, and support rapid lending growth. By optimising maturity profiles and strengthening financial resilience, the Company positioned itself to navigate evolving market conditions while preserving long-term value creation.

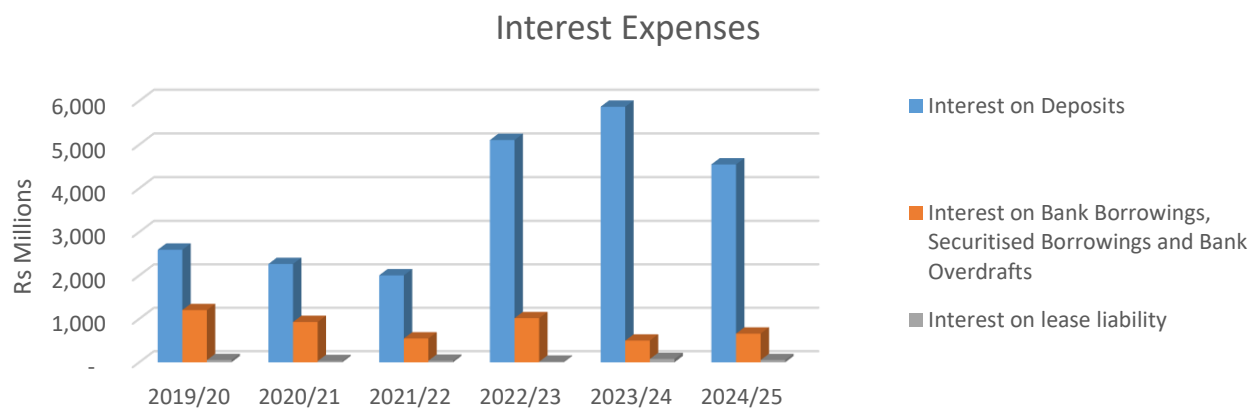
FUNDING MIX 2024/25



## Funding Cost

MI effectively leveraged the declining interest rate environment, achieving an 18% reduction in interest expenses, despite 18% growth in total deposits and 334% growth in bank and securitized borrowings secured in the latter part of the year. The average cost of funds dropped by 4.45% in

the current financial year, reflecting successful strategic reprising of fixed deposits relatively backed by the shorter tenor deposit base possessed. However, interest expenses on bank borrowings rose by 34% to Rs. 609 million, driven by a deliberate shift toward longer-term funding to enhance financial flexibility.

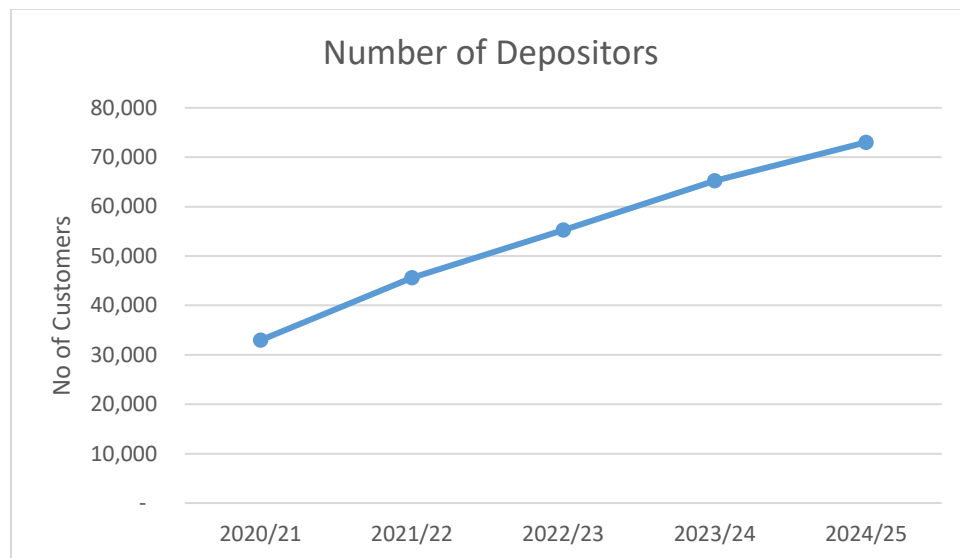


**Deposit Funding**

Deposit mobilization gained strong momentum, with the deposit base rising by an impressive 18% to reach Rs. 42.8 billion, outpacing the industry average. This noteworthy growth was fuelled by the strategic expansion of MI’s branch network and focused marketing efforts, which not only broadened the Company’s reach but also deepened customer engagement and reinforced its brand image and loyalty.

**Fixed Deposits**

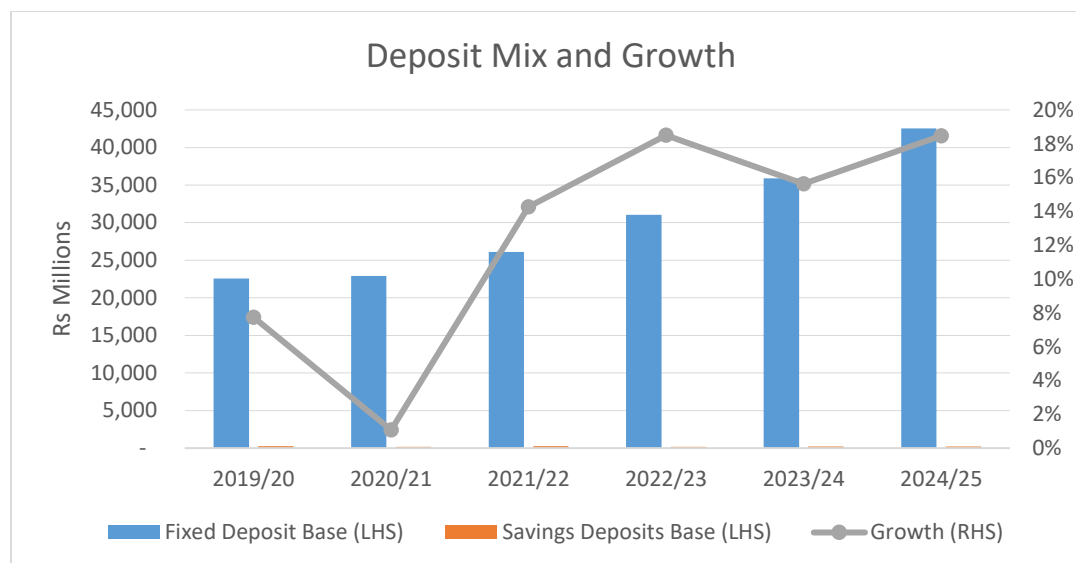
MI’s steadfast focus on mobilising Fixed Deposits, being the core deposit product, remained a cornerstone of our strategy, contributing 99% to the total deposit base. Even amidst a challenging environment of declining market interest rates, we achieved an impressive 18% growth, with Fixed Deposits rising to Rs. 42.5 billion, driven by competitive rates and enhanced service delivery across the branch network. Branch-level efforts contributed 37% to fixed deposit net growth and 38% to the overall portfolio increase, while the Head Office remained the largest contributor to growth. With the ongoing decentralisation efforts, coupled with progressive upgrades to IT infrastructure, the Company expects to further enhance customer convenience, strengthen deposit retention, and support sustainable growth in the deposit portfolio.



### Savings Deposits

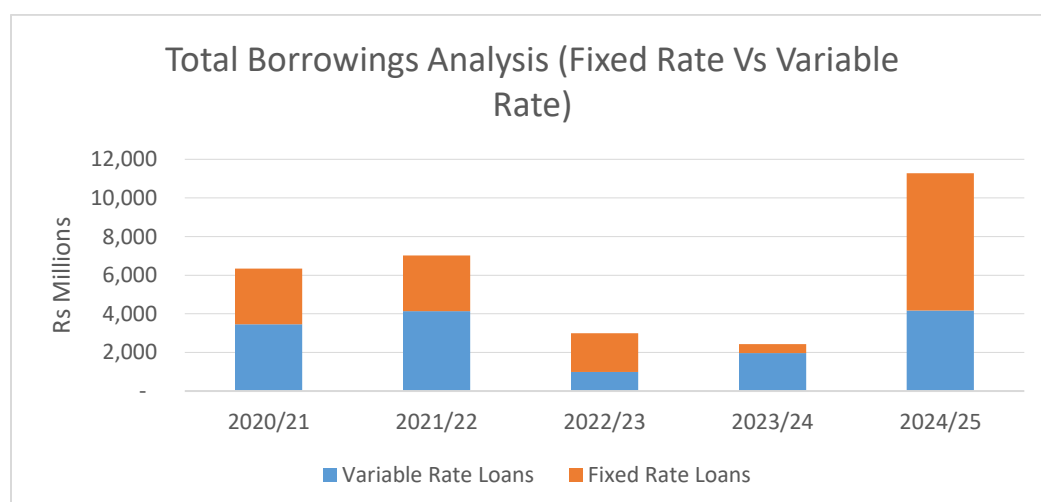
The savings base grew by 8%, from Rs. 218 million to Rs. 236 million, driven by strengthened branch-level mobilisation and innovative product offerings. A key contributor to this growth was the successful reintroduction of the minor savings product 'Podiththo,' which played a pivotal role in broadening the retail deposit portfolio. This initiative not only strengthened customer engagement at grass-root levels but also reinforced the commitment to fostering long-term savings habits across diverse demographic segments.

