Purpose-Led Value Creation (GRI 2-6)

MI's business model serves as the foundation of its strategic architecture, seamlessly integrating the Company's vision, mission, and corporate objectives to deliver sustainable performance and enduring stakeholder value. The model reflects a disciplined and structured approach to resource allocation, underpinned by robust governance practices and a clear focus on long-term value creation. In navigating an increasingly dynamic operating environment, the Company remains committed to balancing short-term financial outcomes with long-term resilience by aligning operational execution with its overarching strategic priorities. This is fortified through a persistent commitment to ethical business conduct, transparency, and accountability, ensuring that all decisions contribute meaningfully to economic stability, social progress, and environmental stewardship, while addressing evolving stakeholder expectations.

The Company's value creation framework is driven by the strategic integration and optimisation of six interdependent capitals. Financial Capital is deployed with prudence to support sustainable growth and maintain fiscal strength, while Alliance Capital enables the development of strategic partnerships that enhance market positioning and competitive advantage. Human Capital remains central to organisational success, with continued investment in developing a diverse, skilled, and high-performing workforce that fosters innovation and operational excellence. The responsible stewardship of Natural Capital underscores the Company's commitment to environmental sustainability, complemented by ongoing enhancements to Infrastructure Capital to ensure operational scalability and efficiency. Intellectual Capital encompassing proprietary knowledge, systems, and processes serves as a critical enabler of innovation and differentiation. Collectively, these capitals form a cohesive framework that strengthens the Company's ability to deliver superior value and sustain performance in a complex and evolving global landscape.

INPUTS

Financial Wealth
- Share Holder Capital Rs. 15.7 Bn
- Deposit Base Rs. 62 Bn
- Loan Portfolio >Rs. 100 Bn

Alliances
- CSR Investments - Rs. 1.2 Mn
- New Suppliers - 45

Human Strength
- Workforce - 1,949
- Training Hours - 39,359 Hrs

Intellect
- Industry Expertise 62 years

Infrastructure
- Branch Footprint 92
- Fixed Assets Rs. 470 Mn

Nature
- Water Consumption 27 ML
- Energy Consumption 8,134 GJ

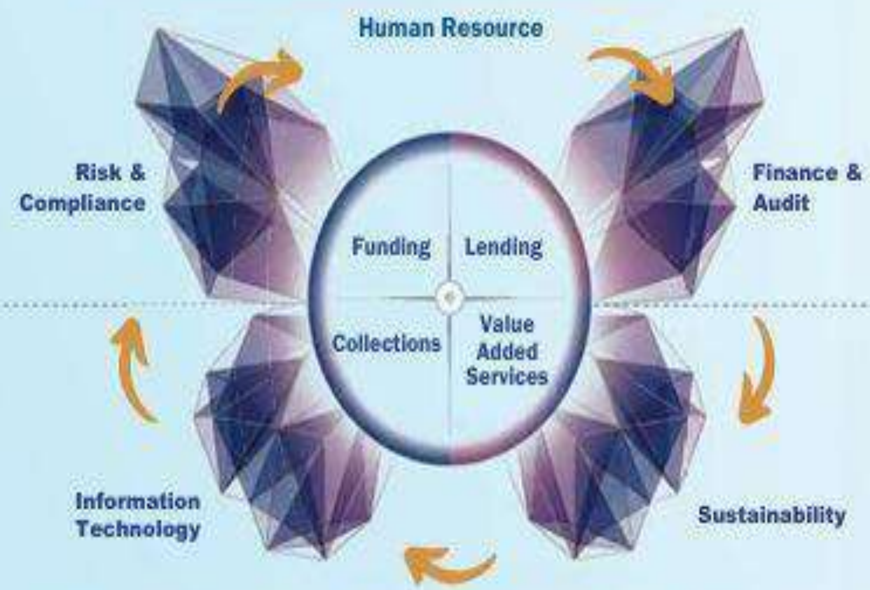
VALUE CREATION MODEL

Vision Statement

To be the top of the mind financial service provider committed to excellence with a deep sense of corporate responsibility towards building a sustainable nation

Mission Statement

Deploying resources effectively to bring innovative financial solutions that will enrich our business partners, whilst assuring profitable investor returns by staying ahead in our sphere of business and going forth to create a sustainable future for our employees and society



Value Statements

- Empathetic: Proactively being sensitive to customer expectations
- Respect: Recognizing and encouraging employee efforts with acknowledgment and reassurance
- Collaborative: Collective and united team efforts in any aspect of work
- Integrity: Uncompromisingly standing up for what is right
- Prudence: Creating value for stakeholders in all aspects by being conscious of costs and revenues
- Competitive: Being fair but aggressive in competition
- Ethical: Being socially responsible and ensuring all actions are ethical
- Friendly: The Friendly Specialist' in finance, bringing happiness through financial solutions and superior service

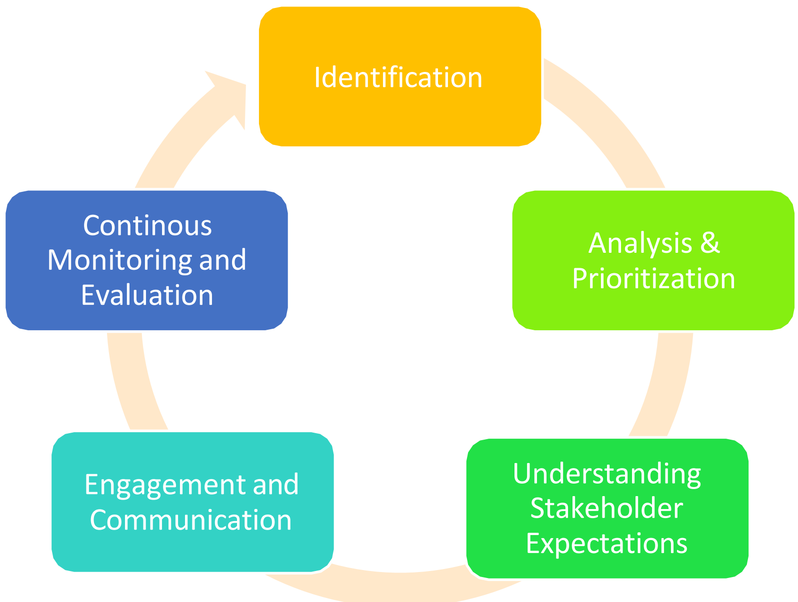
SEGMANT OUTPUTS
IMPACT ASSESSMENT
STAKEHOLDERS
CAPITAL OUTCOMES
Lending
Investment
Insurance
Deposits
Financial Wealth
• PAT Growth
• Revenue
• Capital Adequacy
• Liquidity
Shareholders
Financial Wealth
• PAT - Rs. 1,148 Mn
• Revenue - Rs. 16.6 Bn
• Capital Adequacy
• Tier I - 10.69%
• Tier II - 16.04%
Alliances
• Growth in Clientele
• Steady Professional Relationship
• Capital Adequacy
Clients
Alliances
• Deposit Retention - 80%
• New Customers - >15,000
Human Strength
• Enhanced Competitive Strengths
• Improved Productivity & Agility
Staff
Human Strength
• Employee Appraisals - 1,158
• New Recruitments - 889
Intellect
• Enhanced Brand Equity
• Business Process Re-engineering
• Employee knowledge
Business Partners
Intellect
• Tech Enhancements
• Digital Transformation
• Data Protection
Infrastructure
• New Branches
• Modern tech solutions
Regulators
Infrastructure
• Branch Openings - 19
Nature
• Energy Conservation
• Green Lending Policies
• CSR Activities
Society & Environment
Nature
• Recycling of Paper - 2,284 Kg
• Green Lending - Rs. 1.3 Bn
• Beach Conservation
Detailed disclosures about the stakeholder impact assessment is made available in the 'Impact Management Report' pages 6-10

Stakeholder Engagement (GRI 2-29)

Delivering sustainable value to our stakeholders remains central to our business model and long-term strategic direction. We have established a comprehensive stakeholder engagement framework that enables us to systematically identify, assess, and respond to the diverse expectations of those who influence and are impacted by our operations. Through a structured stakeholder mapping process, we categorise and prioritise six key stakeholder groups shareholders, customers, employees, regulators, suppliers, and the wider community based on their level of influence and impact. This multidimensional approach is supported by an ongoing Stakeholder Impact Assessment, the insights of which inform strategic decision-making and guide the effective allocation of resources in line with our commitment to inclusive growth, transparency, and responsible business practices.

Our approach to stakeholder engagement is anchored in a commitment to fostering trust-based, long-term relationships through proactive and meaningful interactions. We ensure that all stakeholders are provided with timely, relevant, and accurate information tailored to their specific interests and concerns. By adopting a structured methodology to assess stakeholder needs and segment them based on actual and potential impact, we are able to implement targeted engagement strategies that enhance value creation. Continuous refinement of these processes enables us not only to respond effectively to stakeholder expectations but also to anticipate emerging needs, thereby strengthening our competitive advantage and supporting sustained organisational resilience in a dynamic business environment

Process of Stakeholder Engagement

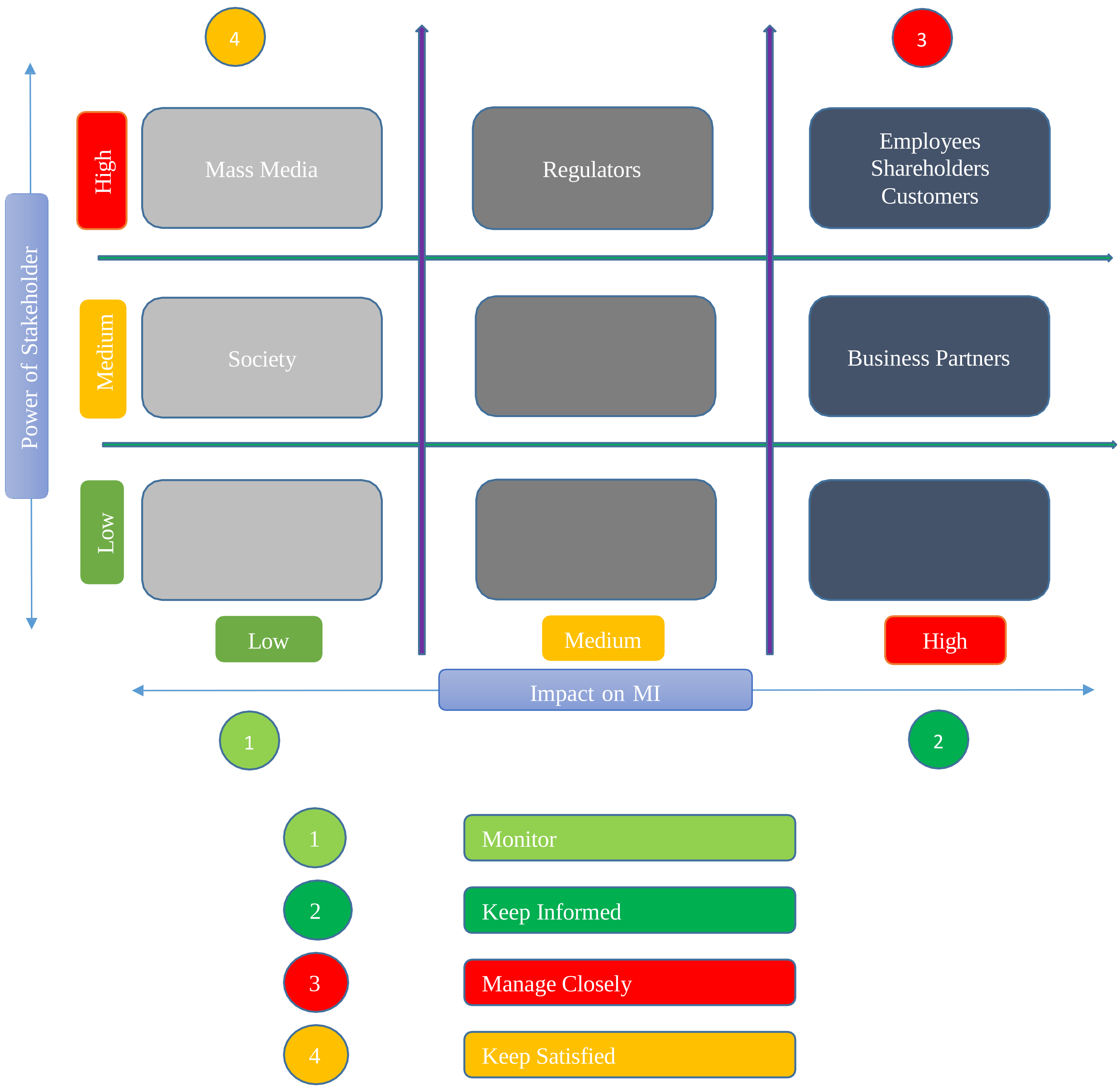


Management of Stakeholder Interests

Effective stakeholder management remained a key strategic priority throughout the year, reinforcing the organisation's commitment to transparency, accountability, and sustainable value creation. Systematically identifying, engaging, and responding to the interests of key stakeholders including customers, employees, investors, regulators, and the wider community, MI continued to strengthen relationships and align its strategic objectives with evolving stakeholder expectations. Structured engagement channels, such as stakeholder forums, surveys, and formal feedback mechanisms, were further enhanced to facilitate the timely dissemination of relevant and meaningful information.

