ANNUAL REPORT
2025/26

LOLC
FINANCE

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LOLC FINANCE

ANNUAL REPORT

2025/26

Performance Highlights

FY2025/26 vs FY2024/25

FINANCIAL PERFORMANCE

NEW EXECUTIONS

Rs. 570,968 Mn

+64.1% vs Rs. 347,905 Mn

Broad-based growth across all lending products

NET INTEREST INCOME

Rs. 49,933 Mn

+18.6% vs Rs. 42,106 Mn

Supported by a larger earning-asset base

PROFIT BEFORE TAX

Rs. 24,519 Mn

-2.3% vs Rs. 25,085 Mn

Prior year included non-recurring ISB-related impairment reversals

PROFIT AFTER TAX

Rs. 27,406 Mn

+9.3% vs Rs. 25,085 Mn

Highest-ever PAT, driven by recurring earnings growth

TOTAL EQUITY

Rs. 155,404 Mn

+3.9% vs Rs. 149,524 Mn

Reflects retained earnings and capital strength

TOTAL VALUE ADDED

Rs. 42,365 Mn

+5.7% vs Rs. 40,067 Mn

Value distributed to employees, government and shareholders

ASSET QUALITY & CAPITAL STRENGTH

NET NPL RATIO

3.24%

-157 bps vs 4.81%

Improvement despite 39% portfolio growth

GROSS NPL RATIO

5.02%

-232 bps vs 7.34%

Reflects stronger recovery execution and credit discipline

PROVISION COVERAGE RATIO

35.43%

+92 bps vs 34.51%

Prudent provisioning maintained through portfolio expansion

GROSS LENDING PORTFOLIO

Rs. 423.1 Bn

+38.6% vs Rs. 305.2 Bn

Principal driver of balance-sheet growth

TOTAL CAPITAL ADEQUACY RATIO

23.31%

-272 bps vs 25.92%

Diluted by rapid balance-sheet growth; still well above the 17% regulatory minimum

PER SHARE

NET ASSET VALUE PER SHARE

Rs. 5.26

+16.4% vs Rs. 4.52

EARNINGS PER SHARE

Rs. 0.89

+17.1% vs Rs. 0.76

WORKFORCE

TOTAL STAFF

5,468

+8.2% vs 5,053

1,251 new recruits joined during the year

NEW RECRUITS

1,251

+34.5% vs 930

FEMALE EMPLOYEES

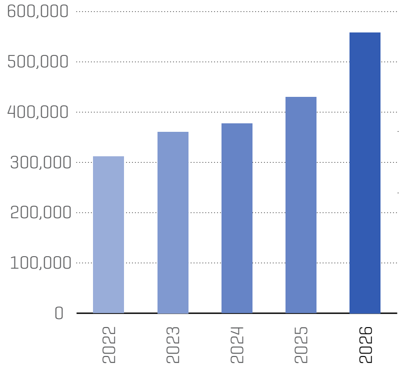
1,495

+18.8% vs 1,258

Continued progress on gender diversity

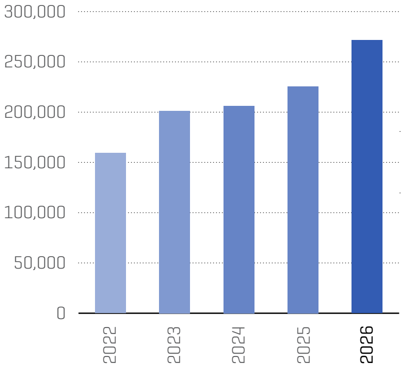
Total Assets

Rs. Million



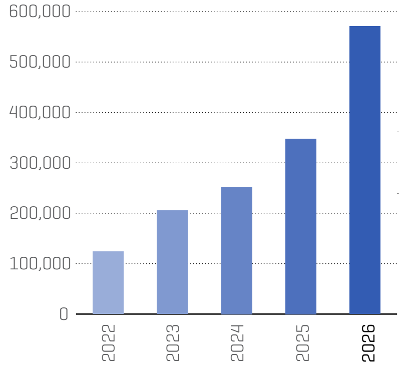
Customer Deposits

Rs. Million



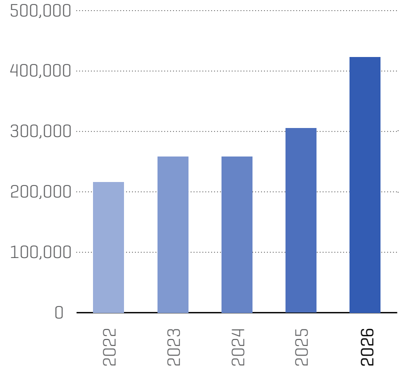
Executions

Rs. Million

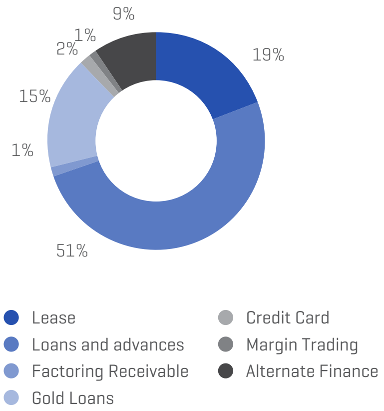


Loan Portfolio

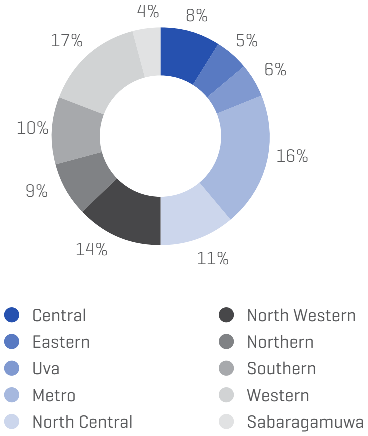
Rs. Million



Loan Portfolio Composition



Region Wise Loan Portfolio



Chairman's Review

TOTAL ASSETS EXPANDED TO RS. 558.6 BILLION, REINFORCING LOLC FINANCE'S POSITION AS THE LARGEST NBFI IN SRI LANKA. MOREOVER, LOANS AND ADVANCES INCREASED TO RS. 423.1 BILLION, WHILE CUSTOMER DEPOSITS GREW TO RS. 271.5 BILLION, REFLECTING THE CONFIDENCE PLACED IN THE INSTITUTION BY CUSTOMERS, INVESTORS AND OTHER STAKEHOLDERS.

Dear Shareholders,

It is with immense pride and a deep sense of purpose that I present to you the performance of LOLC Finance PLC for the financial year ended 31st March 2026. The period under review was one in which the strength of LOLC Finance's business model, the resilience of its people and the discipline of its governance framework were tested. Once again, operating against a backdrop of significant economic disruption, environmental adversity and geopolitical uncertainty, the Company delivered yet another year of exceptional performance while continuing to strengthen its position as Sri Lanka's leading Non-Banking Financial Institution (NBFI).

FINANCIAL PERFORMANCE

The Company recorded a Profit After Tax of Rs. 27.4 billion during the year, representing growth of approximately 9% over the previous financial year. This performance was underpinned by strong business expansion, improved portfolio quality, disciplined risk management and sustained growth across all major operating segments.

Meanwhile, net interest income increased to Rs. 49.9 billion, while total operating income reached Rs. 55.6 billion.

Total assets expanded to Rs. 558.6 billion, reinforcing LOLC Finance's position as the largest NBFI in Sri Lanka. Moreover, loans and advances increased to Rs. 415.5 billion, while customer deposits grew to Rs. 271.5 billion, reflecting the confidence placed in the institution by customers, investors and other stakeholders.

The quality of the growth achieved was critically important, as the Company maintained a non-performing loan (NPL) ratio of approximately 5%, a distinction achieved by very few institutions operating at similar scale. Impairment charges declined significantly to Rs. 0.63 billion, reflecting the continued strengthening of portfolio quality, prudent underwriting practices and disciplined recovery efforts.

Importantly, earnings per share increased from Rs. 0.76 to Rs. 0.89, while net asset value per share improved to Rs. 5.26.

Today, LOLC Finance accounts for approximately 18% of total industry assets, 20% of industry deposits and an extraordinary 31% of total profitability generated by Sri Lanka's NBFI sector. The Company is also the fourth most profitable institution within the country's private banking and financial services sector, underscoring both the scale and quality of our franchise.

Beyond being a reflection of a notable financial performance, these achievements represent the outcome of years of strategic investment, disciplined execution, customer trust and the commitment of thousands of employees who continue to serve communities across Sri Lanka with professionalism and purpose.

MACROECONOMIC BACKDROP

The economy recorded growth of approximately 5.0% during 2025, extending the recovery momentum established in the preceding year. Lower inflation, easing interest rates, stronger remittance inflows, improved fiscal performance and increasing business confidence contributed to a more supportive operating environment. Official foreign reserves increased to approximately USD 6.8 billion, while progress under the IMF-supported reform programme helped reinforce confidence in the country's medium-term economic outlook.

However, in November 2025, Sri Lanka experienced one of the most severe natural disasters in its modern history when Cyclone Ditwah made landfall across large parts of the country. The human and economic consequences were profound, with more than 630 lives lost, approximately one-fifth of the country's land area affected, over 720,000 buildings damaged and an estimated 16,000 kilometres of road infrastructure impacted. The estimated economic loss of between USD 6 billion and USD 7 billion was nearly three times greater than the economic impact of the 2004 tsunami, making Cyclone Ditwah one of the most consequential climate-related events in the nation's history.

Agriculture, tourism, transportation, logistics networks and regional economies experienced significant disruption, creating considerable challenges for businesses and households alike. As the economy worked through these challenges, new uncertainties emerged from the global arena. The escalation of tensions involving Iran and the subsequent closure of the Strait of Hormuz generated significant volatility across global energy markets. Brent crude oil prices rose beyond USD 100 per barrel, increasing by more than 40% compared to pre-conflict levels. The implications were immediate for an import-dependent economy like Sri Lanka, contributing to higher fuel costs, transportation expenses and renewed inflationary pressures.

Against this backdrop, the resilience of LOLC Finance's diversified business model once again came to the fore. Its broad-based exposure across SME financing, personal finance, microfinance, Islamic finance, gold-backed lending, agricultural financing and working capital solutions enabled the Company to continue supporting customers while maintaining stability and growth.

> AT LOLC FINANCE, THE FOCUS IS INCREASINGLY DIRECTED TOWARDS THE NEXT FRONTIER OF FINANCIAL SERVICES TRANSFORMATION. CENTRAL TO THIS VISION IS THE STRATEGIC DEPLOYMENT OF ARTIFICIAL INTELLIGENCE (AI), ADVANCED ANALYTICS AND INTELLIGENT AUTOMATION. WE BELIEVE THAT AI IS A FUNDAMENTAL REIMAGINING OF HOW FINANCIAL INSTITUTIONS OPERATE. BY EMBEDDING INTELLIGENCE ACROSS CUSTOMER ENGAGEMENT, CREDIT ASSESSMENT, BEHAVIOURAL ANALYTICS, FRAUD DETECTION, ANTI-MONEY LAUNDERING MONITORING, OPERATIONAL WORKFLOWS AND DECISION-MAKING PROCESSES, WE SEEK TO CREATE A MORE AGILE, RESPONSIVE AND FUTURE-READY INSTITUTION. THIS TRANSFORMATION WILL ENABLE US TO SERVE CUSTOMERS WITH GREATER PRECISION, SPEED AND PERSONALISATION, BY ANTICIPATING NEEDS RATHER THAN MERELY RESPONDING TO THEM.

FUTURE OUTLOOK

While maintaining a realistic appreciation of the challenges that continue to shape the operating environment, we remain optimistic. The Asian Development Bank forecasts Sri Lanka's economy to grow by approximately 4.0% in 2026, while inflation is projected to increase to around 5.2%, driven largely by global energy market developments, reconstruction demand following Cyclone Ditwah, and continuing external uncertainties. Several factors will influence the financial services landscape in the period ahead. These include rising interest rates, inflationary pressures, exchange rate volatility, evolving regulatory requirements and the broader implications of geopolitical instability.

At LOLC Finance, the focus is increasingly directed towards the next frontier of financial services transformation. Central to this vision is the strategic deployment of Artificial Intelligence (AI), advanced analytics and intelligent automation. We believe that AI is a fundamental reimagining of how financial institutions operate. By embedding intelligence across customer engagement, credit assessment, behavioural analytics, fraud detection, anti-money laundering monitoring, operational workflows and decision-making processes, we seek to create a more agile, responsive and future-ready institution. This transformation will enable us to serve customers with greater precision, speed and personalisation, by anticipating needs rather than merely responding to them. It will empower employees through tools that enhance productivity, reduce repetitive processes and allow greater focus on value creation. It will also strengthen operational efficiency and scalability across the organisation. LOLC Finance intends to remain firmly at the forefront of institutions that will lead the future of financial services in the country and beyond.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND SUSTAINABILITY

The Board believes that sustainable value creation cannot be separated from strong governance. At LOLC Finance, governance is embedded in how decisions are made, risks are assessed, opportunities are pursued and stakeholder interests are protected. During the year, the Board was strengthened through the appointment of additional Independent Directors, enhancing the diversity of perspectives and reinforcing the independence of oversight.

Risk management continues to remain a central pillar of our operating model. The Company's Enterprise Risk Management framework provides a comprehensive approach to identifying, monitoring and managing risks across the organisation. Particular emphasis is placed on maintaining prudent capital adequacy levels, strong liquidity buffers, clearly defined risk appetite parameters, transaction limits and comprehensive capital augmentation plans.

The Risk Management function continuously ensures that the Company maintains appropriate capital buffers while preserving sufficient flexibility to support future growth. Forward-looking provisioning methodologies incorporating macroeconomic variables such as GDP growth, inflation, interest rates and sector-specific risks continue to strengthen the Company's ability to anticipate and respond to emerging challenges. The maintenance of a single-digit NPL ratio during a year characterised by both a severe natural disaster and significant global uncertainty, stands as compelling evidence of the effectiveness of these frameworks.

LOLC Finance contributes meaningfully to Sri Lanka's economic and social development through financial inclusion, support for entrepreneurs and small businesses, responsible lending practices, investment in people and continued service delivery across underserved communities. With a workforce exceeding 5,400 employees and one of the largest branch networks in the country, we remain committed to creating long-term value for all stakeholders while maintaining the highest standards of corporate responsibility.

EMERGING RISKS AND CONSIDERATIONS

While we enter the new financial year from a position of considerable strength, we do so without complacency. Rising funding costs, inflationary pressures, exchange rate volatility, increasing regulatory expectations and intensifying competition across the financial services sector will require continued vigilance and adaptability.

Climate-related risks also demand greater attention. The devastation caused by Cyclone Ditwah serves as a powerful reminder that climate risk is no longer a theoretical consideration but an operational reality. Financial institutions must continue strengthening resilience, preparedness and business continuity capabilities in response to an increasingly uncertain environmental landscape. These realities reinforce the importance of maintaining strong capital buffers, disciplined risk management practices and a diversified business model.

We remain confident that our scale, market leadership, balance sheet strength and prudent operating philosophy position us well to navigate these challenges while continuing to create sustainable value.

AWARDS, ACCOLADES AND MILESTONES

While financial performance remains our primary measure of success, external recognition provides valuable affirmation of the strength of our strategy, brand, and market position.

Among the most significant milestones achieved during the year was the reaffirmation of LOLC Finance’s position as Sri Lanka's largest NBFI and the country’s most valuable NBFI brand. The Company remained ranked among Sri Lanka's most valuable brands, with an AA+ rating from Brand Finance. LOLC Finance maintained its standing as the fourth most profitable entity within Sri Lanka’s private banking and financial services sector while contributing 31% of total profitability generated by the NBFI industry.

A major strategic milestone during the year was the successful completion of a share repurchase exercise exceeding Rs. 21 billion, alongside a Rs. 10 billion debenture issuance that further strengthened the Company’s long-term funding profile.

LOLC Finance continued to hold market leadership positions across SME Finance, Personal Finance, Islamic Finance, Factoring and Agricultural Product Financing.

In addition, digital leadership was further reinforced through iPay, which today facilitates more than 60% of all e-wallet transactions in Sri Lanka, underscoring the Company's position at the forefront of the country's digital financial services landscape. These achievements represent important milestones in our journey, but they also remind us that leadership must be earned continuously through innovation, execution, and service excellence.

As I reflect on the year under review, what stands out beyond the exceptional performance is the fortitude with which we navigated a period marked by both opportunity and adversity. Looking ahead, our focus remains on building a stronger, more agile and more future-ready organisation. Equipped with a diversified business model, a robust balance sheet, a culture of innovation and the commitment of more than 5,400 employees, I am confident that LOLC Finance is well positioned to navigate the opportunities and challenges that lie ahead while continuing to contribute meaningfully to Sri Lanka's economic progress.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I extend my sincere appreciation to our shareholders for their continued confidence, our customers for their trust and loyalty and the Central Bank of Sri Lanka and other regulatory authorities for their guidance and support.

I also wish to place on record our deep appreciation to Mr. Peiris, who retires from the Board upon reaching the age of 70 in accordance with regulatory requirements. His wisdom, experience, and commitment have contributed significantly to the growth and governance of LOLC Finance over many years. We thank him sincerely and wish him every success in the future.

At the same time, I warmly welcome Mr. Jayantha Fernando and Mr. Reshan Devapura to the Board. Their expertise and perspectives will further strengthen the Company's governance framework as we embark on the next phase of our journey.

Finally, I extend my deepest gratitude to our management team and every member of staff across the organisation. Their dedication, resilience, and professionalism have once again enabled LOLC Finance to deliver exceptional results despite a challenging operating environment.

Conrad Dias

F K C P N Dias
Chairman

Director/CEO's Review

THE FINANCIAL YEAR 2025/26 MARKED YET ANOTHER MILESTONE IN OUR JOURNEY, WITH LOLC FINANCE RECORDING ITS HIGHEST-EVER PROFIT AFTER TAX OF RS. 27.4 BILLION. THE COMPANY ALSO DELIVERED PORTFOLIO GROWTH OF APPROXIMATELY RS. 118 BILLION, REPRESENTING GROWTH OF OVER 39% DURING THE YEAR.

At a time when market conditions continued to evolve and uncertainty remained a recurring feature of both the global and domestic landscape, LOLC Finance delivered another year of exceptional performance while preserving the strengths that have consistently distinguished the Company – diversification, disciplined risk management, technological leadership and an unwavering focus on customer needs.

The financial year 2025/26 marked yet another milestone in our journey, with LOLC Finance recording its highest-ever Profit After Tax of Rs. 27.4 billion. The Company also delivered portfolio growth of approximately Rs. 118 billion, representing growth of over 39% during the year. Equally important was the quality of this growth. We concluded the year with a Gross NPL ratio of 5.02% and a Net NPL ratio of 3.24%, reflecting the strength of our underwriting standards, collection capabilities, and risk management practices.

This performance was not concentrated within one business segment, market or product category. Rather, it was the result of contributions from across the organisation. Every major business unit played a meaningful role in driving growth, including SME financing, personal finance, microfinance, gold loans, Islamic finance, operating leases, factoring, and working capital financing. Our diversified operating model once again proved its value, enabling the Company to capture opportunities across multiple sectors while mitigating concentration risk.

Growth in lending activities was complemented by the continued expansion of our savings and deposit base, providing the funding strength required to support accelerated business volumes. Operational profit increased by 21.8% during the year, supported by stronger net interest margins and lower impairment charges. The reduction in loan impairments was a direct outcome of the significant improvement in portfolio quality and the decline in non-performing loans, underscoring the overall health and resilience of the business.

NAVIGATING AN EVOLVING INDUSTRY LANDSCAPE

The operating environment for the financial services sector was considerably more favourable than in recent years. The NBFI industry recorded reasonable growth during the year, supported by several market developments. The lifting of vehicle import restrictions revitalised both registered and unregistered vehicle markets, creating renewed demand for vehicle financing products across the industry. As a result, vehicle financing emerged as one of the primary drivers of sector growth.

At the same time, the sharp increase in global gold prices created significant momentum within the gold-backed lending market. Gold prices reached the USD 5,000 mark during the year, stimulating financing demand and creating opportunities across the industry.

However, both of these sectors experienced some degree of volatility during the latter part of the financial year. Vehicle financing activity was affected by the introduction of new loan-to-value restrictions and increased duties, while gold prices subsequently corrected from their peak levels to approximately USD 4,100. Against a backdrop of continuing geopolitical tensions and global economic uncertainty, these developments introduced new considerations for financial institutions operating within these markets.

Yet the impact on LOLC Finance remained relatively limited. Our long-standing strategy has been to avoid overreliance on any single product, customer segment or collateral class. The strength of our SME finance, microfinance, Islamic finance, gold loans, operating leases, personal finance and working capital financing portfolios provided a natural hedge against sector-specific disruptions. As a result, the Company experienced virtually no material shortfalls relating to gold loan settlements or vehicle disposals. This resilience was clearly reflected in our NPL ratios, impairment provisions and write-off performance throughout the year.

ACCELERATING THE DIGITAL AGENDA

Alongside our growth agenda, we continued to pursue a deliberate and ambitious digital transformation strategy. Digitalisation is increasingly embedded within how we serve customers, manage operations, and create value across the organisation. One of the most visible examples of this transformation can be seen within our gold loans business. Today, over 90% of gold loan disbursements are processed digitally through our Gold Loan App and customer self-service platforms. What once required branch visits and manual intervention can now be completed with remarkable speed and convenience, significantly improving the customer experience while enhancing operational efficiency.

Our digital ecosystem continues to be anchored by iPay, which has evolved into one of the most comprehensive digital financial platforms in the country. Through iPay, customers are able to perform the majority of their financial transactions independently, securely, and in real time. The platform continues to set benchmarks for innovation within both the banking and NBFI sectors and has become an important pillar of customer engagement across the Group. This leadership was once again recognised at the LankaPay Technnovation Awards 2025, where iPay received industry recognition for the seventh consecutive year. Sustaining such recognition over an extended period is a reflection of the continuous investment, innovation, and commitment that have gone into building a truly world-class digital platform.

> AS WE MOVE FORWARD, LOLC FINANCE WILL CONTINUE TO PURSUE THE DIVERSIFIED BUSINESS MODEL THAT HAS SERVED US WELL OVER MANY YEARS. WE REMAIN COMMITTED TO SERVING ALL COMMUNITIES ACROSS THE COUNTRY RATHER THAN CONCENTRATING ON ANY SINGLE MARKET SEGMENT, CUSTOMER CATEGORY OR COLLATERAL TYPE. DIVERSIFICATION CONTINUES TO PROVIDE BOTH STABILITY AND OPPORTUNITY, ENABLING US TO GROW WHILE MANAGING RISK RESPONSIBLY.
>
> TECHNOLOGY AND HUMAN CAPITAL WILL REMAIN THE TWIN PILLARS SUPPORTING OUR FUTURE GROWTH. WE WILL CONTINUE INTRODUCING NEW PRODUCTS, REFINING PROCESSES, ENHANCING CUSTOMER EXPERIENCE, AND EXPANDING ACCESS TO FINANCIAL SERVICES THROUGH BOTH PHYSICAL AND DIGITAL CHANNELS.

Our digital journey, however, extends well beyond customer-facing applications. We remain committed to creating a culture of self-banking while continuously expanding digital capabilities across our product portfolio. Multiple initiatives are currently underway to digitise customer journeys, streamline processes, and reduce turnaround times across various business segments.

Looking ahead, we see considerable opportunities in the application of AI, advanced analytics and robotics. These technologies have the potential to transform several aspects of our operations, including customer communication, credit assessment and scoring, anti-money laundering monitoring, operational workflows and decision-making processes. We believe these tools will enable us to serve customers more effectively while strengthening risk management and operational excellence.

INVESTING IN OUR PEOPLE

During the year, our workforce expanded from approximately 5000 employees to over 5,400 employees, supported in part by the expansion of our branch network to 203 locations. As our organisation grows, we remain deeply committed to investing in our people through training, professional development, career progression, and leadership succession initiatives.

One of the most rewarding aspects of being part of the LOLC Group is the ability to provide opportunities that extend well beyond national borders. Today, the Group's footprint spans more than 25 countries, creating pathways for our employees to pursue international careers and leadership opportunities.

GOVERNANCE, RISK AND LONG-TERM RESILIENCE

While growth and innovation remain central to our strategy, they are built upon a foundation of strong governance, compliance and risk management. These principles continue to guide every aspect of our operations.

LOOKING AHEAD

As we move forward, LOLC Finance will continue to pursue the diversified business model that has served us well over many years. We remain committed to serving all communities across the country rather than concentrating on any single market segment, customer category or collateral type. Diversification continues to provide both stability and opportunity, enabling us to grow while managing risk responsibly.

Technology and human capital will remain the twin pillars supporting our future growth. We will continue introducing new products, refining processes, enhancing customer experience, and expanding access to financial services through both physical and digital channels.

APPRECIATION

As I reflect on another remarkable year, I do so with a deep sense of appreciation.

The achievements of 2025/26 belong not to any individual, but to the collective efforts of our people. We are grateful for the support and cooperation of the Central Bank of Sri Lanka.

I extend my sincere gratitude to our employees across the country, our senior management team and the Board of Directors for their commitment, dedication and belief in the organisation.

Their combined contribution has been instrumental in delivering another year of exceptional performance and positioning LOLC Finance for continued success in the years ahead.

D M D K Thilakaratne
Director/CEO

Board of Directors

MR. F K C P N DIAS

Chairman/ Non-Executive Director

Mr. Conrad Dias was appointed to the Board on 01st March 2020. He holds Master's in Business Administration (MBA) from University of Leicester UK, is a Fellow Member of the Chartered Management Accountants UK (FCMA), is a Chartered Global Management Accountant (CGMA -USA). He is also a Fellow of the Certified Management Accountants of Sri Lanka (FCMA) and Fellow Member of British Computer Society (FBCS).

His experience spans close to 3 decades as a visionary thought leader in business technology his C-Level experience spans over 20+ years.

A Fintech enthusiast who innovated many financial technology products and solutions, he is the Founder of iPay a revolutionary platform beyond payment and the Founder of OYES, another fintech platform that makes everyday a payday.

His thought leadership on technology and contribution to the ICT to the industry, society and to the LOLC Group was recognised via many local and international awards, including Prestige's Computer Society of Sri Lanka CIO of The Year 2016. He was also awarded the Chartered Management Institute of Sri Lanka Professional Excellence Award in 2017. Further, he was inducted to the Global CIO Hall of Fame in 2020 of IDG (USA) CIO100, and is only the Sri Lankan to get this accolade.

MR. D M D K THILAKARATNE

Executive Director/CEO

Mr. Krishan Thilakaratne is the Director/CEO of LOLC Finance PLC and a Member of the Senior Management Team of LOLC Holdings PLC.

Mr. Thilakaratne is a Board Member of Seylan Bank PLC and also at LOLC Southeast Asia, covering Philippines, Indonesia and Pakistan. Further, Mr. Thilakaratne is a Director of LOLC Central Asia covering Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan. He serves on the Boards of LOLC Moliya in Tajikistan, OJSC Micro Finance Company "ABN" in Kyrgyzstan ,R Finance in Kazakhstan and LOLC EGYPT in the African region. He is an Advisor to "Lombard Micro Finance Company" in Tajikistan.

He has also served as a Board Member for The Credit Information Bureau of Sri Lanka (CRIB), Commercial Insurance Brokers (Pvt) Ltd, Sri Lanka, and Prasac Microfinance Institution Ltd, Cambodia. Additionally, Mr. Thilakaratne has served as the Chairman of the Finance Houses Association of Sri Lanka (FHASL), the apex body for Non-Bank Financial Institutions (NBFIs) in Sri Lanka.

He is a Passed Finalist of the Chartered Institute of Management Accountants (CIMA) UK and an Associate member of the Institute of Bankers of Sri Lanka (AIB). He has followed the Strategic Leadership Training Programme in Micro Finance at Harvard Business School, USA and counts over 31 years of experience in Management, Credit, Channel Management, Marketing, Factoring, Portfolio Management and Islamic Finance. He conceptualised and introduced Islamic Finance to the LOLC Group in 2007 and is a Guest Speaker at International Islamic Finance Forums.

MR. B C G DE ZYLVA

Non-Executive Director

Mr. Brindley de Zylva is a Non-Executive Director of LOLC Finance PLC. He also serves as the Chairman of LOLC (Cambodia) PLC and Serendib Microinsurance PLC, and as the Managing Director of LOLC Myanmar Micro-Finance Company Limited. Brindley joined the LOLC Group in 2003 and brings over 40 years of extensive experience in the Non-Bank Financial Services Industry (NBFI). His expertise spans licensed finance companies, specialised leasing, microfinance, and microinsurance across South and Southeast Asia.

Brindley is a Fellow of the Sri Lanka Institute of Credit Management, where he has also served as Honorary Secretary. He has been actively involved in the Council of Management of the Finance Houses Association of Sri Lanka, serving as a member for nine years, including four years as Vice Chairman. Additionally, he has held the position of Director at the Financial Ombudsman Sri Lanka (Guarantee) Limited

MR. P A WIJERATNE

Senior Independent Director
(Retired w.e.f. 26.05.2026)

Mr. P A Wijeratne was appointed as an Independent Director on 26th May 2017 and has over twenty years of experience in Accounting, Financial reporting, Investment of internal funds, Foreign loan disbursements and repayments, Auditing, Public debt management and Administration as an ex Officio of the Central Bank of Sri Lanka. He joined CBSL in 1991 and worked in the Finance, Public Debt Management and Internal Audit departments till his retirement in 2016.

He holds a BA degree in Economics (Special Field – Commerce) from the University of Kelaniya and a postgraduate Diploma in Accounting and Financial Economics and a MSc in Accounting and Financial Economics from the University of Essex, UK.

MR. A J L PEIRIS

Independent Director
(Retired w.e.f. 17.12.2025)

Mr. Luxman Peiris retired as Additional Director of the Central Bank of Sri Lanka (CBSL) and was appointed as an Independent Director. pursuant to the merger with LOLC Development Finance PLC with effect from 31st January 2023. His career at the CBSL spanned 25 years, during which he worked in several different departments including Economic Research, Management Development Centre, Governor's Office (Chief Protocol Officer), Domestic Operations, Payments and Settlements.

Mr Peiris holds a BSc (Physical Science) with a First-Class Honours from the University of Kelaniya, Sri Lanka, an MSc and a Postgraduate Diploma in Agricultural Economics from the University of Reading, UK and an MSc and a Postgraduate Diploma in Quantitative Development Economics from the University of Warwick, UK.

Mr Peiris served as the Vice President of the Clearing Association of Bankers (CAB). He was also Coordinator - CBSL SEACEN Financial Statistics. He is a member of the Sri Lanka Economic Association. He served in the Sri Lanka Army Volunteer Force attached to the 2nd Sri Lanka Army Service Corps as a Commissioned Officer ; he was adjudged the Best Officer Cadet in Intake One, in the Sri Lanka Army Volunteer Force in 1981. Presently, he is an Exco member of the Sri Lanka Army Service Corps Ex-Servicemen's Association.

MRS. K T C PRIYANGANI

Independent Director
(Appointed w.e.f. 23.01.2025)

Mrs. Chamila Priyangani currently serves as the Bursar at the University of Sri Jayewardenepura, Sri Lanka. With over 20 years of extensive experience in the private and state sectors, she has demonstrated exceptional expertise in financial management and governance. Her leadership has significantly contributed to enhancing the financial performance of organisations while ensuring strict compliance with governance standards.

Under her supervision, the organisations she has managed have received prestigious awards for excellence in financial reporting and governance, reflecting her commitment to upholding the highest professional standards.

MR. S LANKATHILAKE

Senior Independent Director

Mr. Sunil Lankathilake is a former Deputy Governor of the Central Bank Sri Lanka. He was appointed to the LOLC Finance Board, pursuant to the merger with LOLC Development Finance PLC with effect from 31st January 2023. He holds and MSc in Economics and a Postgraduate Diploma in Economics from the University of Manchester, United Kingdom and a B. Com degree with 1st Class honours from the University of Peradeniya.

Mr. Lankathilake has more than 32 years of experience in the CBSL, in the areas of Economic and Price Stability, Financial System Stability and Agency Functions. Prior to joining the Central Bank in 1986, he worked as an Assistant Lecturer at the University of Peradeniya.

During his 32 year career in the CBSL, Mr. Lankathilake participated in a large number of foreign training programmes conducted by reputed training providers such as IMF, World Bank, ADB, University of Cambridge etc. in the areas of Macroeconomic Management, Macroeconomic Modelling, Financial Programming, Trade Policies, Competitiveness, Project Management, Foreign Investment, Strategic Planning and Management, Human Resource Management and Communication Policy. Mr. Lankathilake has also served as a member of the Board of Directors of Sri Lanka Export Credit Insurance Corporation, Board of Management of the Title Insurance Fund of Registrar General's Department, National Labour Advisory Committee, Securities and Exchange Commission and several other committees in the past. Mr. Lankathilake has authored many articles and published them in reputed international and local journals and CBSL publications particularly in the areas of economic issues, small-scale industries, international trade, gem industry, apparel industry etc.

MR. JAYANTHA FERNANDO

Independent Director
(Appointed w.e.f. 03.11.2025)

A senior Legal expert with a specialised Master of Law Degree (LLM) in Telecommunications & IT Law, from Queen Mary University of London, he has nearly 30 year's implementation experience in several Tech Law subjects ranging from Digital Transactions, Digital Payments, Privacy & Data Protection, Cybercrime, Internet Governance and AI.

During his tenure in the public sector at The ICT Agency (ICTA), he led the drafting of several laws, including Electronic Transactions Act, Computer Crimes Act and early versions of The Cyber Security Bill. As Chair of the drafting committee (2018-22), he led the strategy to formulate and enact Sri Lanka's Personal Data Protection Act (PDPA), No. 09 of 2022, the first comprehensive data privacy legislation in South Asia. He also led Sri Lanka's entry to the Budapest Cybercrime Convention and became the first South East Asian to be elected to Budapest Convention's nine-member global Board (bureau), in Strasbourg, France. He also developed legal standards for IT Contracts and led the negotiation of the E-Commerce Chapter in the Singapore-Sri Lanka Free Trade Agreement (FTA).

MR. RESHAN DEWAPURA

Independent Director
(Appointed w.e.f. 07.05.2026)

Mr.Reshan Dewapura has a Bachelor's degree in Electronics and Telecommunications Engineering from the University of Moratuwa, a Master's in Project Management from George Washington University, and counts over 38 years of experience in the ICT industry.

He is currently the CEO at GSS International (Pvt) Ltd, a state-of-the-art BPO operation providing AI+ services to a range of international clients, and one of the largest BPO operations in Sri Lanka with centers in Colombo and Kurunegala, and over 3000 staff.

His previous corporate positions include the position of CEO at the ICT Agency of Sri Lanka. Immediately prior, He worked in senior management positions for Hewlett Packard (HP) for nearly a decade based out of the UK. He currently is a Board Director at the Sri Lanka Institute of Information Technology (SLIIT) and is also a member of the International Advisory Board of the Centre for Development Informatics at the University of Manchester, U.K. He is also a Board Director at Flix 11 (Pvt) Ltd.

UNWAVERING RESILIENCE, COLLECTIVE PERFORMANCE

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

FY 2025/26 WAS A LANDMARK YEAR FOR LOLC FINANCE. WE RECORDED OUR HIGHEST-EVER PROFIT AFTER TAX OF RS. 27.4 BILLION, UNDERPINNED BY STRONG PORTFOLIO GROWTH, DISCIPLINED COST MANAGEMENT, AND A SIGNIFICANT IMPROVEMENT IN ASSET QUALITY. OUR TOTAL ASSETS CROSSED RS. 558 BILLION, CEMENTING OUR POSITION AS SRI LANKA'S LARGEST NON-BANKING FINANCIAL INSTITUTION (NBFI). LOOKING AHEAD, WE REMAIN COMMITTED TO DIGITAL TRANSFORMATION, FINANCIAL INCLUSION AND SUSTAINABLE VALUE CREATION FOR ALL OUR STAKEHOLDERS.

PERFORMANCE AT A GLANCE

PROFIT AFTER TAX

Rs. 27.4 Bn

+9% YoY

NET INTEREST INCOME

Rs. 49.9 Bn

+19% YoY

GROSS LENDING PORTFOLIO

Rs. 423.1 Bn

+39% YoY

CUSTOMER DEPOSITS

Rs. 271.5 Bn

+20% YoY

TOTAL ASSETS

Rs. 558.6 Bn

+30% YoY

NET NPL RATIO

3.24%

155 bps improvement

OVERVIEW

FY2025/26 was a year of higher-quality earnings for LOLC Finance PLC ("LOFC" or "the Company"). The Company delivered its highest-ever Profit After Tax (PAT) of Rs. 27.4 Bn, up 9% from Rs. 25.1 Bn in the previous year. The reported increase was measured against a prior year that included non-recurring International Sovereign Bond (ISB)-related impairment reversals and derecognition losses on the same. The current year's financial results are supported by stronger recurring earnings, sustained lending growth, improved asset quality and disciplined cost management.

The Balance Sheet expanded materially during the year, with total assets increasing by 30% to Rs. 558.6 Bn. The gross lending portfolio grew by 39% to Rs. 423.1 Bn, reflecting broad-based demand across core products including loans and advances, leasing, gold loans, alternate finance, personal lending, term lending, margin trading, factoring and credit cards. Customer deposits increased by 20% to Rs. 271.5 Bn, maintaining deposits as the anchor of the Company's funding structure while borrowings supported the accelerated expansion in interest earning assets.

The Company also recorded a significant improvement in asset quality. The Net NPL ratio improved to 3.24% from 4.81% in the previous year, a 155 Bps improvement despite rapid portfolio growth. This reflects focused recovery execution, strengthened credit discipline and a more resilient customer repayment profile as economic activity normalised.

Capital and liquidity remained sound. The Company continued to maintain capital ratios above regulatory minimum requirements, while liquid assets of Rs. 38.3 Bn exceeded the regulatory requirement of Rs. 31.8 Bn by Rs. 6.5 Bn. Supported by a diversified product base, strong market position, expanding digital ecosystem and disciplined financial management, LOFC remains well positioned to sustain profitable growth and support financial inclusion across Sri Lanka.

KEY FINANCIAL INDICATORS

Indicator	FY2025/26	FY2024/25	Movement
Interest income	Rs. 78.7 Bn	Rs. 68.3 Bn	+15%
Interest expense	Rs. 28.8 Bn	Rs. 26.2 Bn	+10%
Net interest income	Rs. 49.9 Bn	Rs. 42.1 Bn	+19%
Net fee and commission income	Rs. 3.2 Bn	Rs. 2.5 Bn	+24%
Other operating income	Rs. 2.5 Bn	Rs. 1.6 Bn	+56%
Impairment on loans and advances	Rs. 1.1 Bn reversal	Rs. 0.06 Bn charge	Improved
Operating expenses	Rs. 25.5 Bn	Rs. 23.2 Bn	+10%
Profit after tax	Rs. 27.4 Bn	Rs. 25.1 Bn	+9%
Total assets	Rs. 558.6 Bn	Rs. 429.7 Bn	+30%
Gross lending portfolio	Rs. 423.1 Bn	Rs. 305.2 Bn	+39%
Customer deposits	Rs. 271.5 Bn	Rs. 225.7 Bn	+20%
Net NPL ratio	3.24%	4.81%	-155 bps

EARNINGS QUALITY AND PROFITABILITY

LOLC Finance delivered its highest-ever Profit After Tax of Rs. 27.4 billion in FY 2025/26, compared to Rs. 25.1 billion in the prior year. This was underpinned by the expansion of recurring operating income rather than reliance on one-off gains. Net Interest Income increased by 19% to Rs. 49.9 Bn, supported by a larger earning-asset base and effective asset-liability management. Net Fee and Commission Income increased by 24% to Rs. 3.2 Bn, indicating stronger non-interest income contribution from higher disbursement volumes, card-related income and transactional financial services.

Other Operating Income increased to Rs. 2.5 Bn from Rs. 1.6 Bn, largely reflecting the absence of the prior-year derecognition loss on ISBs.

Operating Expenses increased by 10% to Rs. 25.5 Bn, mainly due to personnel expenses, branch and business expansion, inflation-linked cost pressures and continued investments in digital infrastructure. However, expense growth remained below the growth in Net Interest Income and broadly aligned with the Company's expansion strategy.

Record Profit After Tax	Net Interest Income	Net Fee and Commission Income	Operating Expenses
Rs. 27.4 Bn	**Rs. 49.9 Bn**	**Rs. 3.2 Bn**	**Rs. 25.5 Bn**
+9.3% YoY	+18.6% YoY	+24% YoY	+10% YoY

INTEREST INCOME AND MARGIN DYNAMICS

Interest income increased by 15% to Rs. 78.7 Bn compared with Rs. 68.3 Bn in FY2024/25. The increase was driven primarily by the 39% growth in the gross lending portfolio, with loans and leases remaining the largest contributors to total interest income. Portfolio expansion across gold loans, alternate finance, term lending, personal loans, margin trading, credit cards and factoring helped diversify the earnings base and reduce reliance on any single product category.

Interest expenses increased by 10% to Rs. 28.8 Bn from Rs. 26.2 Bn. The increase was mainly attributable to higher borrowing costs associated with accelerated funding requirements. Conventional deposits continued to represent the largest component of funding costs, accounting for approximately 74% of total interest expense, while borrowings accounted for approximately 20% and alternate deposits approximately 6%.

As interest income grew faster than interest expense, Net Interest Income expanded by 19% to Rs. 49.9 Bn. This outcome reflects the Company's ability to convert Balance Sheet growth into recurring income while managing funding costs.

FEE INCOME AND OTHER OPERATING INCOME

Net Fee and Commission income grew by 24.7% to Rs. 3.2 billion, supported by higher loan-related service fees arising from increased disbursement volumes and improved income from credit cards and related financial services.

Other operating income increased to Rs. 2.5 billion from Rs. 1.6 billion, primarily reflecting the absence of the one-off SLISB derecognition loss that impacted the prior year.

The improvement in non-interest income demonstrates LOLC Finance's ongoing progress in diversifying its revenue base beyond interest-driven earnings. While a net trading loss arising from reduced mark-to-market gains on equity and debt securities partially offset the improvement in other income lines, the overall quality and sustainability of the earnings base continued to strengthen.

IMPAIRMENT AND CREDIT QUALITY

The Company recorded an impairment reversal on loans and advances of Rs. 1.1 billion in FY2025/26 compared with an impairment charge of Rs. 62 million in the previous year. This was primarily driven by a Rs. 1.0 billion reversal in Stage 3 provisions arising from recoveries and improved performance of previously impaired exposures, partially offset by additional Stage 1 provisions recognised in line with the 39.7% growth in the lending portfolio.

Despite the significant portfolio growth, asset quality indicators improved meaningfully during the year. The Gross NPL ratio declined from 7.34% to 5.02%, while the Net NPL ratio improved from 4.81% to 3.24%. The Provision Coverage Ratio also strengthened to 35.43% from 34.51%, reflecting the Company's prudent provisioning approach. These improvements were supported by enhanced collection and recovery efforts, strengthened credit underwriting standards, and disciplined credit risk management across all lending segments.

Gross NPL Ratio	Net NPL Ratio	Provision Coverage Ratio	Net Impairment Reversal on Loans and Advances
5.02%	**3.24%**	**35.43%**	**Rs. 1.1 Bn**
vs. 7.34% prior year	vs. 4.81% prior year	vs. 34.51% prior year	Vs Rs. 62 Mn charge prior year

BALANCE SHEET GROWTH AND LENDING PORTFOLIO

Total assets increased by 30% to Rs. 558.6 Bn, reflecting the Company's ability to deploy capital and funding into income-generating assets. The gross lending portfolio increased to Rs. 423.1 Bn from Rs. 305.2 Bn, making portfolio expansion the principal driver of balance-sheet growth.

