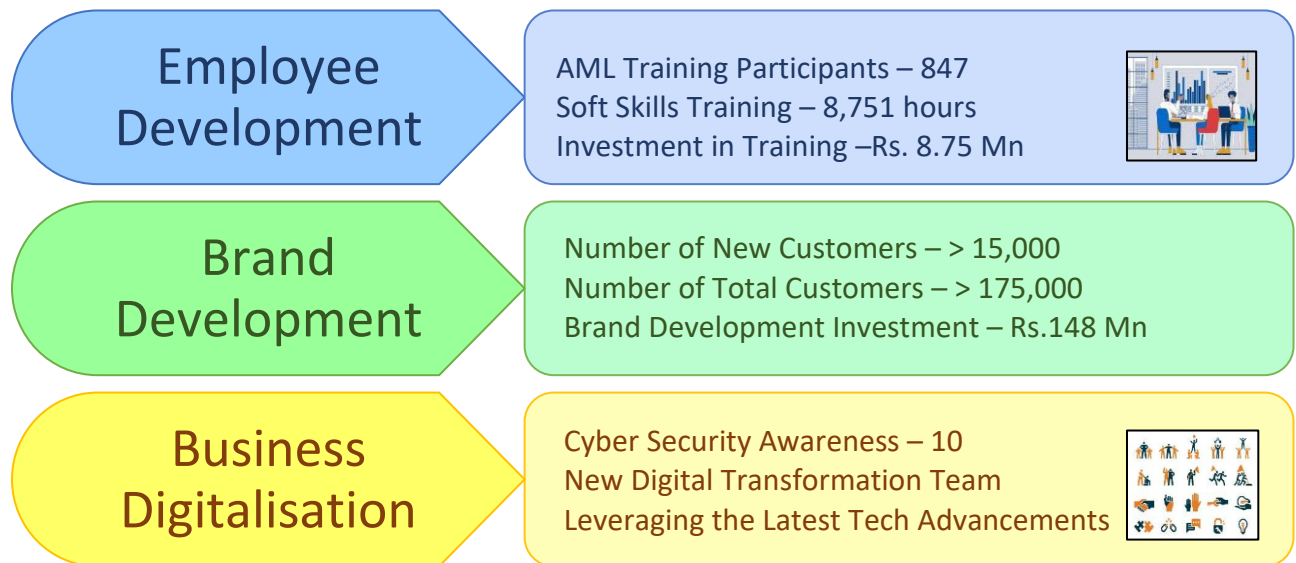


Intellect

Intellectual Capital constitutes one of the most strategically significant assets underpinning MI's long-term value creation. Encompassing the institutional knowledge embedded within our workforce, the maturity of our operational systems, the equity inherent in our brand, and the breadth of our intangible capabilities, Mercantile Investments has been able to enhance the intellectual capabilities over the 60 years of being in the sector. It is a primary driver of organisational performance, competitive differentiation, and sustainable growth.

MI's approach to managing Intellectual Capital is firmly grounded in the principle that intellectual assets require continuous and deliberate stewardship to sustain and enhance their relevance over time. The organisation has strategically invested in robust governance structures, advanced knowledge management frameworks, targeted talent development practices, and enabling cultural conditions necessary to ensure that our intellectual assets remain current, accessible, and productive. In a marketplace where technological advancement, evolving regulation, and shifting stakeholder expectations are redefining competitive parameters at pace, MI's intellectual foundation, reinforced through disciplined oversight and continuous refinement, remains among our most durable sources of advantage.

Year in Review: Key Successes



Value Creation in Action



The financial year under review was one of significant organisational advancement, marked by purposeful expansion across MI's branch network, continued growth in the lending and deposit portfolio, and the introduction of new products designed to broaden the organisation's service offering to an expanding customer base. Against this backdrop of accelerated growth, the demands placed upon the organisation's institutional knowledge, operational systems, and human capital were correspondingly heightened, and it is a reflection of the strength of MI's Intellectual Capital that the organisation was able to execute on its expansion agenda while sustaining the standards of service, governance, and financial discipline upon which its reputation has been built.