This proactive and inclusive approach enabled the organisation to better anticipate emerging risks, identify opportunities for collaboration, and support informed decision-making through a comprehensive understanding of stakeholder perspectives. As part of its continuous improvement initiatives, stakeholder insights were increasingly integrated into performance evaluation processes and policy development frameworks, further strengthening trust, enhancing responsiveness, and supporting the organisation's long-term resilience in a dynamic operating environment.

Stakeholder Map

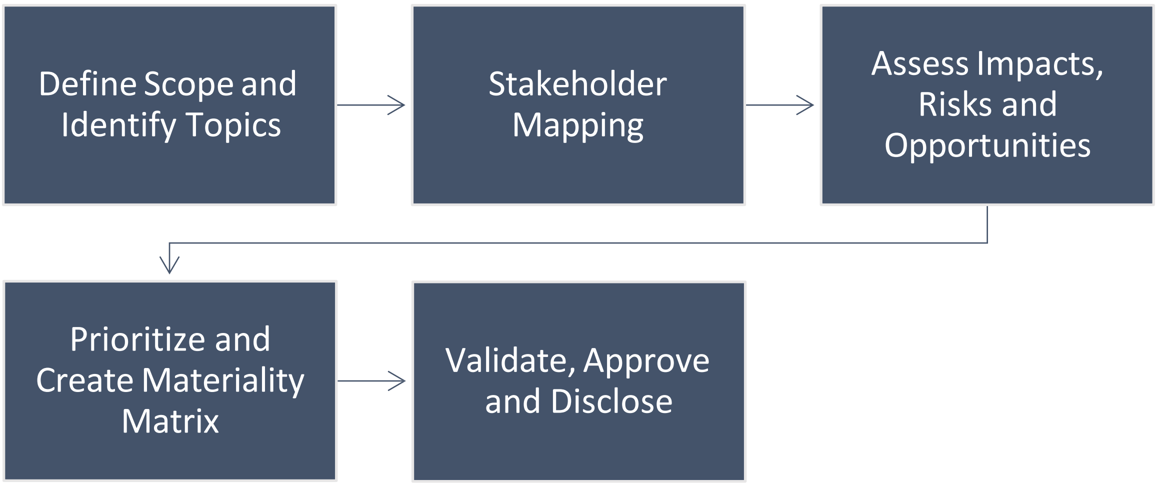


Materiality Assessment (GRI 3-1)

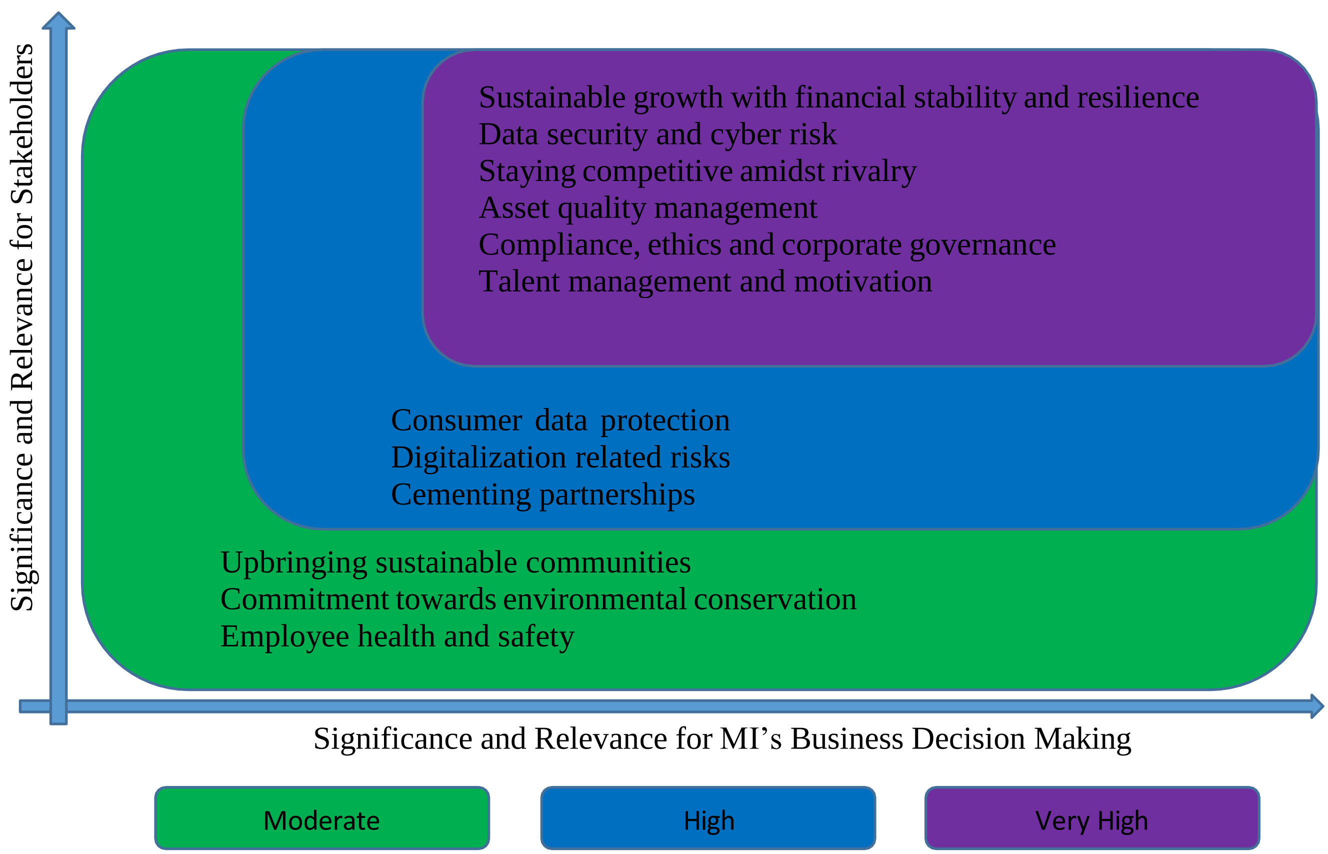
Our materiality assessment serves as a cornerstone of our sustainability strategy, providing a structured and disciplined framework to identify, prioritize, and address the Environmental, Social, and Governance (ESG) factors most relevant to our operations and stakeholders. Through a rigorous and comprehensive evaluation process, we analyze both internal and external operating environments, engaging a diverse range of stakeholders including investors, customers, employees, suppliers, regulators, and community representatives. This approach enables us to identify and prioritize the issues that have the greatest potential to impact our ability to create, preserve, or erode economic, environmental, and social value for both the organization and its stakeholders.

Aligned with internationally recognized frameworks such as the Global Reporting Initiative (GRI), Integrated Reporting (IR), and the United Nations Sustainable Development Goals (UNSDGs), our materiality assessment ensures that our sustainability disclosures remain relevant, transparent, and forward-looking. The methodology incorporates both qualitative and quantitative analyses to evaluate each issue based on its significance to stakeholders and its potential impact on the business. The outcomes of this process inform strategic decision-making, guide resource allocation, strengthen risk management practices, and support innovation and long-term planning. Through this integrated approach, we reinforce our commitment to sustainable value creation while addressing key challenges and priorities at both local and global levels.

Process of Materiality Assessment



Materiality Gauge Matrix

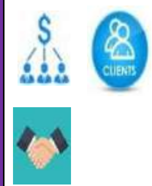


List of Material Topic (GRI 3-2, 3-3)

Material Matter	Why Material?	Materiality Level	Stakeholders Affected	Linked SDG	Linked GRI Standard	Change in Materiality	Management Approach	Reference
Sustainable growth with financial stability and resilience	Sustainable growth with financial stability and resilience is a key priority for the Company, given its direct impact on long-term value creation and risk management. As a financial institution, maintaining strong asset quality, adequate capital, and liquidity is critical to navigating economic				201: Economic Performance	No significant change	The Company adopted a proactive and disciplined management approach to ensure sustainable growth while maintaining financial stability and resilience amid a challenging operating environment in Sri Lanka. During the year, the Company strengthened its product portfolio through the introduction of the sustainable	Impact Management Report

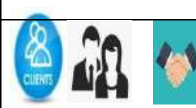
	uncertainties, particularly in light of ongoing global geopolitical tensions which have contributed to economic turbulence. These external pressures, coupled with local market dynamics in Sri Lanka, heighten the importance of prudent risk management and financial discipline. At the same time, the Company plays an important role in supporting economic development						“Pragathi” product, supporting responsible lending while addressing evolving customer needs and promoting inclusive growth. In addition, the Company expanded its branch network by 26%, enhancing accessibility to financial services and increasing its market presence in a controlled and strategic manner aligned with its risk appetite.	
					203: Indirect Economic Impacts	No significant change	The Company also maintained a timely and proactive decision-making	Impact Management Report

	by providing responsible access to finance. Ensuring sustainable growth helps safeguard customer interests, promotes financial inclusion, and contributes to the overall stability of the financial system.						approach to effectively navigate economic uncertainties, including those arising from global geopolitical tensions and local market dynamics. This enabled the effective management of credit, liquidity, and market risks while ensuring business continuity and operational resilience. As a result of these focused efforts, the Company achieved its highest-ever Profit After Tax during the year, demonstrating the strength of its strategy, sound risk	

							management practices, and commitment to delivering sustainable long-term value to stakeholders.	
Asset quality management	Asset quality management is a critical priority for the MI due to its direct impact on financial performance and risk exposure. As a financial institution, maintaining a high-quality loan portfolio is essential to ensuring profitability, liquidity, and capital adequacy. The stringent non-performing loan (NPL)				201: Economic Performance	The increased materiality level coincided with the ongoing decline in customers' ability to repay.	The Company maintains a robust approach to asset quality management, guided by the stringent non-performing loan (NPL) classification and provisioning requirements of the Central Bank of Sri Lanka. A dedicated recovery team, flexible repayment plans, and proactive customer awareness initiatives enable effective	Financial Wealth and Risk Management Report

	classification and provisioning requirements imposed by the CBSL further emphasize the need for robust credit risk management and disciplined lending practices. In addition, responsible management of asset quality supports sustainable lending, minimizes customer over-indebtedness, and contributes to the overall stability of						management of delinquent accounts while supporting responsible borrowing. These efforts have resulted in one of the lowest NPL ratios in the industry, at 3.2%, significantly below the sector average, reflecting the Company's commitment to disciplined credit risk management, financial resilience, and long-term stakeholder trust.	