With a vision to further strengthen and diversify the retail deposit base, the Company is poised to launch innovative e-wallet solutions, introduce debit card services, and enhance digital banking capabilities, empowering customers with greater convenience, accessibility, and a seamless financial experience in the digital age.



## Borrowings and Debt Funding

Bank and securitised borrowings surged by 334% to Rs. 12 billion from Rs. 2.7 billion, reflecting a strategic effort to optimise the funding structure. This shift was guided by three key objectives: securing cost-effective, long-term funding to support increased lending growth; diversifying the funding base to reduce concentration risk; and improving Asset-Liability Management (ALM) by aligning funding maturities with lending tenor. Despite this growth, borrowings remain at an optimally balanced level of 22% of the total funding mix, demonstrating prudent leverage and preserving future funding flexibility. This approach enhances MI's resilience, mitigates maturity mismatches, and supports long-term stability and scalability in evolving macroeconomic conditions.





## Cost Optimisation

In the face of persistent cost pressures, MI demonstrated robust cost discipline, placing cost optimisation at the forefront of its operations. Despite the scale of MI's operational expansion, overhead cost growth was effectively managed through streamlined processes, redundancy elimination, and disciplined resource allocation including redevelopment when excess, guided by a dedicated Cost Optimisation Committee. These efforts drove enterprise-wide accountability, leading to a gradual improvement in the cost-to-income ratio and reinforcing MI's commitment to operational excellence and ability to grow smartly, efficiently, and sustainably.

## Financial Performance of FY 2024/25

### Horizontal Synopsis of Income Statement

|   | CAGR | 2025    |       | 2024    |      | 2023    |      |
|---|------|---------|-------|---------|------|---------|------|
|   |      | Rs      | %     | Rs      | %    | Rs      | %    |
| Gross Income                                      | 10%  | 11,952  | 9%    | 10,949  | 21%  | 9,036   | 27%  |
| Interest Income                                   | 10%  | 11,643  | 10%   | 10,628  | 21%  | 8,750   | 29%  |
| Interest Expense                                  | -5%  | (5,257) | -18%  | (6,442) | 5%   | (6,135) | -    |
| Net Interest Income                               | 35%  | 6,387   | 53%   | 4,187   | 60%  | 2,615   | -37% |
| Fee and Commission income                         | 7%   | 93      | 22%   | 76      | 0%   | 76      | 12%  |
| Other Operating Income                            | 1%   | 216     | -12%  | 245     | 16%  | 210     | -30% |
| Total Operating Income                            | 32%  | 6,695   | 49%   | 4,507   | 55%  | 2,901   | -36% |
| Impairment (Charge)/Reversal for Loan Losses      | -7%  | 225     | 2740% | (8)     | -97% | 276     | 87%  |
| Net Operating income                              | 27%  | 6,471   | 44%   | 4,499   | 42%  | 3,177   | -32% |
| Total Operating Expenses                          | 17%  | (4,325) | 32%   | (3,272) | 20%  | (2,732) | -    |
| Operating Profit Before Vat on Financial Services | 69%  | 2,146   | 75%   | 1,227   | 176% | 445     | -77% |
| VAT on Financial Services                         | 31%  | (738)   | 32%   | (560)   | 69%  | (332)   | -    |
| Profit After VAT                                  | 132% | 1,408   | 111%  | 668     | 489% | 113     | 167% |
| Share of Associate Company's Profit               | 118% | 199     | 31%   | 152     | 684% | 19      | -92% |
| Profit Before Tax                                 | 130% | 1,607   | 96%   | 820     | 517% | 133     | 673% |
| Income Tax  | 171% | (533)   | 102%  | (264)   | 886% | (27)    | -    |
| Profit After Tax                                  | 116% | 1,075   | 93%   | 556     | 424% | 106     | 106% |

Mercantile Investments and Finance PLC's performance in FY 2024/25 highlights the strength of its structured growth strategy, with robust year-on-year improvements across all key financial indicators. Compared to the previous year, gross income rose by 9%, while net interest income surged by 53%, driven by repricing led by an 18% reduction in interest expenses. Operating profit before VAT increased by an impressive 75%, and profit after tax scored up impressively by 93%, reflecting stronger profitability, tighter cost controls, and improved asset quality including a reversal of impairment charges. With total operating income growing 49% year-on-year, outpacing a 32% rise in expenses, the Company's financial performance signals not only growth, but strategic and sustainable acceleration.

MI made significant strides over the past year, boosting profitability, efficiency, and resilience. With this momentum, the Company is well-poised to sustain growth, enhance shareholder value, and deliver long-term stakeholder benefits through strategic focus and strong governance.

The cumulative average growth rate (CAGR) for the fiscal years 2023–2025 reflects impressive financial performance, with net interest income growing at 35%, profit after VAT at 132%, and profit after tax at 116%, underscoring the Company's consistent and commendable financial achievements.

#### Vertical Synopsis of Income Statement

|   | 2025    |      | 2024    |      |
|---|---------|------|---------|------|
|   | Rs      | %    | Rs      | %    |
| Gross Income                                      | 11,952  | 100% | 10,949  | 100% |
| Interest Income                                   | 11,643  | 97%  | 10,628  | 97%  |
| Interest Expense                                  | (5,257) | 44%  | (6,442) | 59%  |
| Net Interest Income                               | 6,387   | 53%  | 4,187   | 38%  |
| Fee and Commission income                         | 93      | 1%   | 76      | 1%   |
| Other Operating Income                            | 216     | 2%   | 245     | 2%   |
| Total Operating Income                            | 6,695   | 56%  | 4,507   | 41%  |
| Impairment (Charge)/Reversal for Loan Losses      | 225     | 2%   | (8)     | 0%   |
| Net Operating income                              | 6,471   | 54%  | 4,499   | 41%  |
| Total Operating Expenses                          | (4,325) | 36%  | (3,272) | 30%  |
| Operating Profit Before Vat on Financial Services | 2,146   | 18%  | 1,227   | 11%  |
| VAT on Financial Services                         | (738)   | 6%   | (560)   | 5%   |
| Profit After VAT                                  | 1,408   | 12%  | 668     | 6%   |

|                                     |       |     |       |    |
|-------------------------------------|-------|-----|-------|----|
| Share of Associate Company's Profit | 199   | 2%  | 152   | 1% |
| Profit Before Tax                   | 1,607 | 13% | 820   | 7% |
| Income Tax                          | (533) | 4%  | (264) | 2% |
| Profit After Tax                    | 1,075 | 9%  | 556   | 5% |

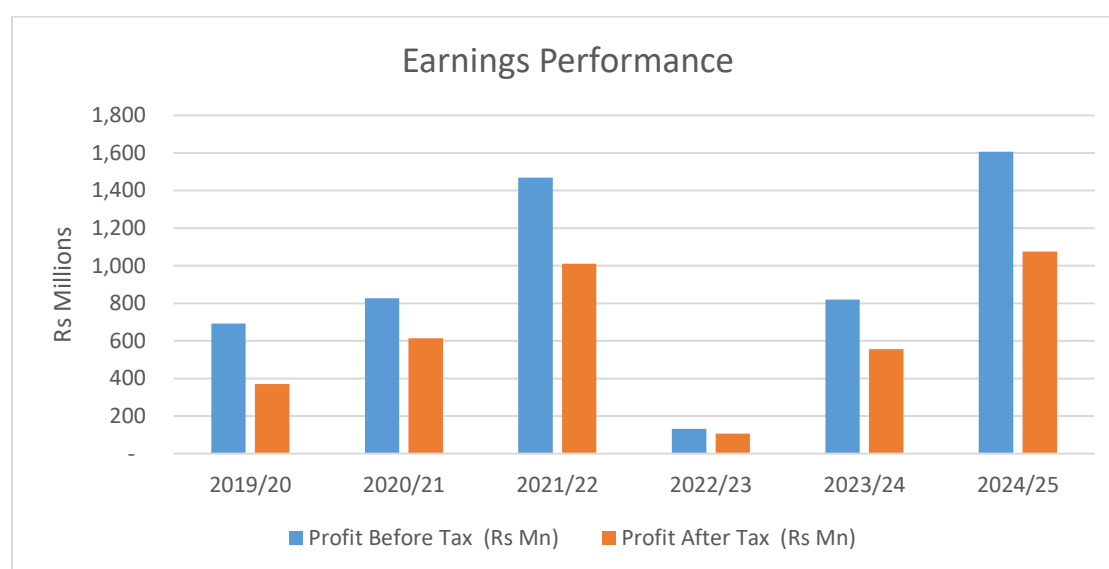
The vertical analysis underscores Mercantile Investments' disciplined financial framework, reflecting its prudent cost control and balanced strategy. Interest income remained stable at 97% of gross income, while interest expenses declined to 44%, illustrating effective financial management. As a result, net interest income rose to 53% of gross income, up from 38% last year, demonstrating significant margin escalation through strategic repricing gains and portfolio optimisation. Operating income represented 56% of gross income and profit after tax remained strong at 9% in relation to gross income, indicating efficient income-to-earnings conversion. This well-aligned cost and income structure reflects a business model rooted in deliberate, well-orchestrated growth, reinforcing MI's standing as a resilient and forward-focused financial institution.