The lending portfolio remained diversified, with loans and advances representing the largest share, followed by leases and gold loans. The product mix supports multiple customer segments across retail, SME, agriculture and business sectors. The continued growth in gold loans and other shorter-tenor products also helps balance liquidity, yield and risk characteristics within the overall portfolio.

FUNDING — DEPOSITS AND BORROWINGS

Customer deposits increased by 20% to Rs. 271.5 Bn, reinforcing the Company's deposit franchise and customer confidence. Deposits continued to serve as the primary funding source, while borrowings increased to Rs. 98.4 Bn to support accelerated asset growth. On a combined deposit and borrowing basis, deposits accounted for approximately 73% of funding and borrowings approximately 27%.

The Company maintained a disciplined approach to borrowing costs and funding tenure, ensuring adequate liquidity buffers and managing refinancing risk. Despite the significant increase in borrowings, the Company remained fully compliant with all loan covenants and repayment obligations throughout the year.

Customer Deposits	Interest-Bearing Borrowings
Rs. 271.5 Bn	**Rs. 98.4 Bn**
+20.3% YoY	+528% YoY

REGULATORY RATIOS AND CAPITAL ADEQUACY

The Company remained well capitalised, supported by retained earnings and strong profitability. As at 31st March 2026, the Tier I Capital Adequacy Ratio stood at 23.54%, while the Total Capital Adequacy Ratio was reported at 23.31%, compared with 26.18% and 25.92% respectively in the previous year. Both ratios remained above the applicable regulatory minimum requirements of 10% for Tier I and 17% for Total Capital.

As at 31st March 2026, liquid assets stood at Rs. 38.3 Bn compared with a regulatory requirement of Rs. 31.8 Bn, creating a surplus of Rs. 6.5 Bn. Liquid assets were therefore approximately 120% of the regulatory requirement. These assets were maintained primarily in government securities and placements with licensed banks and financial institutions, supporting liquidity compliance while enabling return optimisation.

The Capital Funds to Deposits Ratio stood at 42%, significantly above the minimum requirement of 10%. This demonstrates the depth of capital support available relative to the deposit base and reinforces depositor confidence in the Company's financial resilience.

DIGITAL TRANSFORMATION

LOLC Finance continued to strengthen its digitally enabled business model through platforms such as iPay and ongoing investments in process automation, customer experience and operational efficiency. The Company's digital strategy supports scalable growth by improving accessibility, reducing friction in customer journeys and strengthening data-driven decision-making.

STRATEGY AND OUTLOOK

Looking ahead, LOLC Finance will continue to pursue profitable growth through disciplined portfolio expansion, strengthened recovery execution, deeper deposit mobilisation, prudent capital management and continued digital transformation. The Company's strategic priorities remain aligned with financial inclusion, customer-centric innovation and sustainable value creation.

While the operating environment is expected to provide opportunities from recovering economic activity and credit demand, portfolio growth will remain selective as the management aims to be attentive to funding costs while focusing on preserving asset quality. With strong capital buffers, adequate liquidity, diversified products and an expanding digital ecosystem, LOLC Finance is positioned to sustain its leadership in the NBFI sector while contributing to Sri Lanka's broader economic recovery and financial inclusion agenda.

LOLC FINANCE ENTERS FY 2026/27 AS SRI LANKA'S LARGEST NON-BANKING FINANCIAL INSTITUTION (NBFI), WITH A RECORD CAPITAL BASE, AN UPGRADED CREDIT RATING OF (SL) A+ STABLE, AND A DIVERSIFIED, HIGH-QUALITY LENDING PORTFOLIO. WE REMAIN FIRMLY COMMITTED TO INCLUSIVE GROWTH, DIGITAL INNOVATION, AND DISCIPLINED FINANCIAL STEWARDSHIP.

Macroeconomic Environment

The macroeconomic environment followed a recovery trend during the period under review, building on the stabilisation achieved in the preceding year, in turn demonstrating resilience amidst a complex and uncertain global environment. Improving investor confidence, easing domestic financial conditions and sustained policy consistency helped the economy record its second consecutive year of expansion, following the severe economic dislocation experienced in 2022 and 2023. The year under review reflected a gradual but meaningful transition from crisis stabilisation towards broader economic normalisation, although structural vulnerabilities and external risks remained present throughout the period.

Real GDP growth was estimated at 5.0% in 2025, matching the growth recorded in 2024 and reflecting sustained momentum across key sectors of the economy. Nominal GDP increased to Rs. 32.75 trillion from Rs. 30.10 trillion in the previous year, while GDP in US dollar terms rose to USD 108.8 billion. Per capita GDP improved further to USD 5,003, compared to USD 4,546 in 2024, reflecting the combined impact of economic growth and greater macroeconomic stability. The improved economic environment was underpinned by stronger domestic activity, greater currency stability, lower inflation, easing financing conditions and implementation of reforms under the IMF-supported economic programme. Business confidence improved steadily over the course of the year, while the gradual restoration of financial system stability contributed towards stronger private sector activity across multiple industries.

Growth during the year was broad-based, although sectoral performance remained uneven. The industrial sector emerged as the strongest contributor to overall growth, expanding by 7.8% following the sharp contraction experienced during the crisis years. The recovery in industrial activity was supported by improved energy availability, easing supply-side disruptions, increased domestic demand and the gradual reopening of previously constrained import-related activities, particularly motor vehicle imports. The services sector, which continued to account for the largest share of economic output, expanded by 3.3%, supported by stronger tourism, financial services, transportation, trade and ICT-related activity. Agriculture recorded more modest growth of 1.4%, constrained in part by adverse weather conditions and flooding experienced during portions of the year.

Meanwhile, domestic demand conditions improved steadily during 2025, supported by lower inflation, easing interest rates, rising credit growth and improving business confidence. Investment activity strengthened meaningfully, with gross investment increasing to 29.6% of GDP compared to 26.3% in the previous year. Consumption expenditure moderated slightly as a percentage of GDP, reflecting a gradual rebalancing of the economy towards investment-led growth. The recovery in consumer confidence, improved access to financing and normalisation of business activity collectively contributed towards stronger economic momentum during the year.

Inflation remained largely contained throughout the year following the severe price volatility experienced during the economic crisis period. Annual average headline inflation based on the Colombo Consumer Price Index recorded negative 0.5% in 2025 compared to positive 1.2% in the previous year. However, inflation gradually moved back into positive territory during the latter part of the year, with year-end headline inflation reaching 2.1%, primarily driven by higher food prices and the easing of earlier energy-related price adjustments. The low inflation environment enabled an accommodative monetary policy stance during much of the year. Policy rates were reduced further, with the Overnight Policy Rate declining from 8.00% to 7.75% by year end. Correspondingly, the Standing Deposit Facility Rate and Standing Lending Facility Rate were reduced to 7.25% and 8.25%, respectively. These adjustments contributed towards a broader decline in market interest rates and improved financing conditions across the economy.

In a positive development, commercial bank lending rates moderated further during the year. The Average Weighted Lending Rate declined to 11.48% from 11.93% in 2024, while the Average Weighted New Lending Rate reduced to 10.69%. Deposit rates also eased in line with monetary policy movements, although competition for deposits remained relatively strong across the financial sector. Lower financing costs supported improved borrowing demand across both retail and corporate customer segments.

Private sector credit growth accelerated significantly during 2025 as economic activity normalised and financing conditions improved. Credit extended to the private sector by licensed commercial banks expanded by 25.2% during the year compared to 10.7% growth recorded in 2024. Total private sector credit expansion amounted to approximately Rs. 2.06 trillion during the year, reflecting stronger demand across consumption, SME financing, trade, investment activity, and vehicle-related financing.

The removal of vehicle import restrictions generated substantial financing demand across both the banking and non-bank financial institution sectors, supporting increased lending activity particularly within leasing and vehicle financing segments. Improved business confidence and stronger consumer sentiment also contributed towards higher borrowing appetite across multiple industries.

Sri Lanka's external sector demonstrated continued improvement during 2025 despite a widening merchandise trade deficit. Export earnings increased to USD 13.58 billion from USD 12.77 billion in the previous year, supported by stronger industrial exports, apparel sector recovery and growth in services-related earnings. However, imports increased at a faster pace to USD 21.48 billion following the relaxation of import restrictions and improving domestic demand conditions, resulting in a wider trade deficit of USD 7.90 billion.

Nevertheless, the country's overall external position remained manageable due to robust inflows from worker remittances and tourism. Worker remittances increased significantly to USD 7.95 billion during the year, while tourist arrivals improved to approximately 2.36 million visitors compared to 2.05 million in 2024. Tourism earnings continued to recover steadily.

A current account surplus of USD 1.72 billion was recorded during the year, marking the third consecutive year of surplus performance. Gross official reserves improved further to USD 6.8 billion despite ongoing external debt servicing obligations and continued foreign exchange market intervention by the CBSL.

The Sri Lankan Rupee depreciated modestly against the US Dollar during the year, ending at Rs. 309.99 per USD compared to Rs. 292.58 at the end of 2024. Despite this depreciation, exchange rate movements remained relatively orderly under the flexible exchange rate regime, supported by stronger reserve accumulation and improved foreign exchange liquidity conditions.

Fiscal performance improved substantially during 2025 as the Government continued revenue-based fiscal consolidation efforts under the IMF-supported reform programme. Government revenue increased to 16.7% of GDP from 13.6% in the previous year, driven primarily by higher tax revenues and improved tax administration measures.

Central Government debt declined further to 91.6% of GDP from 95.5% in 2024, supported by fiscal consolidation, exchange rate stability and progress in external debt restructuring negotiations. Ongoing engagement with the IMF, official creditors and international stakeholders helped reinforce confidence in Sri Lanka's reform trajectory and macroeconomic management framework.

FINANCIAL SECTOR

Sri Lanka's financial sector demonstrated greater stability and resilience during the year, benefitting from the broader macroeconomic recovery, easing interest rates, improving liquidity conditions and stronger credit demand. Both banking and non-bank financial institutions reported improved profitability, stronger asset quality indicators, and adequate capital buffers during the year.

The banking sector remained well capitalised and liquid throughout 2025. Gross Stage 3 loan ratios improved to 9.7% from 12.3% in 2024, reflecting stronger borrower repayment capacity, portfolio recoveries, and improving economic conditions. Capital adequacy ratios remained comfortably above regulatory minimum requirements despite strong credit expansion during the year. Banking sector profitability improved meaningfully as lower impairment provisions and higher business volumes supported earnings recovery.

Digital financial services and payment infrastructure continued to expand rapidly during the year. Electronic payment transactions, QR-based payments, and online banking activity recorded further growth as customers increasingly adopted digital channels across both banking and non-bank platforms.

NON-BANK FINANCIAL INSTITUTION (NBFI) SECTOR

The Non-Bank Financial Institution (NBFI) sector recorded improved performance during 2025, underpinned by stronger economic activity, improving customer confidence, lower funding costs and renewed lending demand across key financing segments. Finance companies benefitted significantly from the resurgence in vehicle financing activity following the removal of import restrictions, while improving market liquidity conditions supported stronger portfolio expansion across the sector.

Asset quality indicators within the NBFI sector improved during the year, with Gross Stage 3 loan ratios declining to 17.9% from 20.3% in 2024. Although asset quality metrics within the sector remained weaker than those of the banking sector, the improvement reflected better collection performance, portfolio recoveries and the gradual normalisation of customer cash flows across multiple economic segments. Capital adequacy levels within the finance company sector remained above regulatory minimum thresholds despite strong lending growth. Financial institutions continued strengthening risk management frameworks, liquidity management practices, governance structures and compliance standards in response to evolving regulatory expectations and increasingly competitive market conditions.

The operating environment for NBFIs remained highly competitive during the year. Institutions competed actively for deposits amidst declining interest rates and improving investor confidence. At the same time, strong demand across vehicle financing, gold-backed lending, SME financing, personal lending and microfinance segments contributed towards higher portfolio growth across the industry. CBSL pursued further supervisory and macroprudential measures aimed at improving sector stability through the period under consideration.

FUTURE OUTLOOK

Overall, 2025 represented another year of meaningful macroeconomic recovery and financial sector stabilisation for the local economy. While vulnerabilities associated with external shocks, geopolitical uncertainty, climate-related risks and debt sustainability remained present, the economy demonstrated increasing resilience supported by policy continuity, structural reforms, improving fiscal discipline and strengthening investor confidence.

The year gave rise to a more conducive operating environment for the financial sector, characterised by lower inflation, easing interest rates, improving liquidity conditions, stronger credit demand and accelerating digital adoption. These factors led to renewed business growth opportunities across both banking and non-bank financial sectors while reinforcing confidence in Sri Lanka's ongoing economic recovery trajectory.

Review of Operations

SAVINGS & DEPOSITS

Against an increasingly competitive funding landscape, the Company successfully accelerated growth in savings mobilisation while reinforcing its position as the leading non-bank financial institution (NBFI) in digital payments and customer-centric deposit solutions. At the outset of the financial year, a key strategic priority was to increase the proportion of stable, low-cost savings deposits within the overall funding mix. While the Company maintained a strong fixed deposit base, the management recognised the need to strengthen Savings Account equivalent funding streams through savings products capable of competing more effectively with short-term bank deposit instruments. The savings portfolio, which stood at approximately Rs. 14 billion at the beginning of the year, expanded significantly during the year as a result of focused product development and targeted market positioning initiatives.

A major contributor to this growth was the relaunch of the 'LOLC Super Savings' proposition, positioned as a competitive alternative to short-term fixed deposits, repo products and call deposits, traditionally offered by banks. The product was designed to attract customers seeking liquidity combined with enhanced returns, while simultaneously improving the Company's access to longer-tenure, lower-cost funds. The successful repositioning of this product significantly improved the visibility of LOLC Finance within the savings market segment.

Alongside Super Savings, the business continued to diversify its savings portfolio through customer-specific propositions tailored to different demographic and income segments. These included the Smart Champ Savings Account for children, the OYES Salary Saver account targeting salaried employees and broader savings products catering to general retail customers. The strategy focused not only on deposit mobilisation, but also on creating differentiated value propositions capable of deepening customer engagement and increasing transaction-based relationships. The OYES Salary Saver proposition introduced several digitally enabled features aimed at enhancing convenience for salaried customers and corporates. Customers gained access to integrated salary management capabilities, online banking functionality and instant loan accessibility through the Group's iPay platform. Corporate clients were also provided with streamlined salary processing solutions, reinforcing LOLC Finance's positioning as a broader transaction banking partner rather than solely a deposit-taking institution.

The Smart Champ Savings Account similarly continued to evolve beyond a traditional children's savings product. In addition to attractive gift schemes, the product incorporated access to an educational learning platform aligned with the national school curriculum, enabling young customers to access subject-based learning resources free of charge. This approach strengthened the product's appeal among parents while reinforcing the Company's emphasis on long-term customer relationships and value-added financial solutions.

Digital banking remained a central pillar of the business strategy during the year. Customers continued to benefit from the LOLC Finance debit card proposition, supported through the Company's partnership with Hatton National Bank. The debit card offers full international reach through the Visa network, enabling withdrawals and purchases globally while maintaining competitive transaction charges relative to peers. Complementing this, the LOLC Realtime online banking platform enabled customers to conduct transfers, bill payments and account transactions on a 24/7 basis through a user-friendly digital interface.

Operationally, the business continued to strengthen efficiency and governance standards across the savings function. Several initiatives were implemented to reduce documentation requirements, improve application processing efficiency and minimise operational errors through increased digitalisation. Tax-related operational processes were also decentralised to branch level, improving responsiveness and service delivery across the network.

Given the nature of the business and the regulatory emphasis placed on public deposit mobilisation, strong attention continued to be directed towards compliance, anti-money laundering (AML) controls and governance processes. A broad range of process improvements and refinements were implemented during the year across more than 60 operational processes, reinforcing the Company's risk management framework and operational discipline.

The year also marked another milestone in the Company's digital leadership journey. LOLC Finance continued to maintain its dominant position among NBFIs in digital payments and was recognised once again at the LankaPay Technnovation Awards, securing multiple accolades including the award for excellence in digital payments and recognition as the best NBFI in the segment. The Company secured six awards in total during the year, including its seventh consecutive recognition in key digital payment categories.

Looking ahead, the business remains focused on significantly scaling its savings and deposit base over the medium term. Strategic priorities include the development of dedicated digital banking propositions, expansion of premium and high-net-worth customer servicing capabilities, and continued enhancement of digital transaction infrastructure. Plans are also being drawn up for specialised digital and premium banking centres aimed at strengthening customer experience and relationship management capabilities.

Meanwhile, deposit growth during the year amounted to approximately Rs. 46 billion, reflecting customer confidence and the effectiveness of the business' liability mobilisation strategy. This performance contributed meaningfully towards strengthening the Company's overall funding profile amidst heightened competition from both finance companies and commercial banks.

LENDING, PERSONAL FINANCE AND SME

The lending business recorded strong expansion backed by sustained demand across both small and medium enterprises (SME) and personal finance segments despite operating within a challenging macroeconomic environment. Rising fuel prices and broader cost-of-living pressures impacted key customer segments, particularly vehicle owners, small businesses and grassroots entrepreneurs. These conditions affected disposable income and operating costs across sectors, while simultaneously increasing the need for credit to sustain and expand business activity. Within this context, the business delivered solid portfolio growth across its core segments.

The personal finance portfolio, which focuses on grassroots-level customers including micro, small and medium enterprises (MSMEs) and micro-enterprises, reached Rs. 32.2 billion by year end, reflecting growth of approximately Rs. 8.2 billion over the previous year, equivalent to a year-on-year increase of around 33%. The portfolio comprises group loans of approximately Rs. 6 billion, individual loans of approximately Rs. 9 billion and micro-housing loans of approximately Rs. 16 billion, with the housing segment representing the largest share of the portfolio. The customer base within personal finance stood at approximately 110,000 at the end of the financial year.

The personal finance business continued to differentiate itself through an integrated lending model that combines credit provision with customer capacity-building initiatives. Recognising that many borrowers within the MSME and grassroots sectors require ongoing support beyond financing, the business continued to invest in structured training and development programmes during the year.

A total of 54 financial literacy programmes were conducted across all provinces, benefitting approximately 2,300 participants. These programmes focused on responsible borrowing, financial planning, understanding lending obligations, managing guarantees and increasing awareness of formal financial channels versus informal lending sources.

Furthermore, 31 business development training programmes were conducted for approximately 850 to 900 participants. These programmes were specifically tailored to the needs of existing and aspiring entrepreneurs, covering areas such as marketing, operational efficiency, product positioning, packaging, customer engagement and market access. Rather than adopting a standardised training approach, programmes were designed based on the specific needs of businesses within each locality.

With the aim to enhance relevance and delivery quality, the business partnered with institutions such as Vidhata Resource Centres and other professional organisations with expertise in MSME development. These collaborations enabled training content to be customised to the economic activities and business challenges specific to each region. Participation was not limited to existing customers, enabling the business to engage wider entrepreneurial communities while strengthening future customer acquisition opportunities.

Digital inclusion formed another important component of the lending strategy during the year. The business intensified efforts to educate MSMEs on the benefits of digital transactions and digital marketplaces. Customers were encouraged to adopt QR-based payments, online transaction mechanisms and app-based payment solutions to improve operational efficiency and broaden market access. The integration of the Group's iPay platform into these initiatives enabled smaller enterprises to adopt digital payment acceptance models without the need for costly traditional infrastructure such as physical Point of Sales (POS) machines.

Agriculture remained a strategically important segment across both personal finance and SME lending. The Group continued to maintain a strong presence in agricultural equipment financing, particularly within tractor and harvester financing, where the portfolio expanded by approximately Rs. 7.7 billion during the year. Long-standing partnerships with suppliers and dealers enabled the business to support mechanisation within the agricultural sector while ensuring customers received access to servicing support and specialised promotional programmes.

The SME lending portfolio recorded substantial growth during the year, increasing by approximately Rs. 53 billion. A major driver of this performance was the reopening of the motor vehicle import market, which generated strong demand from both individual and commercial buyers. The availability of new vehicles enabled businesses to renew ageing fleets, improve operational efficiency and reduce maintenance costs, while also stimulating activity within the secondary vehicle market. This broader improvement in business profitability and operating conditions supported increased demand for financing across multiple sectors.

Strategic partnerships played a central role in supporting SME growth. The business strengthened relationships with vehicle importers, dealers and suppliers across passenger vehicles, commercial vehicles and agricultural machinery segments. These partnerships facilitated streamlined financing arrangements and enabled customers to access preferential benefits through integrated financing solutions.

A notable initiative during the year was the expansion of regional vehicle promotion campaigns. Vehicle suppliers and dealers were brought directly into underserved regional markets, enabling customers to access a broad selection of vehicles without travelling to major commercial hubs. Approximately 12 campaigns were conducted across the country during the year to improve market accessibility while supporting business generation in areas with limited vehicle retail infrastructure.

The business also responded proactively to the growing interest in sustainable mobility solutions. Dedicated financing products were introduced for electric vehicles, including electric two-wheelers, three-wheelers and four-wheelers. While the EV market in Sri Lanka remains at a relatively early stage, the business observed increasing customer interest following the entry of multiple new brands and models into the market. Financing support was selectively extended to globally recognised brands supported by established local agents to ensure reliability, after-sales service quality and spare part availability for customers.

During the latter part of the financial year, the business also piloted a specialised financing product targeting migrant workers developed in collaboration with Sri Lanka Export Credit Insurance Corporation. The product supports customers seeking overseas employment by financing pre-departure expenses such as agency fees, documentation and travel costs. The guarantee structure provided through the partnership mitigates lending risk while reducing collateral requirements for customers, thereby improving accessibility to formal financing channels. The pilot phase has shown encouraging potential and the product is currently being rolled out across the branch network.

Looking ahead, the lending business will continue to build on successful partnerships and regional engagement initiatives while accelerating its transition towards digital lending models. A key strategic priority for the coming year is the introduction of fully digital lending capabilities, enabling customers to apply for facilities, obtain approvals and receive disbursements directly through mobile-based platforms within significantly reduced timeframes. Enhancements are also being carried out to enable existing customers to access self-service functionality without requiring branch visits or direct interaction with marketing staff. These initiatives are expected to enhance accessibility, improve customer convenience and strengthen operational scalability across both SME and personal finance portfolios.

LOLC AL-FALAAH

LOLC Al-Falaah continued to strengthen its position as the leading alternate financial services provider within the non-bank financial institution (NBFI) sector during the period under review, recording strong growth across its core business segments while enhancing its comprehensive portfolio of Alternate Financial services offerings.

The Business Unit reported revenue of Rs. 9.01 billion during the year, representing growth of 29.59% over the previous financial year. Profit from operations increased by 32% to Rs. 3.96 billion, while Profit Before Tax reached Rs. 3.15 billion, reflecting year-on-year growth of 32.94%. Retained earnings increased to Rs. 12.24 billion, reinforcing the strength of the business' capital generation capability and operational model.

The asset portfolio expanded significantly during the year, with total financing assets comprising loans, factoring and advances increasing by 45.38% to Rs. 55.10 billion. Total assets grew by 44.24% to Rs. 56.97 billion, reflecting sustained business expansion across key financing segments. Despite the rapid portfolio growth, asset quality remained strong, with the Non-Performing Loan ratio improving further to 3.45%, remaining well below broader industry benchmarks.

Diminishing Musharakah working capital financing continued to represent the largest segment within the portfolio, increasing by 32.98% to Rs. 33.14 billion during the year. The Ijarah portfolio expanded by 33.69% to Rs. 8.89 billion, supported by continued demand for alternate Ijarah leasing solutions.

The Murabaha for trade finance, Musawamah for import finance and Wakalah for working capital finance segments recorded a particularly strong growth of 70.69%, reaching Rs. 5.88 billion by year end, reflecting increasing demand for alternate trade and working capital financing solutions among SME and corporate customers.

Meanwhile, the Wadi'ah gold storage facility portfolio more than doubled during the year, increasing by 132.55% to Rs. 6.60 billion, marking another major milestone for the Business Unit and further strengthening LOLC Al-Falaah's presence in the gold-backed alternate financial services segment.

On the liabilities side, the funding base remained resilient amidst a competitive market environment. Total liabilities increased by 47.20% to Rs. 44.74 billion, while the deposit and savings portfolio grew by 10.18% to Rs. 26.19 billion.

Within the liability portfolio, Wakalah Fixed Deposits recorded a strong growth of 44.62%, reaching Rs. 20.07 billion by year-end, reflecting growing customer acceptance of alternate investment products. Mudharabah Savings also continued to expand, increasing by 4.00% to Rs. 2.17 billion. The shift within the liability mix reflects changing customer preferences and the business' continued focus on optimising its funding structure.

The year also marked important progress in product innovation and business expansion. Following the successful introduction of Wakalah Future Cash as an alternative to factoring and receivables financing requirements, LOLC Al-Falaah exceeded its disbursements targets within a relatively short period, demonstrating strong market demand for alternate factoring and receivables financing solutions. Moreover, the business entered the pre-launch phase of Tawarruq financing, further broadening its alternate financial services portfolio and reinforcing its commitment to introducing globally recognised Islamic financial instruments into the Sri Lankan market.

LOLC Al-Falaah's leadership within the alternate finance sector continued to receive significant industry recognition during the year. At the SLIBFI Awards, the Business Unit secured Gold Awards for NBFI of the Year, Window of the Year, Entity of the Year, Social Upliftment and Best Digital Product/Fintech Offering. At the IFFSA Awards, LOLC Al-Falaah received the NBFI Decade Award – Gold, alongside Gold recognition for NBFI of the Year, Silver Awards for Entity of the Year, Window of the Year, Social Upliftment and Product of the Year, as well as Bronze recognition for Best Digital Product/Fintech Offering. Internationally, the business was once again recognised as the Winner – Islamic Leasing Provider (Global) at the IFN Awards, reaffirming its standing within the global Islamic finance industry.

Operationally, the LOLC Al-Falaah continued to strengthen its digital and process capabilities in line with the Group's broader transformation agenda. The continued expansion of digital transaction capability, coupled with process improvements across financing and servicing operations contributed towards improved operational efficiency and customer accessibility.

Looking ahead, LOLC Al-Falaah remains focused on deepening its alternate finance product portfolio, expanding customer reach and strengthening digital delivery capability across all financing and deposit segments.

CREDIT CARDS

The credit cards business continued to strengthen during 2025/26, while maintaining steady portfolio expansion and advancing its transition towards a more digitally enabled operating model. Performance for the year under review reflects a deliberate rebalancing of priorities, with greater emphasis placed on platform readiness, customer experience and long-term scalability. Business origination continued at a measured pace, with the management consciously moderating volume growth in order to support a broader transformation agenda.

Meanwhile, customer acquisition continued to shift towards digital channels. The business enhanced its onboarding processes through QR-enabled and link-based application journeys, enabling customers to apply seamlessly through online platforms. This resulted in a notable increase in digitally sourced applications during the year, improving both reach and efficiency. Repayment behaviour also reflected this transition, with approximately 75% of collections routed through digital channels, including the Group's iPay platform, other banking applications and digitally enabled retail collection points.

Product development initiatives remained focused on expanding access and strengthening customer engagement. A lifetime free credit card targeted at university students was introduced, with the objective of promoting early financial inclusion, building credit history and encouraging responsible, cashless behaviour among younger customers. The offering was supported through partnerships with merchants in education and technology-related sectors, providing discounts and interest-free installment schemes on essential purchases such as books and laptops.

The Savi credit card proposition for government sector employees continued to play a key role within the portfolio. During the year, the business sustained its long-standing engagement initiative by distributing over 750 gift packs to children of Savi cardholders who successfully passed the Grade 5 scholarship examination. This marked the fifth consecutive year of the programme.

Merchant engagement strategies were broadened to enhance geographic and segmental reach. In addition to established seasonal campaigns, the business continued to onboard regional and MSME merchants, extending card acceptance and promotional participation beyond urban centres. This approach supports greater inclusivity within the payments ecosystem while diversifying the merchant base.

Sustainability considerations were integrated into operational practices. A focused initiative to convert customers from physical statements to electronic formats resulted in approximately 15% of the portfolio transitioning to e-statements during the year. The programme is expected to continue, contributing to reduced environmental impact and improved cost efficiency.

Alongside these developments, the business undertook an upgrade to its core card infrastructure through the implementation of a new Card Management System (CMS) to support greater product flexibility and to enable the introduction of additional offerings, including prepaid and debit card products. This aligns with the Company's broader digital transformation agenda and evolving regulatory and market expectations. Technology-driven enhancements continued to improve customer interaction and service delivery. Chatbot functionality was introduced during the year, while further developments, including voice-enabled customer engagement tools, remain under evaluation. Several new digitally enabled products, such as virtual cards and fully digital issuance capabilities, are currently in the pipeline and expected to be introduced in the next financial year.

Looking ahead, the business is positioned to accelerate growth following the completion of its core system transformation. A pipeline of new products, including offerings targeted at younger, digitally native customer segments, is expected to support increased card issuance and deeper customer engagement. Sustainability-linked propositions, including eco-friendly card materials and partnerships with environmentally aligned merchants, are also under development.

IPAY

iPay further cemented its position within Sri Lanka's digital payments ecosystem during 2025/26, supported by accelerating customer adoption, higher transaction throughput and expanded service capability. Growth during the year reflected increasing acceptance of digital financial services across both consumer and merchant segments, alongside the platform's expanding role within the country's broader digitalisation agenda.

iPay demonstrated a healthy financial performance, with revenue increasing by approximately Rs. 600 million over the previous year. Customer acquisition momentum was sustained, taking total application downloads beyond 1.2 million. Registered users increased to nearly 800,000, while more than 450,000 customers actively transacted through linked funding sources, including bank accounts and payment cards. The emphasis during the year shifted beyond downloads towards strengthening active usage and transaction frequency, resulting in a more engaged customer base.

The scale of transaction activity continued to expand materially. Cumulative transaction value surpassed Rs. 650 billion since inception, while the platform currently processes approximately 2 million transactions per month, equivalent to nearly Rs. 20 billion in monthly transaction value. Within the iPay Payment ecosystem, iPay maintained a dominant position, contributing more than 50% of total value throughput, underscoring the platform's growing relevance within Sri Lanka's real-time payment infrastructure.

Adoption of digital financial products gained momentum during the year. The platform facilitated close to Rs. 900 million in digital fixed deposits, while digital savings account onboarding continued despite stricter KYC-related account rationalisation measures. The business retained a stable and growing base of active digital account holders, reflecting increasing customer confidence in app-based financial engagement.

Operationally, the year was characterised by the continued expansion of the iPay ecosystem through new payment capabilities and deeper integration into national digital infrastructure initiatives. The platform enabled GovPay functionality, allowing users to make payments to government institutions digitally, including utility-related and public sector transactions. Adoption of LankaQR functionality was further strengthened through the rollout of interoperable person-to-person QR capability under the 'MyQR' initiative, supporting seamless transfers across participating payment applications.

Cross-border payment acceptance also gained traction during the year. Inbound travellers from markets such as India and

China were able to transact locally using applications connected to UPI, Alipay+ and UnionPay ecosystems through integrations linked to LankaQR. The initiative aligns closely with national efforts to strengthen tourism-related payment convenience while reducing dependency on cash-based transactions. iPay continued to collaborate with merchants, hotels and tourism-related businesses to expand acceptance infrastructure across the country.

Another strategic development during the year was the launch of 'iPay Business', a dedicated merchant and enterprise proposition targeting corporates, SMEs, micro-enterprises and individual entrepreneurs. The platform enables integrated payment acceptance across QR transactions, payment gateways, e-commerce channels and card-based transactions, extending iPay's operating model beyond consumer payments into a broader merchant ecosystem. The expansion is expected to strengthen network effects across both customer and business segments over the medium term.

Considerable emphasis was placed on technology modernisation and operational resilience. The business commenced a comprehensive re-architecture of its backend systems into a modular framework designed to improve scalability, transaction processing speed, flexibility and deployment capability across multiple markets. Approximately 80% of the transformation initiative had been completed by year-end. Parallel upgrades to the mobile application interface and user experience were also initiated, with a stronger design orientation towards digitally native customer segments including millennials and Gen Z users.

Cybersecurity and fraud risk management remained a critical focus area amidst rising digital transaction volumes and increasing industry-wide threat exposure. Additional fraud mitigation controls were introduced during the year, while further enhancements, including advanced fraud monitoring and tokenisation capabilities, remain under implementation.

The platform's market position and innovation capability continued to receive industry recognition during the year. At the LankaPay Technnovation Awards 2025, LOLC Finance secured recognition for 'Best Mobile Application for Retail Payments via JustPay' and 'Financial Institution of the Year for Best Digital Payment Strategy'. The business also sustained its long-standing performance at the awards platform, including recognition as a leading NBFI within the digital payments domain.

Looking ahead, iPay's strategic priorities remain centred on increasing active customer penetration, scaling transaction volumes and broadening digital financial service offerings. Planned product rollouts include digital lending, remittance solutions and buy-now-pay-later capabilities, supported by integrated marketing campaigns targeting both consumer and merchant segments. The business is targeting a substantial increase in transaction volumes over the next financial year, with monthly transactions expected to exceed 5 million and monthly transaction value targeted to reach between Rs. 40 billion and Rs. 50 billion. The customer base is also expected to expand significantly, underpinned by more aggressive acquisition and engagement initiatives. Beyond Sri Lanka, the platform also continues to support the Group's broader digital strategy through planned regional deployments. Technology capabilities developed within iPay are currently being evaluated for expansion into selected overseas markets, including operations in Asia and Africa, positioning the business for a wider fintech-led growth trajectory over the longer term.

RECOVERIES

The year was characterised by elevated cost-of-living conditions, driven in part by repeated fuel price increases, alongside weather-related disruptions that affected key customer segments, including micro-entrepreneurs, three-wheeler operators, farmers and fixed-income earners. These factors placed pressure on repayment capacity across portions of the portfolio.

In addition to macroeconomic challenges, the implementation of revised regulatory requirements relating to Non-Performing Loan (NPL) classification introduced further complexity. Under the updated framework, contracts classified as non-performing, particularly those exceeding 90 days past due, could only be upgraded upon full settlement, as opposed to partial regularisation under the previous regime. This materially increased the effort required to rehabilitate delinquent accounts and placed greater operational demand on the recoveries function.

Notwithstanding the challenging operating environment, the Company maintained a strong focus on asset quality throughout the year. Although NPL levels experienced temporary pressure, the collective efforts of recovery teams, supported by disciplined execution and close customer engagement, resulted in a notable improvement in portfolio performance during the latter months of the year. This enabled LOLC Finance to conclude the year with a robust NPL position, reaffirming the effectiveness of its risk management and recovery frameworks. As a result, there was a marked improvement in asset quality metrics, with the NPL ratio declining to 5% by March 2026. The outcome reflects the effectiveness of targeted recovery strategies, disciplined portfolio monitoring and strong operational coordination across the network.

The recoveries operation is supported by a well-structured and decentralised model, comprising a network of over 200 branches and 19 regions, enabling close engagement with customers across geographic segments. This structure facilitates early identification of risk, rapid intervention and sustained follow-up across delinquent accounts. Central to this model is a clearly defined performance management framework, where key performance indicators (KPIs) are assigned across all levels (from collection officers to regional leadership) and monitored on a continuous basis. Operational effectiveness is further reinforced through a centralised call centre, which plays a critical role in monitoring and managing accounts within the early delinquency buckets, particularly those below 90 days past due. This enables timely intervention before accounts transition into non-performing status, supporting overall portfolio stability.

Training and capability development remain integral to the function's performance. Structured training programmes are conducted at regular intervals, typically on a quarterly basis, ensuring that teams remain aligned with evolving regulatory requirements, operational processes and customer engagement practices. The recoveries function also adopts a pragmatic and resolution-focused approach to delinquent accounts. While legal action remains an available recourse for complex cases, the primary emphasis is on out-of-court settlements, enabling faster resolution and reduced cost. This approach supports both portfolio recovery and customer retention, while minimising reliance on lengthy legal proceedings.

During the year, targeted relief measures were extended to customers affected by external disruptions, in line with regulatory guidance. Moratorium arrangements were granted where appropriate, following careful assessment at branch and regional levels. These interventions enabled affected customers to stabilise their financial positions and subsequently reintegrate into regular repayment cycles.

Digital adoption within the recoveries process also gained traction. Customers were increasingly encouraged to utilise direct debit mechanisms and digital payment channels, allowing instalments to be settled remotely without the need for branch visits. This shift has improved collection efficiency, enhanced customer convenience, and supported more consistent repayment behaviour.

The function operates in close coordination with branch operations and marketing teams, ensuring alignment between customer engagement, recovery strategies and overall portfolio management. This integrated approach strengthens the ability to manage risk while sustaining business continuity across the lending cycle.

Performance culture within the recoveries function remains a key enabler of results. A structured internal recognition framework, culminating in an annual awards programme, fosters healthy competition across branches and regions. Looking ahead, the recoveries function expects to further strengthen its digital capabilities, with a greater emphasis on automation, analytics-driven monitoring and enhanced customer engagement tools.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

During the financial year 2025/26, the Central Contact Centre attached to Customer Relationship Management (CRM) operations focused on operational enhancements, digital enablement and strategic process optimisation initiatives. The strategic objective was to deliver a seamless, responsive and customer-centric experience while effectively managing evolving business demands and high customer volumes.

Several initiatives were introduced during the period to enhance customer engagement and operational efficiency across multiple channels. An automated Chatbot solution was implemented to improve customer accessibility, strengthen self-service capabilities and enhance response efficiency. At the same time, strengthened governance frameworks, enhanced quality monitoring mechanisms and improved dialling strategies contributed to higher service consistency and operational stability across business units.

Despite major system transformation activities during the year, the operation maintained strong service delivery standards, with service quality consistently remaining above 90%. Operational performance also remained stable, with 80% of months achieving best/good abandon rate performance benchmarks, reflecting the team's continued focus on customer experience and operational excellence.

Inbound performance recorded strong momentum, consistently outperforming the previous year from April to October and achieving peak answering levels of 97–98%. Following the Credit Card system migration implemented in November 2025, the operation experienced a temporary increase in customer volumes and operational pressure. Despite this transition, the team successfully maintained service continuity while driving stabilisation initiatives across the operation. During the financial year, the inbound operation handled a total volume of 757,080 calls.

Outbound operations also demonstrated notable improvement during the year, with connect rates remaining stable in the first half and showing significant growth from November onwards. Performance consistently exceeded prior year levels, peaking at 42–43%, driven by enhanced dialling strategies, improved targeting and strengthened 360-degree governance practices. The outbound team successfully managed a total volume of 670,591 dialled calls during FY 2025/26.

CRM teams continued to follow structured escalation protocols to ensure timely and effective resolution of customer concerns across all channels. During the year, the operation experienced increased volume pressure following the Credit Card system migration, which temporarily impacted operational management and service stabilisation. Despite these challenges, the teams remained focused on maintaining service continuity and prompt customer support through strengthened coordination and governance mechanisms.

In line with LOLC Finance's customer-first philosophy, continuous training and development initiatives were carried out throughout the year, including product knowledge refreshers, service quality enhancement programmes and leadership development training for supervisors conducted with the support of the HR team. These initiatives served to strengthen operational leadership capabilities, employee engagement and overall service delivery standards across the CRM function.

BRANCH NETWORK

During the period under review, Branch Operations delivered strong financial and operational outcomes. The portfolio expanded significantly over the year, increasing from Rs. 306.5 billion at the beginning of the financial year to Rs. 423 billion by year end, representing a growth of Rs. 118 billion. This level of expansion places the business among the highest growth performers within the non-bank financial institution (NBFI) sector.

Execution volumes remained robust throughout the year. Total execution value reached Rs. 274.5 billion, translating to an average monthly throughput of Rs. 22.9 billion. Total execution file count amounted to 111,853, with an average of 12,527 files processed per month. These volumes reflect sustained business momentum across lending and related operational activities. Collection performance remained a key strength. The business achieved near-complete recovery of fallen due amounts across the year, with collections fully met in 10 out of 12 months. Except for April and November, monthly collection targets were consistently achieved, reflecting strong credit discipline, effective recovery mechanisms, and prudent portfolio management.

The branch network continued to evolve in line with a structured optimisation strategy. The total number of branches increased from 199 at the beginning of the year to 203 by year-end. During the year, eight new branches were opened in Bandaragama, Badalkumbura, Hettipola, Athuvely, Chankanai, Palai, Kokkadicholai and Agunakolapelessa, strengthening the Group's reach across regional markets. At the same time, four branches – Horana II, Nelliadi I, Akuressa II and Gampola I – were closed in line with a policy of rationalising overlapping locations within the same township. In addition, seven branches were relocated within their respective areas to improve accessibility and operational efficiency, including Hakmana, Weligama, Kaduwela, Kinniya, Bandarawela, Divulapitiya, and Baddegama. Operational efficiency across the network remained high. With the exception of a single branch, the entire branch network remained profitable, reflecting strong cost management and sustained business generation at branch level. This level of consistency underscores the maturity and effectiveness of the branch-led operating model.

Customer onboarding remained closely linked to operational throughput. Total execution file volumes, exceeding 111,000 during the year, largely reflect new facilities originated through the branch network, indicating continued customer acquisition momentum despite some attrition at the tail end of the portfolio.

In terms of internal performance management, the business continued to foster a competitive culture across the branch network. A structured branch performance awards programme, involving participation across the entire network of over 200 branches, was maintained, with a large-scale recognition event scheduled as part of the annual calendar. This initiative supports performance benchmarking, employee motivation and service quality enhancement across the network. The branch network functioned as a fully established and scaled operating platform, enabling management to focus on execution and performance delivery rather than structural changes.

At the same time, management remains cognisant of emerging challenges. These include constraints in asset-backed lending segments due to reduced vehicle imports, increasing competitive intensity and potential pressures on collections arising from inflationary conditions. However, with established credit evaluation frameworks, prudent loan-to-value ratios and strong recovery processes, the business is well positioned to manage these risks while sustaining growth momentum.

Looking ahead, the business has secured regulatory approval for a substantial expansion of its branch network, representing one of the largest such approvals within the sector. While expansion will be calibrated in line with market conditions, the medium-term strategy envisages a significant increase in branch presence to support portfolio growth. The business is targeting continued expansion of its asset base, supported by deeper penetration of existing customer segments, including lending against already registered assets.

OPERATIONS

In the period under review, the Operations Division followed a similar trajectory as the previous financial year by improving process efficiency, turnaround times and service delivery standards. Operational volumes remained notable in 2025/26, with the division processing approximately 16,000 contracts per month across lending and financing portfolio. Despite the scale of activity, emphasis continued to be placed on maintaining service level standards and improving operational responsiveness through process optimisation and tighter workflow management.

One of the key developments was the progression of a fully digital courier and document tracking system. Historically, physical documents routed between branches and Head Office were managed through a predominantly manual distribution and tracking process. The Company commenced testing of a fully digital workflow platform that enables end-to-end tracking of document movements through a centralised system environment. Once fully implemented, the system is expected to improve visibility, reduce manual intervention, strengthen process control and enhance turnaround efficiency across operational functions.

Following the successful automation of key components within the personal finance workflow in prior years, efforts remained focused on digitising the remaining stages of the lending lifecycle, particularly agreement execution and document management. The long-term objective remains the creation of a fully digital lending ecosystem where onboarding, appraisal, approval, disbursement and post-disbursement servicing are conducted entirely through integrated digital platforms with minimal reliance on physical documentation.