	the financial system.							
Compliance, ethics and corporate governance	As a responsible and highly regulated financial institution, the Company is expected to uphold the highest standards of integrity and legitimacy across all operations. Strengthening corporate governance and ensuring strict regulatory compliance remain central to preserving our reputation as a long-established finance company.				205: Anti-corruption 207 - Tax	Materiality increased with the unstable economic and political backdrop	The Company has cultivated a culture of integrity and accountability, emphasizing ethical conduct, transparency, and strict adherence to regulatory standards. A robust compliance framework, underpinned by a strong control environment, ensures that employees are equipped to make sound ethical decisions, reinforced through regular training and awareness programs on relevant laws,	Corporate Governance Report Nature

	Maintaining the trust and confidence of our depositors, creditors, and stakeholders is therefore paramount to sustaining long-term credibility and organizational resilience.						regulations, and internal policies. Governance practices are further strengthened by Board oversight structures that prioritize independence, diversity, and effective supervision. Collectively, these initiatives foster stakeholder confidence, reinforce the Company's reputation as a responsible corporate citizen, and support the creation of sustainable long-term value for shareholders.	
Data Protection, Digitisation	While digitalization and the				418: Customer Privacy	No significant change	Whilst embracing emerging	Intellectual Capital

and related risks	adoption of advanced FinTech solutions have become pivotal in enhancing service delivery, accelerating decision-making, and driving overall productivity, it is equally critical to implement robust and effective control mechanisms. These measures ensure the protection of customer privacy, uphold data integrity, and safeguard against escalating						technologies and advanced IT solutions to enhance operational excellence and efficiency, the Company undertook a transformative initiative by transitioning its core systems and sub-modules to the renowned Scienter e-Financials platform. During the year, the full core system migration was successfully completed, enabling seamless and personalized experiences for customers. In parallel,	

	cybersecurity threats. In line with the newly enacted Data Protection Act, the Company maintains a high standard of data protection, reinforcing trust among customers and stakeholders while supporting secure, innovative financial services.						stringent protocols were implemented to safeguard data integrity and mitigate cybersecurity threats. To further strengthen data security, the Company has appointed a dedicated Chief Information Security Officer (CISO) and is planning to establish a Security Operations Center (SOC) within the year, reinforcing a proactive and robust cybersecurity framework.	
Talent management	Being a financial service				01: Employment	Increased materiality with the	Whilst proactively retaining our top	Human Strength

and motivation	provider, our employees remain as the true reflection of services that we provide to clients and they are the driving force in our journey of achieving set targets.				404: Training and Education	high staff turnover rates and industry wide competition to retain their best talents and manage their capacity, as a cost optimisation strategy.	talent, we simultaneously enhanced our talent pool by drawing in the industry's finest minds, fortifying our core competencies and propelling our growth trajectory forward. Moreover, we continued to upskill our workforce towards improved productivity, whilst grooming multi- tasking capabilities and empowering them to succeed in their career. To support a 26% growth in branch network, we strengthen	

							staff count by 21%	
					402: Labour Management Relations	No change	We embraced a strategic human resource management methodology that advocates greater employer – employee interaction through open-door channels. Moreover, our human resource policies are synchronised with labour laws, industry standards, and other statutory regulations, adhering to best practices to guarantee equitable and ethical treatment of employees.	Human Strength
					405: Diversity and Equal Opportunity	No change	While recognising employee diversity, MI	Human Strength

					406: Non-Discrimination		took a firm approach to avoid employee discrimination. We have assured transparency in all our HR processes of recruitment, training and development and rewarding to build employee trust and confidence irrespective of ethnicity, gender, religion, caste or gender of employees.	
					410: Security Practices	No change	We implemented stringent security measures to mitigate the potential risks associated with fraud or theft. This involved	Human Strength

							engaging outsourced security services including offsite CCTV and sensor monitoring by a reputed vendor and entrusting cash transport risk to a reputable third-party provider. Vigilant oversight was maintained over any suspicious transactions, with the aim of preventing any instances of money laundering activities.	
						No change	We always consider human rights as an integral part of our business strategy and any valid stakeholder concerns are	Human Strength Corporate Governance Report

							addressed properly and escalated from bottom of the hierarchy to the top as required.	
					202: Market Presence	No change	Through the inauguration of new branches and the expansion of our Gold Loan operations across our branch network, we've ignited a wave of employment opportunities, fostering a diverse talent pool drawn from various local communities. We consistently prioritised recruitment efforts to mirror the diverse composition of the workforce, particularly emphasising	Human Strength

							inclusivity across different backgrounds.	
Strengthening of partnerships	Fostering mutually beneficial relationships with our stakeholders is paramount to meeting their evolving needs and propelling our business forward, even in the face of challenges.				204: Procurement Practices	No significant change	We followed precise and transparent policies and procedures in borrowing and other procurement processes while enhancing the effective utilisation of our six capitals.	Alliances
					417: Marketing and Labelling	No significant change	Clarity and transparency are embedded across the Company's business processes, including all marketing and communication channels, to safeguard the interests of customers and business partners. During the year,	Alliances

							communication channels were further strengthened through web inquiries, dedicated call centers, hotlines, and branch networks, ensuring timely resolution of customer concerns and maintaining complaint levels at a minimum. In addition, the Company entered into multiple Memoranda of Understanding (MOUs) with strategic partners, reinforcing collaboration and enhancing service delivery across its	

							business ecosystem.	
Staying competitive amidst rivalry	The Non-Banking Financial Institution (NBFI) sector demonstrated strong performance, buoyed by a low interest rate environment that spurred rapid credit expansion. Though the import restrictions were gradually released during the latter part of the year propelling vehicle financing, the finance sector sought to diversify its				N/A	No significant change	Whilst broad basing our island wide footprint and product mix, MI underwent significant transformation during the financial year to strengthen its business leadership in both its core lending and deposit mobilisation spheres. We revisited our strategic blueprint, meticulously charting the course for the next three years, following a thorough examination of potential market segments and	Financial Wealth Alliances

	core leasing business to non – traditional lending, including gold lending.						new product offerings. Furthermore, we continued to build trust and confidence of our customers by maintaining strong liquidity and capital adequacy levels whilst enhancing customer convenience and satisfaction through improved service levels.With these efforts we were able to record notable 91% and 45% growth in the loan book and deposit base respectively, further strengthening our market position.	

Upbringing sustainable communities	As we focus on sustainable business growth, we value the wellbeing of the wider community and strived to enhance their living standards which in turn will create sustainable relationships, enhancing our future growth potential.				413: Local Communities	No change	As a long standing and responsible corporate citizen, we continued to extend our financial assistance to low income earners through our microfinance arm, Gold Operation and sustainable financing products while empowering women entrepreneurship.	Impact Managemen t Report
Health and Safety	Even though pandemic-related health risks are easing from the attention of the public, several communicabl				403: Occupational Health and Safety	No significant change	Despite being an organisation that poses minimal risks to employee health and safety, we took extra measures to safeguard health	Human Capital

	e diseases such as dengue, viral flu, etc. continue to affect public health. Therefore, the importance of improving working conditions and health and safety conditions remained on top as a material concern of business organisations.						and safety of both our employees and customers. Though the pandemic related risks eased out, we never diverged from recommended national health and safety regulations and continued to adopt safety measures.	
Commitment to the sustainability of the environment	With the evolving risk of climate emergency effects, MI understands its duty to minimise the harmful				301: Material 302: Energy 303: Water	No change	We constantly focused on implementing techniques for efficient and effective utilisation of material, energy and water.	Impact Management Report

	effects to the environment while preserving natural resources and promoting the usage of renewable energy.							Natural Capital
					306: Waste	No change	Wastage management was properly handled according to town council guidelines.	Impact Management Report

Very High High

Moderate

Internal Environment Review

Our Strengths	Key Milestones in 25/26
Decades of Excellence	• Recorded an asset base of over LKR 100 billion, highlighting a key strength in financial stability, scale, and long-term sustainability. • Expanded network of strategic partners by formalizing collaborations through MOUs with Toyota Lanka, reinforcing our commitment to innovation, growth, and stakeholder value. • Continued to diversify our offerings by expanding solar and agricultural product solutions, enabling customers to achieve greater productivity while supporting a more sustainable future • Enhanced shareholder value through a successful rights issue, providing the capital required to pursue growth opportunities and strengthen the balance sheet.
People-Centric Culture	• Expanded the workforce to 1947 employees through 899 new recruitments during the year, supporting evolving business needs. • Provided over 39,359 training hours to employees, supporting professional growth and organisational development. • Provided direct employee benefits exceeding LKR 2.5 billion, demonstrating a continued focus on employee welfare and a people-centric workplace culture • Maintained a structured KPI-driven performance management approach, linking individual achievements with appropriate recognition and rewards.
Technology Integration	• Integrated the Scienter e-Financials system across the organisation, strengthening digital capabilities, process efficiency, and stakeholder confidence. • Established a dedicated Digital Transformation Unit with skilled resources to accelerate digital adoption and enhance operational capabilities. • Launched the initiative to develop a mobile application supporting end-to-end digital transactions and enhanced accessibility. • Digital disbursement facilities and e-signature facilities • Established a Data Analytics Unit to enhance analytical capabilities and enable data-informed business decisions across the organisation.
Liquidity and Statutory Requirements	• Onboarded a dedicated Data protection officer to secure customer data and privacy in line with Personal data protection act. • Maintained a strong capital position with Tier I and Tier II capital adequacy ratios of 10.69% and 16.04%, respectively, supporting financial resilience and sustainable growth. • Maintained a strong liquidity position with available liquid assets of LKR 14.56 billion against the minimum requirement of LKR 6.70 billion, supported by Government securities holdings of LKR 5.41 billion against the required minimum of LKR 2.98 billion

	• Achieved a below-industry-average NPL ratio of 3.2%, reflecting sound credit practices and strong asset quality.
Network Development	• Extended the island wide branch network with 19 new strategic locations, supported by tailored products designed to meet diverse customer needs. • Optimised the branch network through strategic relocations, enabling easier customer access and integrating technology-driven applications to support efficient service delivery
Sustainability driven Business perspective	• Strengthened community engagement through impactful CSR programmes addressing key social and environmental needs. • Advanced environmental sustainability through improved waste management practices and attainment of ISO 14001 certification.

Focused Areas to Improve

Weaknesses Identified	Elimination procedure
Liability product dependency on Fixed deposit base and dominated through head office	• Enhanced savings deposit mobilisation efforts and initiated plans to establish ATM facilities, supporting greater customer reach and convenience
Growing demand for digital financial services	• Advanced digital transformation through mobile and web-based lending and customer service solutions, improving accessibility and service experience.
Talent attraction and retention in a competitive market	• Focused on building a high-performance culture through attractive reward structures and a supportive workplace environment.
Increasing cybersecurity threats	• Appointed a Chief Information Security Officer (CISO) and strengthened cybersecurity awareness programmes across the organisation.