### **Profitability on Rapid Upward Trajectory**

In the 2024/'25 fiscal year, MI reached a historic pinnacle, recording its highest-ever profitability, demonstrating the strength of the Company's strategic vision, disciplined execution, and remarkable agility in navigating a rapidly-evolving financial landscape. Driven by robust revenue expansion, strengthened margins, and a steadfast commitment to impeccable asset quality, the Company achieved remarkable Profit Before Tax (PBT) of Rs. 1,607 million and a Profit After Tax (PAT) of Rs. 1,075 million, reflecting impressive year-on-year growths of 96% and 93% respectively, underscoring MI's steady and inspiring ascent in profitability and its firm trajectory of sustainable success in the medium term.

Despite muted credit demand in the first half of 2024 due to economic uncertainties, the persistent decline in policy rates from mid-2024 and gradual removal of import restriction on motor vehicles during the latter part of the year spurred credit growth, driving a 43% year-on-

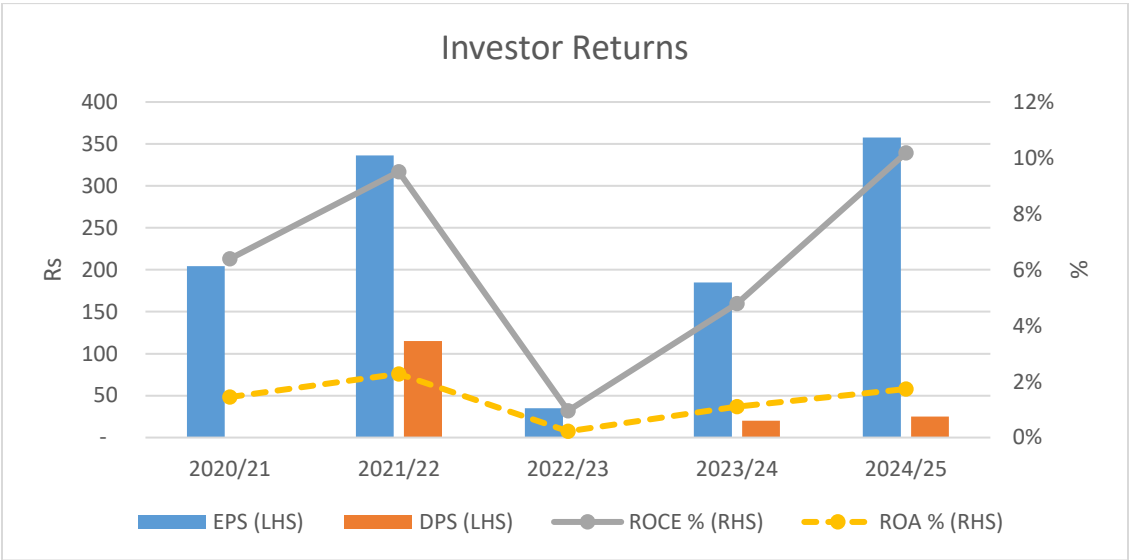
year increase in the net loan portfolio to Rs. 53 billion from Rs. 37 billion. Fuelled by sustained growth in interest income and supported by effective management of funding costs and repricing gains, we achieved an impressive 53% increase in net interest income bolstering bottom line and delivering remarkable growth. By deploying proactive recovery strategies and prompt legal enforcements, coupled with a large long-outstanding repayment, a notable reduction was observed in the 90-day NPL ratio, which was brought down to a commendable 4.91% from 9.81% reported in the last year, and helped to curtail impairment charges to Rs. 224.6 million.



### Enhanced Investor Wealth

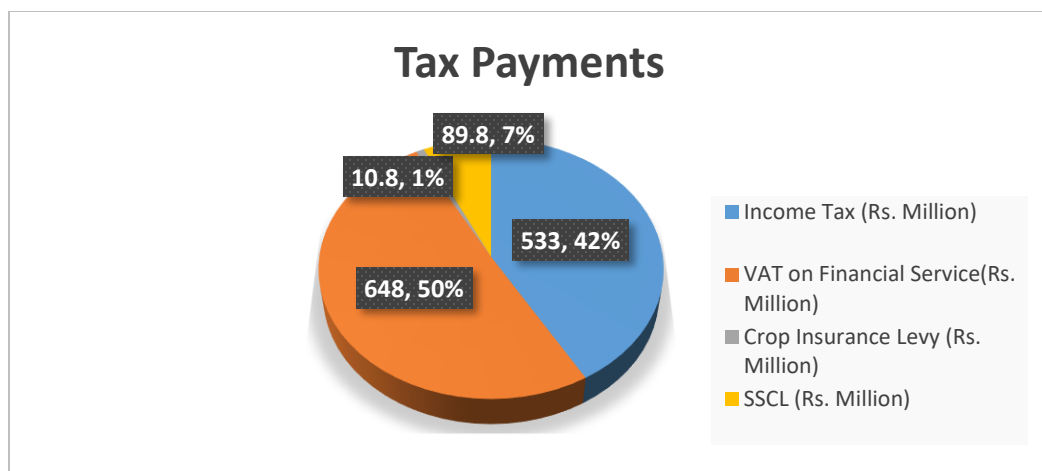
Driven by a robust increase in post-tax profitability, the Company delivered notable improvements in key performance metrics, with the Return on Average Shareholder Funds (ROE) rose to 8.27% and Return on Average Assets (ROA) increasing from 1.1% to 1.7% for the year under review. These strengthened returns underscore the disciplined value creation strategy and reaffirm the enduring confidence and trust placed in MI by its investors. The robust growth in profitability propelled the Earnings per Share by 93%, climbing from Rs. 184.9 to Rs. 357.51, reaffirming the Company's resilience and earning potential. In light of this robust performance, the Board declared a total of Rs. 75 Mn dividend payout, comprising dividend of Rs. 25 per share. As we retained a majority of profits towards building the future growth potential, shareholder

funds rose from Rs. 12.2 billion to Rs. 13.8 billion by 31 March 2025, showcasing a 14% YoY increase. (Refer ‘Investor Relations’ section on pages 332 to 337, on sound investor returns and capital accumulation trajectory.)