However, progress on some digitalisation initiatives was moderated during the year due to concurrent system enhancement projects and a large-scale data purging exercise undertaken to improve system efficiency and data integrity. Efforts to integrate multiple operational systems into a single unified platform to improve coordination, reduce duplication and create a more streamlined process environment continued.

The service quality enhancement division improved service-level agreement (SLA) performance and delivery timelines across key operational activities. These efforts were supported by continuous staff development programmes, including both physical and online training sessions centred on operational discipline, service excellence and customer responsiveness.

The operational model established following the integration of the legacy institutions continued to demonstrate scalability and efficiency. The centralised structure now supports an extensive branch network across the country while maintaining a relatively lean operational footprint. Rather than increasing headcount, the Company prioritised automation, process redesign and workflow optimisation across lending segments including SME, personal finance, refinancing and vehicle financing operations.

Registrar of Motor Vehicle-related operational processes introduced in previous years were optimised. Furthermore, same-day document handling workflows and streamlined internal coordination mechanisms have enabled faster turnaround for vehicle financing transactions, improving customer experience and supporting higher operational throughput across vehicle-related lending segments.

In the future, the Operations Division will continue to prioritise digital transformation and process integration. The implementation of fully digital agreements, enabling end-to-end digital file movement from customer onboarding through to disbursement and servicing, is a key objective. Optical Character Recognition (OCR) is also being considered to automate data capture from customer documentation, driving the evolution towards a more technology-driven and scalable operating model in the years ahead.

MARKETING COMMUNICATIONS

During the financial year 2025/26, the Marketing Communications (MarCom) Division continued to play a strategic role in strengthening LOLC Finance's brand equity, market leadership and stakeholder engagement. Through a balanced and integrated communications strategy, the Division supported both long-term brand-building initiatives and targeted business-driven campaigns, contributing to the Company's sustained position as the leading Non-Banking Financial Institution (NBFI) brand in Sri Lanka.

The Division maintained a disciplined approach to brand visibility and market presence, ensuring that the Company's Share of Voice (SoV) remained aligned with its market position. This consistency reinforced brand salience across key customer segments and supported the Company's broader business objectives.

Strategic Communications Approach

The MarCom Division adopted an integrated marketing communications framework that combined traditional media, digital platforms, public relations and community-based engagement initiatives. This multi-channel approach ensured consistent brand messaging and enhanced accessibility across the Company's extensive branch network and diverse customer base.

A key focus during the year was the increased use of data-driven insights and market intelligence to improve campaign effectiveness. Enhanced audience segmentation and targeted communication strategies enabled more personalised customer engagement, improved resource allocation and stronger returns on marketing investments.

The Division also continued to support the visibility and growth of the Company's diverse product and service portfolio through tailored communication strategies designed to address the unique needs of different customer segments, ranging from micro-entrepreneurs and retail customers to corporate clients.

In addition, communication initiatives highlighting community development, financial inclusion and social impact strengthened stakeholder trust and reinforced LOLC Finance's position as a responsible corporate citizen committed to creating sustainable value for society.

Brand Strength and Industry Recognition

The strength of the LOLC Finance brand continued to be reflected through recognition received from leading local and international brand valuation and consumer research institutions.

According to the latest Brand Finance rankings, LOLC Finance retained its position as the No. 1 brand in Sri Lanka's Non-Banking Financial Services (NBFI) sector. The Company was also ranked 14th among the 'Top 100 Most Valuable Brands in Sri Lanka', supported by a strong AA+ Brand Rating and a brand value of Rs. 11.5 billion, demonstrating the resilience and strength of the brand.

Further affirming public trust and customer confidence, LOLC Finance was recognised as the 'Financial Service Provider of the Year' for the eighth consecutive year at the SLIM-KANTAR People's Awards. The Company was also recognised by LMD as the 'Most Loved Brand' in the Leasing and Finance Category, highlighting its strong emotional connection with consumers.

Future Outlook

As customer preferences and the financial services landscape continue to evolve, the MarCom Division remains focused on advancing a digital-first communications strategy that supports the Company's ongoing digital transformation agenda.

In the coming year, communications efforts will further strengthen the positioning of LOLC Finance as a comprehensive financial solutions provider, offering customers access to a broad spectrum of financial products and services through an integrated ecosystem. Strategic messaging will emphasise convenience, accessibility and value creation across all customer touchpoints.

The Division will also continue to promote the adoption of digital platforms and applications, ensuring that financial services remain accessible, user-friendly and secure for customers across both urban and rural communities.

Leveraging advanced analytics and customer insights, future campaigns will increasingly focus on personalised engagement and data-driven storytelling, enabling more relevant and timely communication with customers. Through sustained investment in brand building, digital engagement, and stakeholder trust, the MarCom Division remains well-positioned to support the Company's growth ambitions and contribute to the creation of long-term shareholder value in an increasingly competitive marketplace.

Review of Operations

FACTORING

Despite increasing competition within the trade finance and working capital financing space, Factoring strengthened its market position through faster service delivery, decentralised decision-making and a sharper focus on customer responsiveness. Execution volumes remained encouraging and surpassed internal targets, reflecting continued customer demand and the business's ongoing development.

Operationally, the marketing cadre was increased during the year and reorganised under dedicated Team Leaders, enabling wider regional coverage and stronger customer engagement across key business locations. This restructuring improved market reach, accelerated business sourcing capability and strengthened customer servicing across the factoring portfolio. Operational responsiveness was enhanced through process decentralisation, empowering regional officers enabling faster approval turnaround and improving service delivery to clients across regional markets.

Building on earlier digitalisation initiatives, the unit further automated several back-office functions during the year to improve transaction processing speed, reduce manual intervention and enhance reliability. These improvements strengthened operational efficiency while supporting the business' positioning as a responsive working capital financing partner for SMEs and corporates.

The 'Wakalah – Future Cash Today' proposition under the LOLC Al-Falaah platform continued to demonstrate strong market acceptance during the year. Introduced as a Shariah-compliant alternative to conventional factoring, the product exceeded its execution targets within the first year of launch, reflecting growing demand for alternate working capital solutions among SME customers. The product has strengthened the business' ability to serve a broader customer base while contributing to the development of Sri Lanka's Islamic finance ecosystem.
In tandem with the enhancements made to workflow automation and approval processes, these initiatives enabled the unit to manage higher transaction volumes while maintaining service quality standards.

Looking ahead, the Factoring business is expected to continue expanding its regional footprint, deepen automation across operational functions and further strengthen its specialised trade financing capabilities.

GOLD LOANS

The rapid growth witnessed in Gold Loans during FY 2025/26 was led by rising customer demand, network expansion, and the product being a fast-turnaround, liquidity-driven lending solution, particularly among customers seeking short-term financing with minimal processing complexity. Total execution value for the year reached Rs. 245.7 billion, while the portfolio recorded growth of Rs. 30.4 billion during the financial year. Compared to the opening portfolio, the business achieved approximately 80% portfolio growth, reflecting strong momentum across both customer acquisition and repeat utilisation.

The performance underscores the continued relevance of gold-backed lending within the retail financing landscape, particularly during periods of elevated household liquidity requirements and tighter access to unsecured credit. Operational reach expanded further during the year, with 14 additional branches commencing gold loan operations, taking the total number of operational branches offering the product to 180 by year-end.

A major area of progress was the continued integration of the gold loans proposition with the Group's digital ecosystem, particularly through the iPay platform. Enhancements to digital onboarding, online repayments and digital top-up functionality improved customer convenience while reducing dependency on physical branches. Digital integration initiatives contributed to approximately 21% growth in customer onboarding through digital channels, while digital transactions accounted for approximately 15% of executions and transaction events during the year. In addition, digital-led engagement contributed approximately 7% towards portfolio growth at near-zero incremental acquisition cost, generating direct efficiency benefits to the Company's profitability and operating model. The integration of digital workflows alongside branch-based servicing enabled faster processing capability while maintaining customer flexibility across repayment and financing options.

Looking ahead, greater emphasis will be placed on improving self-service capability, enhancing transaction efficiency and leveraging the Group's broader fintech ecosystem to support sustainable portfolio growth over the medium term.

OPERATING LEASE

Fleet operations recorded another year of strong growth during 2025/26, marking the third consecutive year of fleet expansion. Total fleet assets increased significantly during the year, driven primarily by the lifting of vehicle import restrictions, which revitalised market activity and generated renewed customer demand across key business segments.
In response to these favourable market conditions, the Company undertook strategic fleet acquisitions to capitalise on emerging opportunities and strengthen its market position.

In addition to expanding its conventional fleet, the Company made a strategic entry into electric vehicle (EV) ownership as part of its long-term commitment to environmental sustainability and responsible business practices. The EV fleet continued to grow steadily during the year, reflecting both evolving customer preferences and the Company's focus on supporting the transition toward cleaner and more sustainable transportation solutions. The development of this segment is expected to remain a key strategic priority in the coming financial year.

The fleet's growth during FY 2025/26 was characterized not only by an increase in asset volume but also by improvements in operational efficiency and fleet utilisation. Asset expansion was carefully aligned with business demand, ensuring that investments generated optimal returns while maintaining service quality and operational flexibility.

Looking ahead, the Company remains focused on sustaining this positive growth trajectory through continued investment in fleet modernisation, digital technologies and sustainable mobility solutions. Enhancing operational efficiency, expanding the electric vehicle portfolio and leveraging technology-driven fleet management capabilities will be central to the Company's strategy as it seeks to deliver long-term value to customers and stakeholders alike.

HUMAN RESOURCES

People remained central to the Company's ability to sustain performance, strengthen customer trust and support long-term institutional growth. During 2025/26, the Human Resources (HR) function continued to align its priorities with strategic direction, emphasising workforce readiness, capability development, performance discipline, employee engagement and people governance. As LOLC Finance continued to pursue growth and market leadership across its key business verticals, attracting and deploying the right talent at the right time remained a strategic priority.

During the year, HR strengthened its workforce planning and talent acquisition approach to support business expansion, improve recruitment responsiveness and align hiring decisions with operational requirements. A series of walk-in interviews were conducted across the country, taking recruitment closer to regional talent pools and enabling faster identification of candidates suited to location-specific business needs. This approach helped reduce recruitment processing time, improve access to local talent and support timely workforce deployment across the branch network and business operations. For mid and senior-level hiring, HR complemented traditional recruitment channels with targeted professional networking platforms.

During the year, HR launched a strategic initiative to build relationships with 100 schools and professional institutes, with the objective of creating a sustainable early-career talent pipeline. This initiative strengthened access to promising school leavers and emerging professionals, while providing young talent with the opportunity to begin their careers in one of Sri Lanka's leading financial services institutions.

In an increasingly dynamic and complex operating environment, strengthening employee capability remained a key priority. During the year, a structured series of learning and development initiatives designed to address identified capability requirements across the organisation were implemented. A broad range of internal and external learning interventions were conducted, covering technical, functional, regulatory and operational areas. These included programmes on product knowledge, branch operations, compliance, anti-money laundering, systems, cybersecurity and other business-critical subjects. In addition, soft skills development programmes were conducted to strengthen customer service, communication, interpersonal effectiveness, problem-solving and workplace professionalism.

Special emphasis was also placed on developing managerial and leadership capability. A structured development programme was deployed for a selected group of high-potential managers, combining on-the-job learning, coaching and project-based learning. This approach was designed to prepare emerging leaders to take on broader responsibilities and contribute more effectively to business performance. Further, newly-appointed Branch Managers participated in a focused leadership development initiative to support their transition from individual contributor roles to people management responsibilities.

The Company's continued growth and performance are underpinned by the commitment, resilience and contribution of its people. Recognising this, employee engagement, welfare and wellbeing remained key focus areas during the year. Multiple initiatives were carried out to strengthen employee connection, support wellbeing and foster a more inclusive and engaging workplace culture. As part of the Company's wellbeing agenda, HR conducted the 'Care for You' programme, a series of medical camps organised across the island to help employees assess and better understand their health status. Employees were provided with a comprehensive set of medical reports, supported by in-person consultations with medical professionals. Physical wellbeing was further supported through the launch of a three-month crossfit training programme for employees based in Colombo, in response to employee feedback. This initiative reflected HR's commitment to listen to employees and providing practical wellbeing solutions that support healthier lifestyles.

Financial wellbeing was also identified as an important area of focus. Recognising that personal financial management and financial literacy are essential life skills, particularly for employees of a leading financial services institution, the HR team organised a series of financial literacy programmes in partnership with an external facilitator to strengthen employees' understanding of responsible financial planning, money management and long-term financial discipline.

Employee engagement continued beyond the workplace by involving their families in selected initiatives. For Children's Day, HR organised an art competition for the employees' childern. The event received an overwhelming response, with over 500 children participating and showcasing their creativity, while strengthening the sense of community within the wider LOLC Finance family.

Diversity and inclusion also remained an important element of the Company's engagement agenda. Annual Women's Day celebrations were conducted with a range of initiatives, including knowledge-sharing sessions by external facilitators and activities designed to recognise and appreciate the contribution of women across the organisation.

In addition to structured engagement initiatives, direct employee connection was strengthened through branch visits to better understand ground-level realities, provide timely guidance and support practical resolution of employee-related matters. This approach helped reinforce HR's role as a business partner that remains connected to employees across the organisation.

The HR function will continue to play a strategic role in supporting LOLC Finance's growth ambitions and long-term institutional resilience. The focus will remain on strengthening workforce capability, building leadership depth, improving employee engagement, enhancing people governance and enabling a more agile and future-ready organisation.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

1.0 BASIS OF PREPARATION

The sustainability-related financial disclosures of LOLC Finance PLC have been prepared in accordance with SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 – Climate-related Disclosures, issued by the Institute of Chartered Accountants of Sri Lanka.

These disclosures aim to provide decision-useful information to primary users regarding Climate-related risks and opportunities that could reasonably be expected to influence the Company's cash flows, access to finance, or cost of capital over the short, medium, or long term.

The disclosures are presented alongside the Company's audited financial statements to ensure consistency, connectivity, and clarity between financial and sustainability-related information.

1.1 Reporting Entity, Organisation Boundary and Value Chain

The sustainability-related financial disclosures apply to LOLC Finance PLC, which is the reporting entity.

These disclosures are prepared in alignment with the organisational boundary used for the preparation of the Company's audited financial statements. Accordingly, the information presented reflects the activities of the Company within its financial reporting boundary as the Company has no subsidiaries.

In determining the scope of sustainability-related disclosures, the Company has considered its business model and the broader value chain, including key upstream and downstream activities that may influence Climate-related risks and opportunities.

The Company's business model is centered on mobilising customer deposits and other funding sources to provide financial solutions to individuals, SMEs, and corporates, with a strong focus on financial inclusion and underserved market segments across Sri Lanka.

The Company's value chain includes depositors and funding providers, business partners and service providers, employees and branch networks, customers, communities, and regulators. Through its branch network and digital channels, LOLC Finance provides accessible financial solutions that support customers, businesses, and communities while contributing to inclusive and sustainable economic growth.

This includes interactions with customers, funding providers, business partners, and other stakeholders that are relevant to the Company's operations, financial performance, and long-term value creation.

1.2 Basis of Materiality

In preparing these sustainability-related financial disclosures, the Company has applied the principle of materiality in accordance with SLFRS Sustainability disclosure standards.

Climate-related risks and opportunities (CRROs) are considered material if they could reasonably be expected to affect the Company's financial position, financial performance, cash flows, or overall prospects over the short, medium, or long term. Information is deemed material if its omission, misstatement, or obscuring could reasonably be expected to influence the decisions of primary users of general-purpose financial reports. These disclosures are intended to meet the common information needs of such users.

The Company applies both quantitative and qualitative assessments in determining materiality, ensuring a balanced and comprehensive evaluation of sustainability-related matters.

1.2.1 Quantitative Assessment

For the purpose of assessing financial materiality, the Company has adopted a threshold based on Profit Before Tax (PBT). A threshold of ±3% of the average Profit Before Tax over the last four financial years (FY 2021/22 – FY 2024/25) has been established, which translates to approximately Rs. 600 million. Sustainability-related impacts exceeding this threshold are considered material and are included in the disclosures.

The selection of Profit Before Tax as the basis for determining financial materiality reflects its relevance as a key measure of the Company's financial performance and its widespread use in industry practice. The adoption of a ±3% threshold is aligned with the lower end of commonly observed market practices and represents a prudent approach. This ensures that disclosures focus on Climate-related risks and opportunities with a meaningful financial impact, while avoiding undue emphasis on immaterial matters.

The use of an average PBT over multiple years provides stability in the assessment by mitigating the effects of year-on-year volatility and enables consistent monitoring and reporting of material sustainability-related impacts.

1.2.2 Qualitative Assessment

In addition to quantitative thresholds, the Company considers qualitative factors in determining materiality. Certain Climate-related risks and opportunities may be deemed material irrespective of their immediate financial magnitude, particularly where they could significantly influence the Company's reputation, operations, or long-term value creation.

Such considerations include, but are not limited to, regulatory compliance, reputational impact, stakeholder expectations, strategic relevance, operational resilience, and exposure to low-probability but high-impact events. These factors are assessed alongside quantitative thresholds to ensure a comprehensive determination of material sustainability-related matters.

1.3 Functional Currency

The functional and presentation currency of LOLC Finance PLC is Sri Lankan Rupees (Rs).

These sustainability-related financial disclosures are presented in Sri Lankan Rupees, consistent with the currency used in the preparation of the Company's audited financial statements. This ensures alignment and comparability between financial and climate-related information.

1.4 Sources of Guidance

In preparing these sustainability-related financial disclosures, the Company has referred to local and international standards and frameworks that are relevant to identifying and reporting climate-related risk and opportunities (CRROs). Key sources of guidance include:

- SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- SLFRS S2 – Climate-related Disclosures
- Central Bank of Sri Lanka – Sustainable Finance Roadmap 2.0
- Sri Lanka Green Finance Taxonomy, May 2022
- SASB Standards Sustainability Accounting Standards for Consumer Finance (Version 2023-12) issued by the Sustainability Accounting Standards Board (SASB) of the IFRS Foundation
- Nationally Determined Contributions (NDC 3.0) of Sri Lanka (2026-2035), September 2025
- Climate Change Vulnerability Data Book, Ministry of Environment, January 2011
- National Policy on Climate Change

The Company has applied these frameworks and standards in identifying material CRROs, incorporating both external guidance and internal data, to ensure that the disclosures are decision-useful, relevant, and aligned with best practices.

1.5 Reporting Period

These sustainability-related financial disclosures cover the period from 1 April 2025 to 31 March 2026, consistent with the Company's audited financial statements.

1.6 Time Horizon

The Company considers Climate-related risks and opportunities over short-term, medium-term, and long-term horizons, reflecting their potential impact on financial performance, position, and cash flows:

The basis for defining the Company's time horizons is aligned with its strategic planning cycle, financial forecasting processes, operational priorities, and sustainability objectives.

Time Horizon	Financial Year	Definition
Short term (1 year)	2026/27	Annual budgets, Short-term performance targets, Immediate risk management and compliance measures.
Medium term (2-4 years)	2027/28–2030/31	Mid-term business goals, capacity expansion, Technology upgrades, and operational resilience planning.
Long term (Beyond 4 years)	Beyond 2030/31	Long-term vision, climate resilience strategies, infrastructure investments, innovation, and organisational transformation.

This multi-horizon approach enables stakeholders to understand both immediate and future implications of climate-related risks and opportunities on the Company's operations and financial outcomes.

1.7 Connected Information

The Company ensures that the interconnections among climate-related risks and opportunities (CRROs), are clearly disclosed. The connectivity between these climate-related disclosures and the Company's audited financial statements are highlighted to demonstrate how CRROs may affect financial performance, position, and cash flows.

Where disclosures are presented elsewhere in the Annual Report, cross-references to the relevant sections and pages will be provided, including Corporate Governance, Strategy, and Risk Management. This enables readers to navigate easily between sustainability related disclosures and related financial information.

This approach facilitates understanding of:

- Connections within the Company's climate-related financial disclosures
- Connections between the items to which the information relates
- Connections between the climate-related disclosures and the audited financial statements

1.8 Transitional Relief

As a first-time adopter of SLFRS S1 and SLFRS S2, the Company has applied the transitional relief provisions permitted under these standards. Accordingly, the following reliefs have been elected during the first year of adoption:

a) SLFRS S1 – Disclosure of information on only climate-related risks and opportunities

In the first annual reporting period in which the Company applies this standard, it is permitted to disclose information only on climate-related risks and opportunities (in accordance with SLFRS S2) and apply the requirements of SLFRS S1 only insofar as they relate to such climate-related disclosures.

b) SLFRS S1 – Disclosure of comparative information

In the first annual reporting period, the Company is not required to disclose comparative information about climate-related risks and opportunities. In the second annual reporting period, the Company is not required to disclose comparative information about sustainability-related risks and opportunities, other than climate-related matters.

c) SLFRS S2 – Disclosure of Scope 3 greenhouse gas emissions

Initially, the Company will report only Scope 1 and Scope 2 emissions. Full compliance with Scope 3 emissions reporting will become mandatory two years after the initial application date.

d) SLFRS S2 – Disclosure of qualitative information regarding anticipated financial effects of climate-related risks and opportunities

The Company is permitted to defer the disclosure of qualitative information regarding anticipated financial effects for a period of two years following the mandatory application of the standard.

e) SLFRS S2 – Disclosures on Climate Resilience

A relief period of two years is granted from the date of mandatory application to fully comply with the climate resilience disclosure requirements.

1.9 Significant Judgements, Uncertainties and Proportionality

The preparation of sustainability-related financial disclosures involves significant judgements in:

- Identifying material climate-related risks and opportunities (CRROs)
- Assessing their potential future impact on financial performance, position, and cash flows
- Determining materiality and selecting assumptions for assessments

Evaluating the availability, reliability, and completeness of data, including across the value chain

There is inherent uncertainty in estimating financial effects due to factors such as regulatory developments, technological changes, and market conditions.

Table A: Key Judgements Applied in Quantifying Climate-related Risks and Opportunities (CRROs)

Item	Description	Reference
(i) Identification of CRROs	Applied judgement in identifying climate-related risks and opportunities (CRROs) relevant to the organization based on available published climate risk profiles, sector guidance, and climate scenario analyses. Physical climate risks were primarily assessed using regional and global climate models and datasets due to the limited availability of localised, Sri Lanka-specific climate projections and risk assessment data.	Please refer to '3.0 Strategy' page 34 - 42 and '4.0 Risk' page 43-46
(ii) Selection of guidance frameworks	Judgement was exercised in selecting the most appropriate climate-related reporting frameworks, standards, and methodologies applicable to the organisation, considering industry practices, regulatory expectations, reporting maturity, and stakeholder information needs. Also considered alignment between multiple frameworks to avoid duplication and ensure consistency of disclosures.	Please refer to '1.0 Basis of Preparation' on page 28 and '1.4 Sources of Guidance' on page 29
(iii) Determination of materiality thresholds	Applied judgement in determining materiality thresholds for climate-related disclosures by evaluating the potential magnitude and likelihood of impacts on cash flows, access to finance or cost of capital over the short, medium or long term. Both quantitative and qualitative factors were considered in assessing whether a climate-related matter is material for disclosure purposes.	Please refer to '1.0 Basis of preparation' and '1.2.2 Qualitative Assessment' on page 28
(iv) Assessment of financial impact	Applied judgement in determining when quantitative estimation of climate-related financial impacts was not reasonably possible due to data limitations, high uncertainty, or lack of reliable forward-looking inputs. In such cases, provide qualitative disclosures that still convey the relative magnitude of potential financial effects. Judgement was also applied to ensure consistency in qualitative classification across reporting periods and different categories of climate-related risks and opportunities to maintain comparability and decision-usefulness.	Please refer to Financial Statement Notes – Impairment 19

Table B: key Areas of Measurement Uncertainty

Item	Description
(i) GHG emission quantification	Uncertainty exists due to reliance on primary and secondary activity data (e.g., fuel consumption, electricity usage, travel data). Estimation of missing data, and data collection inconsistencies across sites or business units may affect the accuracy of emissions calculations.
(ii) GHG emission factors selection	Significant uncertainty arises from the selection and application of emission factors sourced from latest publicly available international databases.

1.10 Statement of Compliance

This report represents a complete set of sustainability-related financial disclosures for LOLC Finance PLC for the year ended 31 March 2026. The Company's sustainability-related disclosures have been prepared in accordance with SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka.

2.GOVERNANCE

The governance structure is designed to ensure comprehensive oversight of sustainability-related matters, including Climate Related Risks and Opportunities (CRROs), across board, management, and operational levels. Clearly defined roles and responsibilities at each level to promote accountability and effective performance management. The established framework enables a timely and efficient flow of information in both directions while maintaining the flexibility to continuously adapt to evolving risks, business requirements, regulatory expectations, and stakeholder needs.

Sustainability governance is supported through the organisation's Three Lines of Defense model, where business units act as the first line of defense, risk and compliance functions provide oversight as the second line of defense, and internal audit provides independent assurance as the third line of defense.

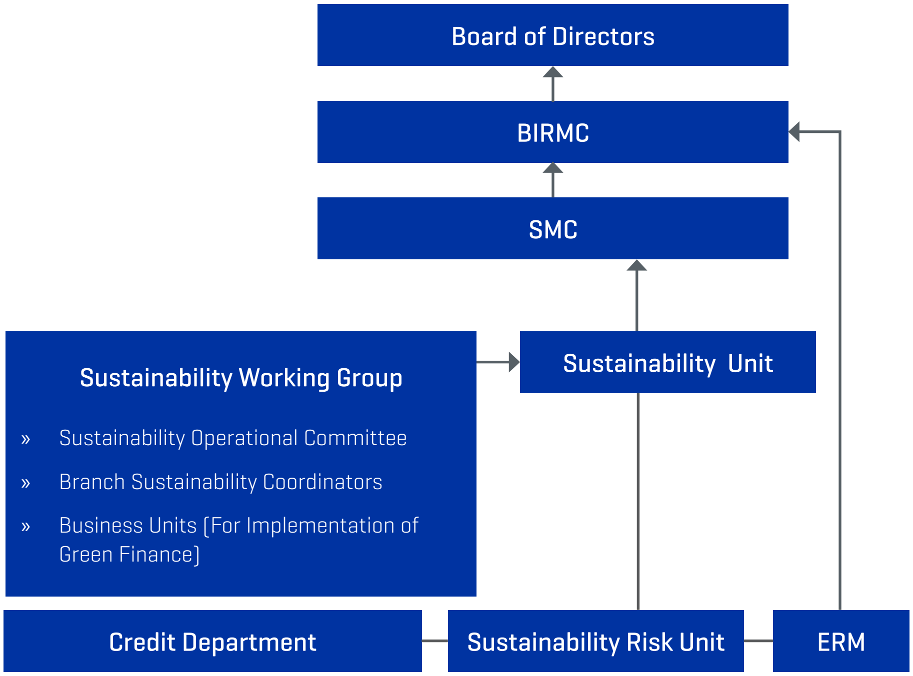


Figure 01: Governance structure

2. 1. Board oversight Role

The Board of Directors plays a key role in setting LOLC Finance PLC's overall sustainability vision and integrating sustainability into its business strategy. Leadership involvement and commitment at the highest level ensure that sustainability remains an integral part of how the organisation operates and grows.

Furthermore, embedding sustainability into the business strategy enables the organisation to better anticipate, mitigate, and manage Sustainability Related Risk and Opportunities (SRROs). In this regard, board oversight of SRROs is primarily exerted through the Board Integrated Risk Management Committee (BIRMC).

The BIRMC regularly assesses all risks, including SRROs, using appropriate risk indicators and management information. Based on these assessments, the committee apprises the Board of Directors of any risks that are material to the organisation and ensures that necessary measures are taken to manage identified risks within the company's approved risk appetite and tolerance limits. The committee consists of three board members, key management representatives, and external parties attending upon invitation. Meetings are held once every two months, with the possibility of convening additional meetings when necessary.

2.1.1 Responsibility

2.1.1.1 Responsibilities of the board

Strategic direction and oversight: Establishing the overall sustainability vision, direction, and priorities, and ensuring their integration into the organization's business strategy, culture, and long-term value creation.

Governance and accountability: Establish governing bodies with clearly defined accountabilities.

Risk oversight: Oversee SRROs, including CRROs, and ensure they are appropriately identified, assessed, and managed.

Policy approval: Review and approve key sustainability related policies, frameworks and commitments.

Regulatory compliance oversight: Oversee compliance with applicable sustainability related laws, regulations, and reporting standards.

2.1.1.2 Responsibilities of the BIRMC

Responsibilities assigned to the BIRMC in accordance with the Terms of Reference (TOR) of the committee

Risk mitigation: Assess SRROs including CRROs, evaluate their impact, and co-develop mitigation actions with management.

Committee oversight: Review the Sustainability Management Committee's (SMC) effectiveness in managing risks within established qualitative and quantitative limits.

Strategic advisory: Advise the board on sustainability trends, emerging risks, and regulatory shifts.

Capacity building: Ensure the organisation possesses the necessary competencies to oversee and execute sustainability-related strategies.

2.1.2 Skills and Competencies

Sustainability related capacity development is a continuous effort focused on empowering the leadership team and the entire workforce with the necessary knowledge and skills to consciously contribute towards making the business more sustainable. Accordingly, LOLC Finance PLC has conducted a number of internal and external training sessions for employees at different levels, covering a broad range of topics related to sustainability.

A dedicated training workshop was also organised for the Board of Directors to enhance their understanding of SLFRS sustainability disclosure standards (SLFRS S1 and SLFRS S2), key disclosure requirements, and their related responsibilities. Furthermore, the knowledge and experience of the Board of Directors in relation to SLFRS sustainability disclosure standards and the management of SRROs were evaluated to identify future capacity building requirements.

2.1.3 Inform, Address, Monitor

The board is informed on a quarterly basis of sustainability related matters, including performance against established Key Performance Indicators (KPIs), SRROs, CRROs, and compliance with regulatory requirements.

The board addresses sustainability related matters by ensuring that sustainability is integrated into the organisation's business model and decision-making processes, while holding management accountable for the effective implementation of approved directives.

The Board of Directors monitor sustainability performance through quarterly reporting from the BIRMC, including updates on SRROs, CRROs, and compliance with SLFRS S1 and S2 Sustainability disclosure standards requirements. The Sustainability Management Committee (SMC) will report on its activities and LOLC Finance's sustainability performance to the BIRMC quarterly. SMC ensures that the BIRMC is well-informed about sustainability related risks and opportunities to oversee the Company's strategies, major transactions, and risk management processes.

Further, the BIRMC reviews and monitors sustainability-related risks and opportunities, climate-related strategies, and the implementation progress of SLFRS S1 and SLFRS S2 requirements on a quarterly basis, and provides recommendations to the Board where necessary.

2.2. Management Role

2.2.1. Sustainability Management Committee (SMC)

The responsibility for operationalising the sustainability related directives approved by the BIRMC at executive level lies with the SMC. The SMC is authorised to access all necessary resources and information required to effectively carry out its responsibilities. The committee comprises seven members representing senior management across all business units and departments, along with a board member. The SMC meets on a quarterly basis, while additional meetings are convened as necessary to address matters requiring immediate attention.

Responsibilities assigned to the SMC in accordance with the TOR of the Committee

Risk & opportunity review: Review SRROs, including CRROs to assess their relevance, potential impact, and appropriate mitigation or management actions.

Performance monitoring: Monitor sustainability performance and progress towards established goals and targets.

Compliance assurance: Ensuring compliance with applicable laws, regulations and reporting frameworks related to sustainability

Stakeholder reporting: Reporting on sustainability matters to stakeholders, including the BIRMC, shareholders, employees and external parties as required.

The SMC serves as a key intermediary between the BIRMC and the sustainability working groups, facilitating the delegation of BIRMC approved policies and strategies to sustainability working groups for effective implementation. The committee also oversees the review of the progress and outcomes of implemented activities, ensuring that updates and key developments are regularly reported back to the BIRMC.

2.3. Under the purview of the SMC

2.3.1. Sustainability Operational Committee (SOC)

The SOC is the primary committee responsible for achieving sustainability key performance indicators and implementing programs delegated by the Sustainability Unit at the operational level. The SOC reports progress and performance updates to the Sustainability Unit on a quarterly basis. In addition, the committee is authorised to directly report matters relating to sustainability including, SRROs and CRROs to the Sustainability Business Unit, where necessary. Responsibilities assigned to the SOC in accordance with the TOR of the committee.

The SOC, chaired by the COO, comprises permanent members representing the sustainability Unit, Channels, Finance, HR, Risk, and Compliance Departments. Representatives from other Departments, Business Units (BUs), and Support Units

(SUs) participate upon invitation when their input is relevant. The SOC meets quarterly and as required by the SMC.

2.3.2. Sustainability Business Unit

The sustainability unit actively engages in the design, implementation, and monitoring of all sustainability-related initiatives while acting as a bridge between corporate governance and sustainable business practices. The unit comprises qualified sustainability practitioners working under the oversight of the COO.

The main sustainability unit comprises two distinct sub-units: the sustainability unit and the sustainability risk management unit. Sustainability Unit is responsible for

- KPI development: Establish operational sustainability KPIs in line with LOLC Finance PLC's sustainability strategy, regulatory requirements, and SMC guidance.
- Performance monitoring: Monitor KPI performance and identify gaps, risks, and improvement opportunities.
- Coordination & implementation: Coordinate and implement sustainability-related initiatives across departments, BUs, and SUs.
- Data management: Data collection and management across departments, BUs, SUs and branches to support SLFRS 1 & 2 disclosures, including SRROs and CRROs.
- Awareness & implementation support: Facilitate awareness and implementation support across relevant units.
- Reporting: Report operational sustainability updates (including SRROs and CRROs), opportunities, and challenges to the SMC.

The sustainability risk management unit works closely with the Enterprise Risk Management (ERM) department to identify, assess, and monitor SRROs, including CRROs, associated with the organisation's operations and financing activities. Significant risks identified through this process are escalated in a timely manner to the BIRMC through the ERM department for oversight and review. In addition, the sustainability unit also quarterly reports relevant sustainability related matters, including SRROs and CRROs, to the SMC.

The Environmental and Social Management System (ESMS), operating under the sustainability risk management unit, integrates environmental and social (E&S) risk screening into the credit evaluation process to ensure that lending facilities comply with applicable national regulations and align with the institution's internal sustainability policies. To facilitate the effective implementation of this process, the sustainability risk management unit works closely with the credit department to ensure E&S risks are incorporated into financing and credit evaluation processes.

2.4. Policies and procedures

2.4.1. Sustainability policy

This Sustainability Policy defines LOLC Finance PLC's dedication to environmental, social, and governance (ESG) excellence. It serves as a foundational framework, ensuring that sustainability is deeply integrated into our strategic decision-making, core operations, and the delivery of innovative financial solutions.

2.4.2. Sustainable finance policy

Recognising its responsibility to drive positive environmental and social change through its financial activities, LOLC Finance PLC has established a sustainable finance policy that outlines its commitment to incorporating ESG considerations into the financial decision-making process. The policy's scope covers areas including the promotion of sustainable economic growth, the mitigation of ESG risks, and the development of green and inclusive finance products.

2.4.3. Environmental & Social Management System (ESMS)

LOLC Finance PLC's Environmental and Social Management System (ESMS) is a structured framework designed to identify, assess, mitigate, monitor, and manage the environmental and social (E&S) risks and impacts associated with the business activities financed by the Company. The ESMS aims to minimise potential adverse environmental and social impacts arising from lending and investment activities while aligning with the expectations of shareholders, regulators, customers, and other stakeholders. Through a systematic and risk-based approach, the ESMS integrates E&S considerations into the credit evaluation and monitoring process, promoting responsible financing practices and supporting sustainable economic development.

2.4.4. Environment Management System (EMS) manual

The EMS manual establishes the framework through which LOLC Finance PLC complies with ISO 14001:2015 requirements and intends to achieve continuous improvement in environmental performance. It clearly sets out roles, controls, and procedures to identify environmental impacts, ensure compliance with regulatory requirements, and enhance operational sustainability.

2.4.5. Enterprise risk management framework

The Enterprise Risk Management (ERM) Framework provides an integrated approach for identifying, assessing, monitoring, and managing risks across the company, including climate-related and ESG risks. It supports informed decision-making and promotes effective risk governance through clearly defined risk appetite statements, reporting structures, escalation mechanisms, governance procedures, and internal controls mechanisms. Climate-related risks and opportunities are incorporated into the overall risk management framework to ensure resilience and long-term sustainability.

3.0 Strategy

CRRO 1	Increase in Severity and Frequency of Weather Patterns	
CRROs impact on Prospects	Description	Severe and frequent weather events (floods, droughts, landslides) may lead to direct damage to company assets, operational disruption, and increased credit risk for borrowers in affected sectors.
	Physical Risk or Transition Risk	Physical Risk
	Time Horizon	Short, Medium and Long Term
	Define time horizon	Please refer to "1.6 Time Horizons" on page 29 under "1.0 Basis of Preparation" on page 28 of this section.
Business Model and Value Chain	Current Effects on Business Model and Value Chain	» Severe weather from Cyclone Ditwah caused significant physical damage to branch infrastructure in high-impact areas, requiring temporary closure of several branches. » Interruptions to face-to-face banking services led to reduced accessibility to essential financial services for customers. » Damage to IT infrastructure and power outages disrupted core banking systems, transaction processing, and communication channels, affecting overall operational continuity. » The company incurred additional costs from emergency response measures, including repairs to damaged infrastructure, restoration of affected facilities, temporary relocation of operations to maintain service continuity. » Borrowers faced limited access to banking services, hindering withdrawals, repayments, and routine transactions—particularly in severely affected regions. » SMEs and individuals dependent on daily cash flows were especially vulnerable, experiencing immediate financial stress. This resulted in delays in loan repayments and elevated default risk, higher volume of loan restructuring requests, growing demand for relief measures such as moratoriums. These factors collectively contributed to heightened credit risk and potential pressure on financial performance » Despite these disruptions, Cyclone Ditwah had no material impact on the company's business model and value chain
	Anticipated Effects on Business Model and Value Chain	» **Higher Impairment Charges:** The deterioration in borrowers' repayment capacity due to cyclone-related disruptions may require the company to recognise higher impairment provisions. » **Increased Credit Loss Risk:** Disruptions to economic activities and income streams of clients can elevate the probability of default, thereby increasing overall credit risk within the loan portfolio. » **Increased Cost or Limited Availability of Insurance:** The heightened frequency and severity of natural disasters may lead to increased insurance premiums or reduced availability of insurance coverage for assets exposed to climate-related risks, thereby increasing financial vulnerability. » **Higher Demand for Moratoriums and Restructuring:** Affected borrowers may request repayment relief measures such as moratoriums or loan restructuring, which can impact cash flow predictability and delay revenue realisation.

CRRO 1	Increase in Severity and Frequency of Weather Patterns	
	Where is it Concentrated?	» **Credit Risk** Increased likelihood of borrower defaults due to income disruption, business interruption, and asset damage. This may lead to higher non-performing loans (NPLs), increased impairment charges, and a rise in loan restructuring and moratorium requests. » **Operational Risk** Disruptions to branch operations, damage to physical and IT infrastructure, and interruptions in service delivery may affect the institution's ability to maintain normal operations and ensure business continuity. » **Liquidity Risk** Reduced inflows from loan repayments, coupled with potential increases in withdrawals and emergency funding needs, may place pressure on the company's liquidity position. » **Market Risk** Broader economic instability following the cyclone may impact interest rates, asset valuations, and overall market conditions, indirectly affecting the company's financial performance. » **Reputational Risk** Inability to provide timely support, maintain service availability, or effectively respond to customer needs during the crisis may negatively impact customer trust and the institution's reputation.
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	» Strengthen disaster recovery and business continuity planning, especially for operations in flood and landslide prone areas » Integrate climate risk assessments into branch locations – The company is in the process of developing methodologies to access the climate vulnerability of the geographic locations of the branches to integrate into climate risk assessment. » Perform a detailed climate stress test to identify the impact of extreme weather events on the company's loan portfolio » Obtain adequate insurance coverage for the company's assets and consider offering products that allow clients to hedge against climate risks. » Develop and promote financial products that support sustainable development and climate adaptation efforts, such as green bonds and sustainability-linked loans.
	How the Company is Resourcing and Plan to Resource Activities	» Establishing contingency funds and disaster recovery budgets to ensure business continuity during extreme weather events. » Supporting green financing initiatives such as renewable energy, climate-smart agriculture, and energy-efficient technologies to reduce portfolio vulnerability. » Training credit officers, risk managers, and branch staff on climate risk assessment, including integrating environmental and social (E&S) considerations into lending decisions. » Developing specialised teams or focal points responsible for climate risk management and disaster response. » Conducting awareness programmes to improve employee preparedness and responsiveness during extreme weather events » Digitising operations (e.g., mobile banking, remote processing systems) to ensure service continuity during physical disruptions.

CRRO 1	Increase in Severity and Frequency of Weather Patterns	
		» Utilising Geographic Information Systems (GIS) and climate modeling tools to assess location-specific risks and inform strategic decision-making. » Engaging with regulators, industry bodies, and financial institutions to align with best practices in climate risk management and reporting (e.g., SLFRS, ESG frameworks). » Working closely with clients to promote climate-resilient business practices and provide advisory support, especially for vulnerable sectors. » Partnering with insurance providers to improve access to climate risk insurance solutions for both the company and its borrowers. » Supporting community-level resilience initiatives and awareness programmes to reduce the broader socio-economic impacts of extreme weather events.
	Progress (qualitative and quantitative)	» The company allocated Rs. 41.5 Mn specifically for climate risk management initiatives, such as capital expenditure for physical infrastructure upgrades/ relocations » The company conducted 8 awareness sessions and workshops on ESG related topics. The training and awareness programmes have been conducted to ensure operational continuity with minimal disruption in the event of major operational disturbances caused by extreme weather events. These measures are documented in the Business Continuity Plan (BCP) and the Emergency Response Procedure in line with ISO 14001 requirements, including staffing arrangements, alternative work locations, and minimum operational throughout levels. » The company has three qualified internal staff members to enhance internal capabilities in managing sustainability and climate-related challenges. » The company has an Environmental & Social (E&S) Risk Officer to strengthen focused oversight on implementation of the Environmental and Social Management System (ESMS). The company is currently in the process of integrating climate change vulnerability assessments into the existing environmental and social assessment framework for its lending portfolio.
Financial Effects	Current year financial effects to PL, BS and CF	Refer Table C on page 43 below which outlines the known or observable impacts on financial position, performance, and cash flows during the reporting period ended 31st March 2026. The occurrence of Cyclone Ditwah during the current financial period led to a material financial impact
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	The lack of adequate historical loss data (apart from the Ditwah event), together with insufficient reliable forward-looking climate-related information for the next 12 months, has limited our ability to quantify any potential impact on the carrying value of assets and liabilities for the forthcoming financial year.
	Anticipated financial effect over short, medium and long term to PL, BS and CF	Refer to Transitional Reliefs on section 1.8 page 29-30
Climate resilience	Resilience Assessment	Refer to Transitional Reliefs on section 1.8 page 29-30
	How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out	Refer to Transitional Reliefs on section 1.8 page 29-30

CRRO 2	GHG Quantification and Shift to Low-Carbon Economy	
CRROs impact on Prospects	Description	GHG quantification, particularly of financed emissions, may expose a financial institution's concentration in carbon-intensive sectors, highlighting potential overexposure to high-emission lending and investment portfolios. In the current global context, there is an accelerating shift toward a low-carbon economy driven by international climate commitments, such as the Paris Agreement, and increasing regulatory, investor, and stakeholder expectations for emissions reduction. This transition is likely to result in progressively stricter regulations, disclosure requirements, and capital allocation pressures targeting high-emission sectors. As a result, such lending exposures may become stranded or impaired assets over time, potentially leading to asset value reductions, increased credit risk, and financial write-downs, particularly where borrowers are unable to adapt their business models in line with evolving regulatory and market conditions.
	Physical Risk or Transition Risk	Transition Risk
	Time Horizon	Medium and Long Term
	Define time horizon	Please refer to "1.6 Time Horizons" on page 29 under "1.0 Basis of Preparation" on page 28
Business Model and Value Chain	Current Effects on Business Model and Value Chain	No material impacts have been observed during the current reporting period on operations, portfolio quality, or cash flows
	Anticipated Effects on Business Model and Value Chain	» Identification of financed emissions may reveal overexposure to carbon-intensive sectors (e.g., fossil fuels, heavy industry), necessitating a gradual shift toward low-carbon and climate-aligned lending portfolios. » Borrowers in carbon-intensive industries may face regulatory tightening, carbon pricing, or reduced market demand, leading to weakened repayment capacity and elevated default risk. » Financing extended to high-emission or transition-vulnerable sectors may become economically unviable over time, resulting in asset devaluation, write-downs, or early loan impairments. » Reduced exposure to traditional high-yield, carbon-intensive sectors may affect interest income, requiring diversification into sustainable finance products to maintain profitability. » Growing public and stakeholder awareness of environmental issues places reputational pressure on finance companies to align their operations and investments with low-carbon goals. » To stay competitive, expanding the range of green finance products, such as renewable energy project financing, green leasing, and sustainable infrastructure loans.
	Where is it Concentrated?	» Credit Risk: Increased likelihood of borrower default in carbon-intensive sectors due to transition pressures and regulatory changes. » Underwriting Risk: Greater complexity in credit appraisal as climate-related factors and financed emissions must be integrated into lending decisions. » Market Risk: Potential decline in the value of carbon-intensive assets and investments due to shifting market preferences and climate policies.