External Environment Review (PESTEEL Analysis)

Analytical Factor	Key Point	Impact to LFC	Our Approach
Political	Continued highly transparent governance structure across all disciplines	A transparent governance framework supports LFC in maintaining strong regulatory relationships, ensuring compliance with evolving financial sector requirements, and strengthening accountability across all levels of the organisation. It enhances stakeholder trust, promotes ethical business practices, and provides a strong foundation for sustainable growth and operational resilience.	We continued to strengthen our highly transparent governance framework across all disciplines, ensuring accountability, ethical decision-making, and regulatory compliance throughout our operations. Guided by this governance approach, we expanded our network by establishing **19 new branches** during the year and strategically relocated selected branch premises to more accessible locations.
	Policy measures introduced to support SMEs, agriculture, and financial inclusion	Government initiatives supporting SMEs, agriculture, and financial inclusion create opportunities for LFC to expand its lending portfolio and reach underserved customer segments. These policy measures support the development of tailored financial solutions for entrepreneurs, small businesses, and rural communities, while strengthening LFC's role in promoting inclusive economic growth.	MI enhanced access to finance for underserved customer segments, expanding its sustainable lending base to **Rs. 1.3 billion** and strengthening its inclusive finance strategy.

	Imposition of reciprocal tariffs by US	The imposition of reciprocal tariffs by the US heightened global trade uncertainty, potentially slowing economic activity, weakening demand for credit from export-oriented sectors, and increasing credit risk due to pressure on borrowers' cash flows and repayment capacity.	MI provided proactive support to export-oriented customers affected by the imposition of reciprocal tariffs by the US through loan rescheduling arrangements, enabling them to manage temporary financial pressures and maintain business continuity until market conditions improve.
Economic	Conflicting war situation in Gulf countries and continued uncertainty	The escalating geopolitical tensions and uncertainty in the Gulf region disrupted global energy markets, leading to fuel shortages and significant increases in fuel prices. This contributed to a higher cost of living for customers, increased operating expenses for businesses, and potential pressure on borrowers' repayment capacity, thereby impacting credit risk and operational costs	In response to the operational challenges arising from geopolitical uncertainties and potential disruptions, MI enhanced digital engagement by transitioning meetings and reviews to online platforms, ensuring business continuity and improving operational efficiency. Additionally, MI optimized its product mix to align with changing market conditions, strengthen portfolio resilience, and support sustainable business growth.
	Easing Monetary Conditions and Improving Policy Effectiveness	The transition to a single policy rate through the **Overnight Policy Rate (OPR)**, coupled with declining interest rates during the year, strengthened monetary	In response to the evolving macroeconomic environment, MI recalibrated its product pricing models and refined its strategic plan

		policy effectiveness and supported more accurate pricing of financial products by lending institutions.	to align with changing market conditions and regulatory developments.
	Economic Recovery Driving Business Expansion	Continued economic recovery supported increased business confidence, higher economic activity, and improved demand for financing across various sectors. This created opportunities for LFCs to expand their lending portfolios, support business growth, and strengthen overall portfolio performance while maintaining prudent credit risk management.	MI capitalized on the improving economic environment by expanding its lending portfolio and supporting increased financing demand across sectors. The net loan portfolio surpassed **Rs. 100 billion**, reflecting over **90% growth**, while total assets exceeded **Rs. 127 billion**, demonstrating strong business expansion and continued confidence in MI's growth strategy.
Social	Higher Cost of Living reducing credit quality	The increase in the cost of living placed pressure on customers' disposable income and repayment capacity, potentially leading to higher credit risk, increased delinquencies, and deterioration in portfolio quality	MI maintained strong asset quality through strict and prudent recovery measures, proactive portfolio monitoring, and disciplined credit risk management practices. These efforts enabled MI to effectively manage credit risks and maintain a low **Non-Performing Loan (NPL) ratio of 3.2%** despite the challenging cost-of-living environment.
	Advancement of Financial Inclusion Initiatives through NFIS	The advancement of financial inclusion initiatives under the National Financial Inclusion Strategy (NFIS) enabled LFCs to expand	MI expanded its reach by offering a comprehensive range of products across all districts and provinces, while entering new

		access to financial services among underserved segments, creating opportunities to grow their customer base, increase lending penetration, and develop inclusive financial solutions while strengthening responsible lending practices and customer outreach.	business segments such as agriculture-related lending and fisheries financing to enhance financial accessibility, support underserved communities, and strengthen its contribution towards inclusive economic growth.
Technological	Increased Exposure to Cybersecurity Risks	With the increasing adoption of digital platforms and online transactions, financial institutions face heightened exposure to cybersecurity risks, as system vulnerabilities and evolving cyber threats continue to become more prominent.	MI strengthened its cybersecurity framework by appointing a Chief Information Security Officer (CISO) to oversee data protection measures, enhance cybersecurity governance, and ensure effective management of technology-related risks. In addition, we conducted physical and online cybersecurity awareness sessions to promote a strong security culture and enhance employee awareness of emerging cyber threats.
	Advancement of Digital Literacy and Digital Payment Ecosystem	The growth in digital literacy and the introduction of **GovPay**, the Government Digital Payment Platform, accelerated the adoption of digital financial services and electronic transactions. This created opportunities for LFCs to enhance customer	We established a dedicated Digital Transformation Unit to drive digital innovation and enhance customer experience. The unit focuses on developing a new mobile application and upgrading the existing web portal to provide more

		accessibility, improve operational efficiency, and expand digital-based financial solutions, while also requiring stronger technology infrastructure, cybersecurity capabilities, and digital readiness to manage evolving customer expectations and operational risks.	convenient, efficient, and accessible digital financial services for customers.
	Growth in Digital Connectivity and Digital Literacy	The increase in digital connectivity, with internet penetration reaching **109 subscriptions per 100 persons in 2025**, alongside digital literacy rising to **65.0% among the population aged 5–69 years**, accelerated the adoption of digital financial services, creating opportunities for LFCs to expand digital channels, improve customer accessibility, enhance operational efficiency, and develop technology-enabled lending solutions while strengthening digital infrastructure and cybersecurity capabilities to manage evolving technology-related risks.	
Ethical	Regulatory Emphasis on Consumer Protection	Regulatory frameworks have been further strengthened to promote customer protection, responsible lending practices, and ethical debt collection, requiring	Through strengthened governance practices and enhanced data protection measures, MI ensures transparency across its operations while

		LFCs to maintain greater transparency, accountability, and adherence to ethical business standards. The implementation of the **Personal Data Protection Act** further enhanced regulatory expectations around customer data privacy and information security, requiring LFCs to strengthen data governance, protection measures, and compliance practices.	safeguarding customer information. The appointment of a **Data Protection Officer** and dedicated **Data Champions across each business segment** supports effective implementation of data privacy practices and regulatory compliance.
Environment	Growing Demand for Green Lending	The increasing demand for environmentally sustainable financing, including renewable energy projects, energy-efficient transportation, and responsible business practices, has created opportunities for LFCs to support the transition towards a low-carbon economy while integrating sustainability considerations into lending strategies and portfolio management.	MI expanded its sustainable financing initiatives by introducing and enhancing sector-specific lending solutions, including solar loans, fisheries-related financing, and agriculture loans to support environmentally responsible and inclusive economic activities. Additionally, MI promoted the adoption of electric vehicles (EVs) by providing financing solutions that contribute towards cleaner transportation and a more sustainable future.
	Rising Climate Risks and Extreme Weather Challenges	The increasing severity of extreme weather events, identified as a major global risk, may impact LFCs through potential	MI strengthened its resilience against climate-related risks through robust credit evaluation procedures

		disruptions to customer businesses, particularly in climate-sensitive sectors, and increased exposure to climate-related credit risks. This highlights the need for LFCs to strengthen climate risk assessments, incorporate environmental factors into lending decisions, and support resilient and sustainable financing solutions to mitigate long-term impacts.	and prudent lending practices. The company follows a collateral-based lending approach to ensure effective risk mitigation, maintain portfolio quality, and support sustainable growth while managing potential risks arising from evolving environmental challenges.
	Protection of Natural Resources and Environmental Sustainability	The growing focus on the protection of nature and sustainable resource management has encouraged LFCs to integrate environmental considerations into their lending practices, creating opportunities to support sustainable projects while strengthening environmental risk assessments, responsible financing practices, and compliance with evolving environmental expectations	MI demonstrated its commitment to environmental sustainability through impactful CSR initiatives supported by significant investments, including a beach cleanup campaign at Crow Beach conducted in collaboration with **Ocean Lanka Force**, with the participation of over **100 volunteers**. All collected waste was responsibly managed and disposed of through **Clean Tech Lanka**, reinforcing MI's commitment to protecting natural resources, promoting environmental responsibility, and supporting sustainable community initiatives.
Legal	Sustainable Finance Transformation through Regulatory Framework Enhancement	The introduction of the CBSL Sustainable Finance Roadmap 2.0, together with the effective	MI has proactively commenced preparations for the implementation of

		issuance of **SLFRS S1 and SLFRS S2 by CA Sri Lanka,** has strengthened expectations for LFCs to enhance sustainable finance practices, climate-related disclosures, governance standards, and environmental and social risk management frameworks.	**SLFRS S1 and SLFRS S2**, which will be effective from 2026/27, by engaging with experienced engineering companies to support the required implementation processes. In addition, MI obtained the **ISO 14001 Environmental Management System certification**, demonstrating its commitment to strengthening environmental management practices and aligning operations with sustainable business standards.

Strategy & Resource Allocation

Strategy pursued

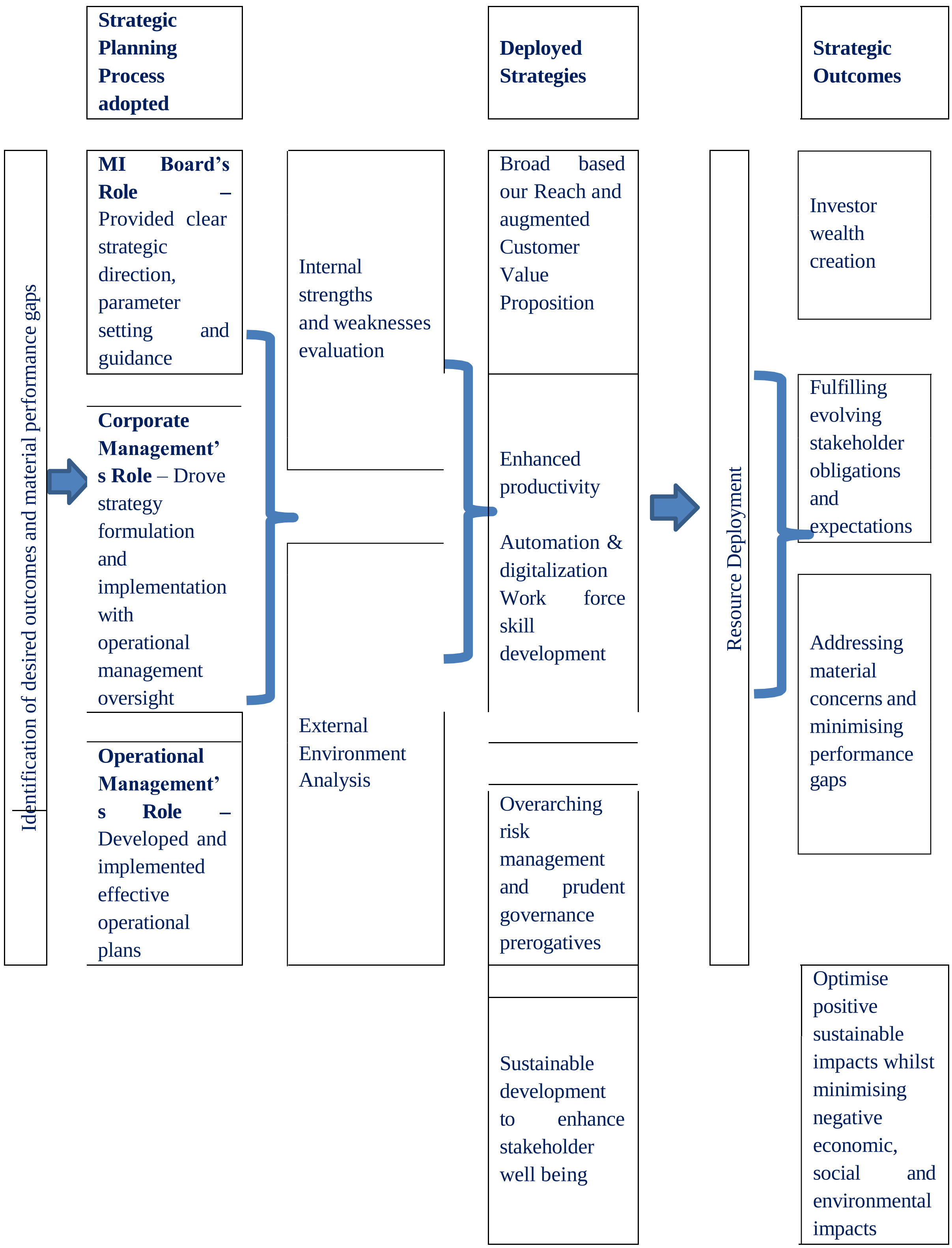
Mercantile Investments and Finance PLC (MI), with a legacy spanning over six decades in Sri Lanka's financial services sector, continues to strengthen its position as a dynamic and resilient Non-Bank Financial Institution (NBFI). The past financial year marked a significant milestone in the Company's growth journey, reflecting the successful execution of its strategic priorities and the dedication of its management and employees.