**Tax Impact on Profitability**

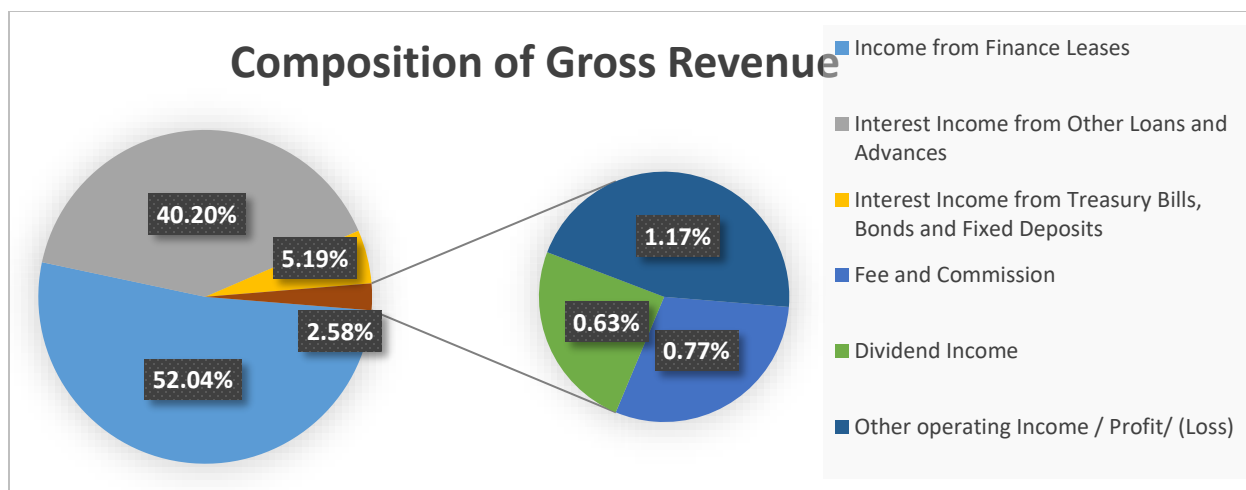
With the growth in operating profits, total tax expense increased significantly by 54% to Rs. 1,281 million during the year, while the effective income tax rate reduced from 40% to 41%. The income tax charge rose to Rs. 532.7 million from Rs. 264 million due to increased taxable profits. VAT on Financial Services, comprising 51% of total tax expenses, grew 32% to Rs. 648 million from Rs. 492 million, in line with the Company’s growing business volumes and earnings. The Crop Insurance Levy also increased by 64% aligned with the growth in profitability levels. These tax contributions underscore MI’s role as a transparent and accountable corporate entity, reinforcing its commitment to national fiscal development and responsible business practices. (Refer to Financial Statements Note 15 for detailed tax disclosures.)



### Gross Revenue Surge with Loan Book Expansion

Driven by the remarkable expansion of the lending portfolio, we achieved a notable 9% growth in gross revenue, reaching Rs. 11.9 billion, up from Rs. 10.9 billion, despite the persistent decline in interest rates. Core lending revenue surged by 16% to Rs. 11,024 million, representing a dominant 92% of gross revenue – an increase from 86% reflecting the growing strength of MI's foundational business. This performance was underpinned by a 43% expansion in the loan portfolio, driven by a robust uplift in traditional lease and vehicle financing for registered motor vehicles. Complementing this growth, the gold-backed lending segment delivered a stellar 303% year-on-year increase, reinforcing the strategic focus on high-yield, secured lending avenues. Together, these results illustrate the resilience and agility of our lending model, as we continue to unlock value across diversified asset classes and deliver sustainable growth. Conversely, non-fund-based income experienced a marginal 4% decline, settling at Rs. 308.5 million and contributing 2.6% to total revenue.

The contributions derived from investment income from Treasury activities dropped from 11% to 6%, as we consciously reduced surplus funds invested in Treasury bills and the Money Market with sustained decline in yield.



- **Lease Financing**

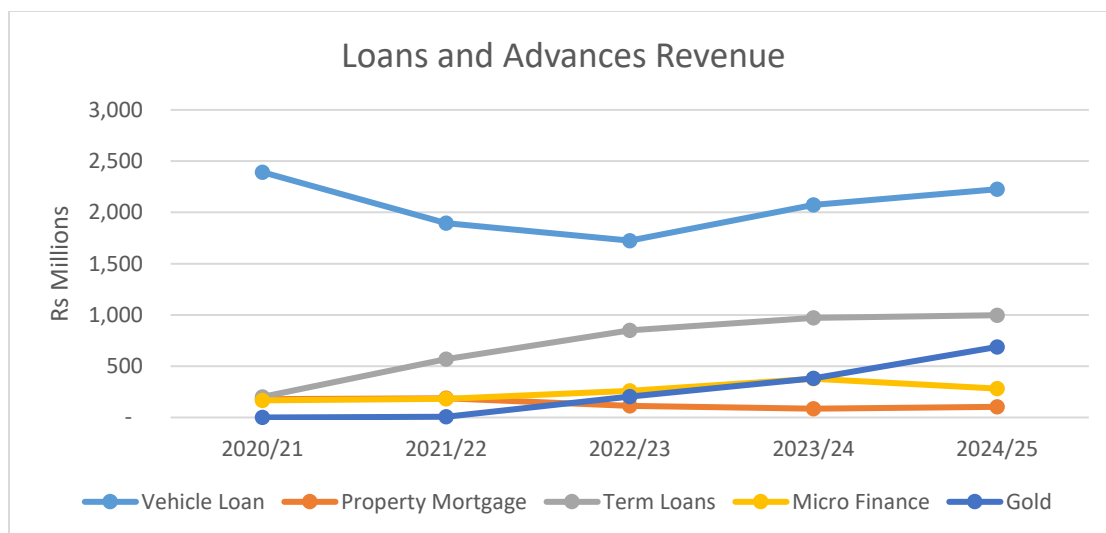
Leasing, as MI's flagship and most trusted lending product, remained a cornerstone of core revenue – contributing 56% and registering a robust 14% year-on-year growth. This sustained performance reflects the enduring appeal and market relevance of MI's leasing solutions.

- **Term-Based Lending Revenue**

Term-based lending – comprising vehicle financing, property mortgage loans, term loans, pledged loans, and microfinance – formed a key pillar of the loans and advances portfolio, contributing 33% to core lending revenue and achieving 3% year-on-year growth. As a major driver within MI's expanding and diversified product mix, this segment continues to reinforce the strategic focus on broad-based, inclusive lending solutions.

- **Gold Loan – Revenue**

As a key pillar of the product diversification strategy, gold-backed lending delivered an exceptional year-on-year revenue increase of 81%, reflecting both heightened market traction and the effectiveness of the targeted expansion efforts within secured, high-yield lending segments.

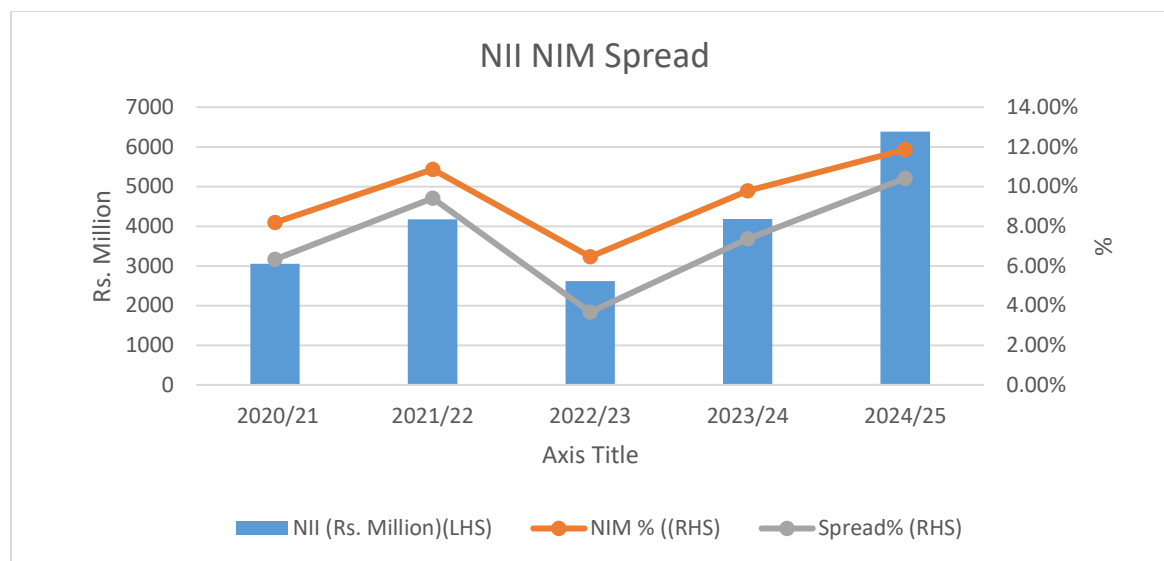


### Net Interest Income (NII), Net Interest Margin (NIM), and Core Spread

Despite the continued downward pressure on interest rates, we achieved a resilient 10% growth in interest income – underscoring the strength of the lending portfolio and product mix management to improve the yields. More impressively we successfully reduced our interest expense by 18%, in the face of a 334% drastic expansion in total borrowings, as we were able to optimize the repricing gain from the shorter tenor deposits. This prudent financial management enabled us to deliver a notable 53% growth in Net Interest Income (NII), reflecting both operational efficiency and the sound execution of the funding and pricing strategies. Apart from improved lending volumes, this commendable growth in NII was bolstered by enjoying an improved Net Interest Margin (NIM) from 9.79% to 11.87% and enhanced interest spread of 10.42% by March 2025, reaffirming the strength of the business model and the strategies we embraced, setting the tone for a resilient growth trajectory.