CRRO 2	GHG Quantification and Shift to Low-Carbon Economy	
		» **Liquidity Risk:** Reduced cash inflows from stressed borrowers may constrain liquidity and affect funding stability. » **Operational Risk:** Additional systems, data management, and expertise required for GHG quantification may increase operational complexity and risk. » **Reputational Risk:** Exposure to high-emission sectors may negatively impact stakeholder perception and investor confidence. » **Loan Portfolio Mix:** Gradual shift from carbon-intensive sectors toward low-carbon and climate-aligned lending to reduce transition risk exposure.
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	» The Company has become a signatory to the Partnership for Carbon Accounting Financials (PCAF) and is currently in the process of calculating its financed emissions in line with the prescribed methodology. » Gradually rebalance the loan portfolio toward low-carbon and climate-resilient sectors by engage with clients to support their transition to lower-emission operations. » Enhanced ESG due diligence and screening for new lending and investment decisions to address climate risks. » The company may shift its strategic focus toward financing green sectors such as renewable energy, sustainable infrastructure, and low-carbon technologies to remain competitive and future-ready. » Decision-making processes now include robust ESG screening and climate impact assessments to evaluate borrowers and investment opportunities, ensuring alignment with sustainability goals. » To guide strategic decisions, the company may adopt internal policies and frameworks for sustainable finance, such as green loan principles or a climate investment taxonomy. » Pressure from investors, regulators, and clients to demonstrate climate responsibility is influencing board-level strategies, with a stronger emphasis on climate-aligned growth and reporting. Set specific, measurable targets for reducing the carbon footprint of the company's operations and investment portfolio. » Transition Planning: Develop a transition plan with targets for gradually moving away from carbon-intensive investments towards a more sustainable portfolio.

CRRO 2	GHG Quantification and Shift to Low-Carbon Economy	
Strategy and Decision Making	How the Company is Resourcing and Plan to Resource Activities	» Allocating financial resources to expand green and climate-aligned lending, including renewable energy, energy efficiency, and low-carbon technologies. » Investing in the design and implementation of a structured net-zero transition plan, aligned with financed emissions reduction pathways. » Conducting regular training programmes to enhance staff capabilities in resource efficiency, energy monitoring, carbon accounting, and decarbonization pathways. » Regular awareness programmes, engagement with external experts, and integration of sustainability into induction and ongoing learning initiatives will ensure that staff are equipped to support the Company's transition toward a climate-resilient and low-carbon portfolio. » Continuously engaging external subject matter experts to provide technical guidance, strengthen internal competencies, and ensure alignment with global best practices. » Investing in digital platforms and models to assess transition-related risks within the lending portfolio.
	Progress (qualitative and quantitative)	» The company conducted 3 ESG related awareness sessions and workshops including capacity building on GHG quantification, improving accuracy of greenhouse gas (GHG) emissions measurement, aligning reporting with international sustainability disclosure standards, and supporting data-driven decision-making to facilitate the transition towards a low-carbon business model. » External consultancy was obtained for capacity building on implementation of SLFRS S1 & S2 including aligning disclosures with international sustainability standards » The company has three qualified internal staff members to enhance internal capabilities in managing sustainability and climate-related challenges. » The company has an Environmental & Social (E&S) Risk Officer to strengthen focused oversight on implementation of the Environmental and Social Management System (ESMS).
Financial Effects	Current year financial effects to PL, BS and CF	We have not identified material financial effects to the current financial year.
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	We have not identified significant risk of material adjustments to carrying value of assets and liabilities in the next financial year
	Anticipated financial effect over short, medium and long term to PL, BS and CF	Refer to Transitional Reliefs on section 1.8 page 29-30
Climate resilience	Resilience Assessment	Refer to Transitional Reliefs on section 1.8 page 29-30
	How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out	Refer to Transitional Reliefs on section 1.8 page 29-30

CRRO 3	Sustainable Financing	
CRROs impact on Prospects	Description	Sustainable Financing represents a critical strategic pillar for the company's sustainability road map, driven by the rapidly growing global demand for environmentally conscious financial products. As clients increasingly prioritise climate-positive outcomes, the company is uniquely positioned to capture new market opportunities by integrating sustainability directly into its core offerings. This initiative focuses on the development and deployment of specialised products such as green loans, which support eco-friendly infrastructure and businesses transitioning to low-carbon operations, and green bonds that effectively mobilise capital for environmental projects. By aligning our product portfolio with these evolving market needs, the company not only strengthens its commitment to Environmental, Social, and Governance (ESG) standards but also ensures long-term resilience and enhanced brand loyalty in an increasingly green economy. In particular, sustainable finance is expected to expand the company's revenue base through access to new client segments, improve capital attraction from impact-oriented investors, and reduce portfolio risk exposure by supporting more resilient, future-ready investments. This strategic shift will further reinforce brand reputation, increase competitive advantage in the financial sector, and position the company as a preferred partner in the transition toward a green and low-carbon economy, ensuring sustained business resilience and value creation over time.
	Physical Risk or Transition Risk	N/A
	Time Horizon	Short, Medium and Long Term
	Define time horizon	Please refer to "1.6 Time Horizons" on page 29 under "1.0 Basis of Preparation" on page 28
Business Model and Value Chain	Current Effects on Business Model and Value Chain	» By offering green financial products, the company differentiated itself in a competitive market, appealing to a growing segment of environmentally conscious investors and clients. » The global push towards sustainability has led to a surge in projects related to renewable energy, energy efficiency, and sustainable infrastructure. This provides LOLC Finance with a broader range of investment opportunities. » Through its engagement in sustainable financing initiatives, LOLC Finance contributes to global efforts in addressing climate change and advancing sustainable development. This aligns the Company's operations with internationally recognised frameworks, including the United Nations Sustainable Development Goals (SDGs).
	Anticipated Effects on Business Model and Value Chain	» As awareness and concern about climate change continue to grow, the demand for green financial products is expected to increase significantly. This presents a substantial growth opportunity for the company. » LOLC Finance may need to diversify its revenue streams by increasing sustainable finance products and embedding environmental and social considerations into lending and investment decisions. This can strengthen market competitiveness, attract sustainability-conscious customers and investors, and support long-term business growth. Over time, green financing is expected to become a standard practice rather than a niche market, requiring LOLC Finance to integrate sustainability considerations into all aspects of their operations and product offerings. » As the green finance market matures, LOLC Finance may be increased scrutiny and regulation to ensure that green financial products deliver genuine environmental benefits. This could lead to the establishment of stricter standards and certification processes for green projects. » LOLC Finance PLC may strengthen strategic partnerships with governments, NGOs, and other stakeholders to develop and finance large-scale sustainability projects, enhancing impact and outreach.

CRRO 3	Sustainable Financing	
		» The investor base for green financial products is expected to expand for LOLC Finance PLC likely to broaden, with an increasing number of institutional investors mandating a portion of their portfolios to be allocated to green and sustainable investments. » As green finance becomes more prevalent, LOLC Finance may face competitive pressure and potential loss of market opportunities if it does not adapt its products, services, and financing practices to align with evolving sustainability expectations and the transition to a low-carbon economy.
	Where is it Concentrated	» **Credit Risk:** Sustainable financing enhances the company's financial profile by improving access to low-cost funding and diversifying funding sources. » **Market Risk:** Sustainable financing empowers an organisation to capitalise on changing demand patterns and secure a competitive edge in emerging markets. » **Liquidity Risk:** Financial products designated as "green" or "sustainable" (such as green bonds or sustainability-linked loans) are experiencing high demand from institutional investors. This high demand increases the liquidity of these financial instruments, meaning the company can often raise capital more quickly and with fewer delays than when issuing conventional debt. » **Reputational Risk:** Sustainable financing serves as a catalyst for brand equity, fostering deeper trust among critical stakeholders. Proactively financing the transition to a low-carbon economy positions the organisation as a market leader in sustainability. This strengthens the brand's appeal to eco-conscious consumers and employees, who prioritise alignment with ethical and sustainable corporate values.
Strategy and Decision Making	Plans to respond to in Strategy, Risk Management, Transition Plans and Climate-related Targets	» The Company will gradually transition its portfolio by increasing the share of sustainable and green financing while reducing exposure to carbon-intensive activities. This will be supported through staff capacity building, and collaboration with development partners for green funding and technical expertise. » The Company will also support clients in their transition by providing advisory services and financing for decarbonisation initiatives. » Create a dedicated team or division within the company to develop and manage green financial products, ensuring they meet market needs and environmental standards. » The Company will strengthen internal capacity through continuous training and development programs focused on sustainable finance, climate risk assessment, and Environmental and Social Risk Management Systems (ESMS). » Targeted training sessions will be conducted for credit, risk and branch network teams to enhance their ability to identify, assess, and manage environmental and social risks, as well as to promote green and sustainable financing products. » Regular awareness programmes, engagement with external experts, and integration of sustainability into induction and ongoing learning initiatives will ensure that staff are equipped to support the Company's transition toward a climate-resilient and low-carbon portfolio.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

CRRO 3	Sustainable Financing	
	How the Company is Resourcing and Plan to Resource Activities	» Allocating dedicated funding to expand green, blue, and sustainable financing portfolios, including access to green credit lines and partnerships with development institutions. » Building internal capacity through targeted training on sustainable finance, ESG integration, climate risk assessment, and ESMS implementation across credit, risk, and business teams. » Establishing dedicated Sustainable financing units and integrating sustainability responsibilities across departments to ensure effective implementation. » Engaging with development partners, consultants, and industry experts to access technical knowledge, innovative financing mechanisms, and best practices.
	Progress (qualitative and quantitative)	The exposure of green loans as at 31 March 2026 is Rs. 2,390,000,000 and the interest income from the green lending portfolio recorded for the financial year ended 31 March 2026 is Rs. 227,000,000
Financial Effects	Current year financial effects to PL, BS and CF	Refer Table C below which outlines the known or observable impacts on financial position, performance, and cash flows during the reporting period ended 31st March 2026. Accordingly, this has been identified as a material financial effect for the current financial year..
	Significant risk of material adjustments to carrying value of assets and liabilities in the next financial year	Based on the Company's current assessment of climate-related risks and opportunities, preparations are underway for the issuance of a green bond. In this context, the Company has identified that there is a significant material adjustments to the carrying amounts of certain assets and liabilities in the next financial year.
	Anticipated financial effect over short, medium and long term to PL, BS and CF	Refer to Transitional Reliefs on section 1.8 page 29-30
Climate resilience	Resilience Assessment	Refer to Transitional Reliefs on section 1.8 page 29-30
	How and When Climate Scenario Analysis was performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting period in which scenario analysis was carried out	Refer to Transitional Reliefs on section 1.8 page 29-30

Table C Financial Impact of Climate-related Risks and Opportunities (CRROs)

Impact on Income Statement, Statement of Financial Position and Statement of Cash Flows

Climate-related Risk / Opportunity	Potential Impact Description	Current Financial Effect (Rs. Mn)	Financial Statement Reference
Income Statement			
CRR01 – Physical Risk (Acute)	Increase in Expected Credit Loss (ECL) due to higher default risk from Cyclone Ditwah affected customers	132	Note 8.1
CRR03 – Sustainable Finance Opportunity	Interest income from sustainable finance portfolio (solar, EV, renewable energy lending)	227	Note 4.1
Statement of Financial Position			
CRR01 – Physical Risk (Acute)	Exposure to customers affected by Cyclone Ditwah requesting concessions/moratoriums	6,660	Note 19
CRR03 – Sustainable Finance Opportunity	Increase in Exposure to sustainable finance portfolio (solar, EV, renewable energy lending)	2,390	Note 19
Statement of Cash Flow			
CRR01 – Physical Risk	Reduction in operating cash flows due to delayed repayments and concessions granted to customers affected by Cyclone Ditwah	1,100	Operating Cash Flows

4.0 RISK MANAGEMENT

OVERVIEW

LOLC Finance PLC integrates climate-related risks into its Integrated Risk Management Framework in line with regulatory and international standards. These risks are recognised as material climate-related risks and opportunities (CRROs) that could reasonably be expected to affect the organisation's prospects.

Oversight is provided by the Board Integrated Risk Management Committee (BIRMC), while execution follows the Company's risk governance structure and Three Lines of Defense model, ensuring consistency with its risk culture and control environment.

4.1 PROCESSES AND POLICIES RELATING TO MANAGING CLIMATE-RELATED RISKS

The company establish and implement sustainability policies, including Environmental and Social Risk Management System (ESMS), sustainable finance policies, and sector-specific guidelines to manage exposure to high-risk and high-emission activities.

Key approaches include:

- Embed climate-related risks into the overall risk management framework, aligning with credit, operational, and strategic risk processes.
- Integration of climate risk into risk appetite and governance frameworks.
- Use of Environment and Social risk assessment for credit evaluation.
- Ensure Board and senior management oversight of climate-related risks through defined roles, responsibilities, and regular review mechanisms.

4.2 IDENTIFICATION, ASSESSMENT, PRIORITISATION AND MONITORING PROCESS OF IDENTIFIED CLIMATE-RELATED RISKS

4.2.1 Identification

In FY 2025/26, we expanded on our process for identifying climate related risks that could reasonably be expected to impact LOLC Finance prospects.

The Company uses a combination of qualitative and quantitative inputs to identify climate-related risks, including:

- Internal portfolio data (sector exposure, asset types)
- Historical climate events and loss data from the Disaster Management Centre (DMC) of the Ministry of Disaster Management
- External climate datasets (temperature, rainfall, flood, and hazard maps) from the Disaster Management Centre (DMC) of the Ministry of Disaster Management and Climate Change Knowledge Portal
- Regulatory guidelines and disclosure standards (e.g., SLFRS S1 and SLFRS S2-aligned practices, Central Bank of Sri Lanka)
- Industry benchmarks, and peer analysis
- Climate science projections and publicly available datasets (e.g., GHG Protocol, DEFRA, SLSEA Energy Balance Report)

Identification of our climate-related opportunities was informed by a review of international frameworks for assessing categorising climate related opportunities.

4.2.2 Assessment

The Company assesses climate-related risks and opportunities (CRROs) based on three core dimensions: nature, likelihood, and magnitude (exposure). These dimensions are considered collectively to evaluate the potential financial materiality of identified risks and opportunities.

i. Nature

Climate-related risks are classified into:

Physical risks are categorised into two types: acute risks and chronic risks. Acute physical risks are event-driven and arise from the increased severity and frequency of extreme weather events such as floods, landslides, and droughts. Chronic physical risks refer to long-term changes in climate patterns, such as sustained increases in temperature, which may lead to sea-level rise or prolonged heatwaves.

Transition risks are those associated with the pace and extent at which an organisation manages and adapts to the internal and external pace of change to reduce greenhouse gas emissions and transition to renewable energy. Transitioning requires policy and legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

Climate related opportunities are also identified where climate-related developments can positively affect Company's operations, financial position, performance, and cash flows. This assessment is primarily qualitative at this stage and considers factors such as sectoral vulnerability, regulatory and policy developments, reputation and stakeholder expectations, alignment with national and global climate commitments and broader environmental and social considerations.

Likelihood

Likelihood is assessed based on:

- Frequency and historical occurrence of climate events
- Geographic exposure and sector sensitivity
- Regulatory and market transition trends

Risks are categorised (e.g., rare, unlikely, possible, likely, almost certain) depending on probability of occurrence across defined time horizons as below.

Probability	
Scale	**Description**
Rare	Once in a year
Unlikely	Once in a quarter
Possible	Once in a month
Likely	Once in a week
Almost certain	Once in a day

Magnitude (Exposure)

Magnitude is evaluated by analysing:

- Financial exposure (loan portfolio, collateral value, impairments)
- Operational exposure (branches, infrastructure, supply chain)
- Customer vulnerability (sectoral sensitivity to climate risks)
- Potential impacts on earnings, asset quality, and capital requirement

Accordingly, the following severity scale based on a percentage of average PBT was used to determine the financial impact level of CRROs

Severity of the Impact	
Scale	**Description**
Very Low	1% of Avg PBT
Low	2% of Avg PBT
Medium	3% of Avg PBT
High	4% of Avg PBT
Very High	5% of Avg PBT

This includes assessing potential impacts such as increased impairments, operational disruptions, and revenue fluctuations.

4.2.3 Prioritisation

ii. The Company integrates climate-related risks into its overall Enterprise Risk Management Framework.

- Climate risks are assessed alongside traditional risks such as credit, market, liquidity, and operational risks
- ESG risks are classified as Pillar Two risks and are integrated into the Internal Capital Adequacy Assessment Process (ICAAP), ensuring that capital adequacy adequately reflects sustainability-related vulnerabilities.
- Risks are prioritised based on their severity of impact and probability of occurrence.
- High-risk sectors (e.g., carbon-intensive industries, climate-vulnerable geographies) receive enhanced monitoring
- Climate risk is incorporated into risk appetite statements and strategic decision-making processes
- Risk oversight is provided by the BIRMC, which reviews emerging climate-related exposures and conducts materiality assessments.

This ensures climate-related risks are treated as material financial risks rather than standalone ESG considerations.

4.2.4 Monitoring

iii. The Company monitors climate-related risks through:

- Credit facilities above the defined threshold levels undergo Environmental and Social Risk Assessments, including post-disbursement reviews, to ensure adherence to the applicable environmental and social standards, policies, and regulatory requirements
- Tracking key risk indicators (e.g., non-performing loans, sector exposure, emissions intensity)
- ICAAP (Internal Capital Adequacy Assessment Process). ESG risk is assessed using a scorecard approach covering Environment, Social, and Governance aspects. Monitor progress and compute applicable capital charge for ESG risk yearly.
- RCSA (Risk and Control Self-Assessment)
- Monthly risk reporting. First-line employees are reminded each month to submit any identified risks, which are recorded in the Risk Register for ongoing monitoring, while all Business Units are required to submit simplified monthly reports to ERM-risk department
- Periodic reporting to BIRMC and Board of Directors.

4.2.5 Changes in the Process

iv. During the current reporting period, the Company has enhanced its climate risk processes by:

- » Expanding climate risk identification frameworks to comprehensively capture both physical and transition risks.
- » Enhancing the monitoring of high-risk sectors and geographic exposures through the improvements to the Environmental and Social Management System (ESMS).
- » The company maintains an ongoing process to monitor environmental, social, and climate-related risks across its portfolio, supported by periodic reporting mechanisms. This ensures timely identification of emerging risks, tracking of mitigation actions, and informed decision-making by management and the Board.
- » Significant changes are subject to approval by the BIRMC and are subsequently noted to the Board, ensuring robust governance and oversight.

4.3 PROCESSES TO IDENTIFY, ASSESS, PRIORITISE AND MONITOR CLIMATE-RELATED OPPORTUNITIES

The company adopts a structured, systematic, and forward-looking approach to identifying, assessing, prioritising, and monitoring climate-related opportunities in line with its Sustainability Policy and Sustainable Finance Policy. These frameworks enable the Company to proactively capture emerging opportunities associated with the transition to a low-carbon and climate-resilient economy, while strengthening long-term financial performance and environmental stewardship.

Climate-related opportunities are evaluated with due consideration to national policy directions and regulatory expectations. In particular, Sri Lanka's Nationally Determined Contributions, which targets 70% renewable electricity generation by 2030, provides a strategic foundation for identifying investment opportunities in renewable energy and low-carbon solutions. In addition, guidance from the Central Bank of Sri Lanka through the Sustainable Finance Roadmap 2.0 and the Green Finance Taxonomy supports the expansion of green financing and climate-aligned investments across the financial sector.

4.3.1 Identification

The company identifies climate-related opportunities through a combination of internal analysis and external engagement mechanisms. This includes:

- » Conducting market assessments to identify emerging trends in green and sustainable finance, including renewable energy, climate-resilient agriculture, and sustainable infrastructure
- » Engaging with stakeholders such as regulators, clients, industry experts, and development partners to understand evolving expectations and sectoral opportunities
- » Aligning opportunity identification with national priorities, internal sustainability objectives, and strategic business plans
- » Benchmarking practices against industry peers and internationally recognised sustainability frameworks to ensure competitiveness and alignment with global best practices

4.3.2 Assessment

Identified opportunities are subject to a comprehensive assessment process to ensure alignment with the company's financial and sustainability objectives. This includes:

- » Evaluating financial viability, scalability, and market demand, supported by regulatory guidance such as the CBSL Sustainable Finance Roadmap, as well as frameworks issued by the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange
- » Assessing the risk-return profile, including credit, operational, and reputational considerations, alongside environmental and social impact
- » Evaluating the contribution of each opportunity to long-term value creation, resilience building, and portfolio diversification
- » Taking into account regulatory incentives, policy developments, and potential access to concessional or blended finance mechanisms

4.3.3 Prioritisation

Following assessment, opportunities are prioritised based on their strategic relevance and potential impact. LOLC Finance PLC ensures that:

- » Opportunities are ranked based on alignment with company's sustainability strategy, growth potential, and contribution to decarbonisation and climate resilience goals.
- » High-impact opportunities, particularly those supporting low-carbon transitions and climate adaptation in vulnerable sectors, are given precedence
- » Identified opportunities are integrated into business strategy, product innovation, and sustainable finance offerings, including green loans and sustainability-linked financial products

4.3.4 Monitoring

LOLC Finance PLC maintains robust monitoring mechanisms to track the performance and impact of climate-related opportunities. This includes:

- » Monitoring the growth and composition of the sustainable finance portfolio through defined key performance indicators (KPIs), such as green lending volumes and sustainability-linked products
- » Tracking progress against internal sustainable finance targets and national climate-related benchmarks
- » Conducting periodic portfolio reviews to assess performance, identify gaps, and refine strategies
- » Ensuring regular reporting and oversight through governance structures, including quarterly reporting to the Board Integrated Risk Management Committee (BIRMC) and the Board of Directors

4.4 WHETHER THE COMPANY USES CLIMATE-RELATED SCENARIO ANALYSIS

The Company has not yet conducted a comprehensive climate-related scenario analysis to assess the potential impacts of climate change under different future pathways. However, in line with applicable reporting frameworks and regulatory expectations, the Company intends to progressively integrate scenario analysis into its risk management and strategic planning processes.

In this regard, the Company has opted to apply the available transitional relief provisions. Accordingly, full implementation of climate-related scenario analysis has been deferred, allowing the Company additional time to build internal capacity, enhance data availability, and establish appropriate methodologies aligned with recognised standards.

4.5 CRRO INTEGRATION TO OVERALL ENTERPRISE RISK MANAGEMENT

The LOLC Finance PLC has adopted a structured approach to identify, assess, monitor, and manage climate-related risks and opportunities (CRROs), and to progressively integrate these into the overall Enterprise Risk Management (ERM) framework and ESG risks are prioritised based on their potential financial impact, likelihood, and alignment with the company's risk appetite.

The key mechanisms supporting this integration are outlined below:

1. Environmental and Social Management System (ESMS)

The company has strengthened its Environmental and Social Management System (ESMS) framework by incorporating enhanced ESG screening and escalation procedures aligned with international best practices. Comprehensive borrower assessments are conducted for all relevant customers to ensure compliance with climate risk mitigation requirements. This process facilitates the early identification of climate-related exposures and supports the mitigation of environmental and social (E&S) risks arising from financing activities.

2. Integration into Internal Capital Adequacy Assessment Process (ICAAP)

As part of the ICAAP, the company has introduced an ESG scorecard to assess the potential financial impact of ESG risks on Pillar Two capital requirement. This enables the systematic quantification and integration of sustainability-related risks into capital adequacy assessments.

3. Risk and Control Self-Assessment (RCSA) Integration under Operational Risk Management

Under the RCSA framework, sustainability-related operational risks were formally integrated into the ERM framework with effect from 1 January 2026.

The RCSA process focuses on systematically identifying and assessing key risk exposures arising from sustainability-related activities, including environmental and CSR projects, ESG reporting, and the ESMS. RCSA exercise requires to map controls that manage ESG risks and identify gaps requiring action. Key risk areas identified are evaluated based on their likelihood and impact, with existing controls assessed for their effectiveness in mitigating potential exposures.

Upon implementation, this integration will enable a more structured and consistent approach to the identification, monitoring, and management of ESG-related operational risks, ensuring alignment with the company's risk appetite, governance framework, and strategic objectives.

4. Risk identification and monitoring through the risk register

ESG risks including potential risks are captured within the enterprise risk register through a structured and continuous identification process. Such material ESG risks are escalated to relevant governance forums and appropriate steps are taken to ensure that exposures are in line with defined risk appetite thresholds.

The status of identified risks is reviewed and serves as a central tool for consolidating risk information, supporting transparency, accountability, and informed decision-making.

5. Cross-functional collaboration

Effective integration of ESG considerations is supported through strong collaboration across sustainability, risk, finance, credit and other business functions. This coordinated approach enhances risk identification, improves decision-making, and ensures consistent implementation of sustainability-related initiatives across the company.

6. Board oversight and governance

The Board of Directors, supported by relevant board and operational committees, provides oversight of climate-related risks and opportunities (CRROs) and reviews related risk exposures on a periodic basis. This includes reviewing key risk exposures, monitoring progress against ESG objectives, and guiding strategic initiatives. Such governance ensures that sustainability considerations are embedded within the company's strategic planning, capital allocation, and overall decision-making processes.

7. Capacity building and training

The company continues to strengthen staff capability through targeted ESG training and awareness programs in identifying, assessing, and managing ESG-related risks. This supports the effective integration of sustainability considerations into the ERM framework and promotes consistent risk management practices across the company.

5.0 METRICS AND TARGETS

This chapter provides an overview on LOLC Finance PLC's performance in relation to CRROs, including progress towards any climate-related targets set, and any targets required to be met by law or regulation.

5.1 Cross Industry Metrics

5.1.1 Greenhouse Gas Emissions (GHG)

Basis of Determination of Organisational Boundary and Operational Boundary

This sub-section discloses the company's absolute gross GHG emissions generated during the reporting period from 1st of April 2025 to 31st of March 2026, expressed as metric tons of CO_2 equivalent. LOLC Finance PLC, Sri Lanka adopted the operational control approach, meaning the company accounts for GHG emissions and removals from LOLC Finance PLC (Sri Lanka) facilities it operationally controls, while excluding emissions from operations in which it holds an interest but lacks control. For this assessment, the boundary covers the LOLC Finance Head Office and 205 locations across Sri Lanka.

The GHG emissions are categorised into Scope 1, 2, and 3 emissions.

Scope 1 (Direct Emissions): Direct GHG emissions occur from sources that are owned or controlled by the company.

Scope 2 (Location-based Indirect Emissions): Emissions from the generation of purchased electricity consumed by the company.

Scope 3 (Other Indirect Emissions): All indirect GHG emissions that occur as a consequence of the activities of the company but occur from sources not owned or controlled by the company.

Methodology used for the measurement and disclosure of GHG Emissions

In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (WRI/WBCSD) and the ISO 14064-1:2018 standard, the selection of the quantification approach for greenhouse gas (GHG) emissions is based on the availability, reliability, and accuracy of data, as well as the relevance to the company's operations. This approach ensures that GHG emissions are quantified consistently, transparently, and in a manner that is verifiable, enabling the organisation to report a comprehensive and accurate GHG inventory while identifying opportunities for reduction. The company discloses the GHG emissions in accordance with SLFRS S2 disclosure requirements, applying the transitional relief under SLFRS S2 for its first two mandatory reporting periods, deferring disclosures on Scope 3 emissions. Refer to Section 1.8 – Transitional Reliefs on page 29 - 30. The assessment utilized the conversion factors published by DEFRA, the grid emission factor from the Sustainable Energy Authority (SEA). The company conducts its GHG assessment internally and it is externally verified each year by a certification body, following ISO 14064-3:2019 ensuring the accuracy and credibility of our emissions data.

Table D: Summary of GHG Emissions of LOLC Finance PLC

Scope	2025 (mtCO2e)
Scope 1	6146.187
Scope 2	3334.166
Scope 3	Refer to Transitional Reliefs on section 1.8 page 29-30
Total	9480.353

Further, the company is taking active measures to achieve CarbonNeutral status in its own operations (Scope 1 and Scope 2) through reducing grid electricity consumption by sourcing renewable electricity, efficiency improvements in the machineries and vehicles, and electrifying the company owned vehicles. The progress against these initiatives, which directly impact the absolute emissions reported in Table D above, are detailed in Table I – Renewable Energy Adoption.

Table E: GHG Scope 1 and Scope 2 Emissions of LOLC Finance PLC

Description	Greenhouse gas emissions (metric tons CO2e) 2024/25		
	Scope 1	Scope 2	Total
Consolidated accounting group	6146.187	3334.166	9480.353
Other investee (investment in associate, joint ventures)	N/A	N/A	N/A
Total (Operational control approach)	6146.187	3334.166	9480.353

Table F: Key Assumptions and Sources of GHG Measurement

Scope	Emissions Source	Activity	Data Source	Emission Factor	Source of GWP Values
Scope 1	Stationary combustion	Fuel combustion in generators	Fuel purchase records	DEFRA 2025	IPCC Fifth Assessment Report (AR5)
Scope 1	Mobile combustion	(1) Fuel combustion in company owned vehicles (2) Business Visits – Fuel Allowance	(1) Mileage and the vehicle's fuel economy (2) Distance travelled	(1) DEFRA 2025	IPCC Fifth Assessment Report (AR5)
Scope 1	Fugitive Emissions	-Fire extinguisher refilling - A/C gas refilling -Waste water treatment	Service records	DEFRA 2025	IPCC Fifth Assessment Report (AR5)

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

Scope	Emissions Source	Activity	Data Source	Emission Factor	Source of GWP Values
Scope 2	Electricity Consumption	Electricity uses for operations	Electricity bills	Average Grid Emission Factor	IPCC Fifth Assessment Report (AR5)

As part of our commitment to responsible finance and enhanced environmental transparency, LOLC Finance PLC has become a signatory to the Partnership for Carbon Accounting Financials (PCAF). In alignment with PCAF methodologies, the Company has initiated structured enhancements to our internal data systems and processes to enable the measurement and disclosure of financed emissions across selected asset classes. This approach supports the development of portfolio-level emissions insights, strengthening LOLC Finance's ability to identify, assess, and manage climate-related risks, while also enabling more informed engagement with customers on their transition toward low-carbon and climate-resilient pathways.

5.1.2 Climate-related Physical Risks

LOLC Finance recognises that climate change presents material physical risks to its operations, portfolio, and broader stakeholder base. The increasing frequency and intensity of climate-related extreme weather events including floods, droughts, storms, and landslides have been identified as key physical risk drivers with the potential to disrupt client operations and affect asset quality across vulnerable sectors and geographies. This includes ongoing efforts to quantify the proportion and value of assets and business activities that may be vulnerable to such risks. The outcomes of this assessment are expected to strengthen risk integration within portfolio management processes, with detailed disclosures to be incorporated in the forthcoming reporting cycle as the amount and percentage of assets or business activities vulnerable to climate-related physical risks has not been quantified for 2025/26 FY.

5.1.3 Climate-related Transition Risks

LOLC Finance PLC will undertake a structured assessment to determine the value and proportion of its portfolio exposed to climate-related transition risks, and the amount and percentage of assets or business activities vulnerable to climate-related transition risks has not been quantified for 2025/26 FY. This analysis will be carried out in parallel with the measurement of financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) methodology and will inform the development of a phased low-carbon transition strategy. Through this approach, the Company aims to better align its lending portfolio with evolving regulatory expectations and emerging low-carbon economic pathways.

5.1.4 Climate-related Opportunities

LOLC Finance PLC defines climate-related opportunities as financing activities that enable its core customer base, particularly MSMEs to transition toward more resilient, low-carbon business models. These include tailored lending products that support clean energy adoption, and electric mobility within micro and small enterprises, where access to such financing remains critical.

In parallel, the Company is exploring avenues to further scale its sustainable financing portfolio through diversified funding mechanisms, including the planned issuance of a thematic sustainable bond in the forthcoming financial year. This is expected to strengthen LOLC Finance's capacity to mobilise capital toward high-impact climate-aligned sectors while maintaining prudent balance sheet management.

5.1.5 Capital Expenditure

Although a standalone climate-specific capital allocation is not separately defined at LOLC Finance PLC, sustainability considerations are embedded within ongoing and planned capital investments across the organisation. These investments are directed toward enhancing operational resilience, supporting low-carbon transitions, and improving overall environmental performance. A key component of this approach is strengthening institutional resilience through the implementation and continuous enhancement of a comprehensive Business Continuity Plan (BCP), which is designed to ensure the safety of personnel, minimise financial losses, and enable the timely recovery of critical operations in the event of disruptions such as natural disasters, system failures, or other adverse events.

In parallel, LOLC Finance continues to invest in environmentally responsible infrastructure and operational improvements (refer to Table I). This includes the gradual integration of renewable energy solutions such as rooftop solar installations at selected locations, adoption of energy-efficient equipment and appliances, and transition to LED lighting systems. The Company also prioritises digitalisation initiatives to reduce reliance on paper-based processes, streamline workflows, and minimise its operational carbon and waste footprint.

5.1.6 Internal Carbon Pricing

LOLC Finance PLC has not implemented internal carbon pricing as at 31st of March 2026.

5.1.7 Remuneration

LOLC Finance PLC does not yet have a dedicated ESG-linked remuneration framework for the Board and Executive Management; however, the company will introduce an ESG-linked remuneration framework in future reporting periods.

5.2 INDUSTRY SPECIFIC METRICS

Sustainability Accounting Standards Board (SASB) Industry Standard
Consumer Finance Sustainability Accounting Standard (Version 2023 –12)

Table G: Sustainability Disclosure Topics & Metrics

Topic	Metric	Category	Unit of Measure	Code	Disclosure reference and/or response
Customer Privacy	Number of account holders whose information is used for secondary purposes	Quantitative	Number	FN-CF-220a.1	For reasons driven by operational security, the company does not publicly disclose this information unless otherwise required by law
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Quantitative	Presentation Currency	FN-CF-220a.2	NIL
	(1) Number of data breaches, (2) percentage that are personal data breaches (3) number of account holders affected	Quantitative	Number, Percentage (%)	FN-CF-230a.1	No data breaches have been reported during the reporting period.
	Card-related fraud losses from (1) card not-present fraud and (2) card-present and other fraud	Quantitative			(1) There is no loss to the company related to CNP fraud. (2) NIL
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	FN-CF-230a.3	LOLC Finance adopts a proactive and risk-based approach to identifying and managing data security risks, aligned with regulatory requirements such as the Central Bank of Sri Lanka's Technology Risk Management Framework (TRMF) and the Personal Data Protection Act (PDPA), as well as internationally recognised standards including ISO 27001. Data security risks are continuously monitored through a 24x7 Security Operations Center (SOC) powered by a next-generation Security Information and Event Management (SIEM) platform, supported by advanced threat detection capabilities. A layered defense strategy is implemented across the organisation, incorporating controls such as Web Application Firewalls (WAF), Privileged Access Management (PAM), Next-Generation Firewalls, Endpoint Detection and Response (XDR), and secure email gateways.

SLFRS SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES

Topic	Metric	Category	Unit of Measure	Code	Disclosure reference and/or response
					Regular vulnerability assessments and annual penetration testing are conducted across applications, infrastructure, and mobile platforms to identify and remediate potential weaknesses. These are complemented by continuous security awareness programmes to strengthen the organisation's human defence layer. This integrated approach ensures timely identification, assessment, and mitigation of data security risks, enabling LOLC Finance to maintain a resilient and secure operating environment while meeting regulatory and compliance obligations.
Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the number of products and services sold	Quantitative	Percentage (%)	FN-CF-270a.1	The Company maintains performance-based remuneration mechanisms for covered employees, including variable compensation structures linked to business performance and sales-related indicators. However, quantitative disclosure of the percentage of variable remuneration linked to products and services sold is not disclosed due to the commercially sensitive nature of compensation structures and internal confidentiality considerations.
	Approval rate for (1) credit and (2) prepaid products for applicants	Quantitative	Percentage (%)	FN-CF-270a.2	(1) 72% (2) N/A
	(1) Average fees from add-on products, (2) average APR of credit products, (3) average age of credit products, (4) average number of credit accounts, and (5) average annual fees for pre-paid products				(1) For reasons driven by operational security, the company does not publicly disclose this information unless otherwise required by law (2) 18% (3) The average tenor of credit products varies significantly depending on the nature and purpose of each lending product category. As the Company offers a diverse portfolio of credit facilities with differing repayment structures and durations, a single average maturity period may not be representative of the overall portfolio (4) 1.32 (5) N/A

Topic	Metric	Category	Unit of Measure	Code	Disclosure reference and/or response
	(1) Number of customer complaints filed, (2) percentage with monetary or nonmonetary relief	Quantitative	Number, Percentage (%)	FN-CF-270a.4	Customer complaints received during the reporting period accounted for <0.5% of the Company's total customer base.
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	Quantitative currency	Presentation	FN-CF-270a.5	For reasons driven by operational security, the company does not publicly disclose this information unless otherwise required by law

Table H: Activity Metrics

Activity Metric	Category	Unit of Measure	Code	Disclosure reference and/or response
Number of unique consumers with an active (1) credit card account and (2) pre-paid debit card account	Quantitative	Number	FN-CF-000.A	For reasons driven by operational security, the company does not publicly disclose this information unless otherwise required by law
Number of (1) credit card accounts and (2) pre-paid debit card accounts	Quantitative	Number	FN-CF-000.B	

5.3 CLIMATE-RELATED TARGETS

In response to the material climate-related risks and opportunities identified through its climate risk assessment process, LOLC Finance PLC has established measurable targets to guide and govern its transition towards a lower-carbon and more climate-resilient operational model. These targets have been formulated in accordance with SLFRS S2 - Climate-related Disclosures, and reflect the Company's commitment to embedding climate considerations into its strategic planning and day-to-day operations.

The targets set out in this section are directly linked to the climate-related risks and opportunities (CRROs) identified as material to the Company, and are designed to drive tangible reductions in the Company's environmental footprint while strengthening operational resilience against the physical and transition risks associated with climate change. Each target is underpinned by defined metrics, interim milestones, and a structured review process to ensure accountability and transparency in the Company's progress over time.

In setting these targets, LOLC Finance PLC has aligned them with the requirements of the Central Bank of Sri Lanka's Sustainable Finance Roadmap, and Sri Lanka's commitments under the Paris Agreement, including its Nationally Determined Contributions (NDCs), which set an ambition of sourcing 70% of the country's electricity generation from renewable sources by 2030. The Company's targets are therefore not set in isolation, but are consciously aligned with the broader national and global climate agenda within which it operates.

Progress against each target is monitored on a regular basis and reported annually as part of the Company's integrated reporting cycle, with external assurance planned to be progressively extended to cover key climate metrics. The Company recognises that target-setting in the context of climate change is an evolving discipline, and commits to reviewing and, where necessary, strengthening its targets as data quality, measurement methodologies, and the external climate landscape continue to develop.

Table I: Climate related targets – Renewable Energy Adoption

CRRO 01: Increase in Severity and Frequency of Weather Patterns	
Renewable Energy Adoption	Rooftop Solar Installation in Branches
Metric / Measurement / KPI	- Installed rooftop solar PV capacity (kW) across owned branch buildings - Annual renewable energy generated from rooftop solar (kWh) - GHG emissions avoided tCO2e per annum) attributable to solar generation - Capital expenditure deployed in rooftop solar installations (Rs. Mn.) - Cumulative number of branches with operational solar systems
Objective	LOLC Finance PLC's rooftop solar programme serves a dual objective: - Mitigation: Reduce Scope 2 GHG emissions from purchased electricity by substituting grid electricity with on-site renewable solar energy across the branch network. - Adaptation: Strengthen operational resilience against extreme weather-driven energy disruptions (power outages, grid instability) that are increasing in frequency across Sri Lanka as a consequence of climate change.
Scope	The target applies to LOLC Finance PLC in its entirety, all owned branch premises forming part of the Company's operational infrastructure in Sri Lanka. As at 31 March 2026, LOLC Finance PLC operates 206 locations across Sri Lanka. The solar installation programme initially focuses on Company-owned buildings, with a phased rollout to cover major leased premises where landlord consent and structural viability permit. Branches in short-term lease arrangements or in shared multi-tenancy structures are excluded but will be assessed for inclusion as the programme matures.
Period	1st of April 2026 to 31st of March 2027
Base Period	Financial year ended 31 March 2025 (FY 2024/25).
Milestones and Interim Targets	Install rooftop solar in five LOLC Finance PLC locations during the 2026/27 FY
Target Type	Quantitative - Absolute target. The primary target is expressed as an absolute number of branches equipped with operational rooftop solar systems and an absolute volume of renewable energy generated (kWh per annum), rather than as an intensity ratio.
Alignment with Jurisdiction / Commitment	This target is directly aligned with Sri Lanka's commitments under the Paris Agreement:
Validation	The target will be validated internally. Third-party validation has been obtained on the Company's GHG Inventory (including Scope 2 emissions reductions attributable to solar generation) by a qualified independent body, consistent with ISO 14064-1:2018 standards
Review Process	The progress will be reviewed quarterly by the Sustainability Management Committee.
Metrics for Monitoring Progress	The following metrics are tracked and disclosed annually: 1. Number of branches with operational rooftop solar installations (cumulative and annual additions) 2. Total installed solar PV capacity (kWp) - cumulative 3. Annual renewable energy generated from rooftop solar (kWh) 4. GHG emissions avoided (tCO2e) 5. Capital expenditure invested in solar installations during the year (Rs. Mn.)
Revision	Future revisions may be necessitated by: - Material changes to the Company's branch network (significant expansion or contraction) - Changes to feed-in tariff structures that affect the financial viability of solar installations - Updated national emissions factors that alter the GHG reduction calculus - Identification of structural or regulatory constraints preventing solar installation at a material proportion of branches
Progress Achieved During the Year and Status at Year End	As at the base period, LOLC Finance PLC had 4 company-wide rooftop solar systems in place, starting in 2014. LOLC Finance PLC invested 25.8 Mn in rooftop solar systems in 2024/25 FY, with a cumulative capacity of 146 kW. The investment has been increased to Rs. 33 Mn and the installation capacity to 228 kW as at end 31st of March 2026. The total system capacity is 984,540 kWh.