MI's corporate strategies are grounded in a long-term commitment to creating enduring value for all stakeholders, balancing the expectations of shareholders, depositors, clients, and the broader community in which we operate. The Company's strategic planning & review process serves as a critical governance mechanism, ensuring that capital and resources deployed is consistently aligned with MI's competitive strengths, risk appetite, and long-term objectives. For 2025/2026, this review has reinforced our focus on operational excellence, revenue quality, capital efficiency, and the deepening of client relationships & convention across business segments. Strategic investments have been directed toward initiatives that enhance our operational ecosystem, address structural vulnerabilities, and position the Company for sustainable performance across evolving market cycles.

As a result, by continuing to invest in productive business lines, focusing on specific regions where commercial activity has heightened since the post-COVID period, and also empowering communities through focused financial offerings, MI was able to effectively implement its three-year corporate strategy in a year that showed positive business conditions. The Company reached a significant strategic milestone in its growth trajectory by surpassing the Rs. 100 billion asset base in October 2025, and was also able to record the highest ever Profit After Tax (PAT) of Rs 1.48Bn in the Company's history, underscoring the strength of MI's business model, disciplined cost management, and improved operational efficiency

The commitment to expand reach since 2024, was further driven by widening the branch network from 73 to 92 locations. Capitalising on the resurgence in demand for vehicle financing following the gradual relaxation of motor vehicle import restrictions, together with sustained momentum in gold-backed lending, the Company accelerated its growth trajectory by surpassing the milestone of a Rs. 100 billion loan portfolio in March 2026. This landmark achievement reflects the resilience of our lending franchise, the strength of our customer relationships, and our ability to respond proactively to evolving market dynamics while maintaining disciplined and sustainable growth. As sustainability continues to shape the future of financial services, we further broadened our product portfolio with innovative sustainable financing solutions that align commercial growth with environmental and social progress. This strategic expansion not only responds to the evolving aspirations of our customers but also reinforces our commitment to advancing inclusive, resilient, and sustainable economic development while creating enduring stakeholder value

The Strategy Formulation Path Set in Motion towards Envisaged Results



Strategy pursued towards primary Objectives

Overall Financial targets achieved

	Short Term Target		Medium Term Objective		Long Term Goals	
FY 25/26 Planned	Net Interest Margin (NIM) > 8%	Cost to Income Ratio < 75%	Asset Quality (NPL) < 5%	Net Profit After Tax > 1Bn	Market Share > 3%	Asset Base > 20%
FY 25/26 Actual	9.07%	72.60%	3.23%	1.14Bn	3.9%	79.4%
Last Three Years Average	10.24%	77.73%	5.98%	0.92Bn	3.4%	41.6%

Core Strategies – Customer Value Proposition enhancement

MI's customer value proposition is centred on delivering accessible, innovative, and purpose-driven financial solutions that create lasting customer value. Through continuous product innovation, digital enablement, an expanded nationwide presence, and enhanced customer engagement, we strengthened our service excellence, deepening customer relationships, and delivering seamless and personalized experiences. This strategic focus reinforced further customer trust, enhanced brand loyalty, and positioned MI for sustainable, long-term growth in an increasingly competitive and digital financial landscape.

During the year, MI continued to augment its customer value proposition by expanding its islandwide reach, diversifying its product portfolio, and enhancing accessibility through inclusive and sustainable financing solutions. Supported by a fast-growing branch network, We expanded Gold Loan credit. Emphasis was also given to drive sustainability-driven products such as Pragathi and Solar Loans, to strengthen MI's role in empowering emerging communities. Through digital innovation and relationship-led service excellence, MI continues to deliver convenient, trusted, and meaningful financial experiences that strengthen customer loyalty and long-term value creation.

Material Focus areas of Concerns Addressed

- Enhancing customer experience and accessibility
- Strengthening digital capabilities and service efficiency
- Sustaining customer trust and long-term relationships
- Driving inclusive and sustainable financial solutions
- Strengthening brand presence and market differentiation

KPI Achievement status

	Actual **FY 25/26**	**Planned** **FY 25/26**	**Past** **FY 24/25**
Portfolio Growth			
Lending	>90%	> 48%	43%
Deposits	45%	> 38%	18%
New Branches Opened/Expansions	19	17	22

Focus area	Strategic actions	How We Geared for Competitive Advantage
Advancing Geographic Reach Through Disciplined Branch Growth		
Broadening geographic presence to connect more Sri Lankans with meaningful financial solutions	● MI pursued a disciplined and deliberate branch expansion strategy, prioritising locations within key economic centres to strengthen regional market positioning and deepen access to formal financial services across the island. . ● Lean management principles were sustained rigorously to new branch rollouts, with a focus on optimising initial capital outlay and accelerating breakeven timelines without compromising service quality or operational standards. ● Recruitment strategies were tailored to each branch region, with priority given to sourcing experienced local talent capable of addressing the specific financial needs and preferences of their respective communities. • Regional operations were further refined with reporting structures, performance monitoring frameworks, to ensure seamless integration of the 19 newly opened branches into MI's existing organisational architecture, reinforcing accountability and supporting target attainment	● The expanded branch network generated meaningful new business volumes during the year, with recently established locations contributing incrementally to revenue growth and demonstrating the viability of MI's geographic diversification strategy.

<table>
<tr><th colspan="3">Delivering a Superior Client Experience Through Personalised Financial Solutions</th></tr>
<tr><td>Cultivating deeper client relationships through responsive, personalised, and holistic financial service delivery</td><td>Fostered a culture of personalized service, empowering frontline teams to provide tailored financial solutions and shift from transactions to advisory relationships.
Gold Loan services were made available across 87 branch locations, within reach of a significantly broader client base including those in regions where collateral backed financing has historically been difficult to access.
MI's integrated service proposition was further elevated through the continuation of its insurance offering within branch premises including coverage options to include life and mortgage protection insurance alongside vehicle insurance, providing clients with a truly comprehensive financial services experience under one roof.
Digital and social media channels were leveraged as active engagement platforms, maintaining MI's visibility and accessibility among a broader and increasingly connected audience, whilst reinforcing the Company's brand visibility
Implemented a structured client grievance management system supported by dedicated, specially trained teams to ensure customer concerns were addressed promptly, professionally, and with empathy.
Product relevance was strengthened through continuous customer insights and market intelligence, enabling MI to enhance its offerings and deliver greater customer value</td><td>Fostered customer loyalty and satisfaction through personalized services tailored to diverse needs, driving an expanding customer base.
Maintained a strong brand image across all regions MI remained active, delivering a consistent, high-quality service without interruptions.
Enhanced market competitiveness and service differentiation to sustain and elevate market share.</td></tr>
</table>

Enhancing Brand Prominence as Sri Lanka's Leading Licensed Finance Company		
Reinforcing MI's identity as a dependable, innovative, and purpose driven financial institution	● Expanding MI's branch network rapidly in just two years strengthened MI's nationwide presence, enhancing access to trusted financial solutions and extending its reach to underserved communities. ● MI strengthened its digital presence through targeted social media and multimedia engagement, enhancing brand visibility and fostering meaningful customer engagement. ● Purposeful marketing and promotional investments exceeding Rs.145 Million were directed toward campaigns that reinforced MI's brand promise communicating the institution's reliability, innovation, and client commitment with clarity and consistency across all channels.	● Reinforced enduring customer relationships and enhanced brand value as a leading financial solutions provider ● Deposit retention rates were sustained well above 80% and the fixed deposit customer base recorded a growth of 45% during the year, reflecting the undiminished confidence that Sri Lankan depositors place in MI as a safe, credible, and rewarding financial institution.

Core Strategies – Driving Productivity Coupling Technology towards operational excellence

As MI is transitioning from a phase of rapid network expansion into one of operational consolidation and performance refinement, the 2025/26 financial year presented a deliberate opportunity to redirect strategic focus inward toward the systems, processes, and people that underpin the Company's ability to deliver sustainable long-term returns through enhanced productivity and efficiency. Accordingly, the year was defined not by the pursuit of scale alone, but by a disciplined effort to make existing structures operate smarter, faster, and more efficiently. Emphasis was placed on process simplification, operational streamlining, technology-driven efficiencies, and the strengthening of performance management mechanisms across the organisation. By leveraging digital tools, automation, and data-driven decision-making, Management was able to streamline operational workflows efficiently, optimise operating costs, and enhance overall service delivery standards across the business.

Key initiatives during the year included the conclusion of the full migration to the scienter e-financial external core system & accelerating the digital transformation drive. Focused to also automate routine and manual processes, strengthened enterprise-wide data analytics capabilities, and enhanced workforce productivity through targeted training and technology enablement.

Continued to invest & implement actions to drive paperless operational initiatives during the year. Through these initiatives, MI continued to reinforce a culture of accountability, operational excellence, and cost discipline, positioning the Company to sustain profitability, operational resilience, and long-term value creation amidst evolving market conditions.