We remained steadfast in our commitment to enhancing core margins by strategically optimising our product mix – balancing traditional, moderate-yield offerings with high-yield lending segments. Simultaneously, we took proactive steps to reduce our cost of funding over the medium term. This dual approach not only enabled us to secure healthy interest spreads but also positioned us to confidently navigate potential market volatility with resilience and agility.



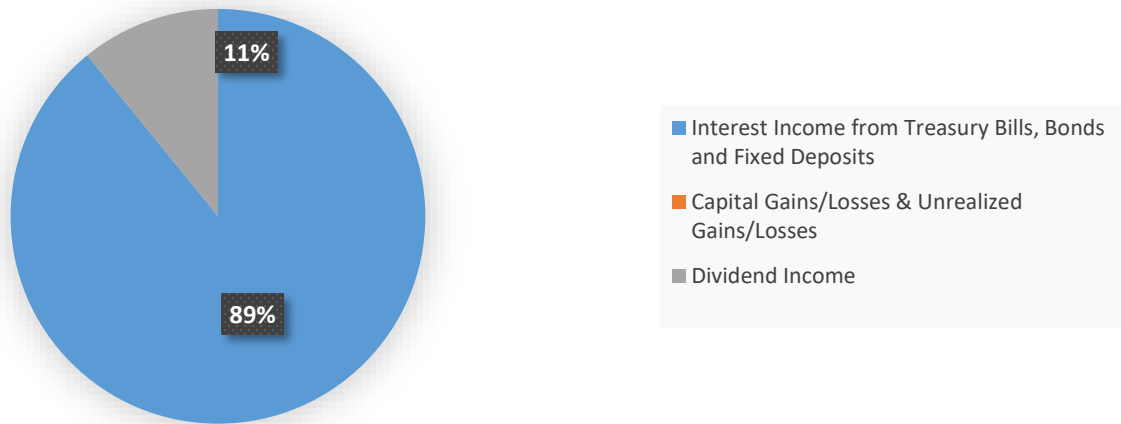


## Investment Income

Investment income, primarily derived from Government securities, bank placements, unit trusts, and dividends, experienced a notable decline of 43% overall, largely due to the gradual softening of yields and strategic divestments. Despite this contraction, the segment continued to contribute 6% to gross revenue. However, dividend income surged by 112% to Rs. 75.5 million from Rs. 35.7 million, reflecting strong returns from the strategic investments held.

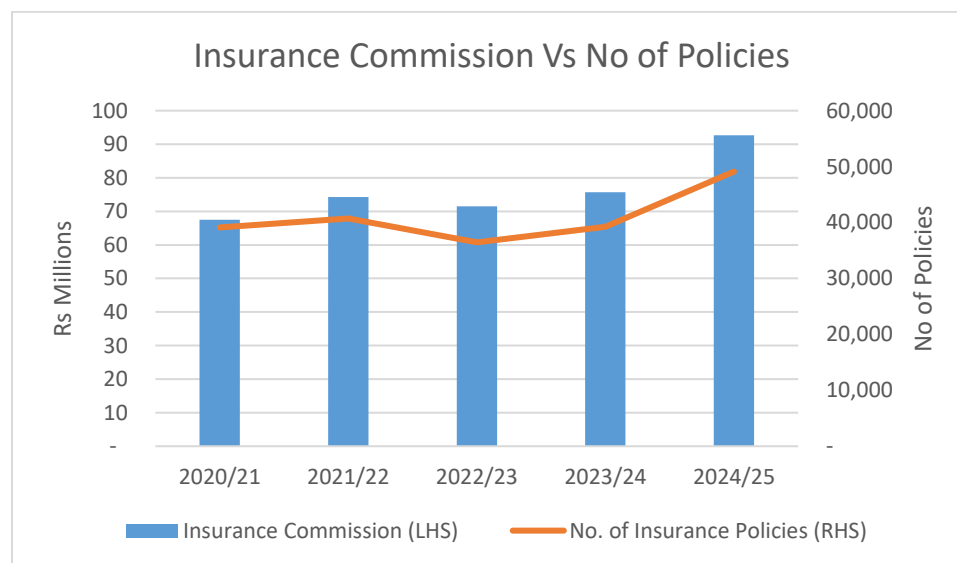
As the economy continued on its path of recovery and growth, improved market sentiment was reflected in the stock market, leading to a significant increase in unrealized fair value gains amounting to Rs. 631 million. This contributed to a substantial strengthening of the Other Comprehensive Income (OCI) reserve, which rose to Rs. 608 million as of 31st March 2025, compared to Rs. 80 million recorded at the beginning of the financial year.

## Investment Income (Rs. Millions)



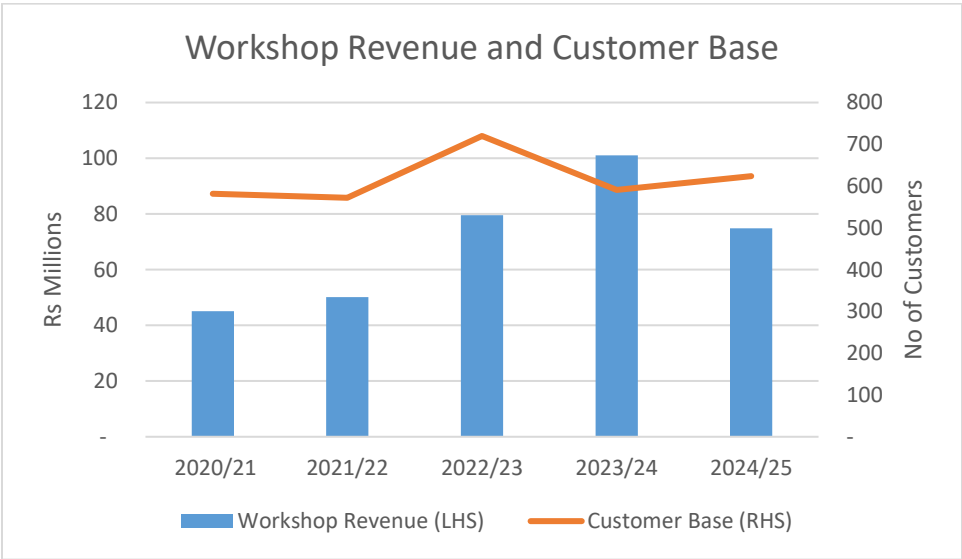
## Insurance Services

With the expansion of lease and vehicle financing business, Insurance referral business income increased by 22%, contributing Rs. 92.6 million to gross revenue compared with Rs. 75.7 million recorded for the previous year. Moreover, through a satisfactory track record of recovering insurance claims, which stood at Rs. 85 Mn. (Rs. 112 million for 2023/'24), we sustained sound customer retention levels, whilst attracting new clients, reinforcing MI's role as a comprehensive financial services provider.



**Workshop Services**

Workshop services, which operates as a strategic business unit, enhancing synergy for the core lending business by providing value added services to the customer base, generated Rs. 75 million in revenue for this financial year.