Table J: Climate related targets - Sustainable Financing

CRRO 03: Enhance Sustainable Finance Portfolio	
Metric/measurement/KPI	Growth rate of sustainable finance execution amounts and the number of executions.
Objective	Scaling up sustainable financing to support low-carbon climate-resilient economic activities.
Scope	Renewable and electric mobility financing offered to MSMEs.
Period	1st of April 2026 to 31st of March 2027
Base Period	2025/26 FY
Milestones and interim targets	Progressive increase in sustainable financing share of the portfolio The green loan portfolio recorded a growth of 0.755% compared to the 2024/25 financial year
Target type (absolute or intensity)	Absolute / Amounts disbursed
Alignment with jurisdiction Commitment	- CBSL Green Finance Taxonomy. - Sustainable Finance Roadmap 2.0 - Sri Lanka's NDCs, National Adaptation Plan in Sri Lanka and national climate and sustainability policies.
Validation	Targets and methodology will be validated internally.
Review Process	The progress will be reviewed quarterly by the Sustainability Management Committee.
Metrics for monitoring progress	Execution amounts of green finance facilitated in Rs. - Number of facilities
Progress Achieved During the Year and Status at Year End	The exposure of green loans as at 31 March 2026 is Rs. 2,390,000,000 and the interest income from the green lending portfolio recorded for the financial year ended 31 March 2026 is Rs. 227,000,000
Revision	Subject to review

REPORTING FRAMEWORK NOTE

This section presents LOLC Finance PLC's GRI-specific sustainability disclosures for FY 2025/26. Information on climate-related governance, strategy, risk management, GHG metrics, and targets is disclosed separately under the SLFRS S1 and S2 Sustainability-related Financial Disclosures (included from page 28 to 59 in this Annual Report) to avoid duplication and ensure clarity. Cross-references are provided throughout this document where SLFRS disclosures are relevant.

Disclosures cover the Universal Standards (GRI 1, 2, 3) and the following Topic-Specific Standards: GRI 302 (Energy), GRI 303 (Water), GRI 304 (Biodiversity), GRI 305 (Emissions), GRI 306 (Waste), GRI 401 (Employment), GRI 404 (Training & Education), GRI 413 (Local Communities), and GRI 415 (Public Policy).

Section 1: About this Report (GRI 2-1 to 2-5)

Disclosure	Detail
Organization	LOLC Finance PLC
Headquarters	100/1, Sri Jayawardenapura Mw., Rajagiriya
Sector	Non-Banking Financial Institute
Reporting Period	1 April 2025 – 31 March 2026 (FY 2025/26)
Reporting Boundary	Head Office and 205 LOLC Finance locations across Sri Lanka
Reporting Frequency	Annual
Reporting Framework	GRI Standards 2021 (with reference)
Complementary Framework	SLFRS S1 & S2 (separate section of the Annual Report)
Point of Contact	Sustainability Unit, LOLC Finance PLC

SECTION 2: MATERIAL TOPICS & MANAGEMENT APPROACH (GRI 3-1, 3-2, 3-3)

2.1 MATERIAL TOPICS

LOLC Finance PLC conducts a structured materiality assessment to identify sustainability topics of greatest significance to the organization and its stakeholders. The assessment considers both impact materiality (effects on people and environment) and financial materiality (effects on business performance). Eight material topics have been identified for FY 2025/26.

Code	Material Topic	GRI Standard	Primary Boundary
MT-E1	GHG Emissions & Climate Change	GRI 305	Own operations & value chain
MT-E2	Biodiversity & Ecosystem Conservation	GRI 304	Community & environment
MT-E3	Water Management	GRI 303	Own operations
MT-E4	Waste & Circular Economy	GRI 306	Own operations
MT-S1	Financial Inclusion & Customer Empowerment	GRI 413	External - customers & communities
MT-S2	Employee Training & Environmental Capacity	GRI 404	Own workforce
MT-S3	Community Investment & Social Impact	GRI 413	External - communities
MT-G1	Environmental Governance & ESG Oversight	GRI 2-9, 2-22	Own governance

2.2 MANAGEMENT OF MATERIAL TOPICS

ISO 14001:2015 Environmental Management System Certification

A major governance milestone in FY 2025/26 was the successful certification of LOLC Finance PLC's Environmental Management System (EMS) to ISO 14001:2015 - the internationally recognised standard for environmental management systems. This certification demonstrates the Company's structured and systematic approach to managing its environmental responsibilities and provides an independent, third-party validated assurance of its environmental performance framework

Parameter	Detail
Standard	ISO 14001:2015 - Environmental Management Systems
Scope of Certification	Head Office operations of LOLC Finance PLC, Sri Lanka
Certification Year	FY 2025/26 (initial certification)
Governing Document	Environment Management System (EMS) Manual
Oversight	Sustainability Unit; reviewed by SMC and Board of Directors

What ISO 14001:2015 Certification Means for LOLC Finance PLC

ISO 14001:2015 requires organisations to establish, implement, maintain, and continually improve an EMS. For LOLC Finance PLC, this means:

- A documented EMS Manual setting out environmental policy, objectives, roles, controls, and procedures
- Systematic identification of environmental aspects and impacts arising from the Company's operations
- Legal compliance register ensuring adherence to all applicable environmental legislation and regulatory requirements in Sri Lanka
- Defined environmental objectives and targets with measurable KPIs reviewed by the Sustainability Management Committee
- Structured competency and training requirements ensuring all staff with environmental responsibilities are appropriately qualified

- Internal audit programme and management review cycle ensuring continuous improvement in environmental performance
- Third-party surveillance audits to maintain certification status and verify ongoing compliance

Sustainability Policy Commitments under the EMS are;

- Prevention of pollution from operational activities across all locations
- Commitment to compliance with applicable environmental legal requirements
- Continual improvement of the environmental management system and environmental performance
- Reduction of energy and water consumption through systematic monitoring and targeted initiatives
- Minimisation of waste generation and progression toward Zero Waste to Landfill by 2030
- Integration of environmental considerations into procurement and supply chain decisions
- Employee engagement and awareness on environmental responsibilities at all levels

CEYCERT

CERTIFICATE

The Environmental Management System of

LOLC Finance PLC

100/1, Sri Jayawardenapura Mawatha, Rajagiriya,
Sri Lanka.

has been assessed and certified as meeting the requirements of

ISO 14001:2015

This certificate is valid for the following scope

Provision of liability management, SME & personal finance, gold loan, sustainability services including departments of channels services, compliance, finance, treasury, credit, & recovery and supportive services including human resources & administration.

Provision of branch operations (financial services including lending and leasing to customers).

Certificate Number
NACE Code : 64.19

SECTION 3: ENVIRONMENTAL PERFORMANCE DISCLOSURES

3.1 GRI 305: GHG EMISSIONS

GRI 305-1 | DIRECT (SCOPE 1) GHG EMISSIONS | GRI 305-2 | INDIRECT (SCOPE 2) GHG EMISSIONS

Management Approach

LOLC Finance PLC has maintained a systematic, externally verified GHG inventory since 2022, making FY 2025/26 the fourth consecutive year of certified carbon footprint assessment.

The organisational boundary follows the operational control approach, covering the Head Office and all 205 locations. Full quantitative GHG data and the methodology applied are disclosed under the SLFRS Sustainability Related Financial Disclosures (see Section 5.1.1, Table D on page 47 – GHG Emissions). The figures below are drawn from that disclosure for GRI completeness.

Disclosure	Detail
Scope 1 - Direct Emissions (tCO2e) – Generator fuel consumption/ company owned vehicles/fuel allowance for business visits/fugitive emissions	6146.187
Scope 2 - Indirect Emissions (tCO2e) – Purchased electricity	3334.166
Organizational Boundary	Head Office & 205 LOLC Finance Locations
Verification Standard	ISO 14064-1:2018 | GHG Protocol
Verification Body	External independent certification body

For detailed GHG methodology, emission factor sources, scope boundaries, and climate-related targets, refer to SLFRS Sustainability Related Financial Disclosures-section 5

GHG Verification Report-2025/2026
LOLC FINANCE PLC

08. Verification Opinion

GREENHOUSE GAS VERIFICATION OPINION

Certificate Code: C 916719CU-GHG-01.2026

GHG statement in the reporting year 2025/2026 of

LOLC Finance PLC

100/1, Sri Jayawardenapura Mw., Rajagiriya, Sri Lanka

has been verified in accordance with ISO 14064-3:2019 as meeting the requirements of

ISO 14064-1:2018

Control Union Certifications has inspected and verified the unit(s) of the above-mentioned client, in accordance with the standards mentioned and declares that

01	Direct emissions	6,146.187 tonnes of CO_2e
02	Indirect emissions from imported energy	3,334.167 tonnes of CO_2e
03	Other indirect emissions	7,468.632 tonnes of CO_2e

Total Verified Greenhouse Gas Emissions: 16,948.986 tonnes of CO_2e

GHG statement covers the operations of twelve (12) months
from April 01, 2025, to March 31, 2026

Date of Verification
01 June 2026
Place and Date of Issue:
Colombo 07, 15 June 2026

Declared by

On behalf of the Managing Director

Gayan Ranasinghe
Reviewer
Control Union Inspections (Pvt) Ltd
2nd Floor, BAM Musee Tower,
52 Sir Marcus Fernando Mawatha,
Colombo 07, Sri Lanka

This summary is not valid without the full Assurance Statement attached on pages 2 to 3 to which it applies.

Control Union Inspections (Pvt) Ltd.
Program Manual: ISO 14064
Doc. Title: GHG Verification Report

Doc. Code: ISO14064VERI.REP.F01
Issue No: 01
Version: 02; 28-10-2025
Page 17 of 19

3.2 GRI 302: Energy

GRI 302-4 | Reduction of Energy Consumption

Management Approach

LOLC Finance PLC's energy strategy targets the reduction of indirect energy consumption across its Head Office and all 205 locations. The Head Office has achieved the Green SL® Rating System - Institutional Sustainability certification from the Green Building Council of Sri Lanka, recognising commitment to energy-efficient building practices. Energy reduction is governed under the Environment Management System (EMS) established in accordance with ISO 14001:2015, in aligning with the Sustainability Policy of the LOLC Finance PLC.

Key Energy Reduction Initiatives

- Adoption of energy-efficient systems and practices at the Head Office as part of the Green SL® certification requirements
- ISO 14001:2015-certified EMS underpins systematic energy monitoring, target-setting, and continuous improvement across all operations
- Rooftop solar PV programme: 228 kW cumulative installed capacity as at 31 March 2026 (up from 146 kW); Rs. 33 Mn invested in FY 2025/26

- Transition to LED lighting systems across branch network
- Employee awareness and behaviour-change programmes promoting responsible energy use embedded in sustainability training calendar
- Digitalisation initiatives reducing reliance on paper-based processes and lowering operational energy intensity

3.3 GRI 303: Water

GRI 303-5 | Water Consumption

Management Approach

LOLC Finance PLC recognises water as a shared, finite resource and has maintained systematic water consumption monitoring across all operational locations. Water is sourced from the National Water Supply and Drainage Board (NWSDB) and ground water extraction and well water, and is used primarily for sanitation and utility purposes. Water management plan will be developed aligning with WaterConscious certification, ensuring structured monitoring, target-setting, and continuous improvement. *LOLC Finance PLC is Sri Lanka's first financial institution to have the Head Office certified as WaterConscious* and is committed to continue the conservation measures to the island-wide LOLC Finance locations. The company follows internationally accepted and recognised standards/protocols/methodologies/guidelines in conducting Water Audits. For this certification, the Water Audit was conducted in accordance with the 'Water Audit Methodology', published by the American Water Works Association (AWWA) and the International Water Association (IWA), as well as the Georgia Water System Audits and Water Loss Control Manual, published by the Georgia Department of Natural Resources (GADNR), the Georgia Environmental Protection Division (GAEPD), and the Georgia Association of Water Professionals (GAWP).

Disclosure	Detail
Total Water Consumption of LOLC Finance PLC (205 locations)	~75,706 m3
Water Sources	National Water Supply & Drainage Board (NWSDB), ground water extraction & well water
Primary Use	Sanitation and utility purposes
Monitoring Approach	Systematic multi-year tracking across all branches
Certification Progress	WaterConscious certification for Head Office

Conservation Measures

- Level II Detailed Water Audits to be conducted across operational facilities to establish consumption baselines and identify reduction opportunities
- EMS-integrated water monitoring with defined roles and responsibilities under ISO 14001:2015 framework
- Employee awareness programmes institutionalised to promote responsible water use at all locations
- WaterConscious certification for Head Office as a flagship conservation milestone

CERTIFICATE OF ACHIEVEMENT

THE SUSTAINABLE FUTURE GROUP

NAME OF CLIENT
LOLC Finance PLC
– Head Office

CERTIFICATION TYPE

CERTIFICATION PERIOD

DESCRIPTION OF ASSESSMENT / AUDIT PROCESS

PROTOCOL / STANDARD / METHODOLOGY / GUIDELINE FOLLOWED

WATER CONSUMPTION DETAILS OF ASSESSED ENTITY

CERTIFICATION NUMBER

a certified WATER CONSCIOUS office

3.4 GRI 306: WASTE

GRI 306-1 | WASTE GENERATION | GRI 306-2 | WASTE MANAGEMENT

Management Approach

LOLC Finance PLC has set a Zero Waste to Landfill target by 2030, underpinned by its ISO 14001:2015-aligned EMS framework. To establish a rigorous data-driven baseline and identify priority improvement areas, the organization engaged the National Cleaner Production Centre (NCPC) during FY 2025/26 to conduct Eco Office Audit.

Key Actions Taken in FY 2025/26

- Eco Office Audit at Head Office and Wellawatta facility - comprehensive assessment of workplace environmental efficiency and resource use patterns
- Waste Audits across Head Office and selected branches (June-July 2025) - baseline waste generation and segregation assessment
- Targeted waste reduction strategies initiated based on audit findings, with focus on improved segregation and resource optimisation
- Zero Waste to Landfill reduction pathway under development in alignment with 2030 target
- ISO 14001:2015 EMS framework provides systematic structure for continuous waste management improvement

Quantitative waste data will be progressively disclosed as the baseline measurement programme matures and waste categorisation methodologies are standardised across all locations.

3.5 GRI 304: BIODIVERSITY

GRI 304-3 | Habitats Protected or Restored

LOLC Finance PLC operates two flagship ecosystem restoration programmes, contributing to biodiversity conservation, carbon sequestration, and community resilience.

Deniyaya Reforestation & Ecosystem Restoration Initiative

Parameter	Detail
Location	Deniyaya, Sri Lanka (50 acres of degraded land)
Trees Planted (Total Target)	20,000+ (native species, fruit-bearing, medicinal)
Trees Planted during 2025/26 FY	6,000+
Year of Operation	3rd consecutive year
Techniques Used	Conventional reforestation, Miyawaki forest method, butterfly gardens
Additional Activities	Biodiversity monitoring

'Life to Our Mangroves' — Anawilundawa Ramsar Wetland Sanctuary

Parameter	Detail
Partner	Biodiversity Sri Lanka
Duration	18+ months
Focus	Mangrove rehabilitation, blue carbon sequestration, coastal resilience
Alignment	UN SDGs, Blue Carbon Initiative

SECTION 4: SOCIAL PERFORMANCE DISCLOSURES

4.1 GRI 404: Training and Education

GRI 404-1 | Average Hours of Training | GRI 404-2 | Upskilling and Transition Programs

Management Approach

Environmental literacy and sustainability competency are embedded as core organisational capabilities at LOLC Finance PLC. Sustainability training is integrated from the point of onboarding and is delivered continuously at all organisational levels - operational staff, middle management, senior leadership, and the Board of Directors. The training calendar is also aligned with the ISO 14001:2015 EMS requirements, ensuring that all relevant personnel receive appropriate training on environmental responsibilities, objectives, and procedures.

Metric	FY 2025/26
Structured sustainability training & awareness programmes conducted	15+
Coverage	All organisational levels - operational staff to Board of Directors
Topics Covered	Environmental standards, ISO 14001:2015, climate risk, ESG responsibilities, sustainability best practices
Format	Structured sessions, workshops, and awareness programmes
EMS-Specific Training	Roles, responsibilities, and competency requirements under ISO 14001:2015

Details of Board-level sustainability training on SLFRS S1 & S2 and climate risk capacity building are disclosed in the SLFRS Disclosures - Section 2.2 on page 32 (Skills and Competencies) of this Annual Report.

4.2 GRI 413: Local Communities

GRI 413-1 | Operations with Community Engagement Programs

Financial Literacy & MSME Empowerment Programs

LOLC Finance PLC conducted an island-wide series of financial literacy and customer training programmes during FY 2025/26, targeting MSME entrepreneurs across all nine provinces of Sri Lanka. The programmes aim to improve business resilience, financial management capability, and product knowledge.

Metric	FY 2025/26
Total Programmes	50+ across all 9 provinces
Target Beneficiaries	2,100 MSME entrepreneurs
Geographic Coverage	Western, Central, Southern, Northern, Eastern, North Central, North Western, Uva, Sabaragamuwa
Key Partners	Vidatha Resource Centres, Ministry of Industry, Industrial Development Board, professional trainers
Programme Types	Customer Felicitation & Financial Literacy Programs; Customer Training Programs

Humanitarian & Community Support Initiatives

Metric	FY 2025/26
LOLC Divi Saviya — Cyclone Ditwah Response	4,000 families received relief packs (6 districts); 200 schools restored within 45 days
Safe Drinking Water	Tube well for Elpitiya Bogaha Primary School; 10 filtration units and continuous supply of drinking water for Monnekulama School
Beach Cleanup Programmes	Ja-Ela & Wadduwa Beach Cleanups (World Cleanup Day 2025) - 100+ volunteers, 445 kg plastic removed
Healthcare Support	Medical supplies for 4-day medical camp at Sri Paada, 27 Feb – 2 Mar 2026 (2nd consecutive year)
Road Cleanup	Kataragama-Buttala B35 Road - four tractor-trailer loads + one tipper load of garbage removed; 500 kg+ plastics collected
Islamic Business Unit	71 medical programmes, 37 educational programmes, 24 social upliftment programmes, 74 flood relief programmes, and distribution of 2100 Ramazan packs. The total number of beneficiaries are 2306 with a cost of Rs.57,378,979/-

SECTION 5: GOVERNANCE DISCLOSURES (GRI 2-9, 2-22)

GRI 2-9 | Governance Structure | GRI 2-22 | Statement on Sustainable Development Strategy

Environmental Governance Structure

LOLC Finance PLC has established a dedicated sustainability governance structure that embeds environmental and social management responsibilities across all organisational levels. Sustainability is governed through clearly defined roles from the Board of Directors to operational staff, ensuring sustainability is integrated into core decision-making processes.

Level	Body/Role	Primary Responsibility
Board	Board of Directors + BIRMC	ESG risk oversight, strategy approval, regulatory compliance (refer SLFRS section 2.1 page 31 - 32)
Senior Management	Sustainability Management Committee (SMC)	Operationalising ESG directives, monitoring performance
Operational	Sustainability Operational Committee (SOC)	KPI implementation, data management, branch-level execution
Business Unit	Sustainability Unit	KPI Setting, Programme design, EMS implementation, ISO certification
Risk Function	Sustainability Risk Management Unit + ERM	ESMS, ESRM, climate risk integration

Full governance structure, committee terms of reference, and board oversight mechanisms are disclosed under SLFRS Disclosures - Section 2.0 , page 31 (Governance) of this Annual Report. This section focuses on GRI-specific environmental governance elements not covered there.

Statement on Sustainable Development Strategy (GRI 2-22)

LOLC Finance PLC's sustainability strategy is anchored in the recognition that long-term financial value creation and responsible environmental and social stewardship are inseparable. The Company's approach integrates sustainability across three dimensions: the management of its own operational footprint, the environmental and social risks and opportunities embedded in its lending portfolio, and its direct investment in community and ecosystem well-being.

The strategy is aligned with Sri Lanka's Nationally Determined Contributions (NDCs) under the Paris Agreement, the Central Bank of Sri Lanka's Sustainable Finance Roadmap 2.0, and the UN Sustainable Development Goals (SDGs). Quantitative climate-related strategy elements, including climate scenario alignment and transition planning, are disclosed under the SLFRS Sustainability - Related Financial Disclosures section from page 28 to 59 of this Annual Report.

Environmental & Social Management System (ESMS) for Responsible Lending

LOLC Finance PLC (LOFC) has developed a comprehensive Environmental & Social Management System (ESMS) to systematically identify, assess, mitigate, and monitor the environmental and social (E&S) risks and impacts associated with its lending activities. The ESMS is aligned with IFC Performance Standards and applicable national legislation, including the National Environmental Act and the Central Bank of Sri Lanka's Sustainable Finance Guidelines.

Exclusion and Risk Categorisation

LOFC maintains an Exclusion List aligned with the IFC and EDFI exclusion frameworks, which automatically disqualifies borrowers engaged in forced or child labour, illegal activities, or the destruction of high conservation value areas, among other prohibited practices.

Complementing this, a three-tier Risk Categorisation Tool (Categories A, B, and C) evaluates borrowers across six key dimensions — regulatory compliance, community health and safety, biodiversity, labour safety, occupational health, and community interactions — enabling proportionate and risk-based E&S scrutiny across the lending portfolio.

Due Diligence and Monitoring

As part of its credit appraisal process, all loan facilities exceeding Rs. 50 million are screened by the Sustainability Department to ensure compliance with applicable environmental laws and regulations. For Category B borrowers, mandatory site visits, detailed appraisal forms, and Environmental & Social Action Plans (ESAPs) are required. Standard E&S covenants are embedded within loan agreements for facilities above Rs. 50 million, and annual portfolio-level monitoring is conducted to track ongoing compliance.

Governance and Reporting

E&S performance is reported regularly to the Board, the Board Integrated Risk Management Committee (BIRMC), and the Sustainability Management Committee. Externally, disclosures are made to funding agencies and the Central Bank of Sri Lanka, reinforcing the Company's commitment to transparency and accountability in sustainable finance.

Capacity Building

LOFC continues to strengthen institutional capability through targeted ESMS training and awareness programmes. These initiatives equip staff to effectively identify, assess, and manage E&S risks, supporting the consistent integration of sustainability considerations throughout the lending process and reinforcing sound risk management practices across the portfolio.

GRI Content Index

GRI Disclosure	Title	Section Reference	Omissions / Notes
GRI 2-1 to 2-5	Organisational Profile	Section 1	—
GRI 2-9	Governance Structure	Section 5	Full governance: SLFRS Section 2.0, page 31-33
GRI 2-22	Sustainable Development Strategy	Section 5	Climate strategy: SLFRS Section 3.0, page 34-42
GRI 3-1 / 3-2 / 3-3	Material Topics	Section 2	—
GRI 302-4	Energy Reduction	Section 3.2	—
GRI 303-5	Water Consumption	Section 3.3	—
GRI 304-3	Habitats Restored	Section 3.5	—
GRI 305-1	Scope 1 GHG Emissions	Section 3.1	Full data: SLFRS Section 5.1.1, page 46-48
GRI 305-2	Scope 2 GHG Emissions	Section 3.1	Full data: SLFRS Section 5.1.1, page 46-48
GRI 306-1 / 306-2	Waste Generation & Management	Section 3.4	—
GRI 404-1 / 404-2	Training and Education	Section 4.1	—
GRI 413-1	Local Communities	Section 4.2	—

Information Technology and Security

INFORMATION TECHNOLOGY AND DIGITAL TRANSFORMATION

During the financial year 2025/26, Information Technology and Digital Transformation continued to serve as a strategic pillar of LOLC Finance PLC's journey towards a more intelligent, agile and customer-centric financial services organisation. Amid rapid digital adoption, evolving customer expectations and growing regulatory complexity, the year marked a decisive shift from technology enablement to enterprise-wide transformation, with high-impact initiatives delivered across artificial intelligence, workflow automation, digital payments, core platform modernisation and employee productivity.

ADVANCING AN AI-ENABLED ENTERPRISE

Artificial Intelligence (AI) moved decisively from experimentation to enterprise-wide adoption, pursued through practical, business-led use cases rather than standalone technology initiatives. Intelligent capabilities now support credit operations, document processing, customer service and compliance activities, while machine learning models strengthen data-driven decision-making across risk assessment, customer engagement and portfolio management. All adoption is governed within the Group's AI framework, ensuring it remains responsible, explainable and aligned with regulatory expectations.

Recognising that transformation succeeds through people, the Company rolled out Microsoft Copilot under a structured enablement programme, embedding generative AI within everyday productivity tools and supported by training and responsible-AI guidelines. The initiative has lifted individual productivity, accelerated analysis and content development, and is cultivating an AI-literate workforce.

OPERATIONAL EXCELLENCE THROUGH INTELLIGENT AUTOMATION

The Company widened the deployment of AI-enabled workflows across business and back-office functions. Manual routing, repetitive validations and paper-based follow-ups are progressively being replaced with digital workflows, automated task allocation and structured approvals — delivering faster turnaround times, consistently enforced controls and greater management visibility over exceptions and pending actions.

Complementing this, the Document Management System was deployed under the Paperless Transformation Programme. Together with e-Signature adoption, it has significantly reduced dependency on physical documentation, enabled secure and instant access to business records, and contributed meaningfully to the Company's sustainability objectives.

ELEVATING CUSTOMER CONVENIENCE AND DIGITAL PAYMENTS

The most innovative customer-facing initiative of the year was the Instant Loan Facility against Fixed Deposits, delivered across iPay, LOLC Real-Time, the WhatsApp Bot and IVR. Customers can now unlock the value of their deposits within minutes, without visiting a branch — reflecting the Company's commitment to truly omni-channel financial services designed around customer needs.

The digital payments agenda advanced through omni-channel integration with the LankaPay and JustPay national payment infrastructure, enabling secure, real-time and interoperable transactions. In addition, the iPay Soft POS rollout empowered merchants to accept payments directly through smart devices, extending affordable payment acceptance to small and medium enterprises (SMEs) and advancing financial inclusion across the country.

MODERNISING CORE PLATFORMS AND INFRASTRUCTURE

Sustained investment in the core technology landscape strengthened performance, scalability, security and business agility. Key initiatives included:

- A comprehensive Card Management System enabling end-to-end credit card operations with strengthened controls.
- EMV Chip Card request processing integration to streamline card issuance operations.
- Digital Banking enhancements, e-Signature integration and Government Digital Payment Platform (GDPP) enablement.
- POS and Soft POS settlement improvements and the Oracle Database 19c upgrade.

Collectively, these initiatives streamlined operations, reduced processing times and strengthened the Company's capacity to support growing transaction volumes and future innovation.

STRENGTHENING COMPLIANCE, RISK AND DATA CAPABILITIES

A state-of-the-art Anti-Money Laundering solution was implemented, providing sanctions screening, pre-account opening checks, periodic customer screening, Currency Transaction Reporting, EFT monitoring and advanced transaction monitoring. The platform significantly enhanced the identification, monitoring and mitigation of financial crime risks while ensuring regulatory adherence. A comprehensive Data Archival Project was also completed, optimising database performance, reducing infrastructure overheads and strengthening long-term data management — a foundation for regulatory readiness, analytics maturity and responsible AI adoption.

INFORMATION SECURITY

In an increasingly digital and regulated environment, LOLC Finance PLC recognises information security and cyber resilience as fundamental to protecting customer confidence, supporting business operations, and enabling sustainable growth. The organisation continues to strengthen its information security programme through a risk-based approach, embedding security practices across its technology, operational, and governance frameworks while adapting to the evolving threat landscape.

Cybersecurity oversight is supported through a structured governance framework, including the Information Security Committee (ISC), which provides management oversight of cyber risks, regulatory developments, and key security initiatives. The organisation also operates continuous security monitoring and incident response capabilities to enhance operational resilience and support the timely management of emerging risks. Regular security assessments, employee awareness programmes, and independent reviews contribute to the ongoing maturity of the organisation's information security posture.

LOLC Finance PLC remains committed to meeting applicable regulatory and industry requirements, including the Technology Risk Management and Resilience Directions (TRMR No. 01 of 2022) issued by the Central Bank of Sri Lanka, while maintaining robust business continuity and disaster recovery arrangements. Through continuous improvement, effective governance, and a culture of security awareness, the organisation strives to strengthen resilience, protect stakeholder interests, and support the secure delivery of financial services.

BUILDING A FUTURE-READY ORGANISATION

The year's progress reflects LOLC Finance's commitment to a future-ready financial services organisation powered by technology, data and artificial intelligence. Looking ahead, the Company will continue to widen the adoption of AI, automation and data-driven decision-making, delivering secure, efficient and customer-centric financial services while strengthening its position as one of Sri Lanka's leading technology-enabled financial institutions.

POWERFUL LEADERSHIP, EFFECTIVE GOVERNANCE

STEWARDSHIP

Corporate Governance Framework of LOLC Finance PLC

Your Board of Directors bears ultimate responsibility and accountability for establishing and maintaining a sound and effective governance framework, as well as fostering an appropriate corporate culture, while ensuring full compliance with applicable regulatory requirements.

In discharging these responsibilities, the Board utilizes a structured governance infrastructure comprising Board sub-committees, management-level committees with clearly defined mandates, delegated authorities, and an integrated framework of policies, practices, and procedures. This is supported by well-defined reporting lines across the organization to ensure transparency, accountability, and effective oversight.

INSTRUMENTS OF GOVERNANCE

The external governance framework of LOLC Finance PLC include key statutory and regulatory instruments, including the Companies Act, No. 7 of 2007; the Finance Business Act, No. 42 of 2011; the Finance Leasing Act, No. 56 of 2000; the Foreign Exchange Act, No. 12 of 2017; the Payment and Settlement Systems Act, No. 28 of 2005; and the Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021. This framework further incorporates the rules and directions issued to finance companies by the Monetary Board of the Central Bank of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange.

The internal governance framework comprises the Company's Articles of Association and a comprehensive set of Board approved policies, procedures, and processes addressing key areas such as risk management, internal controls, anti-money laundering, ethical business conduct, and the fair treatment of stakeholders. These instruments have been developed in line with established governance principles that define the structure, roles, and responsibilities of the Board, ensuring legal and regulatory compliance, safeguarding stakeholder interests, effective risk management, and the integrity of financial reporting.

A whistleblowing policy has been implemented, including a dedicated 'hotline' accessible to all employees. This mechanism enhances accountability by enabling the reporting of any deliberate deviations from established controls, processes, or procedures, thereby facilitating prompt investigation and appropriate corrective action.

BOARD OF DIRECTORS

The composition of the Board reflects a diverse blend of industrial and professional expertise, with members who have achieved eminence in their respective fields. This diversity enables the Board to make informed and balanced decisions, thereby effectively guiding LOLC Finance PLC toward the achievement of its strategic objectives.

The appointment of Directors is subject to the approval of the Central Bank of Sri Lanka, with subsequent shareholder approval obtained at the Annual General Meeting (AGM) through the re-election process. At these meetings, an opportunity is given to all shareholders, both public and non-public, to approve or reject appointments and re-appointments of Directors, thereby ensuring transparency and accountability in the appointment process.

The Board of Directors is entrusted with the responsibility of enhancing shareholder value while fulfilling its obligations to all stakeholders. In discharging its duties, the Board ensures that business operations are conducted with due regard to high standards of integrity, ethical conduct, and social and environmental responsibility. The Board provides strategic leadership and direction, while facilitating organizational performance through the delegation of appropriate levels of authority within a clearly defined framework of roles, responsibilities, and lines of accountability. The matters reserved for the Board include, but are not limited to, the following:

- Formulating the Company's strategy and direction for the long, medium and short term (retaining sufficient flexibility to consider the dynamism of the environment);
- Establishing values and standards and ensuring that these are communicated. The Board ensures that deviations are detected and dealt with justly and transparently.
- ·Identifying and designating key responsible persons who are in a position to significantly influence policy/ direct activities/exercise control over business activities/operations and risk management and defining their areas of authority and ensuring succession.
- Ensuring that systems and procedures are in place to monitor and report compliance with regulatory and statutory requirements and practice of good corporate governance principles. The Board calls for monthly compliance reports.
- Ensuring that all necessary financial and human resources required to achieve the objectives set out in the strategies are obtained.
- Approving the annual budget, tax plan and other corporate plans and detailing the ratios that are expected.
- Monitoring performance against budgets, regularly reviewing operational performance and updated forecasts for the current year.
- Having appropriate accounting policies and practices implemented and approving (delegating to the audit committee it recommendation) annual and interim financial statements for release to the public.
- Approving the operating policies and procedures for the control of Treasury activities and receiving regular reports on these activities.
- Reviewing periodically the effectiveness of the Company's system of internal control and identified risks and their management.
- Approving equity investments, acquisitions, divestments and other major capital expenditure contracts or financing arrangements.
- Reviewing periodically the Company's insurance.
- Reviewing at least annually the environmental, health and safety performance of the Company's operations.

- Ensuring that communication between the shareholders and the Company is facilitated, and approving all shareholder documentation.
- Approving any issues relating to the capital structure of the Company.
- Ensuring enhancement of shareholder value.
- Subject to CBSL clearance, approving appointments of Directors and Key Responsible Persons including the CEO.
- Setting up Sub Committees of the Board, and approving their terms of reference, membership and powers
- Approving the organizational structure and reviewing management plans and succession planning for key positions.
- Approving all material contracts and agreements and especially those not in the ordinary course of business, prior to the commitment of the Company;
- Approving all facilities beyond delegated amounts (periodically reviewed and revised by the Board);
- In appropriate circumstances, the Board, or any Director may seek independent professional advice, at the finance company's expense, and with the approval of the Board.
- Periodically assess theof the Board Members' governance practices including: the selection, nomination and election of directors; the management of conflict of interests; and the determination of weaknesses and implementation of changes where necessary.
- Director shall not hold office as a Director or any other equivalent position in more than 20 companies/societies/bodies, including subsidiaries and associates of the Company.
- Managing Conflicts of Interest of the Board Members - On identifying conflicts of interest, they are resolved with the concurrence of the entire Board and appropriate action taken to avoid such conflicts. A director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her relative or a concern with a material interest. Such director/s will not be counted in the quorum for the relevant agenda item of the board meeting.
- The Board shall forthwith inform the Director – Department of Supervision of Non-Bank Financial Institutions the situation of the Company prior to taking any decision or action if it is likely that it will be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.
- Establishing policies, standards and procedures for protection of the customers of the Company.
- Approving the setting up of new legal entities to meet its medium to long term strategic objectives, subject to applicable regulatory or statutory approvals.

DELEGATION OF AUTHORITY

It is the policy of the Company that employees who are heading core functions be classified as Key Responsible Personnel (KRP) with delegated authority in compliance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021 of the CBSL.

However, the Board has not delegated matters to a Board Sub-Committee, CEO, or KRP, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions. Authority is delegated by the Board to the Key Responsible Personnel as follows, which is subject to review on a periodic basis to ensure that they remain relevant to the needs of the Company:

- Interviewing of Management level personnel has been delegated to the Executive Director/CEO (appointments are subject to CBSL approval if they are KRPs). The job description of such officers, and the terms of remuneration are also reviewed by this Director. The Board ensures appropriate selections by adopting this process.
- The Board approves secondments of employees for various operations of the Company from time to time.
- Delegated Authority Limits for facilities are reviewed, revised and approved by the Board periodically.
- Signing powers for various agreements including facility agreements are also reviewed, revised and approved by the Board.
- The Board approves authorized signatories for Banks.
- The Board delegates to the Executive Director / CEO the overseeing of the work of the KRPs and the functioning of routine operational affairs. To facilitate such oversight, the CEO meets with all the KRPs at Management level meetings and project committee meetings. Management meetings are also held frequently to discuss processes and controls. Recommendations arising from such meetings are escalated to the Board through Board subcommittee meetings.
- The Board delegates that all contracts entered into, may be entered into on behalf of the Company in writing and signed under the name of the Company by: two Directors of the Company, as authorized by a resolution of the Board and placing the Company Seal / any one Director and Secretary of the Company as authorized by a resolution of the Board and placing the Company Seal / Any other person as authorized by a resolution of the Board / one or more Attorneys appointed by the Board authorizing them to enter into such obligation

Composition of the Board and Independence

The Board's composition ensure a balance of skills and experience deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.

- The number of directors on the Board as at 31st March 2026 comprised seven (07) members of whom one (01) is an Executive Director.
- The total period of service of the directors (other than a director who held the position of executive director) has not exceeded nine years.

- Non - Executive Directors on the Board possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.
- The Corporate Governance Direction No. 5 of 2021 requires the number of Independent Directors of the Board to be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher. Of the seven (07) Directors, one (01) Excecutive Director and six (06) Non- Excecutive Directors are on the Board of which are Independent Directors. During 03.11.2025 to 17.12.2025, the Board Consisted of eight (08) Directors, of which one (01) Excecutive Director, seven (07) Non-Excecutive Directors.
- Based on criteria specified by regulators, the Nominations & Governance Committee and Board have determined that four (04) members on the Board are in fact independent.
- Independent directors are aware of their obligations and shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.
- The Board does not comprise any Alternate Directors as of date. Representation through an Alternate Director will be effected as and when necessary, with prior approval of the Department of Supervision of Non-Bank Financial Institutions.

NOMINATION, ELECTION AND APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

The Nominations & Governance Committee proposes the nomination of a new director. If such nomination is approved and a Board decision is made to appoint the nominated individual as a Director, the Company Secretary submits the required documentation under Finance Business Act (Assessment of Fitness & Propriety of Key Responsible Persons) Direction No. 6 of 2021 to the Department of Supervision of Non-Bank Financial Institutions. Upon receiving the said approval, the nominee shall be appointed to the Board.

- The Chairman will send a formal letter of invitation to the new director.
- The Company Secretary will communicate with the incoming director:

a) To obtain the information required by statutory and regulatory authorities including his/her signature on the document indicating his/her consent to be appointed director

b) To provide the new director with copies of documents/ information which will facilitate the performance of his/her duties as a director. This will include (but not be limited to):

- The Articles of Association
- Relevant Acts governing the operations of the company

c) Directions/ Rules of regulatory bodies governing the operations of the Company.

Immediately upon appointment, the director will be subject to re-election by the Shareholders at its annual meeting.

In the case of Directors retiring on the completion of 9 years, 90 days prior to such retirement the Board on the recommendation of the Nomination & Governance Committee shall finalize the nomination of the candidate/ successor proposed to fill such vacancy and submit such nomination for CBSL approval.

Accordingly, executive, non executive and independent directors' appointments are subject to all relevant regulatory approvals, the provisions of the Companies Act and the Articles of Association including those relating to election/ re-election by the shareholders at Annual General Meetings and the removal of Directors.

BALANCE OF POWER

In accordance with best practices, the offices of Chairman and Chief Executive Officer are separate. This ensures a balance of power and enhances accountability. As the Chairman is a Non-Executive Director, to bring in a greater element of independence the Board has appointed Mr Sunil Lankathilake as the Senior Independent Director .

ROLE AND RESPONSIBILITIES OF THE CHAIRPERSON AND THE CEO

The separation of the role of the Chairman of the Board from that of the CEO has been established to avoid concentration of power in one individual, and to ensure a degree of checks and balances.

The overall role of the Chairman is to lead and ensure the effectiveness of the Board. This includes:

- Promoting a culture of openness and debate at the Board.
- Maintaining / ensuring a balance of power between executive and nonexecutive directors.
- Facilitating the effective contribution of all directors.
- Promoting high standards of corporate governance.
- Ensure the Board works effectively and discharges its responsibilities.
- Ensure the Board discusses all key issues in a timely manner.
- Implement decisions/directions of the regulator.
- Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary.
- Not engage in activities involving direct supervision of senior management or any other day-to-day operations.
- Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
- Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.

Non - Executive Directors including Senior Director assess the Chairman's performance annually.

The overall role of the CEO is to function as the apex executive-in-charge of the day-to-day management of the Company.

The CEO will report directly to, and is ultimately accountable to the Board of Directors.

His responsibilities includes:

» Implementing business and risk strategies to achieve the Company's strategic objectives.

» Establishing a management structure that promotes accountability and transparency throughout the Company's operations and preserves the effectiveness and independence of control functions.

» Together with the Board, promote a sound corporate culture within the organization to reinforce ethical, prudent and professional behavior.

» Ensuring implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator.

» Strengthening the regulatory and supervisory compliance framework

» Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.

» Devote professional time to the service of the organization (not carry on any other business, except as a non-executive director of another company).

The Chairman assess the CEO's performance annually.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR (SID)

The Senior Independent Director with all Non-Executive Directors, has the same general legal responsibilities to the Company as any other Director. The Board as a whole is collectively responsible for promoting the success of the Company by directing the Company affairs.

Key responsibilities of SID includes:

» Be the focal point for Board Members for any concerns regarding the Chairman, or the relationship between the Chairman and the Chief Executive Director.

» Act as a trusted intermediary for Non-Executive Directors where this is required to help challenge and contribute effectively.

» Take the initiative in discussion with the Chairman or other Board Members if it should seem that the Board is not functioning effectively.

» Led by the SID, the Independent Directors are required to convene annually, or as deemed necessary a meeting to exclusively discuss entity related matters and the operation of the Board. The SID is tasked with conveying feedback and suggestions from these sessions to the Chairperson and the other Board members.

» The SID shall preside over an annual meeting of the Non-Executive Directors, without the presence of the Chairperson, to assess the Chairperson's performance, as well as on other occasions deemed necessary.

» The SID shall be entitled to a casting vote at the meetings.

ROLE OF THE COMPANY SECRETARY

The primary function of the Company Secretary is to handle the secretarial services to the Board and other functions specified under statutes and regulations. The Company Secretary maintains confidentiality of the affairs of the Company at all times. All Directors have access to the advice and services of the Company Secretary with a view to ensuring compliance with all applicable laws, directions, rules and regulations.

The Chairman has delegated to the Company Secretary the function of preparing the agenda for board meetings subject to periodic review and amendment. The Board or Board sub committees, agree on items in future agendas on a regular or periodic basis. Any director may request the Company Secretary to include matters/proposals in the agenda where such matters/proposals relate to the promotion of business and the management of risks of the Company.

The Company Secretary maintains minutes of all Board and Board subcommittee meetings with sufficient details of submissions/ decisions. Any Director may at any reasonable time, on reasonable notice inspect the Minutes of the Board and/or shareholder meetings.

BOARD SUB COMMITTEES AND THEIR ROLES

In compliance with regulatory guidelines and with best practices, the Board has formed the following sub committees:

i. Audit Committee
ii. Integrated Risk Management Committee
iii. Related Party Transaction Review Committee
iv. HR & Remuneration Committee
v. Nominations & Governance Committee
vi. Board Credit Committee

These Committees assist the Board with its role of oversight of the Company's performance and conformance. Minutes of the meetings of these Committees are tabled at the next Board meeting, enabling the Board to benefit from the focused review of these Committees on the areas and issues within their purview. These subcommittees meet quarterly or as and when necessary.

MONITORING AND EVALUATION BY THE BOARD

On behalf of the Board its Sub-Committees fulfil regulatory requirements on monitoring and evaluation. These committees meet periodically to deliberate on matters falling within their respective charters/terms of reference and their recommendations are duly communicated to the main Board.

The following mechanisms are in place for the Board to oversee the accomplishment of the targets in the business plan: review the performance of LOLC Finance at monthly Board meetings; seeking recommendations through Board appointed Sub-Committees on governance, including compliance with internal controls, human resources, risk management, credit and IT; review of statutory and other compliances through a monthly paper on compliance submitted to the Board covering the operations of LOLC Finance.