Material Focus areas of Concerns Addressed

- Operational efficiency and service excellence
- Digital transformation and automation
- Workforce capability and performance culture
- Cost optimisation and resource discipline
- Organisational resilience and long-term sustainability

KPI Achievement status

	Actual FY 25/26	**Planned FY 25/26**	**Past FY 24/25**
Return on Assets	1.15%	> 1%	1.73%
Cost to Income Ratio	72.60%	< 70%	74.8%
Training Hours Per Employee	20.2 hours	>15 hours	6.2 hours

Focus Area	**Action Towards Strategy**	**How We Geared for Competitive Advantage**
Intelligent Resource Deployment for Maximum Operational Yield		
Achieving greater output through leaner, more purposeful use of the Company's resources	• Deployed targeted productivity interventions across key operational workflows to improve processing speeds and sustain higher business volumes across the expanded branch network. • Applied the lean branch establishment model consistently across all 19 new branch openings, ensuring capital-efficient expansion with accelerated paths to break-even at each new location. • Accelerated the transition to a paperless operating model by embedding digital	• Operational benchmarks were meaningfully advanced through disciplined technology investment and targeted talent acquisition, strengthening the foundation for improved cost-to-income ratios over the medium term target horizon.

	approvals and expanding workflow automation across key business processes. ● Continue using a cost-conscious organisational culture underpinned by the 3R framework reduce, reuse, recycle embedding responsible resource stewardship as both an environmental and financial discipline. ● Sustained structured talent retention, cross-functional redeployment, and multitasking strategies to ensure MI's human capital is deployed where it delivers the greatest operational value.	
Enabling MI's workforce to operate at their fullest capability through targeted investment in skills, recognition, and empowerment.	● Formally embedded the recognition of multitasking and cross-functional contribution within MI's performance and reward framework reinforcing an organisational culture where adaptability and initiative are valued as strategic assets. ● Delivered structured training and capability development programmes across all levels and functions of the organisation, ensuring that MI's workforce remains technically proficient, commercially aware, and equipped to navigate an increasingly dynamic operating environment. ● Implemented targeted employee empowerment initiatives to cultivate a sense of ownership and self-direction at the individual level translating into greater engagement, and more consistent quality of service delivery. ● Refined and strengthened the performance-based incentive framework to ensure that reward outcomes are meaningfully connected to both individual contribution and overall business performance sustaining	● Strengthened MI's profitability outlook whilst simultaneously advancing the Employee Value Proposition, positioning the Company as an institution where talent is genuinely valued, developed, and retained. ● Progressed the development of a distinctive employer brand centred on inclusion, diversity, and professional growth. ● Reinforced MI's standing as a workplace of choice one where high-calibre talent is attracted, nurtured, and inspired to perform at their best.

	a results-driven culture grounded in fairness and transparency. ● Introduced an annual Awards Night to celebrate outstanding performance, foster a culture of excellence, and inspire employees to achieve their full potentia	
Technology as a Catalyst for Service Excellence and Efficiency	● Appointed a dedicated digital transformation resource person within the Strategy division, providing MI's technology agenda with the focused leadership, institutional mandate, and strategic governance required to deliver meaningful and sustained digital progress. ● Commenced the development of an integrated finance application designed to serve as a single, comprehensive digital platform through which clients can manage their day-to-day financing needs, marking a significant step forward in MI's ambition to deliver a seamless, accessible, and fully digital client experience. ● Implemented AI-powered antivirus protection across MI's technology infrastructure, materially strengthening the organisation's data privacy posture and safeguarding the integrity of client and institutional data against evolving cybersecurity threats. ● Deployed live Power BI dashboards across key business functions providing senior management with real-time visibility into lending, collections, and operational performance data, enabling faster, more confident, and better-informed decision-making at the highest levels of the organisation.	● Significantly elevated MI's competitive positioning by delivering a more responsive, data-driven, and secure operating environment. ● Strengthened decision-making with timely and enhanced MIS reports delivered to corporate management ● Advanced MI's digital client proposition, laying the groundwork for a fully integrated, app-based financing experience that meets the expectations of an increasingly connected and digitally active client base

Strategic partnerships to enhance Service Excellence	• The strategic partnership established with the Department for Registration of Persons (DRP) marked an important milestone in enhancing customer verification processes, supporting greater operational efficiency, improved security, and a more seamless onboarding experience for customers	• Improved Operational Excellance

Core Strategies – Robust Risk Management and Governance Prerogatives

In an increasingly dynamic and uncertain operating environment, robust risk governance and proactive risk management remain fundamental pillars in strengthening organizational resilience, enhancing strategic agility, and enabling sustainable long-term value creation. While the 2025/26 financial year reflected a gradual path towards economic stabilisation, recovery momentum was moderated by climate-induced disruptions from Cyclone "Ditwah" and escalating global uncertainties. These external pressures introduced renewed volatility, reinforcing the need for disciplined governance, strategic agility, and proactive risk management. At MI, risk management remains an integral part of the Company's strategic framework, guiding prudent credit decisions, balance sheet stewardship, operational resilience, and stakeholder value creation.

During the year, MI further strengthened its governance and risk oversight framework by enhancing accountability, improving risk visibility, and embedding stronger enterprise-wide controls. Through advanced stress testing, proactive portfolio monitoring, disciplined risk appetite management, and enhanced early warning mechanisms, the Company reinforced asset quality, operational resilience, and financial sustainability. These initiatives continue to strengthen MI's ability to navigate emerging risks while supporting sustainable growth and long-term stakeholder confidence**.** (Refer to the *Stewardship* section of the Corporate Governance and Risk Report for a comprehensive commentary.)

Material focus areas of Concerns Addressed

- Financial resilience and sustainable growth
- Asset quality and portfolio protection
- Regulatory compliance and governance excellence
- Ethical business conduct and accountability
- Competitive strength and institutional stability

KPI Achievement Status

	Actual FY 25/26	Planned FY 25/26	Past FY 24/25
New initiatives on risk management	09	05	10
One year maturity mismatch *	Rs. 11.3 billion	< Rs. (4 billion)	Rs. (0.15 billion)
NPL ratio	3.23%	< 5%	4.91%

*Positive values indicate positive mismatch and vice versa

Focus area	Strategic actions	Expected competitive advantage
A robust and integrated risk management framework that fosters a strong culture of risk awareness and accountability.		
Embedding proactive risk intelligence into strategic decision-making at every level of the organisation.	• Refined the comprehensive stress testing framework, with risk appetite thresholds, updated within the Risk Appetite Statement to reflect the evolving regulatory and macroeconomic environment. • Maintained continuous surveillance of market, reputational, legal, and operational risk profiles, ensuring ongoing alignment with defined risk tolerance boundaries and enabling early identification of emerging vulnerabilities. • Continuing conduction of systematic review and enhancement of risk policies and procedures to maintain full compliance with the Central Bank of Sri Lanka's regulatory expectations and evolving industry standards.	• Further strengthened the Company's governance architecture and enterprise resilience, positioning MI to respond decisively to evolving economic, geopolitical, and regulatory challenges while preserving stability and stakeholder confidence.

	• Elevated the quality, depth, and analytical rigour of risk reporting to the Board Integrated Risk Management Committee (BIRMC) and the Board, equipping governance bodies with the insight and foresight required for proactive, evidence-based decision-making. • Sustained full operational compliance with the GoAML Financial Intelligence Unit platform, with the Scienter-backed AML module incorporating automated alert systems and on-going effort to launched system based PEP screening capabilities, fully embedded within MI's core operational framework, materially strengthening the Company's financial crime detection and reporting infrastructure.	

<table>
<tr><th colspan="3">Preserving Portfolio Integrity Through Disciplined Asset Quality Management</th></tr>
<tr>
<td>Preserving superior asset quality through robust credit underwriting, continuous portfolio surveillance, and disciplined recovery execution.</td>
<td>

Deployed tailored recovery strategies for long-outstanding debtor accounts, combining structured negotiation, rescheduling frameworks, and escalation protocols to accelerate resolutions and reduce non-performing exposures across the portfolio.
Sustained dedicated call centre recovery operations, enhancing the speed and consistency of client follow-up and contributing to measurable improvements in collection turnaround times.
Monitored recovery performance against a tiered set of short-, medium-, and long-term targets, with employee incentive structures formally aligned to Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) to sustain accountability and alignment across the recovery function.
Strengthened the asset disposal function through enhancements to yard operations, team capacity, and disposal governance, minimising losses and maximising value recovered from distressed asset realisations.

</td>
<td>

MI's 90-day NPL ratio stood at 3.23% at the close of the financial year, sustaining its position well below the industry average and reaffirming the exceptional quality of MI's loan portfolio.
Infant loan of granting in the last 12Months ratios remained below 1%, with the Gold Loan NPL ratio maintained at below 0.2%, reflecting sound underwriting standards and the effectiveness of MI’s recovery disciplines.

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Sustaining Net Interest Margin Resilience Through Disciplined Balance Sheet Management		
Protecting and growing core profitability through strategic liability management and portfolio optimisation.	• Minimized the Company's cost of funds through disciplined liability optimization, leveraging lower-cost deposit mobilization while maintaining an appropriate mix of long-term funding to mitigate maturity mismatches and support sustainable growth. • Balanced the lending portfolio with purpose, complementing traditional, lower-yield products with higher-yield lending solutions to enhance the overall risk-return profile of MI's asset base. • Maintained an optimal tenor mix across both the deposit and lending books, providing balance sheet stability and flexibility whilst positioning the Company to capture available repricing gains as market conditions evolved. • Implemented targeted loan restructuring strategies to restore portfolio performance, stabilize borrower repayment capacity, and minimize the migration of accounts into non-performing categories.	• Sustained strong Net Interest Income growth during the financial year, with the Net Interest Margin recorded above 9%, • Maintained a strong positive one –year maturity mismatch , which stood at Rs 11.3 Bn, with the expansion of Gold Loan Portfolio, long-term borrowing whilst reinforcing balance sheet resilience and liquidity management.

Core Strategies – Upholding the Sustainability Pledge for Societal Wellbeing

At MI, sustainability is a strategic imperative embedded within our business model, guiding responsible growth, long-term value creation, and positive societal impact. During the year, we further integrated environmental, social, and governance (ESG) principles into our financing decisions, operational practices, and stakeholder engagement, reinforcing our commitment to sustainable and inclusive development.

Guided by a strengthened sustainability governance framework, we expanded responsible financing, advanced digital and resource-efficient operations, and invested in community initiatives that promote financial inclusion, education, environmental stewardship, and social wellbeing through the Sustainbility Governance Committee. Through these strategic priorities, MI continues to create shared value, strengthen stakeholder trust, and contribute to a more resilient, inclusive, and sustainable future.

Material Focus areas of Concerns Addressed

- Sustainable community development
- Environmental responsibility and conservation
- Inclusive social impact initiatives
- Strengthening stakeholder partnerships
- Long-term sustainable value creation

KPI Achievement status

	Actual FY 25/26	Planned FY 25/26	Past FY 24/25
Green Lending	Rs 1,310 Million	> Rs. 1,000 Million	Rs 882 Million

Focus area	Strategic actions	Expected competitive advantage
Investing in Communities as a Foundation for Shared Prosperity		
Advancing financial inclusion and social wellbeing as core dimensions of MI's institutional mandate.	● MI remained committed to creating meaningful social impact through initiatives focused on education, community empowerment, and social wellbeing. During the year, the Company conducted a financial literacy and entrepreneurship programme for women in Godagama, empowering participants with the knowledge and practical skills to build sustainable livelihoods. MI also extended support to cancer patients at the National Cancer Hospital, Maharagama by donating essential items that enhanced their comfort and wellbeing. ● Further reinforcing its commitment to education, MI supported underprivileged schools across the country by providing school bags, educational materials, housekeeping and sanitary items, and by constructing a dedicated student hut at Manthreethenna School, Ragala. These initiatives improved learning environments, enhanced access to education, and contributed to the wellbeing of students in underserved communities.	● Strengthened MI's corporate identity as a responsible and compassionate institution, deepening community trust, elevating brand integrity, and demonstrating that MI's commitment to Sri Lanka extends well beyond the provision of financial services. ● Advanced a culture of purposeful corporate citizenship across the organisation, where community investment is embraced as a shared institutional value rather than a peripheral obligation.
Financing a Greener, More Resilient Economy		

Directing capital purposefully toward environmentally responsible initiatives that advance Sri Lanka's sustainable development agenda.	● Launched the “PRAGATHI” a Sustainable finance offering as the flagship green financing initiative in the year under review, channelling affordable, purpose-driven credit toward sustainable livelihoods, renewable energy adoption, and environmentally responsible economic activity across a broad spectrum of borrowers and communities. ● Sustainable Finance Committee's maintained standard strategic oversight over MI's green lending agenda, ensuring that environmental impact considerations are systematically integrated into product design, credit evaluation, and portfolio management decisions. ● Contributed toward turtle conservation initiatives, supporting the protection of an endangered species and affirming MI's commitment to biodiversity preservation along Sri Lanka's coastline. ● Invested in wildlife conservation efforts, reinforcing the Company’s recognition of ecological resilience and heritage, deemed important dimensions of Sri Lanka’s long-term prosperity. ● Managed natural resource consumption across MI's operations in conscious alignment with both cost optimisation and environmental responsibility objectives, ensuring that the Company's operational footprint reflects the values it champions externally. ● Advanced automation and digitisation initiatives to further reduce MI's direct environmental impact, supporting the Company's progressive transition toward a lower-carbon operational model consistent with national climate commitments and international sustainability standards.	● Elevated MI’s sustainability credentials, strengthening institutional trust and reinforcing its role in advancing sustainable economic development.. ● Strengthened MI’s role in advancing environmental sustainability through a dual approach of enabling green investments and supporting high-impact conservation initiatives.