From the perspective of the customer, the expansion translated directly into a broader and more accessible service proposition. The opening of new branches extended MI's physical reach to a wider segment of the population, while enhancements to the organisation's product suite ensured that both existing and new customers were served by an offering of greater depth and relevance. The increased scale of operations was matched by a commensurate investment in service quality, with improvements to data infrastructure and stronger cross-functional coordination. The relationships established with new customers during the period were founded on the principles of transparency, reliability, and accountability that have defined MI's customer proposition throughout its history.

The growth achieved during the year also produced outcomes of broader significance across the environmental and social dimensions of MI's operations. The intelligent design of newly established systems and processes, informed by the institutional knowledge accumulated over decades of operational experience, ensured that expansion was pursued with due regard for resource efficiency. In the social sphere, MI's expanded branch presence deepened the organisation's engagement with communities across its network, extending the reach of its positive impact and enabling strategic collaborations that deliver measurable social value. The value created during the reporting period was accordingly multidimensional and sustainably anchored, encompassing commercial growth, environmental responsibility, and social contribution in a manner fully consistent with MI's long-term commitment to responsible, inclusive, and forward-looking business practices.

Fostering a Culture of Empowered Employees

People remain the primary vehicle through which Intellectual Capital is expressed. Attracting the right talent, developing it deliberately, and retaining it effectively is how MI keeps its knowledge base sharp and its organisation adaptive. This year, we sharpened each of those three disciplines in meaningful ways.

Our talent acquisition approach moved further toward precision, using refined competency frameworks to identify candidates who bring not only the right skills, but the right mindset. Cognitive flexibility, collaborative intelligence, and the capacity to thrive in ambiguity are qualities that complement technical expertise, and our recruitment methodology now weights them accordingly.

On the development side, we moved away from standardised training calendars toward programmes that are structured around where individuals are in their careers and where the organisation needs them to grow. Sessions led by recognised industry practitioners and internal subject-matter experts delivered applied learning through programmes such as SkillFusion, Stepping Into MI, Boost, COMPASS 360, and LEARN How You EARN. These targeted learning initiatives strengthened technical expertise, leadership capability, business acumen, and commercial awareness, delivering practical learning that changed behaviour rather than simply adding credentials. We also continued to invest in building the softer architecture of leadership: the emotional intelligence, communication skills, and strategic confidence that transform competent professionals into impactful future leaders.

During FY 2025/26, MI invested Rs. 8.75 million in employee development, delivering 39,359 total training hours across 9,520 participant engagements. Training interventions encompassed job-related technical competencies (31,220 hours), leadership and personality development initiatives (8,751 hours), and mandatory AML compliance training, which was completed by 847 participants across all grades. On average, each employee received 4.13 hours of training, reflecting MI's continued commitment to inclusive and equitable talent development practices.

Key programmes conducted during the year included SkillFusion, which delivered 10,144 training hours across 1,268 participants; the “Stepping into MI” induction series, which delivered 5,184 training hours; and specialised Credit Risk and Credit Operations programmes, which collectively accounted for 7,716 training hours. Leadership capability development was further strengthened through the COMPASS programme, which delivered 1,958 hours of structured learning. In addition, a total of 847 employees across all grades, from Officer to General Manager grade, successfully completed mandatory AML training, reinforcing the Company’s continued emphasis on regulatory awareness, compliance discipline, and responsible operational conduct.

Operational Transformation Through Digital Enablement

Improvements achieved through the eFinancials Core IT System platform during FY 2025/26 reflect a significant enhancement in MI’s operational efficiency, governance strength, and management intelligence across its branch network. The migration of the General Ledger into a fully integrated environment enhanced reconciliation processes, enabling real-time financial reporting, faster period-end closing, and strengthened audit traceability across all transactions. Operational processes were further improved through automation of loan disbursement workflows, standardisation of gold loan operations across branches, and enhanced deposit lifecycle management, while the integrated collections and recovery module contributed directly to a meaningful reduction in non-performing loans. In parallel, Management was able to strengthen AML monitoring, automated transaction alerts, screening processes, and regulatory connectivity. Numerous system controls reinforced MI’s compliance and risk management framework, supporting a clean cybersecurity record during the year. The ongoing digitisation of customer mandates is expected to eliminate manual documentation processes and improve efficiency, while BI dashboards leveraging live system data have significantly enhanced real-time visibility of branch performance, portfolio quality, and financial positions, enabling more timely and informed decision-making across the organisation.