CODE OF ETHICS

The corporate governance philosophy of LOLC Finance is within a framework of compliance and conformance, which has been established at all levels through a strong set of corporate values and a written Code of Ethics on Business Conduct.

The Board sets the tone from the top to instil the right behaviours among directors, officers and staff based on the said Code of Conduct and offer guidance to ensure duties are carried out in accordance with the highest standards of integrity and manage the impact of the Company's actions with equitable treatment. Regular trainings are conducted to raise awareness among employees regarding the corporate culture, values and conduct and impress upon them, the importance of adhering to these covenants.

ACCESS TO INFORMATION AND OBTAINING INDEPENDENT ADVICE

The Board has adopted a procedure for seeking independent professional advice. Directors are able to seek independent professional advice, at the Company's expense, if he/she is reasonably of the view that the Company needs independent professional advice either: to express the views or to agree with/disagree with the views of any other Director; or to cast the vote or would be in a better and comfortable position to make contribution when such independent professional advice is made available on any matter relating to the Company and/or any one or more of its stakeholders.

CAPACITY BUILDING OF BOARD MEMBERS

The Board members are provided with orientation of their roles and responsibilities as a Board member and how to gain further information and advice. The orientation and awareness sessions are provided by the Head of HR & Company Secretary for all elected Board members.

All Board members are provided with information about LOLC Finance PLC on:

- Board members position description
- Governance Policy
- Risk Management Policy
- Communication Policy
- Human Resources Policy and Grievance Management Procedures
- Work Health and Safety Policy
- Strategic Plan
- Annual Reports
- Board Meeting Minutes

Furthermore, the updating of the skills and knowledge of all Directors is achieved by updates on proposed/new regulations, industry best practices, market trends and changes in the macro environment. It is also facilitated by participation in regulatory industry forums, providing them access to external and internal auditors, access to other external professional advisory services and the Company Secretary, keeping them fully briefed on important developments in the business activities of the Group and by periodic reports on performance, and opportunities to meet Senior Management.

EVALUATING THE EFFECTIVENESS OF THE BOARD OF DIRECTORS

As required by the Finance Companies Corporate Governance Direction of 2021, the Company has enhanced the scope of its annual Board performance assessment framework. Apart from the self evaluation undertaken by each director, evaluation of performance of board members including the CEO by the Chairman, Chairman's performance by non-executive directors and board sub committee evaluation by respective committee members have been established commencing March 2022. These evaluations are subsequently tabled at a Board meeting for review and to address areas that require improvement. Related records are maintained by the Company Secretary.

ENGAGEMENT WITH SHAREHOLDERS

The shareholders of LOLC Finance have multiple ways of engaging with the Board: the Annual General Meetings which are the main forum at which the Board maintains effective communication with its shareholders on matters which are relevant and of concern to the general membership such as the performance and their return on investment of LOLC Finance; access to the Board and the Company Secretary; written correspondence from the Company Secretary to inform shareholders of relevant matters; the website of LOLC Finance which is accessible by all stakeholders and the general public; and disclosures disseminated through the Colombo Stock Exchange including interim reporting.

ENGAGEMENT WITH EMPLOYEES

LOLC Finance recognizes that employee involvement is a critical pre-requisite towards ensuring the effectiveness of the corporate governance system and therefore attaches great importance to employee communications and employee awareness of key events and significant developments. The necessity of sincere and regular communication in gaining employee commitment to organizational goals and values are stressed extensively and intensively through various communiques issued periodically by the Directors' Office. LOLC Finance follows an open-door policy for its employees at all levels. Regular dialogue is also maintained on work related issues as well as on matters pertaining to general interest that affect employees and their families.

In terms of engaging with the employees, the key channels used by the Board include the Executive Director/CEO who is an employee director and the main link between the Board and the rest of the employees; and the Board members and Board sub committees who conduct effective dialogue with the members of the Management on matters of strategic direction.

POLICY ON CONFLICTS OF INTEREST

The Governance framework at LOLC Finance ensures that the Directors take all necessary steps to avoid conflicts of interest in their activities with, and commitments to other organizations' or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, such matters are disclosed and discussed at Board meetings, where Independent Directors who have no material interest in the transaction are present.

Conflicts of Interest at core operational level, which are not within the purview of the Board, are actioned by the Human Resources Department in accordance with Code of Ethics signed and accepted by Staff Members.

RELATED PARTY TRANSACTIONS

Related party transactions include transactions between the Institution and any director, executives, stakeholders or companies owned or controlled by a director. Related party Transactions are also sources of conflicts of interests.

Upon appointment, each director makes a full, written disclosure of interest, which is handed over to the Secretary of the Board who will be responsible for maintaining a register. Each director is responsible to ensure that any interest is reported to the Secretary of the Board, for the latter to record same in the conflicts of interest register. Full and timely disclosure of any conflict or perceived conflict, must be made to the Board.

Directors becoming aware of the fact that he is in a situation of conflict in any item of the agenda, disclose it to the Board / sub-Committees of Board and cause same to be recorded in the interests register. If any question arises before the Board / sub-Committees of Board as to the existence of a real or perceived conflict, the Board / Sub Committees should by majority, determine if a Conflict or Related Party Transactions exists. Director(s) potentially in the conflict of interest situation or related party transaction does not participate in any discussion/ decision of the issue. Disclosure by a Director of a real, potential or perceived conflict of interest or related party transaction is recorded in the minutes of proceedings of the said meeting.

INTERNAL CONTROL

The external auditor's certification on the effectiveness of the Internal Control Mechanisms in respect of the audited financial statements released has been published in this Annual Report.

The Directors confirm that no significant deviations have been observed by the External Auditors and that the Company has not engaged in any activity that contravenes any applicable law or regulation. To the best of the knowledge of the Directors, the Company has been in compliance with all prudential requirements, regulations and laws except for the minimum float rules specified by the Colombo Stock Exchange.

The extent of compliance as required by the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules of the Colombo Stock Exchange and subsequent amendments thereto:

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
1	**Board's overall responsibilities**	
1.1	Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7, but not limited to, in effectively discharging its responsibilities.	The Board assume full responsibility and accountability for the Company's operations by setting the strategic direction, implementing a strong governance framework, and cultivating a robust corporate culture. The Board ensured adherence to all applicable regulatory requirements while continuously encouraging and reinforcing effective governance practices throughout the organisation. The Board's accessibility and clear commitment were reflected in its ongoing oversight, leadership, and active participation. This has been fundamental in promoting ethical behavior, integrity, and accountability across the Company. The Board functions are listed in Direction 1.2 to 1.7
1.2	**Business strategy and Governance Framework**	
a)	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least next three years and update annually in light of the current developments.	The Board of Directors shall assume overall responsibility and accountability for the operations of the Company, including setting the strategic direction, establishing the governance framework, fostering an appropriate corporate culture, and ensuring compliance with all applicable regulatory requirements to achieve sustainable growth. The Board approved a three-year Strategic Business Plan on 29th July 2024 covering the period up to 2027, subject to periodic review.
b)	Approving and implementing FCs governance framework in the light of the FCs size, complexity, business strategy and regulatory requirements.	The updated Governance Framework of the Company is approved by the Board of Directors, in line with the Company's business model and applicable regulatory framework. The Governance Framework shall be subject to periodic review to ensure its continued relevance and alignment with the operational and regulatory requirements of the Company.
c)	Assessing the effectiveness of its governance framework periodically	The Company shall ensure the effectiveness and adequacy of its Governance Framework through continuous monitoring of applicable statutes, regulations, and regulatory revisions. The Governance Framework shall be updated from time to time to reflect such regulatory changes and to maintain alignment with evolving legal and compliance requirements.
d)	Appointing the chairman and the chief executive officer and define the roles and responsibilities.	The board appointed a Chairman and the Chief Executive Officer (CEO) for the Company. The functions and responsibilities of the Chairman and the CEO, is approved by the Board.
1.3	**Corporate Culture and Values**	
a)	Ensuring that there is a sound corporate culture within the FC which reinforces ethical, prudent and professional behavior	The Company shall foster and maintain a sound corporate culture that promotes ethical, prudent, and professional behavior among all employees. The corporate values are effectively communicated across all levels of the organisation. A Code of Business Conduct and Ethics, established by the Company is adopted as a key instrument to reinforce ethical, prudent, and professional conduct among Directors and Officers of the Company.
b)	Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The Board affirms that the establishment of a strong corporate culture, founded on core values, is facilitated through the implementation of a comprehensive Code of Conduct to guide ethical behavior across the organisation. The Board approved the Conflict of Interest Policy as a key governance mechanism to identify, manage, and mitigate conflicts of interest within the Company.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
c)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The Board ensures that ESG factors are integrated into the Company's overall strategy, decision-making processes, and risk management. A Sustainability Policy has been approved by the Board on 27th March 2026 to establish ESG considerations in to the Company's business plan.
d)	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Company has established a Stakeholder Communication & Corporate Disclosure Policy approved by the Board.
1.4	**Risk Appetite, Risk Management and Internal Controls**	
a)	Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	The revised Risk Management Policy was approved by the Board on 2nd April 2025 which includes the Company's Risk Appetite Statement in line with the Company's business model and governance framework.
b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	The Board delegates responsibility for oversight of risk management to the Integrated Risk Management Committee (IRMC). The Board has approved the annual risk management plan submitted by the Head of Risk Management through the IRMC which covers the Company's risk management. In line with the approved Risk Policy, periodic risk reports are submitted to the IRMC for review and identification of appropriate mitigation measures. Key Risk Indicators approved by the Board, together with newly identified risks by business and service units, are monitored and reported on a monthly basis by the Head of Risk Management to facilitate timely mitigation of identified risks. Reports on liquidity and maturity of deposits are monthly submitted by the Treasurer to the Board. Minutes of the IRMC meetings are tabled at Board Meetings for review and guidance.
c)	Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	The key processes that have been established by the Board to review the adequacy and effectiveness of the Company's Internal Controls and Management Information Systems, include the following: The Board Audit Committee and the Board Integrated Risk Management Committee ensures that the Company's controls and risks are being appropriately managed and actions proposed for mitigation of risks. These two committees facilitate an ongoing process for identifying, evaluating and managing significant risks faced by the Company, including enhancing the system to cater to changes in the business and regulatory environment. The CEO through the Heads of Departments ensure that approved business strategies are implemented and that agreed policies and procedures on risk/internal control are implemented and adhered to. The Heads of Departments are therefore accountable and responsible for their respective areas of operation, including the accuracy of information presented to the Management/ Board, and managing risk in their day- to-day activities through established processes and controls. In addition, the Internal Audit ensures that staff adheres to such processes and controls. Where there is a breach of authority, such issues are escalated by the Head of Risk Management or the Head of Internal Audit with including recommendations for rectification to the Board through the Board Audit Committee/IRMC. The Internal Audit performs a comprehensive exercise that entails reviewing of all aspects of Management Information Systems including operational and regulatory risks. Application and product wise MIS reviews have been periodically carried out by the Internal Audit.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
		The Internal Audit also provides an independent assurance that the Company's risk management, governance and internal control processes are operating effectively and fit for purpose The Board is of the view that the system of internal controls and management information systems in place are sound and adequate to provide reasonable assurance regarding the reliability of management information and financial reporting.
d)	Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	The Board has approved an updated Business Continuity Policy. In terms of IT operations, a disaster recovery plan is periodically tested by the IT Dept.
1.5	**Board Commitment and Competency**	
a)	All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the company	The Board Members devote their time/expertise to take part in meetings / contribute to the deliberations of the board and committees. Member participation at meetings can be found on pages 108 to 109
b)	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	The expertise and experience of Board Members are included in their profiles found on pages 9 to 10
c)	The Board shall regularly review and agree the training and development needs of all the members.	No specific areas have been identified by any board member during the last 2 years. Forums which are held for directors are communicated and nominations called. Policy and procedure were established and approved by the Board to enable directors to seek training and development desired at the cost of the Company.
d)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	For the FYE 31.03.2026, the Company carried out the following assessments: self-evaluations by each board member, committee evaluations by each subcommittee member, evaluation of all other directors by the chairman, and chairman's evaluation by the non-executive directors.
e)	The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	The Board has approved a policy that permits members to obtain independent professional advise when necessary.
1.6	**Oversight of Senior Management**	
a)	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	Senior management identified as key responsible persons (KRPs) of the Company have been approved by the Board.
b)	Defining the areas of authority and key responsibilities for the senior management.	Areas of authority and responsibilities defined in the job descriptions of the KRPs have been approved by the Board.
c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	KRPs are appointed based on established HR policies and the skills, qualifications, & experience required to fulfil the job role.
d)	Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	The Company has a policy on oversight of the affairs of the Company by KRPs. Delegated authority given to KRPs is reviewed periodically by the Board to ensure that they remain relevant to the needs of the company. Performance of the KRPs are evaluated bi-annually
e)	Ensuring the FC has an appropriate succession plan for senior management.	The succession plan was reviewed and approved by the Board on 26th August 2024 to reflect changes to staff /KRP structures.
f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Board members meet the KRPs regularly during most subcommittee meetings (Audit & IRMC in particular) which enable communication and monitoring of different functions/responsibilities held by the KRPs.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
1.7	**Adherence to the Existing Legal Framework**	
a)	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of and obligations to, depositors, shareholders and other stake-holders.	The Board has approved and adopted a Compliance Plan comprising the laws of the land and in particular those which are applicable to licensed finance companies. This is subject to annual review and approval.
b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	Compliance with applicable laws, directions and regulations are monitored by the Compliance Team with monthly confirmations obtained from each business/service unit on adherence to applicable and related policies and procedures laid down in line with such laws, directions and regulations. The said level of adherence is independently monitored via internal controls by Internal Audit
c)	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	Employees are made aware of work ethics during orientation in terms of the Code of Ethics governed by the Company. Periodic training sessions carried out by Compliance/HR on changes in regulations ensures that staff are regularly briefed of the level of conduct expected when performing their duties. Breaches if detected will be dealt based on the circumstances/level of damage or consequences in line with established HR policies and procedures.
2	Governance Framework	
2.1	Board shall develop and implement a governance framework with these directions and including but not limited to the following; a. Policy on matters relating to the Board - role and responsibilities of the Board b. matters reserved for the Board; c. delegation of authority; d. composition of the Board e. the Board's independence; f. policy on the nomination, election and appointment of directors and appointment of senior management. g. the management of conflicts of interests h. access to information and independent advice i. capacity building of Board members; j. the Board's performance evaluation; k. role and responsibilities of the chairman and the chief executive officer l. Role of the Senior independent Director (SID) m. role of company secretary; n. policy on Board sub committees and their role o. limits on related party transactions p. Policy on Directors Remuneration q. Policy on Internal Code of Business Conduct & Ethics for all Directors & Employees including policies on Trading in the Listed Securities of the Company r. Policy on Relations with Shareholders & Investors; s. Policy on Stakeholder Communication & Corporate Disclosures t. Disclosure and maintenance of Beneficial Ownership information	As approved by the Board corporate governance practices adopted by the Company since its inception and fine-tuned over the years, including the criteria listed in this section have been brought under a comprehensive Governance Framework. This will be subject to periodic review and revision to maintain its relevance.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
3	**Composition of the Board**	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	The Directors are eminent persons with necessary qualifications, adequate skills and knowledge, expertise and experience to bring an independent judgment and their profiles are on pages 9 to 10
3.2	The number of directors on the Board shall not be less than 7 and not more than 13	As at 31st March 2026 the Board comprised seven (07) members. Please refer the Report of the Board of Directors for details.
3.3	The total period of service of a director other than a director who holds the position of chief executive officer/executive director shall not exceed nine years , subject to direction 3.4.	As at 31st March 2026, none of the non executive directors on Board exceeded 9 years.
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (¼) of the total number of directors of the Board.	N/A
3.5	**Executive Directors**	
a)	Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	As at 31st March 2026 there was one Executive Director on the Board: Mr D M D K Thilakaratne - Director/CEO
b)	A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	N/A
c)	In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	Mr D M D K Thilakaratne has been appointed as Executive Director/CEO
d)	All Executive directors shall have a functional reporting line in the organisational structure of the FC.	The Director/CEO has a functional reporting line in the Board approved Organisational Structure.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
e]	The executive directors are required to report to the Board through CEO.	N/A
f]	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Complied
3.6	**Non-executive Directors**	
a]	Non-executive directors [NED] shall possess credible track records, have necessary skills and experience to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct	Profiles of the directors are found on pages 9 to 10 With the recommendation of the Nominations & Governance Committee and the Board, fitness and propriety of all directors are subject to CBSL review annually.
b]	A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	N/A
3.7	**Independent Directors**	
a]	The number of independent directors of the Board shall be at least three or one third of the total numbers of directors, whichever is higher.	As at 31st March 2026 of the 7 directors who are Board Members, 4 are independent directors.
b]	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	The said 4 directors have been assessed and approved by CBSL to be fit and proper independent directors
c]	A non-executive director shall not be considered independent if such: I. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. II. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1[c] hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. III. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. IV. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. V. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.	Directors designated as Independent Non Executive Directors do not fall into the categories mentioned in [i] to [viii].

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	VI. director represents a shareholder, debtor, or such other similar stakeholder of the FC; VII. director is an employee or a director or has direct or indirect shareholding of 10% or more of the stated capital in a company or business organisation, in which any of the other directors of the FC is employed or a director; VIII. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	
d)	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	N/A
e)	An Independent Director shall immediately disclose to the Board any Change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation	Complied
3.8	**Alternate Directors**	N/A
a)	Representation through an alternate director is allowed only if, i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
b]	The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	N/A
c]	A person appointed as an alternate director to one of the directors cannot extend his role by acting as an alternate director to another director in the same Board	N/A
d]	An alternate director cannot be appointed to represent an executive director	N/A
e]	In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to the independent director	N/A
3.9	**Cooling off Periods**	
a]	There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	There are no Directors Subject to a Cooling off period.
b]	A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	N/A
3.10	Director or a KMP of a FC including CEO shall not be appointed, elected or nominated as a director of another FC except where such FC is a parent company, subsidiary company or an associate company of the first mentioned FC subject to conditions stipulated in Direction 3.5[f].	N/A
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position [shall include alternate directors] in more than 20 companies/societies/ bodies, including subsidiaries and associates of the FC.	The Board complies with the regulatory limit of 20. A separate parameter has not been set by the Board
4	**Assessment of Fit and Proper Criteria**	
4.1	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act [Assessment of Fitness and Propriety of Key Responsible Persons] Direction or as amended.	Directors nominated to the Board have been appointed with the approval of the Central Bank in terms of the requirements of this direction. Additionally, Directors so appointed were subject to an annual assessments under the same direction.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
4.2	A person over the age of 70 years shall not serve as a director of a FC.	There are No Directors over the ages 70
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following, a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	N/A
5	**Appointment and resignation of directors and senior management**	
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Mr A J L Peiris, Independent Director retired at the age of 70 on 17.12.2025
6	**The Chair and The Chief Executive Officer**	
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	The role and responsibilities of the Chairman and the CEO have been defined and segregated as approved by the BOD and reflected in their respective JDs.
6.2	The chairperson shall be an independent director, subject to 6.3 below.	The Chairman, Mr. F K C P N Dias is a Non- Independent, Non- Executive Director. However the Board has appointed a Senior Independent Director as required by section 6.3 below.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
6.3	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	Mr. P. A. Wijeratne, Senior Independent Director, completed nine (09) years of service with the Company and retired on 26th May 2026, which was approved by the CBSL on 19th March 2026 Board approved the appointment of Mr. Sunil Lankathilake as Senior Independent Director with effect from 27th May 2026, succeeding Mr P A Wijeratne, in compliance with Section 6.3 of the Finance Business Act Direction No. 05 of 2021.
6.4	Responsibilities of the Chairperson	
	The responsibilities of the chairperson shall at least include the following: a. provide leadership to the Board; b. maintain and ensure a balance of power between executive and non- executive directors; c. secure effective participation of both executive and non-executive directors; d. ensure that the Board works effectively and discharges its responsibilities; e. ensure that all key issues are discussed by the Board in a timely manner; f. Implement decisions/directions of the regulator; g. Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary; h. Not engage in activities involving direct supervision of senior management or any other day to day operational activities; i. Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board; j. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	The role and responsibilities of the Chairman has been defined and approved by the BOD and reflected in the JD. The Chairman is responsible to provide leadership, guidance, and oversight to the Board, ensuring that it operates effectively, fulfils its responsibilities, and acts in the best interests of the organisation and its stakeholders.
6.5	Responsibilities of the CEO	

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	The CEO shall function as the apex executive-in-charge of the day-to-day- management of the FCs operations and business. The responsibilities of the CEO shall include: a. implementing business and risk strategies in order to achieve the FCs strategic objectives; b. establishing a management structure that promotes accountability, and transparency throughout the FCs operations, and preserves the effectiveness and independence of control functions; c. promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent and professional behavior d. Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator	The role and responsibilities of the CEO has been defined and approved by the BOD and reflected in the JD. The CEO is the apex executive who is responsible for day-to-day operations of the Company with the assistance of members of the senior management and is accountable to the Board to recommend the Company's strategy implementation and ensure appropriate internal controls are in place to assess and manage risks.
	e. Strengthening the regulatory and supervisory compliance framework. f. Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g. CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.	
7	**Meetings of the Board**	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers shall be avoided as far as possible.	Complied with, The Board formally met 13 times during the year 2025/2026. There were 90 instances during the year under review where the Board's consent was obtained through the circulation resolutions. These were also ratified at a following board meeting.
7.2	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for scheduled Board Meetings	The Board has approved the policy on Board's relationship with the Company Secretary under its revised Governance Framework that makes it possible for all directors to add matters and proposals to the Board meeting agenda.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Annual calendar of Board/Sub Committee meetings is shared at the beginning of the year. Monthly calendar is shared before/at the beginning of each month. Specific meeting requests are then sent approx. 7 days prior to each meeting with the exception of additional meetings convened for specific/special matters.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Directors prepare for meetings in advance as meeting packs are shared with the Board three days prior to the meeting. Directors having reviewed the content contribute effectively and constructively when necessary to the deliberations of the Board on matters relating to the Company.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth of the number of directors that constitute the quorum at such meeting are independent directors.	The Company has fulfilled this requirement. Details of meeting attendance / participation is provided on page pages on 108 to 109
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	Two such meetings were held during the year under review (22.05.2025 and 01.12.2025)
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied
7.8	A director who has not attended at least two-thirds of the meetings in the period of 12 months, immediately, preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance. However, continuous attendance (more than 6 meetings) through an alternate director will result in discontinuation of the directorship of the original director.	The directors have participated in more than two thirds of the board meetings held. Refer details on page pages on 108 to 109
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings	
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Scheduled meetings are also held on-line. Directors who are unable to be physically present join via MS Teams (overseas).
8	**Company Secretary**	
8.1	a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	Complied
	b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	Complied.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	The Board approved policy on Board's relationship with the Company Secretary provides that all Directors shall have access to the advice/services of the Company Secretary.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	The Chairman has delegated this responsibility to the Company Secretary.
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	The Company Secretary maintains records of submissions and minutes of proceedings of the Board and its Sub Committee meetings. Voice/video recordings are not maintained.
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Minutes are maintained by the Company Secretary as specified by the Articles of Association.
8.6	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: a. a summary of data and information used by the Board in its deliberations; b. the matters considered by the Board; c. the fact-finding discussions and the issues of contention or dissent including contribution of each individual director. d. the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions e. the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; f. the decisions and Board resolutions.	Proceedings of meetings are recorded in minutes covering the given criteria.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Available for inspection upon request.
9	**Delegation of Functions by the Board**	
9.1	The Board shall approve a DA and give clear directions to the senior management ,as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	Delegated authority limits are approved by the Board for different sectors/senior management periodically with limits applicable at Board level.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Subcommittees specified in Section 10 have been established by the Company.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	The following management level committees have been established with specific TORs including DA limits: - Asset & Liability Committee - Credit Committee - Information Security Committee - Management Integrated Risk Management Committee - Sustainability Management Committee
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Corporate Governance Framework approved by the Board specifies areas assigned to the Board. Article 77 of the Company's Articles of Association empowers the Board to delegate its powers to a Committee of Directors or to a Director or employee upon such terms and conditions and with such restrictions as the Board may think fit. The Board has established a procedure under which powers have been delegated to the Director/CEO as sanctioned by the Company's Articles of Association.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	The delegated powers are reviewed periodically by the Board to ensure that they remain relevant to the needs of the Company. A process to review the delegation process has been approved by the Board. Based on the requirements of the Business/Service units and market conditions DA limits were reviewed by the Board periodically during the year under review.
10	**Board Sub-Committees**	
10.1	For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on asset base as per the latest audited SoFP. FCs with asset base of more than 20 Bn considered as category A and FCs with asset base of less than 20 Bn to be considered as category B.	The Company falls under Category A
	FCs with asset base of more than Rs. 20 Bn	
a)	(i) Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination & Governance Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	The Company has established the stated Committees governed by Board approved TORs.
	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	BAC met every other month and additional meetings were held as and when a need arises. BIRMC also met every other month. The Company complied with the requirements of this direction. Details of meetings held are on page pages on 108 to 109
b)	Each sub-committee shall have a written term of reference specifying clearly its authority and duties.	The following Committee TORs have been approved by the Board and revised periodically to maintain relevance: TOR/Charter for BAC – 27.03.2026 TOR for BCC – 31.03.2023 TOR for RPTRC – 01.12.2025
c)	The Board shall present a report on the performance of duties and functions of each committee, at the annual general meeting of the company.	The Company has reported the performance, duties and functions of each Committee in the Annual report for the financial year 2025/2026. Please refer respective Board Sub-Committee reports for more details on pages 124 to 129

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
d)	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	The Company Secretary functions as secretary to the below mentioned committees under supervision of the Committee Chairman Related Party Transaction Review Committee HR & Remuneration Committee Nomination & Governance Committee. Credit Committee (volunteer committee) With effect from 2024 the Head of Internal Audit is the Secretary to the Board Audit Committee and the Head of Risk is the Secretary to the Board Integrated Risk Management Committee.
e)	Each board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the board sub-committees.	Committee compositions comply with the requirements of this direction and are disclosed in the Committee Reports found on pages 124 to 129 Relevant experience and expertise of each member is found under profiles on pages 9 to 10
f)	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	As recommended by the Nomination & Governance Committee, membership of most subcommittees were rotated in January 2026, based on expertise and experience required for specified areas at the end of the year under review.
10.2	**Audit Committee**	
a)	The chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit	Mrs. K T C Priyangani (Independent, Non- Executive Director) has been appointed on 23.01.2025 as the Chairman of the Audit Committee.
b)	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	All three members appointed to the BAC are independent non executive directors with related experience and expertise. Please refer Committee Report on page no 124
c)	The secretary to the audit committee shall preferably be the chief internal auditor (CIA)	The Head of Internal Audit functions as the Secretary to the BAC
d)	**External Audit Function**	
i.	The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	The Auditors of the Company, Messrs. Deloitte Partners, Chartered Accountants was appointed in September 2024 with shareholder approval.
ii.	Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Complied
iii.	Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	Complied
iv.	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	The External Auditors are independent as they report direct to the Audit Committee of the Board. Further, the Auditors' Engagement Letter is evidence of the External Auditors' independence, and that the audit is carried out in accordance with SLAuS.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
v.	Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Requirement of the direction is covered by the Audit Charter approved by the Board on 27th March 2026.
vi.	The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	This requirement was fulfilled at the Meeting held on 03.04.2024
vii.	The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	The Committee has a process to review financial information of the Company when the quarterly and annual audited Financial Statements and the reports including accounting policies and changes to policies, significant assumptions/judgements prepared for disclosure are presented to the Committee.
viii.	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Of the seven (07) BAC meetings held during the year, the Committee met with the external auditors at one (01) meeting. At one such meeting, the external auditors met with the Committee in the absence of executive management.
ix.	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	ML for the year ended 31.3.2025 was reviewed by the BAC on 29th September 2025
e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Internal Control review was carried out at the Meeting held on 13.08.2025

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Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
f)	The BAC shall ensure that the KMPs are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of a FC.	Internal control weaknesses and non compliances reported to the BAC are also monitored by the BAC/ Internal Audit for rectification with a subsequent follow up process to ensure compliance .
g)	**Internal Audit function:**	
i.	The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes	The Company has established the Internal Audit function within the Company with a dedicated Head of Internal Audit. to provide independent assurance to the Board Audit Committee on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and processes.
ii.	The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	The Internal Audit Charter was approved by the Board on 27th March 2026. The Internal Auditor reports to the BAC Chairman and has a clear mandate to carry out its functions.
iii.	The BAC shall take the following steps with regard to the internal audit function of the FC:	
	I. Review the adequacy of the scope, functions and skills and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Annually reviewed by the BAC. Last review was at the Meeting held on 23.03.2026
	II. Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit;	Internal Audit Plan approved by the BOD by 27.03.2026 and progress reviewed quarterly
	III. Assess the performance of the head and senior staff members of the internal audit department;	Annually assessed by the Committee.
	IV. Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care;	The Committee is satisfied that the Internal Audit function is independent.
	V. Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	Periodically audited by the Internal Audit
	VI. Examine the major findings of internal investigations and management's responses thereto. ;	Escalated to the BAC by the IA .

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
h)	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	Examination Reports of the CBSL and rectification plans have been reviewed and monitored by the Board in the past. The Company will take measures to delegate such review to the BAC. However, Follow-up reviews done by the Internal Audit Department on examination reports are tabled periodically to the BAC.
i)	**Meetings of the Committee**	
	I. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	As defined by this direction the BAC meets every other month or as and when necessary to fulfil its responsibilities pre- notified to members by the meeting agenda.
	II. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	The CEO and other Board members including the Chairman are invited to be present . KRPs who are relevant for matters being discussed are also invited as advised by the Committee Chairman.
	III. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/employees being present.	The BAC met the external auditors only once during the year.
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
a)	The committee shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	All three members appointed to the BIRMC are independent non executive directors with related experience and expertise. Please refer Committee Report on page no. 125
b)	The secretary to the committee may preferably be the CRO	The Head of Risk serves as the secretary to the Committee
c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, Compliance and technology to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee fulfils the requirements specified in the direction; The risk management framework is reviewed by the BIRMC. All risk polices are approved by the board of directors and periodic risk assessments are submitted to the BIRMC. All material risks are assessed by the committee and reported to the board following each BIRMC.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
d)	Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.;	The RAS and KRIs were reviewed and approved by the Board annually as part of the Risk Management framework of the Company. The Board approved risk appetite statement & KRIs are monitored & presented to the committees for their review and corrective actions are recommended.
e)	The BIRMC shall review the FC's risk policies including RAS, at least annually.	All risk management policies and RAS are reviewed by the committee annually
f)	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Carried out Annually. The Committee evaluated the adequacy and effectiveness of the ALCO and Credit Committee for the year 2025/26 to ensure that risk levels are within the risk appetite of the company.
g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Risks are monitored and reported to the Board with recommendations periodically reviewed /actioned by the BIRMC. The company has a board approved BCP policy while the Disaster Recovery is tested by IT Dept periodically
h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	Carried out annually.
i.	**Compliance function**	
	BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	The Company has established an independent compliance function reporting to the Chairman IRMC.
ii.	For FCs with asset base of more than Rs. 20 Bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	The Company has a dedicated Compliance Head/Team with adequate resources to fulfil the obligations required by this direction..
iii.	For FCs with asset base of less than Rs. 20Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	N/A

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
iv.	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following I. develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; II. ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; III. ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; IV. understand and apply all new legal and regulatory developments relevant to the business of FC; V. secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance and ethical standards VI. highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and VII. maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity	The Board has approved the responsibilities of the Compliance Officer in terms of his job description. Additionally, the Board annually approves a Compliance Plan encompassing related responsibilities of the Company which will be performed/ overseen by the Compliance Team.
J.	**Risk management function**	
i.	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	The Board has appointed an Integrated Risk Management Committee comprising three independent directors with sufficient finance, banking and regulatory experience.
ii.	For FCs with asset base of more than Rs.20 Bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	The BIRMC has established an Independent Enterprise Risk Management Function for the Company headed by the Head of Risk Management report directly to the Chairman of the BIRMC on all risk management matters.
iii.	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Responsibilities of the function have been approved by the Board and covered under the job description as well as TOR of the BIRMC.

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iv.	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: I. various potential risks and frauds II. possible sources of such risks and frauds; III. mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing IV. effective measures to control and mitigate risks at prudent levels; and V. relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	The Committee has a Board approved Risk Management Policy in addition to policies on Key Risk Indicators with pre-approved risk appetite parameters for credit risk management, liquidity risk management, operational risk management, market risk management and overall enterprise risk management which provide the framework for management and assessment of risk. Accordingly, monthly reports on quantitative as well as qualitative risks are presented to the Board through BIRMC incorporating appropriate risk indicators, management information and make recommendations on risk strategies and risk appetites. Please refer the BIRMC report on pages 125 for more details.
v.	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc. and make recommendations on risk management	The Head of Risk Management participates in decision making relating to adoption of policies/procedures, new product development and the Asset and Liability Committee. The scope of the function will be reviewed and further strengthened going forward.
vi.	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	The Risk Register is submitted to the BIRMC quarterly by the Head of Risk Management. The Risk Register was reviewed and revised taking into consideration prevalent economic emergencies of the country with the approval of the Board.
vii.	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	Monthly reports on quantitative as well as qualitative risks are presented to the Board and all material risks are reviewed and assessed by the BIRMC and its funding and recommendations are reported to the Board following each BIRMC meeting.
10.4	**Nomination & Governance Committee**	
a)	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Committee comprises non-executive directors with a majority of them being independent directors. Please refer committee report on page 128
b)	Secretary to the nomination committee may preferably be the company secretary.	The Company Secretary serves as the Secretary to the Committee
c)	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	The requirements of the directions and the listing rules of the CSE have been taken into consideration when adopting the Committee TOR by the Board. Related procedures will be reviewed and strengthened going forward by the Head of HR.
d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and propriety of Key Responsible Persons)	Fit and proper assessment requirements specified by the CBSL are carried out annually for Board Members and on appointment/promotion/extensions/lateral movements for officers of the Company as and when applicable.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	Requirements set out in this direction are taken into consideration at the point of nomination/recommendation as included in the Committee TOR.
f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	Requirements specified in the direction have been mandated in the Committee TOR and will be established subject to transitional provisions.
g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	Requirements specified in the direction have been mandated in the Committee TOR and will be established subject to transitional provisions.
h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The areas specified by the direction on new appointments are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange (CSE) as well as in the Annual Report by the Company Secretary, after obtaining approval from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.
i)	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Requirements included in the Committee TOR. The Committee recommends re-election of directors based on the strategic requirements of the Company
j)	The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management	Requirements included in the Committee TOR. A Board approved succession plan is available for the CEO and the Senior management which was approved on 26.08.2024.
k)	A member of the Nomination Committee shall not participate in decision making relating to own appointment/reappointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Requirements specified in the direction have been mandated in the Committee TOR
10.5	**Human Resources and Remuneration Committee:**	
a)	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	The Committee comprises non executive directors of whom a majority are independent directors. Please refer Committee Report on page 126
b)	The secretary to the human resource and remuneration committee may preferably be the company secretary.	The Company Secretary serves as the secretary to the Committee
c)	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	The Committee has approved a Remuneration Policy for the Company on 26th March 2025 and periodically reviews the staff salary structures/grading and fees paid to non executive directors.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
d)	There shall be a formal and transparent procedure in developing the remuneration policy.	Requirement built in to the TOR adopted on 26.03.2025. The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines. The policy was recommended by the Committee and approved by the Board of Directors.
e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	Requirement built in to the TOR adopted on 26.03.2026 The Committee periodically reviews the salary structures of staff members as and when required and/or when there are material changes.
f)	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Requirements specified in the direction have been mandated in the Committee TOR
g)	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Requirements specified in the direction have been mandated in the Committee TOR. An effective annual evaluation process is in place to determine the basis for revising remuneration and other performance-based benefits for the Senior Management. This will be reviewed subject to transitional provisions.
h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Requirements specified in the direction have been mandated in the Committee TOR
11	**Internal Controls**	
11.1	FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	The Company has established a sound internal control system supported by the organisation structure, segregated duties and reporting lines for management, and operational procedures and policies for all the required areas of the Company to mitigate the operational risks. The Internal Controls are reviewed annually.
11.2	A proper internal control system shall: (a) promote effective and efficient operation; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of loss from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations and internal policies.	The effectiveness and compliance of the internal control mechanism is reported under the Directors' Statement on Internal Controls on page 122 and the External Auditor independent assurance on the Directors' Statement on Internal Control over Financial Reporting on page 123 in the Annual Report.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives	All employees are accountable and responsible for internal controls in terms of the functions performed in their respective areas while abiding with related policies/procedures of the Company. These are in turn monitored by the Board through the BAC and the Internal Audit Dept.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
12	**Related Party Transactions**	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following	A Board approved RPTs Policy has been established by the Committee for the Company which is periodically reviewed.
a)	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.	The Board has appointed a RPT Review Committee comprising of Independent Directors and a TOR conforming with the requirements of this direction with transitional provisions.
b)	All related party transactions shall be prior reviewed and recommended by the RPTRC.	The RPT Policy approved by the Board governs all RPTs of the Company. Transactions which are within the purview of the Committee are reviewed and recommend for Board approval. Routine transactions which are in the normal course of business are reviewed quarterly.
c)	The business transactions with a related party that are covered in this Direction shall be the following: a. Granting accommodation; b. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; c. Providing financial or non-financial services to the FC or obtaining those services from the FC; or d. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	Types of transactions with Related Parties have been defined in the Board approved RPT Policy.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
12. 2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	The Committee has identified individuals and entities considered as related parties. This list is periodically reviewed and updated. A Board approved process is in place to ensure that the Company does not engage in related party transactions as stipulated in this direction and to enable Directors to take measures to avoid a conflict of interest. Further, Directors are individually requested to declare their transactions with the company at each Board meeting and in the annual declaration.
12.3	The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related party without a proper evaluation procedure	The Company has implemented a system that enables the Company to capture and retrieve data on RPTs. This system generates comprehensive reports for management review and for quarterly review of the Committee reflecting all related party transactions including expenses, income, lending and amounts outstanding. Through this system the Company ensures that no favourable transaction has been entered in to with such parties. The system is subject to continuous development. The Committee further ensures that the transactions with Related Parties are on normal commercial terms offered to the public in line with the RPT Policy established. The RPT Policy stipulates that no Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party to, other than to provide information on the transaction to the committee. Transactions carried out with Related Parties in the ordinary course of business (Recurrent transactions) are disclosed in the Financial Statements on 'Related Party Disclosures' under Note 39 on page 206 to 209 in Financial Statements.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
	e) Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions	
13	**Group Governance**	
13.1	**Responsibilities of the FC as a Holding Company**	
a)	The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.	The Company does not have subsidiaries or associates as at 31st March 2026. It has associate investments which are listed out in page 119 in the Report of the Board of Directors.
b)	The Board of the FC shall	
i.	Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.	The Group Governance framework approved by the Board, defines its oversight powers.
ii.	Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework.	Board representation in associate investments ensure understanding their operating environments including legal/regulatory and economic conditions.
iii.	Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.	Performance of the associate entities are reported & reviewed at monthly board meetings.
iv.	Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and	The internal controls of the Company have limited access to being extended to the associate investments as LOFC has limited opportunity to influence policy/decision making
v.	Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.	Performance of the associate entities are reported & reviewed at monthly board meetings. Board presence in associate investments ensure understanding their operating environments including legal/regulatory requirements.
c.	The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls	Board representation in associate investments ensure understanding their operating environments including legal/regulatory and economic conditions. The creation of new legal entities under its management is a matter set aside for the Board subject to regulatory approval as defined in the Company's Corporate Governance Framework.
d.	The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.	The Company has limited opportunity to influence policy/decision making of the associate investments. However, their activities and obligations are monitored through the nominees appointed to such boards.
e.	The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	N/A

Corporate Governance Framework of LOLC Finance PLC

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
13.2	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The Company is not a subsidiary of another financial institution.
14	**Corporate culture**	
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	The Board has approved and adopted a Codes of Ethic for Directors, Officers and Staff Members.
14.2	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Breaches detected during the year under review have been dealt with in accordance with the HR/Disciplinary Policy of the Company. Records of such breaches are maintained by the HR Department.
14.3	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	The Company has a Board-approved Whistleblowing Policy whereby employees of the Company could raise concerns in confidence about the malpractices in the Company. As recommended by the BAC the Board has revised its Whistleblowing policy on 13th August 2025. The related revised process ensures that a fair and independent investigation and appropriate follow-up action is taken on related matters.
15	**Conflicts of interest**	
15.1		
a)	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	In compliance with the requirements of this direction the Board has approved the adoption of the policy on managing Conflicts of Interest.
b)	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall, I. Identify circumstances which constitute or may give rise to conflicts of interests II. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. III. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. IV. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. V. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and VI. Articulate how any non-compliance with the policy to be addressed	The Conflicts of Interest Policy covers the requirements specified in this section with guidelines to deal with any conflict that arises. In addition Article 79 of the Company's Articles of Association requires an interested Director to disclose his/her interest at Board meetings. Article 83 requires such a Director to abstain from voting on any Board resolution. He/she will not to be counted in the quorum.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
16	**Disclosures**	
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.	The Board has complied with the requirements of this section in publishing the Company's financial statements.
	The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	
i.	**Financial statements-**In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, » A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. » A statement of responsibility of the Board in preparation and presentation of financial statements.	Please refer the Report of the Board of Directors on pages 116 to 121 and the Statement of Directors' Responsibility for Financial Reporting on page 131
ii.	Chairperson, CEO and Board related disclosures- Name, qualification and a brief profile. » Whether executive, non-executive and/or independent director. » Details of the director who is serving as the senior director, if any. » The nature of expertise in relevant functional areas. » Relatives and/or any business transaction relationships with other directors of the company. » Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity. » Number/percentage of board meetings of the FC attended during the year; and » Names of board committees in which the director serves as the Chairperson or a member.	Please refer the following reports: Names of other companies in which the directors serve can be found in the Report of the Board of Directors on pages 120 to 121 Details of the Directors are given in the profiles of the Board of Directors on pages 9 to 10 including that of the Senior Independent Director. Attendance at Board Meetings and Sub-Committee meetings including Committee Compositions are given on pages 108 to 109
iii.	**Appraisal of board performance** » An overview of how the performance evaluations of the Board and its committees have been conducted	The performance evaluations of the Board and the Sub-Committees for the financial year end as at 31.03.2026 have been completed based on criteria recommended by the regulations. These evaluations were tabled at Board/Committee meetings after the year under review for noting and necessary action where relevant.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
v.	**Remuneration** » A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) » The aggregate values of remuneration paid by the FC to its directors and senior management.	A statement on the remuneration policy has been disclosed in Report of the Board of Directors on page 116 to 121 of the Annual report. Aggregate remuneration paid to Directors

	2025/2026 **Rs.**
Basic Salary	9,300,000.00
Board and sub-committee sitting fees	8,400,000.00
Fixed allowances	
Bonuses	7,094,682.00
Reimbursed expenses	5,100,000.00
Other monetary benefits (if any)	-
Non-monetary benefits (converted into monetary terms)	-
Total remuneration paid to directors	29,894,682.00

Aggregate remuneration paid to Senior Management

Form of Remuneration	**2025/2026** **Rs.**
Basic Salary	100,032,060.00
Fixed Allowances	11,286,202.00
Variable Allowances	-
Bonuses	87,657,952.32
Reimbursed expenses	66,000,000.00
Other Monetary benefits	-
Non - Monetary benefits	-
Total remuneration paid to senior management	264,976,214.32

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
vi.	**Related party transactions-** » The nature of any relationship (including financial, business, family or other material/ relevant relationship(s)), if any, between the Chairperson and the CEO and the relationships among members of the Board. » Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. » The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	There is no financial, business, family or other relationship between the Chairman and the Director/CEO. There is no financial, business, family or other material relationship between any other members of the Board. A process has been developed for Directors to disclose any relationships between the Chairman and the CEO and or between any other Board members. Net accommodations granted to each category of related parties as a percentage of capital funds of the Company at the year end is disclosed on page 209.