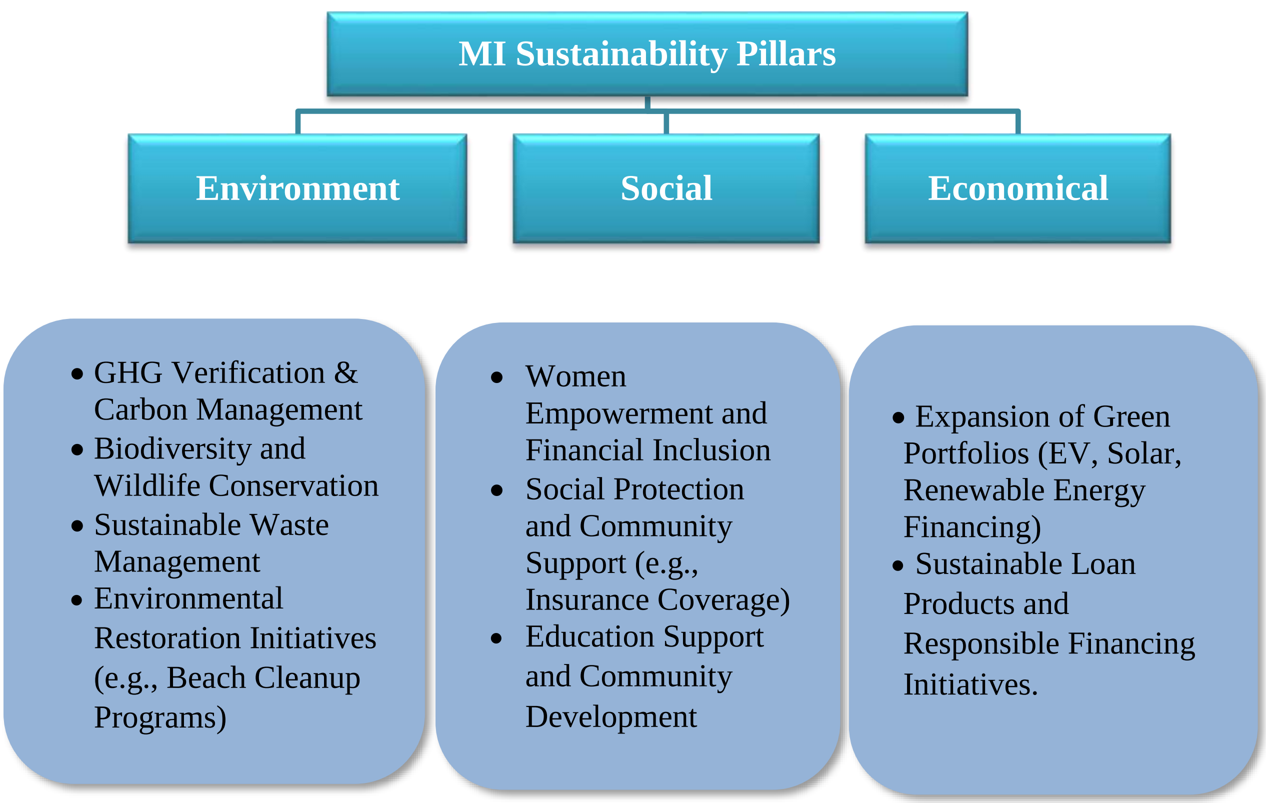
Sustainability Plugged into Our Business

Sustainability is not a peripheral consideration; it is embedded at the core of how we conduct our business. Guided by the United Nations Sustainable Development Goals (UN SDGs), our sustainability strategy ensures that every customer interaction, every financial solution provided, and every community initiative contributes to creating measurable value for people, planet, and prosperity. As a responsible finance company, we continue to integrate environmental, social, and governance (ESG) principles into decision-making, risk management, operational practices, and long-term value creation while promoting inclusive growth and responsible financing.

During 2025/26, we further strengthened our sustainability governance framework, expanded our portfolio of green and inclusive finance solutions, intensified community investments, and independently verified our greenhouse gas inventory in accordance with internationally recognized standards. Through these efforts, we continue to reinforce our commitment to sustainable economic development, environmental stewardship, and stakeholder well-being. This section of the Annual Report provides a transparent account of our sustainability journey, key achievements, commitments, and the impact we create for all stakeholders.

Sustainability Pillars & Brand Positioning

Our strategy is driven by clear, high-impact strategic pillars designed to catalyze a green economy and build inclusive community infrastructure.



Internalizing Sustainability

MI has systematically embedded an ESG-centric culture across its operations, ensuring that sustainability is a shared responsibility rather than an isolated function. Our ESG framework integrates environmental stewardship, social responsibility and strong governance into our strategy and operations to create long term value for all our stakeholders and contribute to a sustainable and inclusive future.

Our Sustainable Finance Framework guides all lending operations, ensuring our portfolio supports environmental protection and social equity in line with the Central Bank of Sri Lanka's Sustainable Finance Roadmap 2.0 and Sri Lanka Green Finance Taxonomy.

Environmental and Social Management System (ESMS)

- **Integration into Credit Analysis**: Credit analysts evaluate borrowing businesses for high-pollution operations, poor workplace safety, or unsustainable resource use. High-risk profiles require mitigation plans or face rejection.
- **Legally Binding ESG Clauses**: All formal loan agreements, Know Your Customer (KYC) forms, and legal contracts contain explicit, mandatory clauses binding the borrower to local environmental laws, fair labor practices, and ethical governance standards. Non-compliance triggers immediate facility reviews.

Sustainable Product Innovation: The Pragathi Sustainable Biz Loan

Launched as a landmark initiative in 2025, our cornerstone green product, the **Pragathi Sustainable Biz Loan** helps local businesses transition to low-carbon models. By the close of the 2025/2026 financial year, the outstanding portfolio for this facility **exceeded LKR 88 Million** with 116 loans granted for more than one hundred beneficiaries. Further our solar portfolio grew up to LKR 122 Mn with EV portfolio amounting to 707 Mn.

- **Target Segments**: Micro, small, and medium enterprises (MSMEs), start-ups, and sole proprietors modernizing their production baselines.
- **Eligible Use of Funds**: Capital investments in rooftop solar installations, energy-efficient machinery, hybrid or electric commercial vehicles, and sustainable agriculture equipment.
- **Concessionary Advantages**: Preferential interest rates, flexible repayment tenors, streamlined ESG screening, and specialized corporate capacity building.

Quarterly Sustainability Governance Committee

Oversight of our overall organizational sustainability is managed by our **Sustainability Governance Committee**, which meets quarterly. This management committee reports to the Board of Directors and monitors compliance targets, tracks carbon reduction initiatives, reviews waste management revenue, and updates ESG risk metrics.

Dedicated Budget Allocation

To ensure our green strategies are fully actionable, MI allocates a **dedicated sustainability budget** at the start of each financial year. This ring-fenced fund shields our environmental and social commitments from shifting market cycles, providing reliable capital for:

- Staff training on sustainability frameworks.
- Carbon footprint auditing and ISO verification.
- Financing long-term ecosystem restoration projects.
- Financing social wellbeing initiatives.
- Sustainable waste management – Circular Economy services.

Employee Capacity Building & Training

We continuously invest in upskilling our workforce to integrate ESG principles into day-to-day operations. During the 2025/26 financial year, MI rolled out comprehensive Sustainability Reporting Training for key business units. A total of 35 employees received training on Sustainable Finance and Sustainability Reporting, representing 115 training hours.

The training was designed to strengthen internal capabilities, enhance responsible decision-making, and safeguard stakeholder interests by embedding sustainability considerations into business processes.

Target Audience: Credit analysts, risk officers, field managers, and corporate reporting teams.

Focus Areas: Understanding global GRI disclosure standards, collecting carbon footprint data, identifying climate-resilient collateral, and screening for social risks during client onboarding.

Climate Stewardship & Carbon Reduction

ISO Certified Greenhouse Gas (GHG) Verification Statement

We are pleased to confirm that our Greenhouse Gas inventory for the reporting period has been independently verified by the Sri Lanka Climate Fund in accordance with ISO 14064-1:2018, the internationally recognised standard for quantification and reporting of greenhouse gas emissions and removals at the organisational level.

ISO 14064-1:2018 provides a robust framework for organisations to measure, monitor, and report GHG emissions with accuracy and credibility. Third-party verification by an accredited body such as the Sri Lanka Climate Fund provides assurance that our GHG data is:

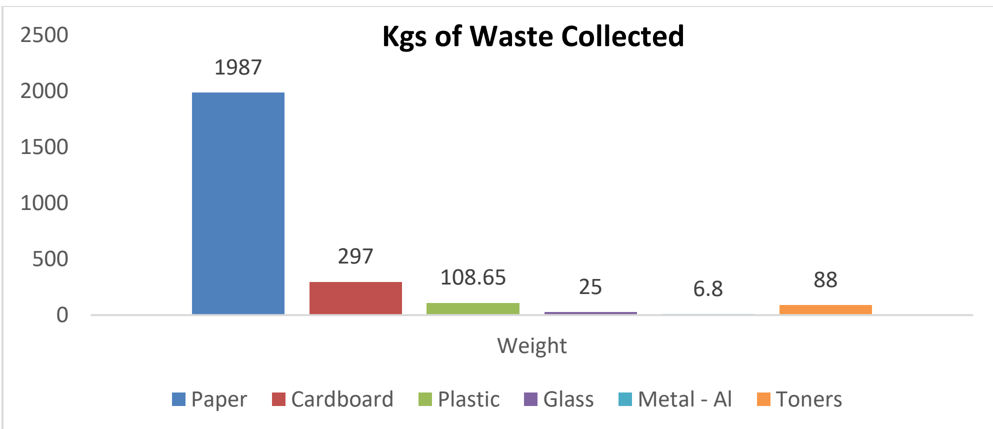
- Complete - covering all material, Scope 1 (direct emissions), Scope 2 (indirect emissions from purchased electricity), and Scope 3 (other indirect emissions across the value chain) across our branch network and operations.
- Consistent - applying uniform methodologies and emission factors across all reporting periods.
- Accurate - using primary activity data and recognised emission conversion factors.
- Transparent - disclosed in a manner that allows stakeholders to make meaningful comparisons.
- Conservative - applying the precautionary principle where measurement uncertainty exists.


GREENHOUSE GAS VERIFICATION OPINION
Sri Lanka Climate Fund (Pvt) Ltd
Ministry of Environment
Mercantile Investments and Finance PLC
No. 236 Galle Road, Colombo 00300, Sri Lanka

Turning Waste into Value: Closed-Loop Commercial Recycling

We have integrated a structured recycling framework across all branches to avoid landfill contributions and operationalize a true circular business model. MI partners exclusively with **Clean Tech (Pvt) Ltd**, an environmental service provider holding **ISO 14001:2015, ISO 9001:2015, and ISO 45001:2018** certifications.