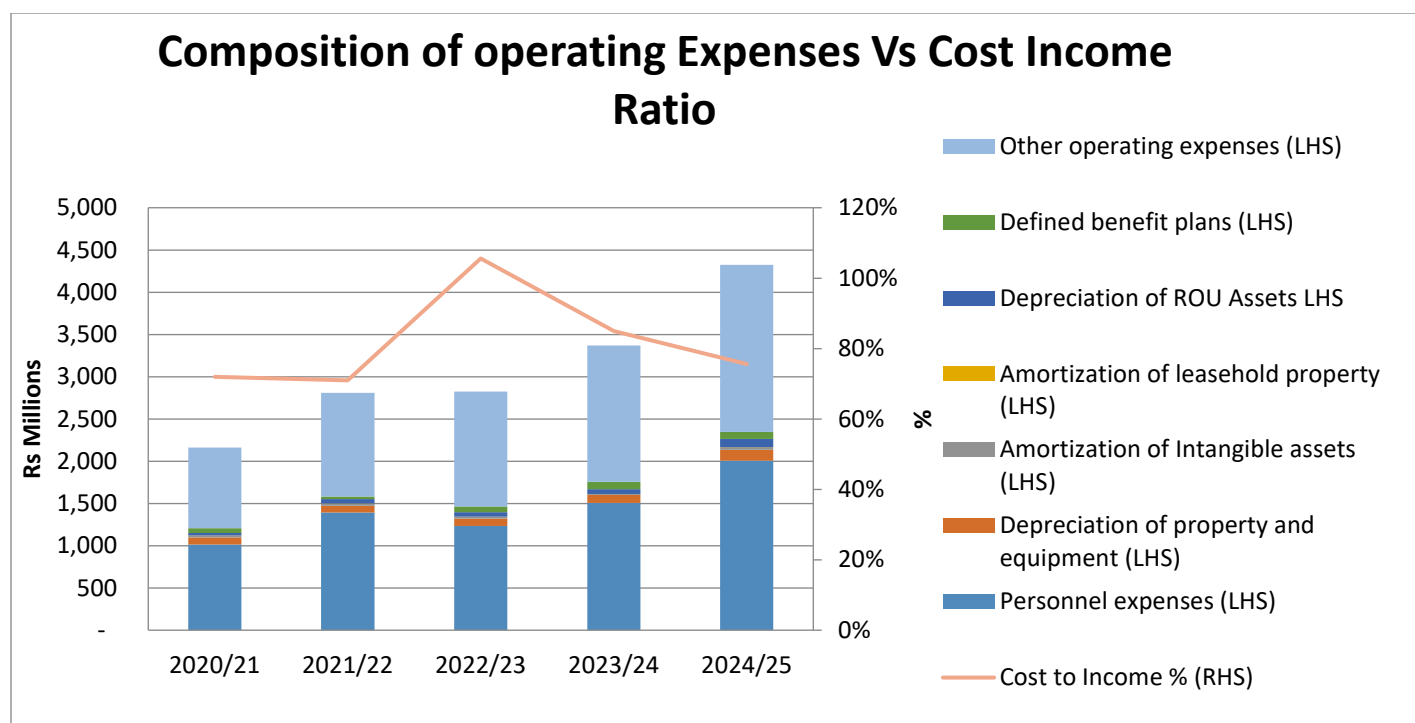


**Expenditure Management**

**Controlled Overhead Cost Escalation**

MI’s commitment to disciplined expenditure management remained firmly intact in 2024/’25, despite a 43% expansion in the branch network and a 35% increase in workforce, ensuring operational efficiency was not compromised amid growth.

During the year, operating expenses escalated by 32% to Rs. 4.33 billion, up from Rs. 3.27 billion, primarily driven by the expansion of our branch network and the scaling up of Gold operations. Despite this cost escalation, we successfully improved our cost-to-income ratio from 85% to 76%, reflecting our unwavering focus on cost optimisation and productivity enhancement. This achievement underscores MI’s commitment to a lean operating model and efficiency-driven growth, aimed at strengthening operating leverage and sustaining profitability across our expanding footprint.



## Capital Expenditure

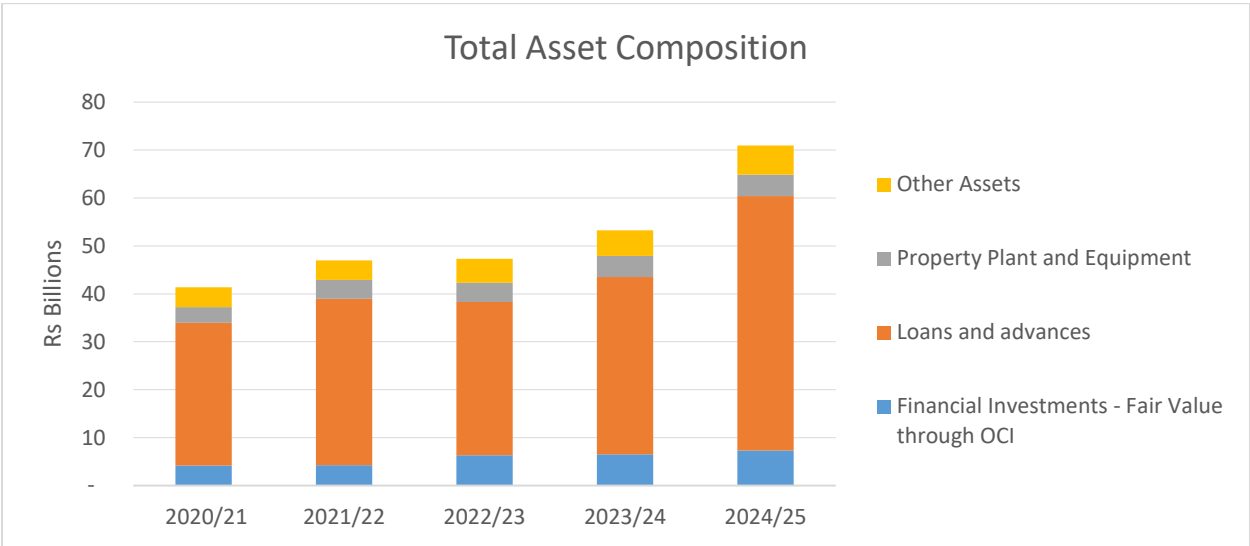
Capital investments during the period were strategically aligned with MI's core business objectives, primarily focused on expanding our physical footprint and advancing IT infrastructure and technology capabilities, positioning the organisation ahead of its planned growth trajectory. Accordingly, Rs. 259 million was allocated for branch expansion and Rs. 49 million for IT infrastructure upgrades, including migration to the core IT Scienter platform. With these investments, MI aims to position itself as a future-ready financial institution by strategically integrating advanced digital capabilities with an optimised physical presence, enabling inclusive, scalable, and sustainable growth aligned with long-term market opportunities.

## Financial Position, Strength, Blend, and Efficiency

### Total Assets Position

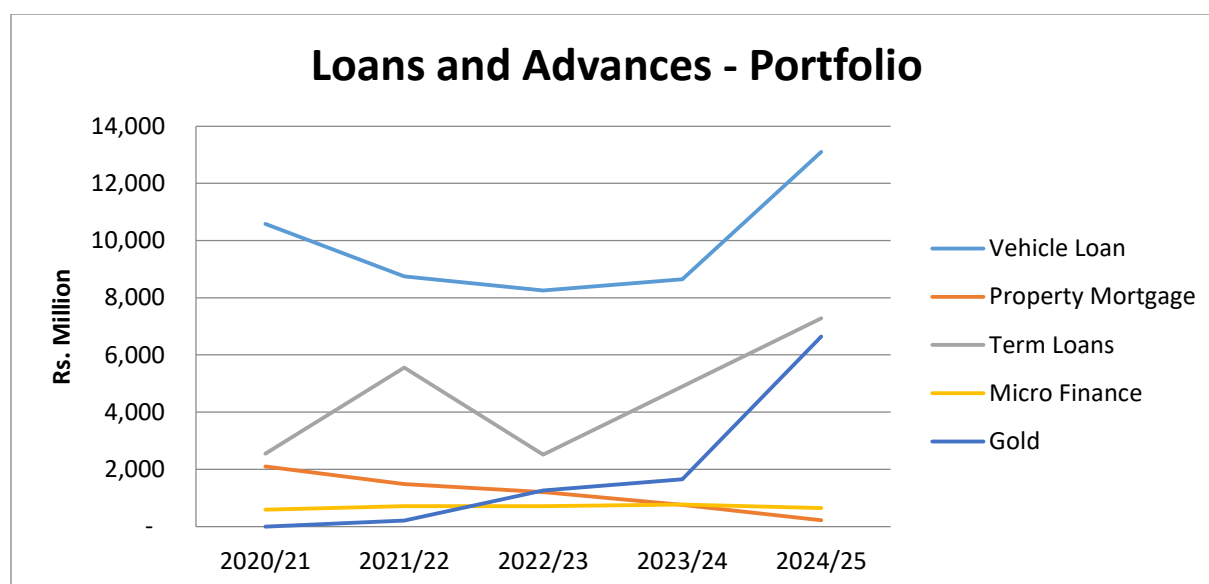
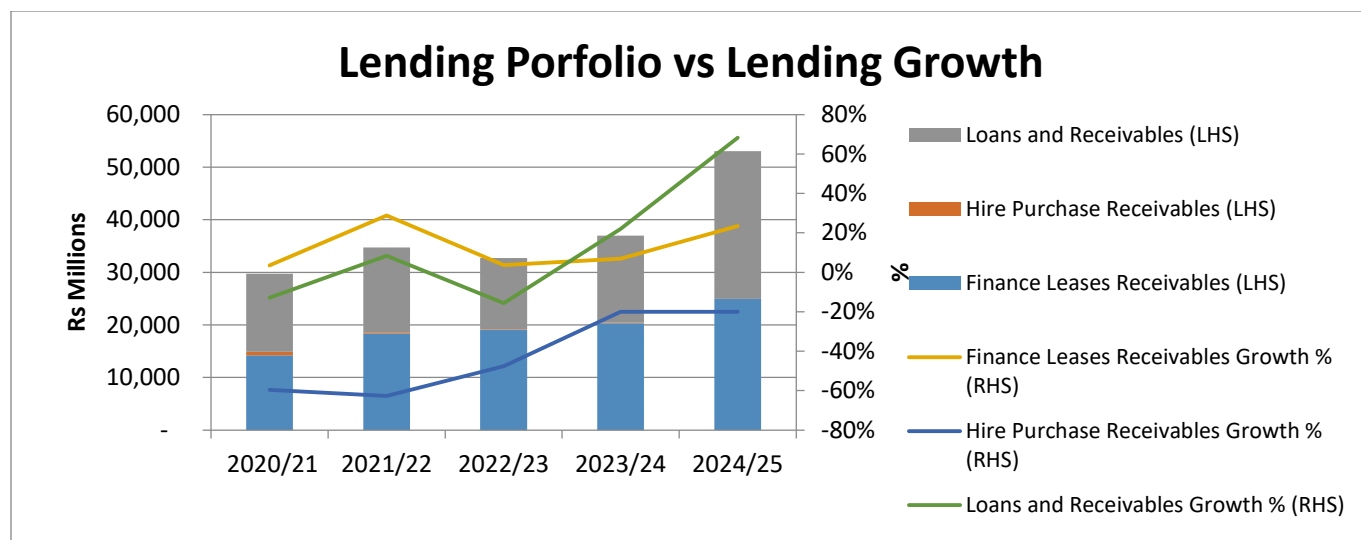
In FY 2024/'25, MI's total assets surpassed the Rs. 70 billion milestone, marking a remarkable growth of 33% year-on-year – well ahead of the industry average growth as of March 2025. This achievement was underpinned by a robust 43% expansion in the lending portfolio and targeted