Sustainable Talent Management Practices

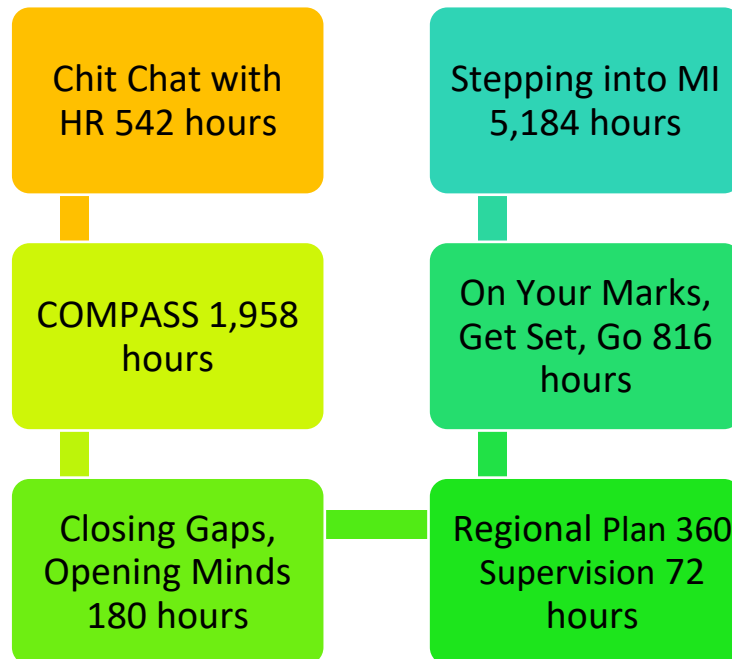
During the year under review, MI welcomed 899 professionals to its workforce, each appointment representing a considered and strategic investment in the organisation's future capability.

Recruitment was conducted through a structured and rigorous selection process designed not merely to address immediate operational requirements, but to identify individuals whose competencies, professional values, and long-term potential are aligned with the strategic direction of the organisation. This commitment to quality in talent acquisition has meaningfully enhanced the collective expertise of our workforce and broadened the depth of specialised knowledge available across our expanding branch network.

Retention of talent constitutes an equally critical dimension of MI's Human Capital strategy. The organisation operates on the principle that sustainable retention is achieved not through transactional measures alone, but by providing each team member with a clearly defined path for professional growth and a performance environment in which contribution is recognised and rewarded with consistency and fairness. MI's performance management framework, anchored in well-defined KPIs, structured feedback mechanisms, and a compensation architecture that appropriately reflects individual and organisational achievement, is designed to foster both accountability and engagement at every level of the organisation.

During the financial year, MI continued to strengthen its performance-driven culture through its structured performance appraisal process, ensuring that employee performance was assessed in a fair, transparent, and consistent manner across the organisation. The outcomes of this exercise extended beyond the administration of performance-linked incentives; they reinforced a culture in which high standards of performance are recognised and rewarded in line with individual contributions and organisational objectives. This sustained commitment to performance management continues to strengthen MI's position as an employer of choice while ensuring that the organisation retains, develops, and motivates the talent required to support its long-term strategic objectives.

Soft Skills



Fostering a Culture of Excellence

MI continued to strengthen its organisational culture during the year by reinforcing the values of integrity, collaboration, accountability, and customer focus that have guided the Company for more than six decades. As the organisation expanded its operations and workforce, maintaining a consistent culture across all business units remained a strategic priority. Leadership continued to promote a workplace that encourages knowledge sharing, teamwork, and ethical decision-making, ensuring that employees remain aligned with the Company's long-term vision and service standards.