- **Waste Segregation**: Enforcing source-separation protocols for paper, plastic, glass, and metal across all branches.
- **Responsible E-Waste Recycling**: Directing obsolete IT hardware away from landfills through certified data destruction.
- **Paper Lifecycle Loop**: Baling corporate and client documentation waste to supply recycling mills.
- **Income-Generating Waste Management**: All revenue earned from selling processed paper, plastic, and glass waste is tracked under an isolated ledger item, which is fully reinvested back into community CSR projects. In this financial year Income generated from waste recycling amounted to LKR 87,073 from 2,512.45 kilograms of waste collected during the financial year.



Climate Resilience & Investment Initiatives

- **Solar Financing Commitments**: Allocating capital to help clients install rooftop solar systems, reducing reliance on the national fossil-fuel grid.
- **Coastal Trash Interception**: Deployed staff for a comprehensive **Beach Cleanup Program**, extracting bulk plastic and marine litter from vulnerable coastal zones.
- **Marine Biodiversity Protection**: Partnered with dedicated conservation bodies to fund sea turtle nesting site security, protective hatchery infrastructure, and community coastal patrols.
- **Frontline Worker Protection**: Funded the annual insurance premiums of frontline **Wildlife Conservation Workers**, providing vital financial security to the eco-stewards protecting national biodiversity.

Socially Impacting Sustainability & Governance

Our community strategy ensures that social resource channeling targets verifiable regional requirements, driven by robust corporate ethics.

Inclusive Growth & Women's Empowerment

- **Micro-Enterprise Inclusion**: Expanding our physical and digital presence into underserved regions to provide formal credit to unbanked communities.
- **Women’s Entrepreneurship Toolkits**: Deployed regional **Women’s Financial Literacy program with participation of Approximately 75 women and Entrepreneurship Program** across our branch network.
- **Targeted Training Areas**: Teaching business planning, cash flow management, personal vs. business budgeting, and formal banking procedures.
- **Measurable Outcomes**: Successfully drove a higher volume of formal commercial loan registrations from local, women-led enterprises.

Community Impact & Regional Access

- **School Resource Equalization**: Distributed premium school packs to economically marginalized students at the start of the school term to ease the financial burden on rural households.
- **Targeted Rural School Aid**: Provided stationery, uniforms, and essential personal hygiene materials to all 19 students at **Yatipasgamuwa School**, securing baseline student enrollment in a highly remote area.
- **Estate Sector Infrastructure**: Funded and completed the construction of a purpose-built **Classroom Hut at Manthreethenna School in Ragala**, replacing a critical infrastructure gap in a geographically isolated estate community.
- **School Sanitation**: Donated commercial-grade cleaning, sanitizing, and hygiene equipment to **Dekatana Primary College**.
- **Inclusive Branch Expansion**: Inaugurated our new **Negombo City Branch**, establishing an accessible localized channel for the Western Province’s northern fishing, trading, and tourism MSMEs.
- **Health Interventions**: Donated specialized bedding and essential medical comfort materials to long-term cancer units, partnering with hospital welfare committees.






Governance, Ethics & Policy Compliance

- MI operates under a zero-tolerance policy for unethical behavior, enforced through strict corporate policies that MI operates under a zero-tolerance policy for unethical behavior, enforced through strict corporate policies that safeguard our stakeholders and strengthen institutional integrity.
- **Whistleblower Policy**: Provides a secure, strictly confidential, and independent channel for employees or external stakeholders to report financial malpractice, governance breaches, or ethical violations without fear of retaliation.
- **Code of Conduct**: A mandatory framework signed by every employee that defines our standards for professional integrity, conflict of interest management, anti-corruption compliance, and fair customer treatment.

Contribution to the UN Sustainable Development Goals (SDGs)

SDG	How We Contribute (Business & Sustainability Initiatives)
SDG 1 – No Poverty	• Leasing, gold loan, MSME financing, fixed deposits, and savings products support financial inclusion and income generation.
SDG 2 – Zero Hunger	• Financial support for agricultural MSMEs, fisheries sector, and rural livelihoods strengthens food security and value chains.
SDG 3 – Good Health & Well-being	• Donation of bedsheets to Maharagama Cancer Hospital. • Employee wellness, health, and occupational safety practices
SDG 4 – Quality Education	• School development support provided to Yatipasgamuwa School, Balangoda, Katunayake High School, Dekatana Primary College, Dekatana, Manthreethanna Vidyalaya, and Ragala. • Distribution of stationery, school bags, food, shoes, and sanitary items for students.
SDG 5 – Gender Equality	• Women entrepreneurship programme organised at Godagama Branch to support financial inclusion and business development. • Financial access supports women entrepreneurs and women-led businesses.
SDG 6 – Clean Water & Sanitation	• Sustainable financial practices support efficient resource use and responsible environmental management.
SDG 7 – Affordable & Clean Energy	• Pragathi Sustainable Business Loan supports renewable energy, eco-industry, agriculture, fisheries, and MSME sectors. • Green financial products support sustainable and climate-friendly energy solutions
SDG 8 – Decent Work & Economic Growth	• MSME financing, leasing, gold loans, auto finance, savings, and deposits support entrepreneurship, job creation, and economic growth.

SDG 9 – Industry, Innovation & Infrastructure	• Financial services support business expansion, infrastructure development, and digital financial transformation.
SDG 10 – Reduced Inequalities	• Inclusive financial services ensure access for rural and underserved communities. • Community support initiatives enhance social inclusion and equal opportunities.
SDG 11 – Sustainable Cities & Communities	• Beach clean-up conducted at Crow Island Beach, Mattakkuliya. • Disaster resilience and community development supported through MSME financing.
SDG 12 – Responsible Consumption & Production	• Sustainable waste management practices support responsible consumption and operational efficiency.
SDG 13 – Climate Action	• GHG verification activities support climate monitoring and accountability. • Green financing supports climate-resilient and low-carbon development.
SDG 14 – Life Below Water	• Beach clean-up initiatives conducted at Crow Island Beach, Mattakkuliya. • Kosgoda Sea Turtle Conservation Project implemented with conservation partners.
SDG 15 – Life on Land	• Wildlife conservation project conducted with Wildlife and Nature Protection Society (WNPS). • Environmental protection and ecosystem conservation initiatives support biodiversity.
SDG 16 – Peace, Justice & Strong Institutions	• Ethical governance, regulatory compliance, and transparent financial practices ensure institutional integrity.
SDG 17 – Partnerships for the Goals	• Collaboration with schools, communities, wildlife organizations, and conservation partners supports sustainability and social impact programmes.

Resource Management within MI

Effective allocation of resources sits at the heart of how MI sustains operational excellence and pursues growth that lasts. This year, we channeled investment into key areas such as broadening

our branch footprint and upgrading our IT infrastructure, both aimed at strengthening our market position, improving efficiency, and building the scalability needed for the future. Alongside this, we invested meaningfully in developing our people, ensuring our workforce remains well-equipped to respond to a fast-changing industry. Mindful of our duty to shareholders, we continued to apply a disciplined, balanced approach to allocating resources, weighing immediate needs against long-term goals, so that we consistently deliver strong, sustainable returns to those who have placed their trust in us.

Business Lines	Lending	Critical	Critical	Critical	Critical	Critical	Critical	Moderate
	Investments	Moderate	Not Significant	Critical	Moderate	Moderate	Moderate	Moderate
	Deposits Mobilisation	Moderate	Critical	Moderate	Critical	Critical	Critical	Moderate
	Other Ancilliary Businesses	Moderate	Moderate	Moderate	Critical	Critical	Critical	Moderate
Business Activities Affected		Funding	Customer Intelligence Product Design and Innovations	Evaluation and Execution	Collections	After Sales Support	Customer Relationship Management	Support Services
Key Resources Mobilised	Financial Wealth	Critical	Critical	Critical	Critical	Moderate	Moderate	Moderate
	Human Stregnth	Moderate	Critical	Critical	Critical	Moderate	Moderate	Moderate
	Alliances	Critical	Moderate	Critical	Critical	Critical	Critical	Moderate
	Infrastructure	Moderate	Moderate	Critical	Moderate	Moderate	Moderate	Moderate
	Intellect	Critical	Critical	Critical	Moderate	Not Significant	Critical	Moderate
	Nature	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate

Critical   Moderate   Not Significant

Scaling Stakeholder Value Through Strategic Capital Management

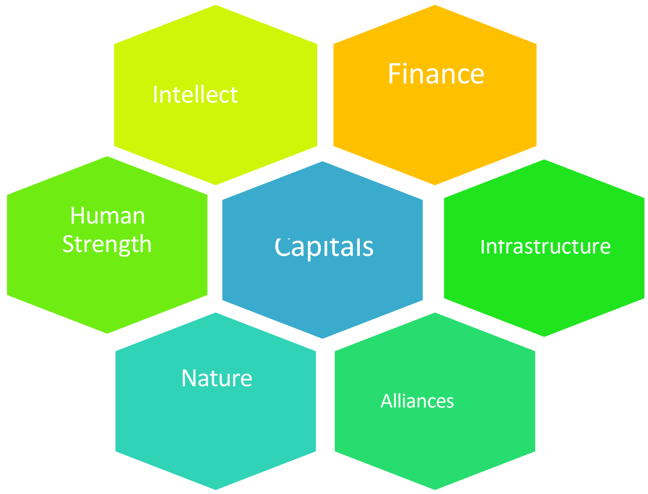
Capital management at MI is both disciplined and deeply integrated into how we create value, reflecting our commitment to the prudent stewardship of every resource at our disposal. We refer to these resources collectively as our Capitals, spanning tangible and intangible forms, from financial and manufactured capital to human, intellectual, natural, and social & relationship capital.

2025/26 was a year defined by resilience and strategic transformation. MI drew on its partnerships, intellectual assets, infrastructure, people, and natural and financial resources in combination to power sustainable growth. This integrated use of our capitals allowed us to surpass stakeholder expectations, even against the backdrop of an industry that continues to shift rapidly. Our capital management framework is built to be adaptive, acknowledging that each capital can grow, decline, or convert into another depending on our internal priorities and the external environment. We place strong emphasis on deliberate planning that limits risk and trade-offs, keeping our path to long-term value creation balanced and sustainable.

Sustainability is woven into MI's governance and operations as a matter of strategic principle, not an afterthought. This lets the Board and management team calibrate resource allocation across short, medium, and long-term horizons, producing returns that are consistent, resilient, and built to last. Our sense of environmental and social responsibility runs equally deep — through our operations, our partnerships, and our engagement with communities, we contribute actively to sustainable development, and this ethical grounding shapes our identity as a responsible corporate citizen.

In an industry marked by volatility and constant change, the strength and diversity of MI's capital base has been a cornerstone of our resilience, giving us the stability and agility to navigate whatever comes. By putting these capitals to work, MI achieved strong growth in both profitability and asset base, while generating positive outcomes for the wider economy, society, and environment. This performance speaks to MI's lasting commitment to its investors, employees, customers, business partners, and stakeholders at large — a commitment that continues to drive our growth, innovation, and sustainability.

Capital Allocation Strategy



The following outlines the structured framework MI has put in place to strengthen how it deploys resources within its wider value creation strategy. Its purpose is to surface any gaps in how resources are allocated and managed, so that returns can be maximised across the board. This disciplined process plays a vital role in safeguarding these resources for future generations, allowing the company to pursue its growth ambitions without compromising the positive impact it has on society, all while promoting responsible stewardship of resources.