investments in high-yield assets, reinforcing MI’s market leadership, financial strength, and strategic focus on sustainable, performance-driven growth.



**Loans and Advances**

With Loans and Advances constituting 75% MI’s total assets, it remained our core asset and the bedrock of our financial strength. Despite subdued credit demand that prevailed during the first half of the financial year, with the sustained decline in interest rates, coupled with the gradual easing of import restrictions on motor vehicles, revitalized lending activity across the industry, enabling us to surpass Rs. 50 billion in the loan book to reach Rs. 53 billion as at 31st March 2025. This remarkable portfolio growth was driven by MI’s primary product, lease financing, which grew by 23% to Rs. 25,061 million, while term-based lending surged by 68% to Rs. 27,931 million, led by 303% increase in Gold Loans to Rs. 6,646 Mn. This growth was supported by our expanded branch network and customer centric product offerings addressing diverse market needs, reflecting MI’s commitment to financial inclusion and portfolio diversification.



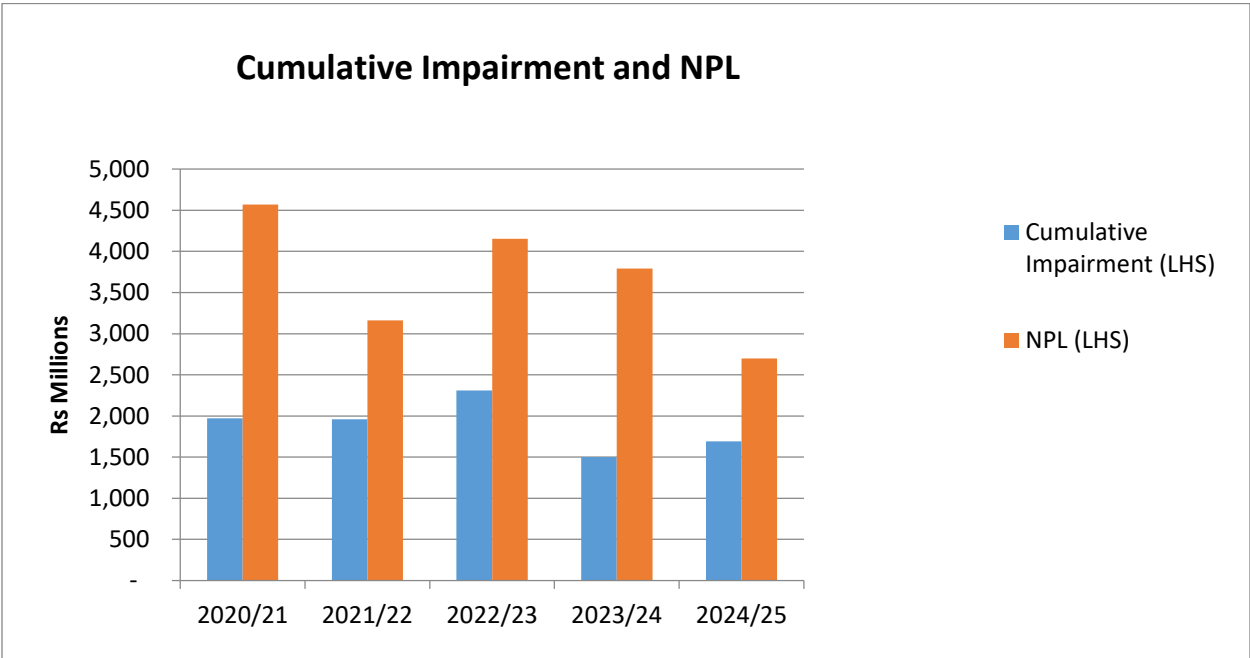
## Asset Quality Management

Our staunch recovery efforts, coupled with proactive risk management initiatives, enabled us to improve the 90-day NPL at 4.91% from 9.81% recorded in previous year, well below the industry average. In parallel, the absolute value of NPLs declined significantly by 29%, despite the rapid growth in lending portfolio, with the settlement of a large long-outstanding exposure, reflecting strong asset quality maintained through effective resolution and recovery efforts.

Our multifaceted recovery strategy included a dedicated call centre for early arrears follow-up, targeted recovery campaigns for high-risk accounts, and legal facilitation of out-of-court settlements. The Special Recoveries Force (SRF) ensured 24/7 operational support, while our digital tender-based asset disposal platform ‘Auto Transact’ minimised losses on repossessed vehicles and enhanced recovery efficiency. These measures underscore our ability to scale responsibly, maintaining high asset quality through rigorous underwriting standards, early warning mechanisms, and accelerated recovery efforts.

**Impairment Charges**

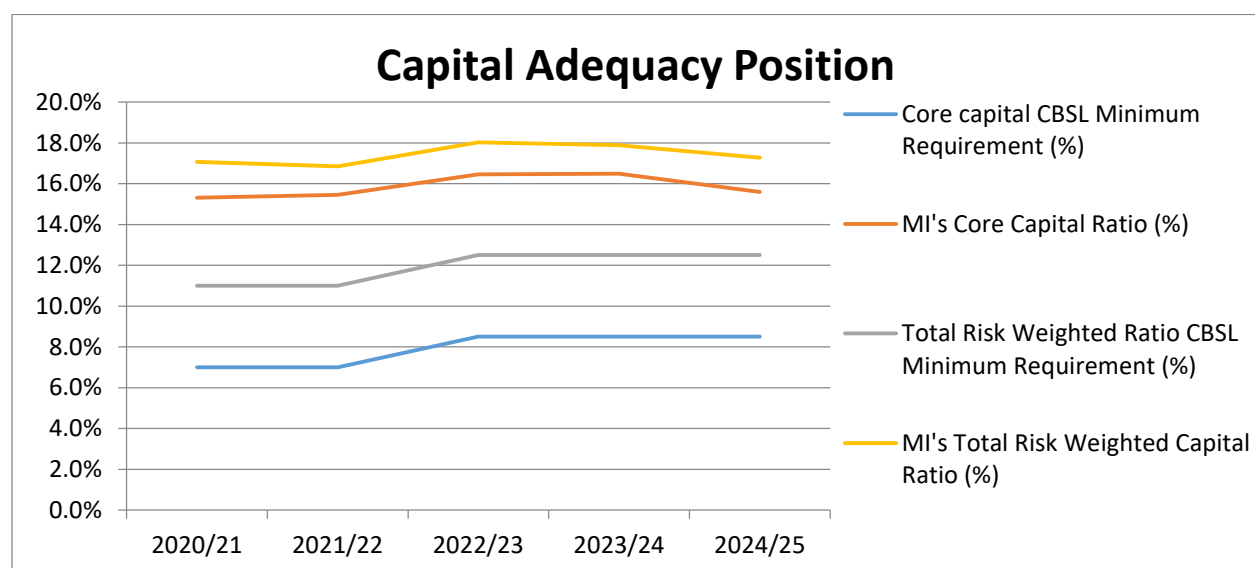
Despite a reduction in overall NonPerforming Loan (NPL) exposure, the impairment charge for the year surged to Rs. 224.6 million, compared to Rs. 7.9 million in the previous year. This was primarily attributable to the 43% expansion of the loan book and reflects a prudent approach to risk provisioning in alignment with evolving regulatory requirements, which bolstered the provision buffer and ensured adequate coverage against potential borrower defaults. As a result, the stage 03 provision coverage ratio improved from 37% to 58%, reinforcing the resilience of MI’s asset quality and its commitment to maintaining a robust and forwardlooking credit risk management framework.