To support this objective, MI enhanced employee integration through structured onboarding, continuous engagement, and learning initiatives that enabled new recruits to adapt quickly to the Company's operating environment and organisational values. Cross-functional collaboration and knowledge-sharing practices further strengthened communication, improved operational coordination, and encouraged the exchange of experience and best practices across the

organisation. These initiatives contributed to a more engaged workforce while supporting consistent service delivery and operational excellence throughout the expanding branch network.

It is the considered view of the organisation that cultural integrity is not peripheral to business performance; it is foundational to it. Throughout the year, MI further strengthened this culture through initiatives such as the Best Performers – Marketing programme, the Year-end Award Ceremony, Success Stories & Internal Branding, the International Women's Day Celebration, and the Online Avurudu Kumara & Kumariya programme, all of which reinforced employee recognition, inclusivity, collaboration, and engagement across the organisation. MI's capacity to adapt to changing market conditions, maintain collaborative effectiveness across functions, and uphold its standards of professional conduct under conditions of external pressure is a direct and measurable consequence of the culture that has been built and continuously reinforced over time. As the organisation continues to grow and evolve, preserving this cultural foundation while enabling it to adapt in step with a changing operating environment remains a strategic priority of the Board and senior leadership.

Our Distinguished Value System



MI Brand Position

MI's brand equity represents the culmination of sustained institutional commitment to governance excellence, financial integrity, and an unwavering standard of customer service. The organisation's market reputation has not been constructed through communications strategy alone; it has been earned through the consistent fulfilment of obligations to customers who entrust MI with their financial wellbeing. The foundational pillars of this reputation, sound and transparent governance, demonstrable financial strength, and a service philosophy encapsulated in the organisation's tagline, 'service that extends beyond', collectively define the standing MI occupies within the financial services sector.

During the year under review, the organisation made a considered and material investment in reinforcing the visibility of this brand position. The marketing strategy deployed across the period brought together print, digital, and social media channels within a more integrated and coordinated framework, ensuring that MI's brand proposition was communicated effectively to both its existing customer base and prospective clients. This integrated approach was supported through a series of targeted product-related and general awareness campaigns, including the launch and awareness promotion of the 'Pragathi Sustainable Business Loan', promotional initiatives surrounding the special Free Life Insurance Coverage offered under the Gold Loans product, seasonal digital awareness campaigns, and targeted vehicle promotions such as the Raize and Bolero City Pickup campaigns. Further strengthening customer engagement, MI conducted promotional campaigns for vehicle sales, including Punchi Car Sale and Family Car Sale initiatives, alongside community-focused programmes such as the Grade Five Scholarship campaign under the Podiththo product. Maintaining consistency of message across all channels was identified as a strategic imperative, reflecting the organisation's understanding that brand credibility is contingent upon coherence of communication as much as the quality of individual messaging.

The financial commitment underpinning this strategy was substantial. Total branding investment for the year reached LKR 148 million, representing an increase of 215% over the prior reporting period. This allocation reflects the Board's conviction that brand equity constitutes a long-term strategic asset of material commercial consequence, and that organisations that invest purposefully

in their brand position during periods of growth are better equipped to sustain market leadership through periods of heightened competitive or economic pressure.

Driving Efficiency Through Automation

MI's digital transformation agenda continued to advance significantly during FY 2025/26, guided by a disciplined and execution-focused approach aimed at improving operational efficiency, strengthening infrastructure resilience, and enhancing customer experience across the organisation. Automation initiatives implemented during the year streamlined loan disbursement processes, utility payment handling, and deposit-related operations, resulting in measurable improvements in processing speed, transactional accuracy, and customer service delivery. The continued integration of the Scinter platform further strengthened cross-functional data integration, operational visibility, and information security governance across MI's expanding branch network.