Remuneration	Rs.	237,411,928
Accommodations -Capital Outstanding	Rs.	183,585,716
Deposits	Rs.	2,267,159,906
Interest for the year - Interest Expense	Rs.	217,220,383
Interest for the year - Interest Income	Rs.	28,299,633

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
vii.	**Board appointed committees-** » The details of the chairperson and members of the board committees and attendance at such meetings.	The Board has established the following Committees required by this direction. Details of membership, activities of each Committee are found on pages 124 to 129 » Board Audit Committee Report » Board Integrated Risk Management Committee Report » Board Nomination & Governance Committee Report » Board Human Resources and Remuneration Committee Report » Board Related Party Transaction Review Committee Report » Board Credit Committee (Volunteer Committee)
viii	**Group Structure-** » The group structure of the FC within which it operates. » The group governance framework.	A Group Governance Framework has been approved by the Board detailing the Company's oversight responsibilities and methods of monitoring of subsidiaries or associates if any.
ix.	**Director's report-** » A report, which shall contain the following declarations by the Board » The FC has not engaged in any activity, which contravenes laws and regulations. » The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. » The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. » The business is a going concern with supporting assumptions; and » The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Refer Report of the Board of Directors on pages 116 to 121 for the following disclosures: declaration on not engaging in any activity, which contravenes laws and regulations, director's declaration on RPTs and abstaining from voting , fair treatment of all stakeholders including depositors, going concern, review of internal controls covering material risks and assurance of their effectiveness.
ix.	**Statement on Internal Control-** » A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. » The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. » A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. » A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions	Please refer the Directors' Statement on Internal Controls Over Financial Reporting on page 122 The Company has obtained a certification from M/s Deloitte Partners, Chartered Accountants on the effectiveness of the internal controls over financial reporting. Please refer page 122 of the report. There were no significant supervisory concerns/lapses in the Company's risk management and compliance with this direction to be directed by the Monetary Board to be disclosed to the public.

Direction Reference	Finance Companies Corporate Governance Direction No. 5 of 2021	Level of Compliance of LOLC Finance PLC
xi.	**Corporate governance report-** Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	This report serves the said purpose stipulated in this direction. and the Coporate Governance Report is setout on pages 64 to 109 of the Annual Report of the Company. The Company has engaged the services of the External Auditors to assess the Company's level of compliance with the Finance Companies Corporate Governance Direction No. 05 of 2021 issued by the Monetary Board and has obtained a report on factual findings.
xii.	**Code of Conduct –** » FC's code of business conduct and ethics for directors, senior management and employees. » The Chairperson shall certify that the company has no violations of any of the provisions of this code.	The Board has approved and adopted a Codes of Ethics and a Policy for managing Conflicts of Interest for Directors, Officers and Staff Members. Please refer the Chairman's statement on pages 4 relating to violations of the provisions of the Code.
xiii.	**Management report –** » Industry structure and developments » Opportunities and threats » Risks and concerns » Sustainable finance activities carried out by the company » Prospects for the future	Refer pages 11 to 61 on the Management Discussion and Analysis provided in this Annual Report
xiv.	**Communication with shareholders –** » The policy and methodology for communication with shareholders. » The contact person for such communication.	A Board approved Stakeholder Communication and Corporate Disclosure Policy is in place which covers all stakeholders including depositors, creditors, shareholders, and borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication. The contact person for such communication is the Head of Finance, Chief Manager – Marketing Communication and the Company Secretary.

Given below is the level of compliance against the respective governance requirements:

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	**Corporate Governance**	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange.
7.10.1	**Non-executive Directors** a. The Board of Directors of a listed entity shall include at least : - two non-executive directors; or - such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	As of 31st March 2026, Board comprised of Seven Directors, of whom six Directors are Non-Executive Directors. The names of the non-executive directors are set out in the Report of the Directors on page 116.
7.10.2	**Independent Directors** a. Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	As of 31st March 2026 the Board comprised four Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	The four Non-Executive Directors have submitted their declarations of independence/non independence for the financial year ended 31/3/2026

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.3	**Directors disclosures**	
	a. Names of the Independent Directors should be disclosed in the Annual Report.	P A Wijeratne, S Lankathilake, (Mrs) K T C Priyangani and J T Fernando have declared their status as independent directors.
	b. The Board shall make a determination annually as to the independence or non-independence of each director.	The Board has determined that by virtue of their professionalism, skill and expertise, these four directors are independent.
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	Please refer Directors' Profiles on pages 9 to 10
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	The Company complies with this requirement, in the event a new director is appointed to the Board.
7.10.4	**Criteria for defining independence** Requirements for meeting the criteria to be an independent director.	The Board has reviewed and satisfied itself as to the Independent/Non-Independent status of the Non-Executive Directors.
7.10.5	**Remuneration Committee** a. Composition The remuneration committee shall comprise; - of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The HR and Remuneration Committee comprises three non-executive directors, a majority of whom are independent, and one of whom serves as the Committee Chairman.
	b. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Committee periodically reviews Board remuneration and makes recommendations to the Board. The Committee report is on page 124 - 129
	c. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The Committee comprises Non Executive Directors P A Wijeratne (Senior Independent Director/Committee Chairman retired w.e.f 26.05.2026), (Mrs) K T C Priyangani (Committee Chairman appointed w.e.f 27.05.2026), F K C P N Dias and M R Dewapura (appointed w.e.f 14.05.2026). The Committee is also guided by the Board approved Remuneration Policy. The aggregate remuneration paid to executive and Non-Executive Directors is disclosed in the notes to the financials.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	Audit Committee a. Composition The audit committee shall comprise; - of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Committee comprises three Non-Executive Directors, a majority of whom are Independent. The Committee is chaired by an Independent Director.
	The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	Non-Executive Director, Mrs K T C Priyangani is a Member of a recognised professional accounting body.
	b. Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee is guided by a board approved Audit Committee Charter which includes the functions of those listed here.
	c. Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The Committee comprises the Independent Directors Mrs K T C Priyangani (Committee Chairman) P A Wijeratne (retired w.e.f 26.05.2026) and A J L Peiris (retired w.e.f 17.12.2025), J T Fernando (appointed w.e.f 17.12.2025, M R Dewapura (appointed w.e.f 14.05.2026) Please refer the Committee report on page 124
9	**Section 9 of the Listing Rules**	**Effective date of applicability and Level of Compliance**
9.1.3	Listed entities shall publish a statement confirming the extent of compliance with the Rules set out herein	As detailed below, the Company is in compliance with the Listing Rules of the Colombo Stock Exchange, subject to applicable transitional provisions.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.2 9.2.1	**Policies** Listed Companies shall maintain the prescribed policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website;	01.10.2024 The Company's governance framework is regularly reviewed and updated to reflect stakeholder needs and regulatory/statutory requirements to enhance oversight, accountability, and operational effectiveness. Accordingly, the Company revised its existing policies to align with the requirements of the Exchange and are available on the Company's website.
9.2.2	Waivers from compliance with the Internal Code of Business Conduct and Ethics or exemptions granted by the listed entity shall be fully disclosed in the annual report.	01.10.2024 There has not been any material breach of the Code during the year under review.
9.2.3	i) list of policies in place in conformity of Rule 9.2.1 above with reference to its website ii) details pertaining to any changes to policies adopted by the listed entity in compliance with Rule 9.2 above	01.10.2024 There has not been any material changes made to the policies during the year under review.
9.2.4	Listed entity shall make available all such policies to shareholders upon a written request being made for any such Policy	01.10.2024 Shareholders have access to the detailed policies which are hosted on the Company's website.
9.3 9.3.1	**Board Committees** Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively: - Nomination & Governance Committee* - Remuneration Committee - Audit Committee - Related Party Transactions Review Committee - Integrated Risk Management Committee - Board Credit Committee (volunteer committee)	The required Committees have been established and are functioning effectively. These Committees support the Board in its responsibility for overseeing the Company's performance, compliance, and sustainability.
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in the Rules	Refer sections 9.11, 9.12, 9.13, and 9.14 below for details on compliance.
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	01.10.2023 The Chairman is not the chairperson of any of the Board sub committees. All sub-committees are chaired by an Independent Director
9.4 9.4.1	Adherence to principles of democracy in the adoption of Meeting Procedures and the conduct of all General Meetings with shareholders Listed entity shall maintain records of all resolutions and the following information upon a resolution being considered at any general meeting of the entity. The entity shall provide copies of the same at the request of the Exchange and or the SEC: a) the no. of shares in respect of which proxy appointments have been validly made; b) the no. of votes in favour of the resolution; c) the no. of votes against the resolution; and d) the no. of shares in respect of which the vote was directed to be abstained.	01.10.2023 The stipulated records of all shareholder meetings have been maintained by the Company.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.4.2	Communication and relations with shareholders and investors a) listed entity shall have a policy on effective communication and relations with shareholders & disclose the existence of the same in the Annual Report and the Website of the listed entity. b) Listed entity shall disclose the contact person for such communication. c) The policy on relations with shareholders and investors shall include a process to make all directors aware of major issues and concerns of shareholders and such process shall be disclosed by the Entity in the Annual Report and the Website of the entity. d) Listed entities that intend to conduct shareholder meetings through virtual and hybrid means shall comply with the guidelines issued by the Exchange.	01.10.2024 The Company has established methodologies to ensure effective communication and relations with shareholders. Details of same are set out in the Stakeholder Communication and Corporate Disclosure Policy adopted by the Company. Designated personnel have been identified as contact persons in the said policy for such inquiries/communication. Any significant/material issues raised by the shareholders/investors are escalated to the Board where necessary in a transparent manner. The Company conducted its shareholder meetings online/virtual means while complying with the guidelines issued by the CSE.
9.5 9.5.1	**Policy on matters relating to the Board of Directors** Listed entities shall establish and maintain a formal policy governing matters relating to the Board of Directors with specific requirements prescribed by the Exchange (a) to (j)	The Company has adopted a policy on Board on Directors. Board Charter of the Company is aligned with the requirements prescribed by the Exchange.
9.5.2	Listed entity shall confirm compliance with the requirements of the Policy referred to in 9.5.1 above in the Annual Report and provide explanations for any non compliance with any of the requirements with reasons for such non compliance and the proposed remedial action	01.10.2024 Requirements set out in the Policy have been complied with, by the members of the Board.
9.6 9.6.1	**Chairperson & CEO** The Chairperson of every listed entity shall be a Non-Executive Director and the position of Chairperson and CEO shall not be held by the same individual.	The Chairman of the Company is a Non-Executive Director. The positions of Chairman and CEO are held by two individuals.
9.6.2	A listed entity that is unable to comply with Rule 9.6.1 shall make a market announcement within a period of 1 month from the date of implementation of these Rules or an immediate market announcement from the date of non compliance (if such date falls subsequent to the implementation of these Rules)	The prescribed announcements were made by the Company
9.6.3	**The Requirement for a SID** a) The listed entity shall appoint an independent director as the SID in the following instances: i) The Chairperson and the CEO are the same person ii) The Chairperson and the CEO are close family members or related parties	The criteria described in Rule 9.6.3 do not apply to the Company. However, the Company has appointed an Independent Director as the SID
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such entities shall explain the reasons for non compliance in the Annual Report	Complied, as disclosed in 9.6.1 above
9.7	**Fitness of Directors and CEO**	
9.7.1	The listed entity shall ensure that its directors and CEO are at all times fit and proper in terms of criteria set out by these Rules in 9.7.3	The Board members met the criteria set out in these Rules during the year under review
9.7.2	Listed entity shall ensure that persons recommended by the Nominations & Governance Committee as directors are fit and proper before such nominations are placed before the shareholders meetings	The Committee has recommended the re-election of directors retiring placed before the AGM, having considered that fit and propriety; and taking into consideration their expertise and strategic contribution, integrity, competencies, financial soundness and other commitments.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.7.3	The directors and the CEO of the entity shall not be considered fit and proper if they do not meet the criteria specified in sections a) honesty, integrity and reputation b) competence and capability and c) financial soundness respectively	The Board members meet the criteria set out in these Rules
9.7.4	Listed entity shall obtain declarations from its directors and CEO on an annual basis confirming that each of them have continually satisfied the fit and proper assessment criteria set out in these Rules during the financial year concerned and as at the date of such confirmation	Duly signed declarations have been made by each Board member confirming the criteria set out in 9.7.4
9.7.5	**Disclosures in the Annual Report** Listed entity shall include the following disclosures in the Annual Report: a) A statement that the directors and the CEO of the entity satisfy the fit and proper criteria stipulated in the Listing Rules b) Any non compliance/s by a director or CEO of the listed entity of the fit and proper assessment criteria during the financial year and remedial action taken by the entity to rectify such non compliance/s	Refer page 116 to 121 of the Report of the Board of Directors for the statement of compliance. Profiles of the directors are on pages 9 to 10
9.8	**Board Composition**	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors	The Board consists of seven (07) directors
9.8.2	**Minimum Number of Independent Directors** a) The listed entity shall include at least two (02) independent directors or such number equivalent to one third 1/3 of the total number of directors at any give time, which ever is higher. b) any change occurring to this ratio shall be rectified within 90 days from the date of change	The Board consist of four (04) independent directors
9.8.3	**Criteria for determining independence**	
9.8.4	A director shall not be considered independent if he/she does not fulfil the criteria defining independence under sections 9.8.3 and 9.8.4 of the Rules.	The Board has determined that S Lankathilake, (Mrs) K T C Priyangani, J T Fernando and M R Dewapura are independent Mr A J L Peiris retired from the Board on 17th December 2025, and Mr P A Wijeratne retired on 26th May 2026 upon completion of nine (09) years of service.
9.8.5	The listed entity shall ensure a) Each independent director submits a declaration with criteria specified by the Exchange b) The Board shall make an annual determination as to independence/ non independence and set out the names of directors determined to be independent in the Annual Report c) If the Board determines that the independence of and independent director has been impaired against any criteria set out in 9.8.3 it shall make an immediate market announcement thereof	The Company has established a process for determination of independence based on the requirements of this Rule.
9.9	**Alternate Directors** Listed entities that provides for the appointment of Alternate Directors, it must comply with the requirements set out by this Rule and such requirements shall be incorporated into the Articles of Association of the Entity	No alternate Directors have been appointed to the Board during the year under review.
9.10	**Disclosures Relating to Directors**	
9.10.1	Policy on the maximum number of directorships its board members shall be permitted to hold	Company complies with the regulations stipulated by the Central Bank of Sri Lanka for Finance Companies. A director may hold office as director of maximum of 20 directorships in companies/ societies/bodies including subsidiaries and associates of the Company,

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.10.2	Immediate market announcement upon appointment of new director setting out resume, capacity of directorship, statement indicating if such appointment has been reviewed by the Nominations & Governance Committee	Announcements were made to the CSE on new appointments covering the criteria set out herein.
9.10.3	Immediate market announcement regarding any changes to the i) Board of Directors ii) Board Committees specified in Rule 9.3 With details of changes including, appointments, resignations and the capacity of directorship with the effective date thereof.	During the year under review, changes to the directorate and committee compositions of the Board have been duly announced to the Exchange. Mr A J L Peiris retired from the Board on 17th December 2025, and Mr P A Wijeratne retired on 26th May 2026 upon completion of nine (09) years of service. Mr J T Fernando was appointed on 3rd November 2025 and Mr M R Dewapura on 7th May 2026 as Independent Directors.
9.10.4	Listed entities shall disclose the following in relation to Directors in the Annual Report: a) name qualifications, brief profile, b) nature of expertise in relevant functional area c) whether either the director or close family member/s has any material business relationship with the directors of the listed entity, d) whether executive, non executive and or independent. e) Total number of names of companies in which the director concerned serves as a director/KMP indicating if these are listed f) Capacity of the position held whether executive or non executive g) Number of board meetings of the listed entity attended during the year h) Names of board committees in which the director serves as chairperson or member i) Details of attendance of committee	Refer pages 9 to 10 for directors profiles; pages 116 to 121 for directors interests in contracts pages 124 to 129 for details of Board and Committee membership / meeting attendance details
9.11	**Nominations & Governance Committee**	
9.11.1	The listed entity shall have a Nominations & Governance Committee conforming with the requirements set out in Rule 9.11	Please refer the Nominations & and Governance Committee Report on page 128
9.12	**Remuneration Committee**	
9.12.1	For the purposes of Rule 9.12 the term remuneration shall make reference to cash and non-cash benefits whatsoever received	Refer the HR & Remuneration Committee Report on page 126 for details The aggregate remuneration paid to executive and non executive directors is disclosed on page 116 of the report
9.12.2	The listed entity shall have a Remuneration Committee conforming with the requirements set out in Rule 9.12	Complied
9.12.3	The listed entity shall establish a formal transparent procedure for developing policy on executive director remuneration and for fixing packages of individual directors. No director shall be involved in fixing his or her own remuneration	Complied
9.12.4	Remuneration for non executive directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	Complied
9.12.5	The Committee shall have a written terms of reference defining scope, authority, duties and quorum for meetings	Complied
9.12.6	1) Should comprise minimum of 3 directors of the listed entity of whom a minimum of 2 shall be independent directors; and shall not comprise of any executive directors of the listed entity; 2) If both parent company and subsidiary are listed entities the Committee of the Parent may function as the Audit Committee of the Subsidiary 3) an independent director shall be appointed as chairperson of the committee	Complied

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
9.13	**Audit Committee**	
9.13.1	The listed entity shall have an Audit Committee conforming with the requirements set out in Rule 9.13	Refer page 124 for the Report of the Audit Committee
9.13.2	The Committee shall have written Terms of Reference clearing defining scope, authority and duties	The Committee composition meets the criteria specified in 9.13.3.1
9.13.3	1) Should comprise minimum of 3 directors of the listed entity of whom a minimum of 2 or a majority whichever is higher shall be independent directors; and shall not comprise of any executive directors of the listed entity; 2) The quorum for a meeting of the Audit Committee shall require the majority in attendance to be independent 3) The Committee may meet as often as required provided that it compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market 4) If both parent company and subsidiary are listed entities the Audit Committee of the Parent may function as the Audit Committee of the Subsidiary 5) An independent director shall be appointed as chairperson of the committee 6) Unless otherwise determined by the Audit Committee, the CEO and the CFO of the listed entity shall attend meetings by invitation. 7) The Chairperson of the Audit Committee shall be a member of a recognised professional accounting body	Refer page 124 for the Report of the Audit committee The Committee composition meets the criteria specified in 9.13.3.1 Refer page 108 to 109 for Committee attendance details The Committee meet every other month for this purpose N/A Independent Director, K T C Priyangani Chairs the Audit Committee The CEO and the HOF are invited to attend committee meetings
9.13.4	Functions of the Audit Committee	Complied
9.13.5	Disclosures in the Annual Report	Refer the Audit Committee Report on page 124
9.14	**Related Party Transactions Review Committee**	
9.14.1	The listed entity shall have a Committee that conforms to the requirements set out in Rule 9.14	The Committee established by the Company conforms to the requirements set out herein.
9.14.2-4	The Committee shall comprise a minimum of three (03) of whom two (02) members shall be Independent Directors . It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	The Committee comprises three (03) Independent directors
9.14.3-9.14.4	Functions and general requirements	Refer pages 127 for the Report of the Related Party Transactions Review Committee for details
9.14.5-10	Review of RPTs by the Relates Party Transactions Review Committee as specified by these Rules	During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 39
9.16	**Additional Disclosures** The following additional disclosures by the BOD to be included in the Annual Report. i) Declared all material interests in contracts involving the entity and whether they have refrained from voting on matters in which they were materially interested; ii) Conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and if unable to make any of these declarations, an explanation why it is unable to do so. iii) Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to listing rules and applicable capital market provisions iv) Relevant areas of any material non compliance.	Refer Report of the Board of Directors on pages 116 to 121

MEMBER ATTENDANCE AT MEETINGS

Board Meetings

Name of the Committee Member	Independent	Non-Independent	Executive	Non-Executive	Date of Appointment	30.04.2025	22.05.2025	27.06.2025	30.07.2025	02.09.2025	08.09.2025 Special Board Meeting)	29.09.2025	30.10.2025	01.12.2025	05.01.2026	29.01.2026	25.02.2026	27.03.2026	Total
F K C P N Dias [Re-designated as Chairman, Non-Executive Director w.e.f 31.03.2022]		✓		✓	01.03.2020	✓	✓	✓	AB	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
D M D K Thilakaratne / CEO [appointed pursuant to the merger with CLC]			✓		31.03.2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
B C G de Zylva [Re-designated as Non-Executive Director w.e.f 31.03.2022]		✓		✓	23.04.2018	AB	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓*	✓	✓*	✓*	AB	11
P A Wijeratne	✓			✓	26.05.2017	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	*	13
Annakkarage Jayantha Laxman Pieris [appointed pursuant to the merger with LODF] - retired w.e.f 17.12.2025	✓			✓	31.01.2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	9
Sunil Lankathilake [appointed pursuant to the merger with LODF]	✓			✓	31.01.2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mrs. K T C Priyangani	✓			✓	23.01.2025	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr. J T Fernando	✓			✓	03.11.2025	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓*	✓*	AB	4

Chairperson held meetings with Non – Executive Directors without Executive Directors

Name of the Committee Member	22.05.2025	01.12.2025	Total
Mr. P A Wijeratne [Senior Independent Non-Executive Director/Committee Chairman]	✓	✓	2
Mr. Sunil Lankathilake [Independent Non-Executive Director]	✓	✓	2
Mr. A J L Peiris [Independent Non-Executive Director]	✓	✓	2
Mrs K T Chamila Priyangani [Independent Non-Executive Director]	✓	✓	2
Mr F C K P N Dias [Non-Executive Director]	-	✓	2
Mr B C G de Zylva [Non-Executive Director]	-	✓	2
J T Fernando [Non-Executive Director]	N/A	✓	1

Audit Committee Meetings

Name of the Director	22.05.2025	27.06.2025	13.08.2025	With Auditors 29.09.2025	10.11.2025	30.01.2026	23.03.2026	Total
Mrs. K T C Priyangani – [Independent Non-Executive Director/Committee Chairman	✓	✓	✓	✓	✓	✓	✓	7
Mr. P A Wijeratne [Senior Independent Non-Executive Director]	✓	✓	✓	✓	✓	✓	✓	7
Mr. A J L Peiris [Independent Non-Executive Director]	✓	✓	✓	✓	✓	N/A	N/A	5
Mr. J T Fernando [Independent Non-Executive Director]	N/A	N/A	N/A	N/A	N/A	✓	AB	1

Integrated Risk Management Committee Meetings

Name of Committee Member	21.04.2025	27.06.2025	15.09.2025	29.10.2025	16.01.2026	06.03.2026	Total
Sunil Lankathilake(Independent Non-Executive Director) Committee Chairman)	✓	✓	✓	✓	✓	✓	6
P A Wijeratne (Senior Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	6
Mrs K T Chamila Priyangani (Independent Non-Executive Director)	✓	✓	✓	✓	✓*	✓*	6
J T Fernando (Independent Non-Executive Director/Committee Chairman)	N/A	N/A	N/A	N/A	✓	✓	2

Nomination Committee Meetings

Name of Committee Member	30.09.2025	12.03.2026	25.03.2026	Total
Mr. Sunil Lankathilake (Independent Non-Executive Director/Committee Chairman)	✓*	✓*	✓*	3
Mr. A J L Peiris (Independent Non-Executive Director)	✓*	N/A	N/A	1
F K C P N Dias (Non-Executive Director)	✓*	✓*	✓*	3
Mrs K T Chamila Priyangani (Independent Non-Executive Director)	N/A	✓*	✓*	2

HR & Remuneration Committee Meeting

Name of Committee Member	30.07.2025	27.03.2026	Total
Mr. P A Wijeratne (Senior Independent Non-Executive Director/Committee Chairman)	✓	✓*	2
Mrs K T Chamila Priyangani (Independent Non-Executive Director)	✓	✓	2
F K C P N Dias (Non-Executive Director)	✓	✓	2

Related Party Transactions Review Committee Meetings

Name of Committee Member	22.05.2025	02.09.2025	26.09.2025	04.11.2025	28.01.2026	19.03.2026	Total
Mr. A J L Peiris (Independent Non-Executive Director/Committee Chairman)	✓	✓	✓	✓	N/A	N/A	4
Mr. Sunil Lankathilake (Independent Non-Executive Director/Committee Chairman)	✓	✓	✓	✓	✓	✓	6
Mrs. K T C Priyangani (Independent Non-Executive Director) a.w.e.f 23.01.2025	✓	✓	✓	✓	✓*	✓*	6
Mr. J T Fernando (Independent Non-Executive Director)	N/A	N/A	N/A	N/A	✓	✓*	2

Board Credit Committee Meetings

Name of Committee Member	27.06.2025	28.01.2026	Total
Mr. P A Wijeratne (Senior Independent Non-Executive Director/Committee Chairman)	✓	✓	2
Mr. Sunil Lankathilake (Independent Non-Executive Director)	✓	✓	2
Mr. A J L Peiris (Independent Non-Executive Director)	✓	N/A	1
Mrs K T Chamila Priyangani (Independent Non-Executive Director)	N/A	✓*	1

*Joined Meetings Online

Enterprise Risk Management

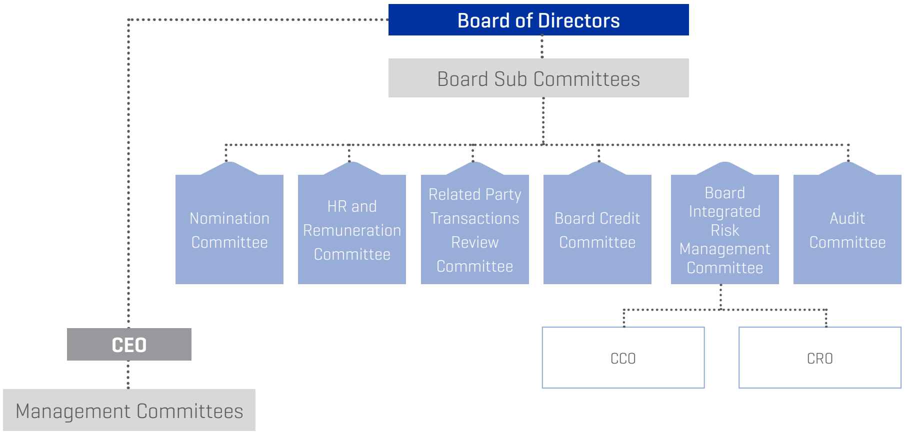
As the largest Non-Banking Financial Institution (NBFI) in Sri Lanka, LOLC Finance PLC understands that prudent risk identification, assessment, mitigation, monitoring and reporting are essential to protecting stakeholder interests, upholding regulatory compliance and supporting strategic growth objectives. The financial year 2025/26 was a challenging period characterised by unprecedented global and local economic shifts. The risk management approach was calibrated accordingly, allowing the company to pursue growth opportunities while ensuring the safety of our depositors' funds, the sustainability of our shareholders' returns and the resilience in operations.

The company has implemented an integrated enterprise risk management (ERM) framework in accordance with the industry best practices, regulatory requirements and the organisation's strategic goal. The framework fosters a strong culture of accountability, governance and ethical conduct throughout the organisation while facilitating the proactive management of risks across all business areas. The ERM framework is evaluated and approved by the board on a periodic basis to ensure that the company has adopted industry best practices, regulatory and legal requirements.

RISK GOVERNANCE FRAMEWORK

The board of directors, who carry ultimate authority over the company's risk management framework, ensure that appropriate policies, processes, controls and governance structures are in place to identify and manage material risks in a timely and effective manner. The board risk management committee (BIRMC) supports the board of directors by evaluating the effectiveness and sufficiency of the company's risk management procedures, suggesting changes as needed. The BIRMC works with the senior management, risk management department, compliance department, audit department and other business units to ensure that risk exposures remain within the board approved risk appetite of the company.

RISK GOVERNANCE FRAMEWORK



The risk management framework is backed by well-defined policies, delegated authority structures, reporting methods and escalation procedures in order to guarantee efficient decision making and responsibility throughout the company. The framework is supported by a robust Three Lines of Defence model to ensure clear accountability:

First Line	Second Line	Third Line
Business Units	Risk & Compliance	Internal Audit
» Responsible for identifying, measuring, monitoring, reporting and managing risks in daily operations.	» An independent Integrated Risk Management (IRM) & Compliance functions that sets the policies, monitors adherence, and challenges the first line.	» Provides independent assurance to the Board that the risk management & Compliance framework is effective and followed.

The governance structure ensures that risk management is embedded at every level of the company, from the board of directors to the front-line officers in our extensive branch network. This tiered approach improves accountability, transparency, division of management and supervision responsibilities throughout the company. The framework is continuously assessed to ensure it complies with evolving legal requirements and industry best practices, guaranteeing the sustainability and resilience of the business operations.

RISK MANAGEMENT APPROACH

The company builds its risk management strategy on the principles of prudence, transparency, sustainability and continuous development. Risk management is embedded in strategic planning, credit assessment, investment decisions, product creation, all operational procedures and performance management.

The framework supports the achievement of strategic goals while ensuring the company operates within its defined risk appetite and regulatory requirements issued by the Central Bank of Sri Lanka.

RISK MANAGEMENT PROCESS.

The identification of risk is a continuous process that may affect the company's operational financial performance and sustainability. It includes risk assessments, product and services approval process, portfolio reviews, market analysis, stress testing, regulatory monitoring, operational incident reporting and scenario-based evaluations.

The identified risks are assessed using a risk matrix according to how likely they are to occur and how they might affect the company's operations, reputation, financial standing and strategic goals. Risk assessment models, key risk indicators, portfolio analysis, stress testing, scorecards, sensitivity analysis and ratio calculations are employed in the risk measurement process.

The company maintains a robust system of internal controls and mitigation measures to ensure that risk exposures are within the board approved risk appetite and tolerance levels. Appropriate mitigation techniques, controls and monitoring instruments are adopted to manage risks that have been identified. Risk control mechanisms include policy and procedures, risk limits, delegated authority limits, segregation of duties, risk trainings, collateral management, exception monitoring, contingency planning and risk transfer through insurance and hedging instruments. All policies and procedures are periodically reviewed and updated to reflect changes in the operating environment and regulatory expectations.

The company continuously monitors its risk exposures and the effectiveness of risk mitigation initiatives through constant surveillance, periodic risk assessments and independent oversight activities. Monitoring of limit breaches, key risk indicators (KRIs), stress testing results, portfolio reviews, early warning signals and tracking of critical risk indicators are included in the risk monitoring activities. Continuous risk monitoring allows for corrective action to ensure that risk exposures are within the board approved risk appetite and offers insights into changes in the risk profile.

Frequent reporting to the board and management committees guarantees timely oversight and informed decision-making. Regular risk reports provide meaningful insights into the risk profile, key risk exposures, limit utilisation/breaches, emerging risks and compliance with established risk thresholds. The reporting framework includes an escalation procedure to ensure that significant risk issues are promptly addressed at the appropriate management levels.

RISK CULTURE

A strong risk culture is fundamental to effective risk management and sustainable value creation. The company's risk culture fosters ethical conduct, accountability, transparency and compliance across all levels. It is guided by the board approved risk governance structure while ensuring that they are embedded in strategic planning, business decision-making and day-to-day operations. The company conducts regular training sessions on risk management, compliance with regulatory guidelines and ethical business conduct. The whistle-blower policy and other lines of communication encourage employees to disclose risks and promote an atmosphere of accountability and trust. These methods have afforded them the ability to take responsibility for the risk management process and make well-informed judgments. The Board Risk Management committee and other board and management committees oversee the effectiveness of the risk culture and governance practices.

The company continuously monitors emerging risks and evolving regulatory expectations issued by the Central Bank of Sri Lanka to ensure that the risk culture remains responsive, resilient and aligned with industry best practices.

RISK APPETITE

The company's risk appetite is the amount and type of risk it is prepared to accept. It directs decision making procedures. A clear definition of risk appetite is the first step towards strategic alignment and this degree of clarity supports the decision-making process. The company has matched its strategies with its goals by having a clear understanding of risk appetite. The company has adopted specific measures in order to include risk indicators in business planning which facilitates efficient risk management.

The company has a moderate overall risk appetite and has established risk tolerance limits across important types of risk categories including credit, market, liquidity, operational and IT risks in order to achieve growth while preserving operational resilience. The company's key risk indicators are linked to the risk tolerance levels, which are evaluated and approved by the board yearly or whenever there are notable shifts in the market. The KRIs are tracked and reported to the board every month. The risk mitigation actions and appropriate actions are initiated to maintain the exposures within the acceptable levels if the limits have been breached or are approaching the approved limits.

STRESS TESTING

The company maintains a comprehensive board approved stress testing framework as an integral component of its risk management and capital planning processes. Stress testing exercise is conducted quarterly to evaluate the potential impact of adverse but plausible scenarios on the capital adequacy and overall financial resilience.

The stress testing framework encompasses key risk categories, including credit risk, market risk, operational risk, liquidity risk, interest rate risk, macro-economic risk and exchange rate risk. The relevancy of the sensitivity and scenarios are reviewed periodically. Stress test results are presented at the senior management level committee, the Board Risk Management Committee and the board committee. The stress testing results are utilised in assessing the adequacy of capital and liquidity buffers, validating risk appetite thresholds in order to determine the company's ability to withstand under adverse scenarios and to implement appropriate remedial measures to mitigate potential adverse impacts.

The company continuously reviews and enhances its stress testing methodologies, assumptions and governance to ensure alignment with regulatory requirements, industry best practices and the evolving risk environment.

MANAGING KEY RISKS

The following section outlines the company's key risk exposures, frameworks and mitigation measures adopted to manage these risks to preserve financial stability, protect stakeholder value and ensure financial resilience.

CREDIT RISK

Credit risk arises from the potential inability or unwillingness of counterparties and customers to fulfil their contractual obligations, which continues to pose the most significant risk that the company faces. Maintaining robust credit quality and stringent underwriting standards is crucial, given the company's primary lending operations.

The framework for managing credit risk at the company is robust and structured. The credit risk management framework comprises approved policies, procedures, credit approval process with delegated authority limits, regular credit reviews, portfolio assessments, identification of higher-risk sectors, credit stress testing, internal exposure limits, loan review procedures and ongoing credit risk training. The company's board of directors, board sub committees, risk management department and all operational units in the credit process are guided by these policies, internal procedures and regulatory directives.

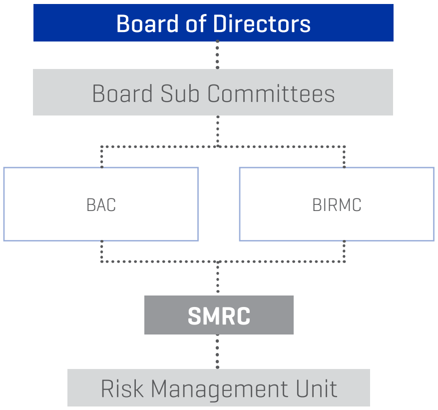
All credit related policies and procedures are reviewed at least annually to incorporate changes in the regulatory requirements, strategic decisions and emerging risk factors. The company follows expected credit loss approach consistent with SLFRS requirements. Different credit risk analyses are carried out to evaluate the creditworthiness of borrowers, identify potential risks, ensure compliance with the board approved risk appetite and regulatory requirements, in order to minimise potential losses arising from defaults or deteriorating credit quality. The Loan Review Mechanism is conducted for a sample of credit facilities and report is submitted to Management & Board risk committees quarterly and key findings are discussed at the meetings. The Credit Risk Management department provides a risk assessment on credit facilities above a threshold prior to approval from the board credit committee in order to support the decision-making process. A stable external environment and improved portfolio management discipline contributed to improve the asset quality of the company in 2025.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. It also includes legal risk but excludes strategic and reputational risks. Operational risk can arise in any area of the company's activities and may result in both financial and non-financial losses.

The company recognises the importance of effective operational risk management in protecting its assets, ensuring business continuity, maintaining regulatory compliance and supporting the achievement of business objectives. The Board of Directors, the Board Integrated Risk Management Committee (BIRMC) and the Senior Management Risk Committee provide oversight of the operational risk management framework and monitor the company's operational risk profile. The company has established a comprehensive operational risk management framework supported by various risk management tools and processes to identify, assess, monitor and mitigate operational risks.

OPERATIONAL RISK MANAGEMENT FRAMEWORK



The company maintains an operational risk loss database to record and monitor operational risk incidents and loss events. Significant incidents are analysed to identify root causes, control weaknesses and process gaps. Appropriate corrective actions are recommended and implemented to prevent recurrence and strengthen internal controls. Key incident trends and loss recovery status are regularly reviewed and reported to the management and board committees.

The company conducts Risk and Control Self-Assessments (RCSAs) across all departments to identify and assess operational risks within business processes. Process owners evaluate the effectiveness of existing controls and implement actions to address any identified gaps. The Risk Management Department facilitates the assessment process and supports departments in evaluating inherent and residual risks in line with the company's risk appetite.

The board approved risk appetite statement defines the company's tolerance for risks and provides guidance for managing risk exposures within acceptable levels. KRIs are used to monitor specific risks and identify emerging issues at an early stage. Thresholds are established for each indicator and any breaches are reviewed promptly to ensure timely corrective action.

The company also performs Scenario Analysis to assess the potential impact of severe but unlikely operational risk events. This process helps to evaluate the adequacy of existing controls, contingency plans and response strategies, while supporting operational resilience and preparedness for emerging risks.

A Risk Register is maintained to record significant operational risks, existing controls and mitigation plans. Risk owners regularly review and update the register to ensure that emerging risks and changes in the operating environment are appropriately captured and managed.

To further strengthen operational resilience, a Business Continuity Management Framework is maintained to ensure the continuity of critical operations during disruptions. Regular reviews, testing, and awareness programmes are conducted to enhance preparedness and support timely recovery.

Through these initiatives, the company continues to strengthen its operational risk management practices, maintain a strong control environment and support the achievement of its strategic objectives.

Operational Risk Incidents by Risk Type

MARKET RISK

Market risk is the risk associated with changes in interest rates, foreign exchange rates and instrument prices in the money and capital markets that have an adverse effect on the company's earnings and capital. The market risk management framework includes board approved policies, procedures, appropriate risk limits, monitoring, reporting in order to manage market risk within the board approved risk appetite.

The Asset and Liability Committee (ALCO) plays a key role in overseeing market risk exposures and ensuring alignment between treasury strategies, funding requirements and risk appetite parameters. The proactive monitoring and managing of market risk exposures are supported by the segregation of duties between treasury front office, treasury middle office and treasury back office.

Regular monitoring of asset and liability repricing gaps, stress testing and sensitivity assessments are used to control interest rate risk. The company's goal is to align financing arrangements with lending portfolios while maintaining an appropriate balance between exposure to fixed and variable rates. Foreign exchange risk is constantly monitored, especially with relation to transactions and exposures denominated in foreign currencies. Appropriate controls and limits are maintained to minimise the impact of currency fluctuations on the business's financial performance.

Reports indicating the risk levels are developed on a regular basis through an effective assessment of the stressed market conditions and reported to the board and management risk committees with risk mitigation measures.

LIQUIDITY RISK

Liquidity risk refers to the potential inability of the company to meet its financial obligations as they fall due without incurring unacceptable losses. Therefore, effective liquidity management is important to maintain depositor confidence, regulatory requirements, business continuity and financial soundness.

The company has articulated its liquidity risk tolerance, which is appropriate for its business strategy in line with the regulatory guidelines. The objective is to maintain liquid assets at optimal levels in order to maximise the use and boost profitability. Liquidity risk management includes maturity/behavioural gap monitoring, funding mix, stress testing, approved limits policies and procedures. The Treasury department is responsible for managing liquidity risk while ALCO, BIRMC & Board oversee the process. The policies and procedures related to liquidity risks are reviewed periodically to stay up to date with the evolving operating environment.

The company maintains a diversified funding base comprising customer deposits, interest bearing loan and other financial arrangements. Stress testing on the liquidity position is carried out periodically to evaluate the company's capacity to withstand funding disruptions or adverse market conditions. Regularly monitoring cash flow forecasts and liquidity ratios also contributes to spotting any problems before they become significant. A contingency funding plan is in place to address stress conditions and ensure the availability of adequate liquidity buffers during periods of market stress. The risk management unit monitors liquidity risk related early warning signals and reports to the management and board risk committees with recommended remedial actions.

SUSTAINABILITY RISK

LOLC Finance PLC integrates sustainability and climate-related risks into its Integrated Risk Management Framework, recognising that environmental, social, and governance (ESG) factors can significantly influence long-term financial performance, operational resilience and sustainable value creation

During 2025/26, the company strengthened its sustainability risk management practices through the adoption of SLFRS S1 and SLFRS S2, enhancing the identification, assessment, management and disclosure of sustainability-related risks and opportunities, with particular attention given to climate related physical and transition risks.

Recognising the interconnected nature of sustainability risks, the company assesses their potential impact across traditional risk categories, including credit risk, operational risk, liquidity risk, market risk, reputational risk and all material risks. Sustainability considerations are embedded within key risk management processes, including the Environmental and Social Management System (ESMS), Internal Capital Adequacy Assessment Process (ICAAP) and Risk and Control Self-Assessments (RCSA), enabling timely identification and mitigation of ESG-related risks.

Governance and oversight of sustainability-related risks are maintained through a robust governance structure led by the Board Integrated Risk Management Committee (BIRMC), with support from senior management committees and dedicated sustainability and risk management functions. This governance framework ensures that sustainability considerations are embedded within the company's strategic objectives, risk appetite, and decision-making processes while promoting accountability and effective oversight.

Further information on sustainability-related governance, strategy, climate risks and opportunities, financial impacts, and performance metrics is provided in the Sustainability Report (on page 28 to 59), prepared in accordance with SLFRS S1 and SLFRS S2.

COMPLIANCE RISK

Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage arising from the company's failure to comply with applicable laws, regulatory directions, industry standards, internal policies and procedures.

The company has prioritised compliance with Anti-Money Laundering and Countering the Financing of Terrorism regulations and other prudential guidelines with the newly implemented compliance system. A comprehensive compliance risk management framework has been established to ensure adherence to the regulatory requirements, applicable laws, regulations and internal policies.

The compliance risk is managed through monitoring, compliance reviews, policy reviews, audits and regular trainings. Compliance assessments are carried out periodically to assess the effectiveness of internal control environment and initiate further improvement where necessary. The regulatory and compliance related changes are regularly reported to the senior management, staff and board committees enabling effective oversight and timely implementation. The compliance department follows up on observations arising from regulatory examination to ensure whether those were addressed as per the agreed action plans and monitored until satisfactory resolution.

The company remains committed to maintaining high standards of regulatory compliance and ethical business practices while continuously improving its compliance framework. A scorecard approach is used to assess the risk and compute capital allocation for strategic risk as a part of ICAAP document.

STRATEGIC RISK

The company is exposed to strategic risk arising from changes in economic conditions, regulatory changes, competitive pressures, technological developments and market behaviour. The leadership plans the strategy considering internal and external factors. The assessment includes risks, opportunities, market assessments, stress testing and scenario analysis. The approved strategic goals are communicated to business units, ensuring that every team member is in line with each business unit's strategic objectives.