## Capital Strength

### Regulatory Capital

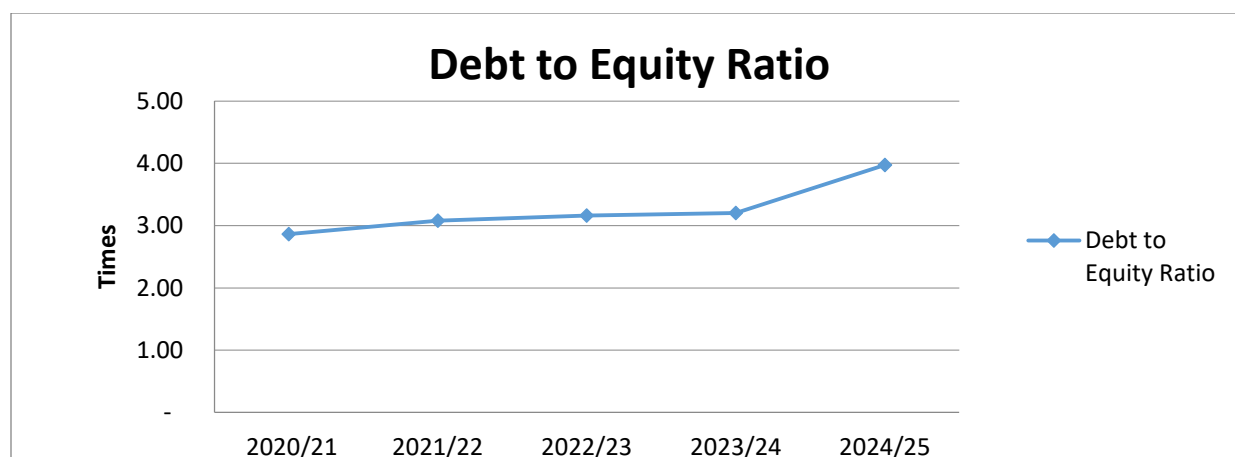
With our strong balance sheet, MI's capital strength remained solid, with shareholder funds reaching Rs. 13.8 billion, which enabled us to maintain prudent capital buffers throughout the year. With these capital buffers, MI maintained its 'Well Capitalised' status under Basel II, with Tier 1 and total capital ratios standing at 15.6% and 17.27% respectively, exceeding regulatory minimums of 8.5% and 12.5% as at 31 March 2025, reaffirming MI's capital strength, risk absorption capacity, and readiness for future growth.



### Debt to Equity

The debt-to-equity ratio remained broadly stable at 3.97, compared to 3.2 in the previous year, despite a substantial 33% expansion in total assets. This modest uptick reflects the calibrated use of leverage to support strategic asset growth, while remaining well within industry norms and regulatory comfort thresholds. Given the business model's inherent reliance on a stable base of low-cost deposit funding to drive core lending activities, MI continues to demonstrate a disciplined capital structure and prudent balance sheet management underscoring its commitment to financial resilience and sustainable growth.





## Liquidity

### Short- and Medium-Term Liquidity

Throughout the year, the Company consistently maintained robust liquidity buffers, ensuring operational stability and financial agility amid a dynamic operating environment. This prudent liquidity management approach enabled MI to effectively balance the trade-off between maintaining optimal liquidity and driving profitability. As at the reporting date, MI's liquidity ratio stood at a strong 19.82%, compared to 19.68% recorded in 2024, and significantly above the regulatory minimum requirement of 10%. This surplus liquidity position underscores the Company's proactive financial stewardship and its capacity to respond swiftly to market developments and funding needs without compromising long-term value creation. (Refer to Notes to the Financial Statements, pages 320 to 327.)

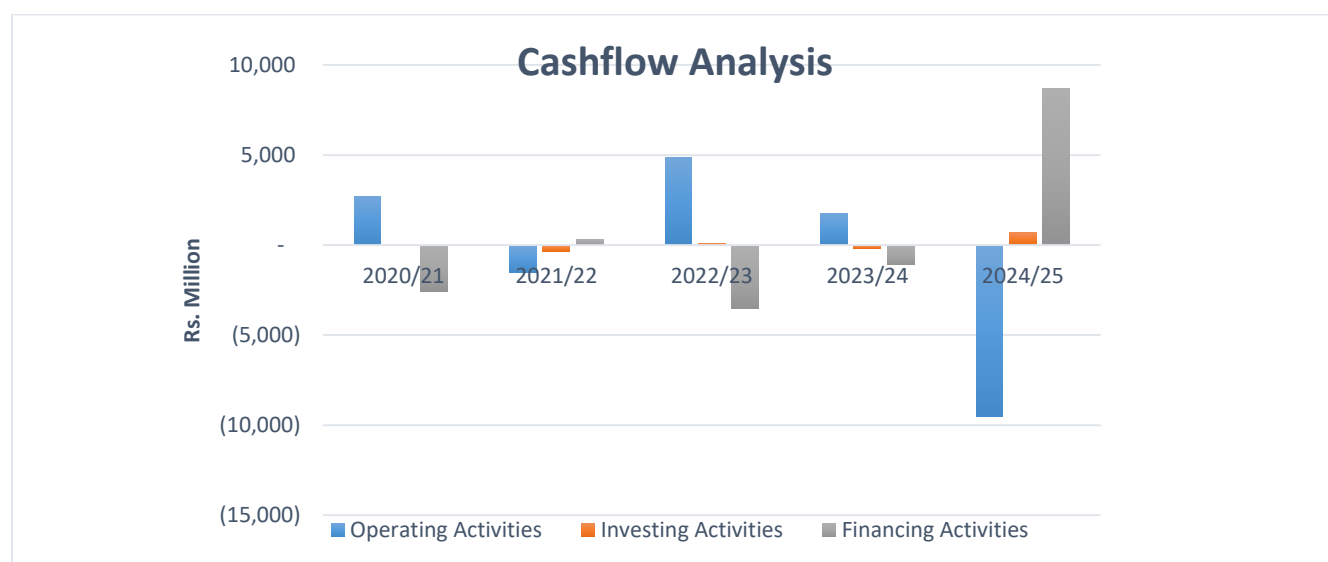
### Long-Term Liquidity

Through strategic diversification of our product portfolio and the execution of disciplined Treasury and asset-liability management practices, MI significantly reduced maturity mismatches in assets and liabilities maturing within one year to Rs. 391 million, compared to Rs. 4.8 billion in the previous year. By narrowing these mismatches, we not only strengthened our liquidity profile but also reinforced stakeholder confidence and investor trust in the Company's prudent financial management and long-term stability.

(Refer Notes to the Financial Statements, pages 320 to 327.)

## Cash Flow Position

Through proactive monitoring of the funding position, the Treasury Division effectively managed cash flows, ensuring the maintenance of healthy liquidity levels throughout the financial year. This enabled the Company to strike an optimal balance between short-term obligations and long-term funding requirements. As at 31 March 2025, total cash and cash equivalents stood at Rs. 2,720 million, compared to Rs. 2,492 million in the previous year. In addition, the Company maintained access to contingency funding lines amounting to Rs. 2.8 billion, further reinforcing its liquidity resilience.



## Cash Flow from Operating Activities

Driven by a robust expansion in the loan book and a significant uplift in lending volumes, operating cash flow for the year reflected an outflow of Rs. 9.5 billion, compared to an inflow of Rs. 1.7 billion recorded in the previous year. This outflow was thoughtfully managed through a balanced funding mix, combining increased customer deposits with securitised and bank borrowings.

## Cash Flow from Investing Activities

Cash flows from investing activities recorded a net inflow of Rs. 676 million during the year under review, primarily driven by proceeds from the sale of equity securities. This positive movement

contrasts with the Rs. 188 million outflow recorded in the previous year and was achieved despite continued strategic investments in branch network expansion and enhancements to IT infrastructure.

### **Cash Flow from Financing Activities**

Cash flow from financing activities showed a net cash inflow, totaling to Rs. 8,682 million as at 31st March 2025, compared to the cash outflow of Rs. 1,089 million recorded during the previous period, mainly due to increased bank and securitised financing arrangements, aimed at supporting the accelerated growth in the lending portfolio.