Building on the progress achieved through its digital transformation initiatives, MI continued to strengthen its technology infrastructure and operational capabilities during FY 2025/26 through a structured approach focused on customer-facing digital solutions, infrastructure modernisation, and enhanced cybersecurity governance. Key improvements during the year included advancements in digital banking capabilities, payment integration systems, operational automation, and access management controls, alongside continued enhancements to server infrastructure, backup systems, cybersecurity monitoring, and business continuity processes. These initiatives were implemented in alignment with recommendations from the Internal IT Division, the newly appointed CISO, the BAC, and regulatory directives issued by the CBSL, reinforcing MI's commitment to building a resilient, secure, and technology-enabled operating environment capable of supporting the Company's expanding scale and evolving customer expectations.

The programme's governance framework incorporates structured risk mitigation measures covering vendor management, infrastructure transition risks, cybersecurity operations, and system continuity requirements, ensuring that digital expansion remains operationally resilient and

strategically controlled. Looking ahead, MI is progressively positioning its digital ecosystem toward AI-driven capabilities, with ongoing investments focused on enabling predictive analytics, process automation, and enhanced operational intelligence, reinforcing the Company's long-term ambition to build a more agile, responsive, and technology-enabled financial services platform.

Broad-Based Business Intelligence

The systematic acquisition and application of customer intelligence constitutes a core operational discipline at MI, rather than a periodic or supplementary activity. The insights derived from ongoing customer engagement directly inform product development, service delivery standards, channel investment decisions, and broader strategic direction.

MI's approach to intelligence gathering is deliberately multi-channel in its design. Dedicated customer feedback hotlines, a structured call centre function, and direct engagement facilitated through the organisation's extensive branch network collectively generate a detailed and ground-level understanding of customer sentiment, unmet needs, and service experience. This primary intelligence is further augmented by MI's expanding presence across digital and social media platforms, which affords the organisation the capacity to monitor emerging trends, identify areas of customer concern, and recognise new market opportunities in real time.

Of equal importance to the breadth of intelligence gathered is the vigour with which it is acted upon. Customer feedback at MI does not remain at the point of collection; it is systematically escalated, reviewed at the executive level, and translated into concrete operational and strategic responses. The direct accountability of senior leadership for the quality of the customer experience ensures that the connection between customer voice and organisational response is substantive, timely, and consequential.

Deploying Resilient Security Infrastructure

During the year under review, MI's software engineering function executed a structured programme of network infrastructure enhancement, encompassing the strengthening of firewall architectures, the refinement of proxy system configurations, and the extension of real-time threat detection and monitoring capabilities. Concurrently, the organisation's Business Continuity Plan

was comprehensively reviewed and updated to reflect the current and evolving cybersecurity threat landscape, ensuring that recovery protocols and contingency arrangements are commensurate with the risks they are designed to address.

The organisation recognises that the robustness of its technical controls, while essential, must be complemented by an equally robust standard of awareness and vigilance among its personnel. During the financial year, eight structured security awareness programmes were delivered to staff across the organisation, each designed to cultivate practical vigilance, reinforce established protocols for the identification and reporting of security incidents, and embed a security-conscious disposition as an organisational norm. The sustained development of a security-aware workforce remains central to MI's defence posture, ensuring that the organisation's approach to cybersecurity continues to be proactive, layered, and resilient in the face of an increasingly sophisticated threat environment.

Capital Interdependency & Strategy Position

Capital	Short Term	Medium Term	Strategy Map
Financial	Containing the rise in capital expenditure	Achieving a leaner cost-to-income ratio	❖ Reaching wider business milestones ❖ Retaining skilled and knowledge-rich talent ❖ Embedding process automations for increased efficiency
Human	Building stronger employee collaboration and drive	Enhance employee productivity	
Infrastructure	Expanding the depth of customer engagement	Converting engagement into lasting brand loyalty	
Alliances	Upholding the integrity of business partnerships	Opening new growth channels through digital alliances	
Nature	Substantially cutting paper consumption across operations	Embedding a credible commitment to environmental sustainability	

Futuristic Priorities