The progress is continuously monitored to ensure timely responses to changes in the external and internal environment. The company focuses on prudent capital management, portfolio diversification, digital transformation initiatives, product innovation, operational efficiency improvements, talent development and maintaining strong stakeholder relationships to mitigate strategic risk. A scorecard approach is used to assess the risk and compute capital allocation for strategic risk as a part of ICAAP document.

LEGAL RISK

The risk arising from non-compliance with applicable laws and regulations, contractual disputes, litigation, adverse legal judgments and deficiencies in legal documentation is called as Legal risk. The failure to operate within the applicable legal and regulatory framework may expose the company to penalties, reputational damage or legal proceedings.

Therefore, the company maintains a robust legal governance framework comprising policies, procedures, internal controls and periodic reviews to mitigate the legal risk. The external legal and regulatory developments are continuously monitored to assess their impact on the company.

The company aims to lower legal risk by complying with all pertinent regulatory requirements across its activities. Further, all legal documents are reviewed by the legal department to reduce the possibility of disagreements or legal issues.

The board of directors and senior management exercise oversight of legal matters through regular reporting and review mechanisms to ensure that legal risks remain within the company's approved risk appetite.

INFORMATION SECURITY AND CYBER RISK

The cybersecurity and information security risks refer to the risk of financial loss, system availability issues, regulatory sanctions, reputational damage or loss of sensitive information arising from cyber-attacks, data breaches, system vulnerabilities, unauthorised access, technology failures or other information security incidents. The management of cybersecurity and information security risk has become crucial due to the increasing reliance on digital platforms and technology driven financial services.

The company maintains a robust information security framework aligned with regulatory requirements and industry best practices. It includes access management, network security, data protection measures, vulnerability assessments, penetration testing, security monitoring, incident response procedures and regular system upgrades. Critical information assets are identified and protected through appropriate preventive, detective and corrective controls.

All related risks are reported to management & board risk committees and the information security committee (ISC) following a comprehensive risk assessment. The remedial actions are discussed and followed up by the committees to minimise the risk exposures. Moreover, staff awareness programmes and training initiatives are conducted regularly to strengthen the risk culture.

Business continuity and disaster recovery plans are tested periodically to enhance operational resilience in the event of a cyber incident or technology disruption. The company remains committed to continuously enhancing its cyber resilience to address emerging threats and safeguard the interests of its customers, employees and other stakeholders.

REPUTATIONAL RISK

Reputation Risk relates to damage to the company's reputation and industry standing affecting the company's business operations, profitability or market standing. This can be caused by errors in judgement result from noncompliance, business ethical misconduct, poor customer service or operational shortcomings.

The company follows a strong governance, transparent communication and consistent ethical standards to proactively manage reputational risk. It is further strengthened with established procedures, policies and periodic training programmes. The dedicated customer service department ensures that the complaints raised by customers are appropriately, promptly resolved and the required changes are added to the existing processes. An analysis of customer complaints is presented to the risk committees in order for them to take appropriate steps to mitigate risks.

The policies on code of ethics, anti-corruption policy and comprehensive training and awareness sessions facilitate managing reputational risk. The capital allocation for reputational risk is measured through a scorecard approach under the ICAAP document.

FUTURE OUTLOOK

The risk landscape beyond 2024/25 financial year will be shaped by climate change, geopolitical developments, artificial intelligence, economic uncertainties and evolving regulatory directions. The company's risk environment may be impacted by inflationary pressures, interest rate volatility, cybersecurity risks and macroeconomic volatility in the future due to these uncertainties.

In response, the company remains focused on strengthening its risk management framework further and investing in risk management infrastructure to stay ahead of all these challenges. Investments in risk analytics, technology, human resources and governance procedures will continue to support the ability to navigate emerging challenges effectively. The commitment to manage ESG risk is a key priority in the risk management framework. The company will continue to invest in green financing and social inclusivity. The risks related to the dependence on technology are escalating as the company embraces digital transformation to enhance productivity, cost efficiency and customer experience.

The company is committed to safeguard its operations, customer and stakeholder trust by strengthening its technology risk control structure.

The organisation's goal is to grow with stability while maintaining the quality of the credit portfolio. LOLC Finance PLC remains confident that its robust risk management framework and governance structure will support sustainable growth, operational resilience and long-term stakeholder value creation.

Report of the Board of Directors

The Board of Directors of LOLC Finance PLC takes pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2026.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The Company is a Licensed Finance Company in terms of the Finance Business Act No. 42 of 2011. The Company is also a registered finance leasing establishment in terms of the Finance Leasing Act No. 56 of 2000.

During the year the principal activities of the Company comprised Finance Business, Finance leasing, Islamic Finance, issue of Payment Cards, Micro Finance Loans, Gold Loans and provision of Advances for Margin Trading in the Colombo Stock Exchange.

MARKETS SERVED

The Company operates in all provinces of Sri Lanka with the largest concentration of branches being in Western and North Central Provinces.

DIRECTORATE

The Board of Directors of the Company for the year under review comprise the following:

1.	F K C P N Dias	Chairman, Non-Executive Director
2.	D M D K Thilakaratne	Executive Director/ CEO
3.	B C G De Zylva	Non-Executive Director
4.	P A Wijeratne	Senior Independent Director (retired w.e.f. 26.05.2026)
5.	K T C Priyangani	Independent Director
6.	S Lankathilake	Independent Director (Senior Independent Director w.e.f. 27.05.2026)
7.	A J L Peiris	Independent Director (retired w.e.f. 17.12.2025)
8.	J T Fernando	Independent Director (appointed w.e.f. 03.11.2025)
8.	M R Dewapura	Independent Director (appointed w.e.f. 07.05.2026)

The aforesaid changes to the directorate have been approved by the Central Bank of Sri Lanka. The profiles of the above directors can be found on pages 9 to 10

RECOMMENDATIONS FOR RE-ELECTION OF DIRECTORS

In terms of Article 75 of the Articles of Association of the Company Mr. B G C de Zylva and Mr S Lankathilake retire by rotation and being eligible to seek re-election as directors.

Re-election of Directors In terms of Article 70 of the Articles of Association of the Company, Mr. J T Fernando and Mr. M R Dewapura who were appointed to the Board on 3rd November 2025 and 7th May 2026 respectively retire and being eligible to seek re-election as directors.

The Board recommends their re-election.

The approval of the Department of Supervision of Non-Bank Financial Institutions of the Central bank of Sri Lanka has been obtained by the Company for the continuation of all its existing Directors in terms of Sec. 7.2 (a) of the Finance Companies Fitness & Propriety of Directors and Officers Direction No. 6 of 2021.

DIRECTORS INTERESTS IN CONTRACTS

The Company maintains an Interests Register in terms of the Act No. 7 of 2007 and is available for inspection upon request. The disclosures made by Directors have been noted by the Board, recorded in the minutes and entered into the Interest Register.

The Directors confirm that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director is materially interested in a contract or proposed contract with the Company, they would refrain from voting on such contracts. During the year under review, the Company did not enter into any contracts in which any Director was materially interested.

The declarations made by the directors confirm that there are no financial, business, family or other material/relevant relationship(s) between the Chairman and the Director/CEO or among the other members of the Board.

Directorships held by the Directors are disclosed on page 120 to 121.

FIT AND PROPER ASSESSMENT OF DIRECTORS

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, declarations were obtained from the Directors who confirmed that they have continuously satisfied the fit and proper assessment criteria of the Listing Rules during the financial year under review and as at the date of such declaration.

DIRECTORS' REMUNERATION

The Company paid Rs. 29,894,682.00 as Directors' remuneration for the financial year ended 31st March 2026 (Rs. 19,694,894 /- for 31st March 2025).

Form of Remuneration	2025/2026 Amount (Rs.)
Basic Salary	9,300,000.00
Board and sub-committee sitting fees	8,400,000.00
Fixed allowances	-
Bonuses	7,094,682.00
Reimbursed expenses	5,100,000.00
Other monetary benefits (if any)	-
Non-monetary benefits (converted into monetary terms)	-
Total remuneration paid to directors	29,894,682.00

The Company has a Board approved Remuneration Policy. This policy stipulates that remuneration should be linked to competence and contribution, while serving to incentivise and motivate. This policy has been taken into account when determining remuneration for both staff and directors.

The report of the Remuneration Committee is on page 126.

DIRECTORS' SHAREHOLDING

	Director's Name	As at 31.03.2026	As at 31.03.2025
1	F K C P N Dias	Nil	Nil
2	D M D K Thilakaratne	Nil	Nil
3	B C G De Zylva	Nil	Nil
4	P A Wijeratne (retired 26.05.2026)	455,998	455,998
5	S Lankathilake	Nil	Nil
6	A J L Peiris (retired 17.12.2025)	Nil	Nil
7	J T Fernando (appointed 03.11.2025)	Nil	Nil
8	M R Dewapura (appointed 07.05.2026)	Nil	Nil

CAPITAL STRUCTURE

As at 31st March 2026, the stated capital of the Company is Rs. 44,078,915,852/- divided into 29,560,147,161 shares.

During the year, in terms of Sec 64 of the Companies Act No.7 of 2007, the Board re-purchased 3,519,065,138 shares at a total cost of up to Rs. 21,114,390,828.00 consequent to which, the number of shares in issue decreased from the current 33,079,212,299 shares to 29,560,147,161 with no change to the stated capital of Rs. 44,078,915,852.00.

The debt capital of the company comprises unsecured, subordinated, redeemable debentures amounting to 50 million units, issued in September 2020. The debentures are listed on the Colombo Stock Exchange and are rated A (Positive) by Lanka Rating Agency.

The details of the Debentures in issue as at 31st March 2026 are set out in Note 30.4 to the Financial Statements on page 197.

MEETINGS OF THE BOARD OF DIRECTORS

twelve scheduled monthly meetings and one special meetings were held during the year. A schedule of Directors Attendance at Board Meetings and Sub Committee Meetings is on pages 108 to 109.

CORPORATE GOVERNANCE

The Company is governed by the requirements of the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules of the Colombo Stock Exchange.

The manner in which the Company has complied with the aforesaid requirements is disclosed on pages 64 to 109.

Report of the Corporate Governance can be found on page 64 to 109 Your Board of Directors is committed towards maintaining an effective corporate governance framework by effectively implementing systems and structures required to ensuring best practices in corporate governance.

BOARD SUB COMMITTEES

In compliance with regulatory guidelines and best practices, the Board has formed the following sub committees:

- » Board Audit Committee
- » Board Integrated Risk Management Committee
- » Board HR & Remuneration Committee
- » Board Related Party Transaction Review Committee
- » Board Nomination and Governance Committee
- » Board Credit Committee (Voluntary Committee)

The mandate of each of these sub committees is provided by their regulatory guideline or Board approved Terms of Reference. The composition of these committees is as prescribed by the relevant regulation (where applicable) or as deemed most appropriate for effective functioning of the Committee. The reports of the respective Committees are included in this Report on pages 124 to 129

The Board sub committees are empowered to call for additional information, and also to invite key management personnel to provide further details, or to facilitate a dialogue. This enables the Board to ensure that proposed initiatives, changes to procedures or enhancing of controls are practical and also clearly communicated to the senior management.

Committee Meeting minutes are tabled at Board meetings. Thus, while the entire Board is aware of Committee deliberations and decisions, they have the assurance of knowing that matters receive the focused attention of sub committees.

MANAGEMENT COMMITTEES

The Company has the following management level Committees to manage matters relating to credit, and liquidity.

Credit Committee

Asset Liability Committee

Information Security Committee

Management Integrated Risk Management Committee

Sustainability Committee

Additionally, Management Meetings are held monthly to discuss collections and operational level planning and risk management.

COMPLIANCE WITH LAWS AND REGULATIONS

Through participation in various workshops / forums and updates from the Company Secretary and the Management, the Board of Directors keeps abreast of laws, rules, regulations and changes thereto, particularly to the Finance Companies (Corporate Governance) Directions and to the Listing Rules and applicable capital market provisions.

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors the Company has been in compliance with all prudential requirements, regulations and laws. Furthermore, the directors confirm that there were no fines which are material imposed on the Company by any governmental or regulatory authority in the country.

The Company is compliant with the Corporate Governance requirements of the Listing Rules of the Colombo Stock Exchange (CSE) with the exception of the requirements relating to the Minimum Public Float under rule 7.13.1.i.b. Consequently, the Company has been transferred to the Second Board of the CSE. Please refer page 242. for further details.

INDUSTRIAL RELATIONS

Human Capital Strategies of the Company are based on respected HR practices to attract and retain right people. Policies are in place to develop and motivate the workforce for current and future business needs of the Company.

Disciplinary matters are dealt according to the board approved policies in compliance with labour regulations. There was no occurrence of any issue detrimental to the harmonious industrial relations of the Company during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules of the CSE.

SCHOLAR SUPERVISORY BOARD

As the Company offers Alternate Financial Services, from its dedicated Strategic Business Unit (SBU) under product brand Al-Falaah, the Board has installed a dedicated Scholar Supervisory Board (SSB) for monitoring of the business's conceptual and operational compliance. The SSB reviews all Alternate Finance products offered, and periodically audits the processes, thereby providing comfort to customers of the product standards, and further strengthening the Board's control.

Two of the three member SSB are based in Sri Lanka and the remaining member is an internationally renowned scholar based in South Africa. Members of the panel are acclaimed experts in the Islamic Banking & Finance industry. Whilst being academically and professionally qualified in respective standards, two of the members are conferred with the 'Certified Shari'ah Advisor & Auditor' accreditation by the Accounting & Auditing Organisation for Islamic Financial Institutes (AAOIFI) of Bahrain, which is the accepted body for standards of Alternate Financial Services practitioners globally.

Currently Alternate Financial Services are offered through all standard locations of the LOFC Channel network which also include dedicated Al-Falaah service desks within.

Financial Statements & Auditor's Report and Directors' Responsibility for Financial Reporting

The Financial Statements and the Auditors report are found on pages 135 to 144.

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the financials have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011 and all relevant directions of the Central Bank of Sri Lanka.

SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the financial statements and any changes thereof where applicable have been included in the Notes to the financial statements on pages 145 to 236.

TRANSACTIONS WITH RELATED PARTIES

In terms of LKAS 24, the Directors have disclosed transactions which are classified as related party transactions under Note 39 on pages 206 to 209

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party more favourable treatment than that offered to other clients of the Company.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2025 and that such transactions with the Company if any, have been disclosed while abstaining from voting on any matters of material interest.

GOING CONCERN

During the year, the Directors reviewed the interim financials and the year-end financials. They have also regularly reviewed operations, and the environment within which the Company operated, including the macro environment, potential risks and resource allocation.

Having reviewed the outlook for each sector and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

STATUTORY PAYMENTS

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts.

AUDITORS

The Auditors of the Company, Messrs Deloitte Partners, Chartered Accountants were appointed in September 2024.

The Auditor's were also engaged to seek an assessment of the Company's compliance with the requirements of the Finance Companies Corporate Governance Direction No. 05 of 2021 issued by the Monetary Board and the Company's level of adherence to the internal controls on financial reporting.

As far as the Directors are aware, the Auditors do not have any other relationship (other than that of an auditor) with the Company and the Group.

The fees paid to the auditors for the year under review are disclosed in the notes to the Accounts on page 169

The Report of the Auditors is given on pages 135 to 138

The Board of Directors recommends that Messrs. Deloitte Partners, Chartered Accountants were re-appointed as Auditors of the Company for the ensuing financial year 2026/27, subject to approval of the shareholders to be obtained at the forthcoming Annual General Meeting to be held on 31st July 2026.

THE CODE OF ETHICS

The Board sets the tone from the top to instil the right behaviours across all levels, from directors to staff, based on the Company's Code of Business Conduct and Ethics, which provides guidance to ensure duties are carried out with the highest standards of integrity. This also enable the Company to manage any potential impact with fair treatment. The Board confirms that there has not been any material breach of the Code during the year under review.

RISK MANAGEMENT INTERNAL CONTROLS

Delegated by the Board, the Board Audit Committee and the Integrated Risk Management Committee regularly reviews all aspects of operations, internal controls, risk management and compliance, against established policies and procedures. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent Committee or Board meetings. The Directors declare that a reasonable assurance of their effectiveness and successful adherence has been obtained for the year under review.

The Board could also seek the support of the external auditors to review and advise on any improvements needed to existing controls.

SUBSIDIARIES/ASSOCIATE COMPANIES/INVESTMENTS

The Company does not have any subsidiaries or associates as at 31st March 2026.

Further the Company's investment in other companies in the group as at 31st March 2026 are as follows:

Company Name	% of Ownership as at March 2026	Original Investment Amount	Original Investment (Rs.)	Carrying Value as at March 2026 (Rs.)	Date of Last Investment
LOLC Myanmar Micro-Finance Company Ltd	17.33%	USD 5,000,000	861,125,000	1,808,613,642	2020-03-01
LOLC Global (Private) Limited	2.27%	USD 1,000,000	153,650,000	348,750,380	2018-04-01
LOLC Egypt - El OULA Microfinance	11.14%	USD 1,094,823	348,075,272	340,753,270	2022-04-01

EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date that would require disclosure.

FAIR TREATMENT FOR STAKEHOLDERS

The Board of Directors declare that the Company has taken necessary measures to ensure the fair and equitable treatment of all stakeholders, including its shareholders and depositors.

INVESTOR INFORMATION

The distribution and composition of shareholders including 20 largest shareholders, and information relating to share trading, market capitalisation, public holding percentage, and the number of public shareholders is set out in the Investor Information section of the Annual Report on pages 241 to 242.

During the year, the share price ranged from Rs. 4.80 to Rs. 7.50. As at the end of trading on 31st March 2026, the share price was Rs. 6.00.

ENVIRONMENTAL PROTECTION

The Company complies with the relevant environmental laws and regulations applicable in the country of operation.

SUSTAINABILITY

The Company strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans.

In terms of the SLFRS S1 and S2 standards introduced by Institute of Chartered Accountants of Sri Lanka (ICASL) for sustainability-related financial disclosures and climate-specific disclosures, under the International Financial Reporting Standards (IFRS) S1 and S2 as issued by International Sustainability Standard Board (ISSB) relevant disclosures are included on pages 28 to 53 in compliance with the CSE reporting requirements for 2025/26.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 14th September 2026 at 9.30 a.m. as a virtual meeting and the Notice of Meeting is on page 254 .

For and on behalf of the Board of Directors of LOLC Finance PLC

D M D K Thilakaratne Director/ CEO	**F K C P N Dias** Chairman	**M V S C Rodrigo** Company Secretary

31st July 2026
Rajagiriya

DIRECTORS' DECLARATIONS

Name of the Director	Directorates as at 31.03.2025	Nature of appointment
Mr F K C P N Dias	LOLC Holdings PLC	Non-Executive
	LOLC Finance PLC	Non-Executive
	Sanasa Development Bank PLC	Non-Executive
	LOLC Technologies Ltd (Amalgamated: LOLC Technology Services Limited)	Non-Executive
	Digital Mobility Solutions Lanka (Pvt) Ltd	Non-Executive
	Fusion X Global FZC	Non-Executive
	I Pay Ceylon (Pvt) Ltd	Non-Executive
	I Pay Global FZC	Non-Executive
	LOLC Asia Private Ltd	Non-Executive
	LOLC Cambodia PLC	Non-Executive
	LOLC Myanmar Microfinance Company Limited	Non-Executive
	oDoc (Private) Limited	Non-Executive
	LOLC Micro Finance Bank	Non-Executive
	PT LOLC Management Indonesia	Non-Executive
	Serendib Micro - Insurance PLC	Non-Executive
	Oxygen House (Pvt) Limited	Non-Executive
	LOLC India Finance (Pvt) Limited	Non-Executive

Name of the Director	Directorates as at 31.03.2025	Nature of appointment
Mr D M D K Thilakaratne	LOLC Finance PLC	Director/CEO
	Seylan Bank PLC	Non-Executive
	Commercial Factors (Pvt) Ltd	Non-Executive
	LOLC Myanmar Micro Finance Company Limited	Non-Executive
	LOLC Moliya Tajikistan	Non-Executive
	OJSC Micro Finance Company "ABN – Kyrgystan	Non-Executive
	LOLC Micro Finance Bank Pakistan	Non-Executive
	LOLC Bank Philippines	Non-Executive
	LOLC Ventura Indonesia	Non-Executive
Mr B C G De Zylva	LOLC Finance PLC	Non-Executive
	LOLC Myanmar Micro-Finance Company Limited	Non-Executive
	LOLC (Cambodia) PLC	Non-Executive
	Serendib Microinsurance Plc	Non-Executive
Mr S Lankathilake	LOLC Finance PLC	Non-Executive
	Board of Inquiries under Foreign Exchange Act	Non-Executive
	LOLC Asia (Private) Ltd	Non-Executive
	Banque Patronus Limited	Non-Executive
Mr A J L Peiris	LOLC Finance PLC	Non-Executive
	LOLC Life Assurance Limited	Non-Executive
Mrs K T C Priyangani	LOLC Finance PLC	Non-Executive
	University of Sri Jayewardenepura	Bursar
Mr. J T Fernando	LOLC Finance PLC	Non-Executive
	Colombo Stock Exchange	Non-Executive
	Sri Lanka CERT	Non-Executive
	Data Protection Authority of Sri Lanka	Non-Executive
Mr. M R Dewapura	LOLC Finance PLC	Non-Executive
	SLIIT	Non-Executive
	Fix II	Non-Executive
	GSS	CEO
Mr P A Wijeratne	LOLC Finance PLC	Non-Executive
(retired w.e.f 25.05.2026)	Regional Development Bank	Non-Executive
Mr. A J L Peiris	LOLC Finance PLC	Non-Executive
(retired w.e.f 17.12.2025)	LOLC Life Assurance Limited	Non-Executive

Directors’ Statement on Internal Control over Financial Reporting

REPORTING RESPONSIBILITY

The Board of Directors ("the Board) of LOLC Finance PLC ('the company) hereby issues this report on statement on internal control over financial reporting and statement on adherence to prudential requirements, regulations, and laws, as mandated by Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka.

STATEMENT IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board is responsible for ensuring the adequacy and effectiveness of the internal control over financial reporting of the company. In this regard, the Board has established an ongoing process for identifying, evaluating, and managing significant risks faced by the Company, which includes enhancing the system of internal control over financial reporting as and when there are changes to the business environment or regulatory guidelines. This process is regularly reviewed by the Board to maintain its effectiveness.

The Board is of the view that the system of internal control over financial reporting in place, is adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board’s policies and procedures pertaining to internal control over financial reporting. In assessing the internal control system over financial reporting, identified officers of the Company are continuously improving the processes and procedures in line with the industry best practices and regulatory reporting requirements. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and operating effectiveness on an on-going basis.

PROCESSES APPLIED IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

» The Board has established Sub-committees to provide oversight of operations and to ensure that activities are carried out in line with the Company’s objectives, strategies, and policies approved by the Board.

» Comprehensive policies and procedures have been developed to cover all major functions of the Company. These are approved by the Board and reviewed periodically to ensure they remain up to date and effective.

» The Internal Audit function independently reviews compliance with policies and procedures, while assessing the adequacy of the overall control environment. The Company's information systems and underlying technology infrastructure that support financial reporting are subject to periodic independent assessments carried out by the Internal Audit Department, to ensure that data integrity, confidentiality, and system availability are maintained at levels sufficient to support reliable financial reporting.

» Audit findings and recommendations are reported to the Audit Committee, which reviews the scope and quality of internal audit work and submits its observations to the Board for further consideration.

» The Audit Committee also evaluates the effectiveness of internal controls over financial reporting by reviewing issues highlighted by Internal Audit, External Auditors, regulators, and management.

» The Risk Management Department, through the annual Enterprise Risk Management (ERM) review process, ensures the effectiveness of controls in place across the Company. Additionally, the effectiveness of the internal control system over financial reporting is monitored through an annual internal control sign-off review conducted by the Internal Audit Department.

The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS in preparing its published financial statements. The Annual financial statements of the company are reviewed and recommended by the Board Audit Committee for Approval by the Board of Directors. These financial statements are also subjected to review by the external auditors.

CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditor, Messrs. Deloitte Partners, has reviewed the Director's Statement on Internal Control Over Financial Reporting included in the Company’s Annual Report for the year ended 31 March 2026. They have reported that based on the procedures they performed, nothing has come to their attention that causes them to believe the statement included in the annual report is inconsistent with their understanding of the process adopted by the Board of Directors in reviewing the design and effectiveness of the Company’s internal control over financial reporting. The assurance report by the external auditors on the Directors’ Statement on Internal Control Over Financial Reporting is given on page 123 of this annual report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

The Board provides this report detailing compliance with prudential standards, regulations, and legal requirements, as per Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

The Board confirms that there are no significant regulatory or supervisory concerns regarding lapses in the Company’s risk management systems or non-compliance with prudential requirements, regulations, laws, and Acts. As a result, there are no regulatory directives requiring public disclosure, and no measures to be taken or disclosures are required in this regard.

By order of the Board,

Sunil Lankathilake
Senior Independent Director

Conrad Dias

Conrad Dias
Chairman/Non-Executive Director

19th June 2026

REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING.

Deloitte Partners
100 Braybrooke Place
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TO THE BOARD OF DIRECTORS OF LOLC FINANCE PLC

We were engaged by the Board of Directors of LOLC Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Controls over Financial Reporting (the "Statement") included in the annual report for the year ended 31 March 2026.

Management's responsibility for the statement on internal control

Management is responsible for the preparation and presentation of the Statement in accordance with the Guidance for Directors of Licensed Finance Companies on the Directors' Statement on Internal Control, issued in compliance with Finance Business Act Direction No. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Management

We have complied with the Independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Sri Lanka Standards on Quality Management 1 and accordingly maintains a comprehensive system of quality Management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that the practitioner plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, during this engagement, performed an audit or review of the financial information.

Summary of work performed

- Enquired from the Board of Directors and the management to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.
- Reviewed the documentation prepared by the Directors to support their Statement.
- Related the Statement made by the Board of Directors to our knowledge of the Company obtained during the audit of the financial statements.
- Reviewed the minutes of the meetings of the Board of Directors and of other relevant Board Committees.
- Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes were in place to identify any significant matters arising.
- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control of the Company.

Director's Statement on Internal Control over Financial Reporting is provided on page 122 of this annual report.

Deloitte Partners

CHARTERED ACCOUNTANTS
COLOMBO

22 June 2026

C S Manoharan FCA, **T U Jayasinghe** FCA, **M D B Boyagoda** FCA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **N R Gunasekera** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **H P V Lakdeva** FCA, **K M D R P Manatunga** ACA, **M M M Manzeer** FCA, **L A C Tillekeratne** ACA, **D C A J Yapa** ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

Report of the Board Audit Committee

COMPOSITION

The Board Audit Committee was established for the purpose of assisting the Board in fulfilling their responsibilities related to financial reporting process, governance process, the Company's system of internal controls & compliance process. During the year under review, the Committee comprised the following members:

Mrs K T C Priyangani	Committee Chairman/ Independent Director
J T Fernando	Independent Director (appointed to the committee w.e.f 17.12.2025)
M R Dewapura	Independent Director (appointed the committee w.e.f 14.05.2026)
P A Wijeratne	Senior Independent Director (retired w.e.f 25.05.2026)
A J L Peiris	Independent Director (Retired w.e.f 17.12.2025)

TERMS OF REFERENCE

The Audit Committee is governed by the Audit Charter which defines its terms of reference. The composition and scope of the committee meets the requirements set out in the Finance Companies Corporate Governance Direction No. 5 of 2021 and the Listing Rules of the Colombo Stock Exchange.

The Charter has been reviewed and updated in March 2026. The Committee has been mandated to ensure that a sound Financial Reporting System is established by: reviewing the appropriateness of procedures in place for the identification, evaluation and management of business risks; ensuring that internal controls relating to all areas of operations, including Human Resources and IT enhance good governance while not impeding business; seeking assurance that agreed control systems are in place, are operating efficiently and are regularly monitored; ensuring that appropriate controls are put in place prior to the implementation of significant business changes, facilitating monitoring of the changes; reviewing internal and external audit functions; and ensuring compliance with applicable laws, regulations, listing rules and established policies of the Company.

ACTIVITIES OF THE COMMITTEE

Mrs. Chamila Priyangani is a fellow member of Institute of Chartered Accountant of Sri Lanka. She holds Masters in Business Administration (MBA) from University of Sri Jayewardenapura and Accountancy and Financial Management (Special) Degree of University of Sri Jayawardenapura. She is with extensive experience in the private and state sector while demonstrating exceptional expertise in financial management and governance During the year under review the Committee reviewed interim and annual Financial Statements prior to publication, checked and recommended changes in accounting policies, significant estimates and judgments made by the management, compliance with relevant accounting standards/ regulatory requirements, issues arising from internal and external audit, and reviewed the committee performance during the year under review.

Effectiveness of the Company's internal controls was evaluated through reports provided by the management, and by the Internal and External Auditors. The Committee is satisfied that an effective system of internal control is in place to provide the assurance on safeguarding the assets and the integrity of financial reporting. On behalf of the Audit Committee, the Internal Auditor performs a comprehensive exercise that entails reviewing of all aspects of MIS including operational and regulatory risks. The Company's level of compliance of the Corporate Governance Direction was assessed by the External Auditors.

The Committee addressed the External Auditors' findings reported in the Management Letter relating to the previous financial year's (2025/26) audit.

The Committee reviewed the independence and objectivity of the External Auditors, M/s Ernst & Young, Chartered Accountants and has received a declaration confirming that they do not have any relationship or interest in the Company as required by the Companies Act, No. 7 of 2007.

The Audit Committee has determined that the External Auditors were in fact independent as: they are not engaged in providing any non-audit services to the Company; and the fees charged for audit assignments are not significant to impair their judgment/ independence.

In accordance with applicable regulations, the Audit Committee has recommended to the Board and the shareholders the rotation of the Auditors of the Company, by the re-appointment of Messrs. Deloitte Partners, Chartered Accountants as Auditors for the ensuing financial year 2025/26.

MEETINGS

The Committee meets every other month and additional meetings are held as and when a need arises. Seven (07) meetings were held during the year and the members' attendance at Audit Committee meetings is provided on page 108. The CEO and the Head of Finance are invited to these meetings. Minutes of such meetings which include details of matters discussed are reported regularly at Board meetings. The audit partner was invited to attend one (01) meeting and on one (01) instance, the auditors were able to meet with the Audit Committee members without the presence of other directors and members of the management.

K T C Priyangani
Chairman, Board Audit Committee

Rajagiriya
31st July 2026

Report of the Board Integrated Risk Management Committee

COMPOSITION

The Board Integrated Risk Management Committee (BIRMC) was established to assist the Board in performing its oversight function in relation to different types of risk faced by the Company in its business operations and ensures adequacy and effectiveness of the risk management framework of the Company. During the year under review the Committee comprised the following members:

J T Fernando	Committee Chairman/ Independent Director (appointed w.e.f 17.12.2025)
S Lankathilake	Senior Independent Director
K T C Priyangani	Independent Director
P A Wijeratne	Senior Independent Director (retired w.e.f 26.05.2026)`

TERMS OF REFERENCE

The BIRMC is governed by its Terms of Reference (TOR) which includes the provisions of the Finance Companies Corporate Governance Direction No. 5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka. The TOR was reviewed and strengthened in September 2025 in accordance with the requirements of the aforesaid direction.

ACTIVITIES OF THE COMMITTEE

Credit, Operational, Market, Liquidity, Compliance, Technology, Regulatory, Reputational and other material Risks are monitored by operational units as the first line of defence and reported to ERM on a monthly basis. The Head of Risk Management in turn performs an independent and selective scrutiny of risk matters and issues summarised reports monthly to the Board, as well as once in two months reports to the Committee with recommendations for concurrence and/or specific directions in order to ensure that the risks are managed appropriately.

As delegated by the Committee the Head of Risk Management further submits a risk assessment report to the Board, subsequent to each meeting within a week, stating the risks identifies and mitigation actions recommended. The Committee works closely with the key responsible persons and the Board in fulfilling its duties in risk management.

During the year the Committee: approved the Risk Management Plan for the year, reviewed and recommended the Key Risk Indicators / risk parameters adopted; reviewed actual results computed monthly against such revised risk indicators and took prompt corrective strategies to mitigate the effects of the specific risk; reviewed and recommended the adoption of a business continuity policy; reviewed the effectiveness of the compliance function to assess the Company's compliance with laws, regulatory guidelines, internal controls and approved risk policies , including the compliance plan; reviewed the adequacy and effectiveness of management level committees such as Assets & Liability Committee and the Credit Committee. The Committee further reviewed its own performance during the year.

MEETINGS

During the year the Committee met six (06) times. The attendance of members at meetings is stated on page 109. Proceedings of meetings are also tabled at a subsequent meeting of the Board.

Mr J T Fernando
Chairman, Integrated Risk Management Committee

Rajagiriya
31st July 2026

Report of the Board HR & Remuneration Committee

COMPOSITION

The Board Human Resources & Remuneration Committee was established to assist the Board in overseeing and guiding the Company's human capital strategy. Its responsibility encompass remuneration policies, performance evaluation of Senior Management, talent development, and fostering appropriate organisational culture.

The composition of the Committee during the year under review was in compliance with applicable corporate governance requirements and regulatory standards. The Committee comprised the following members:

Mrs K T C Priyangani	Independent Director (appointed as Committee Chairman w.e.f. 27.05.2026)
F K C P N Dias	Non-Executive Director
M R Dewapura	Independent Director (appointed w.e.f. 14.05.2026)
P A Wijeratne	Independent Director/ Senior Independent Director (retired w.e.f 26.05.2026)

TERMS OF REFERENCE

The Terms of Reference (TOR) of the Human Resources & Remuneration Committee were reviewed and updated in June 2026 in accordance with the Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka, as well as the revised requirements set out in the Listing Rules of the Colombo Stock Exchange.

The Committee operates under a Board-approved Remuneration Policy, which empowers it to evaluate, assess and recommend to the Board for approval the fees, remuneration and ex gratia payments payable to Directors, including the Chief Executive Officer. In discharging this responsibility, the Committee considers, inter alia, the Company's need to remain competitive, to attract and retain talent, to motivate and reward performance, and to support the achievement of corporate goals and objectives.

The Committee is also responsible for establishing and maintaining a formal and transparent process for the development and implementation of the remuneration policy; determining remuneration for Executive Directors, Senior Management, and fees and allowances for Non-Executive Directors; and recommending remuneration structures, including salaries, allowances and incentives for all employees of the Company, together with any material revisions thereto, for Board approval.

Further, the Committee ensures that the remuneration structure aligns with the Company's business strategy and cost framework, incorporates measures to mitigate conflicts of interest, and excludes oversight of remuneration relating to key control functions, including the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer. The Committee also reviews annually the performance of Senior Management against Board-approved targets and determines the basis for performance-linked remuneration and incentives.

ACTIVITIES OF THE COMMITTEE

During the year under review, the Committee reviewed and updated its Terms of Reference in line with the requirements of the Colombo Stock Exchange. The Committee recommended to the Board the restructuring of fees applicable to Independent Directors and reviewed periodic revisions to the Company's human resource policies.

In addition, the Committee reviewed and ratified the basis for granting staff performance-based ex gratia payments for the year under review. The total amount paid as Directors' emoluments is disclosed on page 116.

MEETINGS

Two (02) meetings were held during the year under review. The attendance of members at these meetings is provided on page 109. The proceedings of the meetings were duly reported to the Board.

Mrs K T Chamila Priyangani
Chairman, Board Remuneration Committee

Rajagiriya
31st July 2026

Report of the Board Related Party Transaction Review Committee

COMPOSITION

The Board established the Related Party Transaction Review Committee to ensure compliance with the Rules of the Colombo Stock Exchange. During the year under review, the Committee comprised the following members:

S Lankathilake	Independent Director (re designated as Committee Chairman w.e.f. 17.05.2025)
Mrs K T C Priyangani	Independent Director
J T Fernando	Independent Director (appointed to the w.e.f. 17.12.2025)
M R Dewapura	Independent Director (appointed to the w.e.f. 19.06.2026)
A J L Peiris	Committee Chairman/ Independent Director (retired w.e.f. 17.12.2025)

TERMS OF REFERENCE

The Committee is governed by its Terms of Reference (TOR), which incorporate the requirements of the Code of Best Practice on Related Party Transactions (RPTs) issued by the Securities and Exchange Commission of Sri Lanka. The TOR was last revised in December 2025.

POLICIES AND PROCEDURES ADOPTED

On behalf of the Board, the Committee has adopted a Related Party Transaction Policy aligned with the Company's business model. This policy ensures that all related party transactions comply with:

- the Committee's Terms of Reference
- CBSL Directions on Lending and Single Borrower Limits applicable to Finance Companies
- the Sri Lanka Accounting Standards

This Policy was last revised in September 2025 to reflect the provisions of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL).

The Committee every other month reviews all recurrent and non recurrent Related Party Transactions of the Company. The Company maintains a dedicated system to capture and retrieve data on Related Party Transactions, generating comprehensive reports covering expenses, income, lending activities and outstanding balances.

When evaluating facilities extended to Related Parties, the Committee considers the nature of the transaction, terms, conditions and value of each transaction, along with the compliance statements signed by the key responsible persons of the Company. Transactions proposed will be carried out in accordance with the policy adopted.

Reviewing and approval of RPTs are either at its meetings with a majority of the members present to form a quorum or by circulation consented to by a majority.

The Committee reviews its policies and procedures annually or whenever need arises.

ACTIVITIES OF THE COMMITTEE

During the year, the Committee has reviewed the list of individuals and entities identified as related parties of the Company, reviewed every other month all recurrent and non-recurrent RPTs of the Company and was satisfied that such transactions had been carried out at market rates; and where applicable, the Guidelines of the CSE, CBSL and the Sri Lanka Accounting Standards had been complied with in relation to approvals/reporting/disclosure. With the approval of the Board, the Committee further reviewed and adopted a connected party policy (individuals/entities that does not fall under the definition of LKAS 24 but affiliated to the entity) as proposed by the Management.

During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 39.

The aggregate value of the recurrent related party transactions during the year, did not exceed 10% of the gross revenue/ income of the Company requiring disclosure in terms of Section 9.14.7(1) (b) of the Listing Rules of the CSE.

The Chief Executive Officer, Compliance Officer, the Head of Finance, and the Head of Treasury are invited for Committee meetings, to ensure on behalf of the Committee and the Board that all related party transactions of the Company are consistent with applicable rules and regulations.

A declaration by the Board of Directors as an affirmative statement of compliance with the Listing Rules pertaining to related party transactions is given on page 118 of this report

MEETINGS

Committee convened Six (06) meetings during the year. The attendance of members at meetings is stated on page 109. The Committees activities and observations were communicated to the Board of Directors every other month through verbal updates, and by tabling the minutes.

Mr S Lankathilake
Chairman, Board Related Party Transaction Review Committee

Rajagiriya
31st July 2026

Report of the Board Nominations and Governance Committee

COMPOSITION

The Nomination & Governance Committee was established to assist the Board in assessing the competencies required for effective Board composition and in recommending suitable candidates for election to the Board (subject to shareholder approval) and to its sub-committees, thereby ensuring that such committees are appropriately constituted to effectively discharge their duties and responsibilities. During the year under review, the composition of the Committee:

S Lankathilake	Committee Chairman (Re-desinged as Senior Independent Director w.e.f. 27.05.2026)
F K C P N Dias	Non-Executive Director
Mrs K T C Priyangani	Independent Director (appointed to the Committee w.e.f. 05.01.2026)
A J L Peiris	Independent Director (retired w.e.f. 17.12.2025)
J T Fernando	Independent Director (served in the Committee from 03.11.2025 to 17.12.2025)
B C G de Zylva	Non-Executive Director (served in the committee from 17.12.2025 to 05.01.2026)

TERMS OF REFERENCE

The Terms of Reference (TOR) of the Committee were in accordance with the provisions of the Finance Companies (Corporate Governance) Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka.

The Committee TOR was revised in taking into consideration the Listing Rules on Corporate Governance of the Colombo Stock Exchange.

ACTIVITIES OF THE COMMITTEE

The Committee's duties and responsibilities include assisting the Board in identifying qualified individuals for appointment to the Board; implementing a formal and transparent procedure for the appointment of new Directors and Senior Management; reviewing annually the composition of the Board and its sub-committees; overseeing the evaluation of the Board, its committees, and Senior Management, including succession planning; ensuring that Directors and Senior Management satisfy the fit and proper criteria to perform their functions; and performing such other activities consistent with its Charter and scope, or as may be deemed necessary by the Committee and the Board.

During the year under review, the Committee reviewed the composition of its sub-committees, taking into consideration the experience and expertise of individual members in line with the requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange. The Committee also reviewed the officers identified as Key Responsible Persons of the Company and recommended to the Board and the Central Bank of Sri Lanka the continuation/re-election of existing Board members in accordance with the Finance Companies (Fitness and Propriety of Directors and Officers) Direction No. 06 of 2021.

MEETINGS

Three (03) Committee meeting was held during the year under review and proceedings of this meeting were reported to the Board. The attendance of members at meetings is stated on page 109.

S Lankathilake
Chairman, Board Nomination & Governance Committee

Rajagiriya
31st July 2026

Report of the Board Credit Committee

COMPOSITION

The Board Credit Committee ensures the prudent management of the Company's credit growth while maintaining and enhancing the quality of the lending portfolio. During the year under review, the Committee comprised the following members:

S Lankathilake	Committee Chairman/ Senior Independent Director (appointed as the Committee Chair & Senior Independent Director w.e.f. 27.05.2026)
C Dias	Non-Executive Director (appointed to the Committee w.e.f. 05.01.2026)
M R Dewapura	Independent Director (appointed to the committee w.e.f. 14.05.2026)
A J L Peiris	Independent Director (resigned w.e.f 17.12.2025)
P A Wijeratne	Independent Director / Senior Independent (retired w.e.f 26.05.2026)
B de Zylva	Non-Executive Director (served the committee from 04.11.2025 to 05.01.2026)

TERMS OF REFERENCE

The Board established this Committee on a voluntary basis, and its Charter/Terms of Reference (TOR) sets out its purpose, authority and responsibilities.

ACTIVITIES OF THE COMMITTEE

The Committee's duties and responsibilities include assisting the Board in effectively discharging its responsibilities in relation to credit direction, credit policy and lending guidelines, with a view to promoting a sound lending culture and ensuring compliance with applicable laws, regulations and directives.

The Committee also reviews and considers changes proposed by Management from time to time to the Company's credit policies and lending guidelines.

In addition, the Committee reviews credit risk controls in lending activities and ensures alignment with market developments, internal policies and the prevailing regulatory framework, with the objective of maintaining and enhancing the overall quality of the lending portfolio.

The Committee evaluates and approves credit proposals within its delegated authority limits as approved by the Board and recommends those proposals that fall within the purview of the Board for approval.

MEETINGS

Two (02) meetings were held during the year under review. The attendance of members at these meetings is provided on page 108 to 109. The proceedings of the meetings were duly reported to the Board.

S Lankathilake
Chairman, Board Credit Committee

Rajagiriya
31st July 2026

Chief Executive Officer's and Head of Finance's Responsibility Statement

The Financial Statements of LOLC Finance PLC ("the Company") for the year ended 31 March 2026, together with comparative information for the year ended 31 March 2026, have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising SLFRSs and LKASs issued by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, the Finance Leasing Act No. 56 of 2000, the Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, and the Directions, circulars and guidelines issued by the Central Bank of Sri Lanka applicable to Licensed Finance Companies.

The formats used in the preparation of the Financial Statements and the disclosures presented in this Annual Report are in accordance with the formats and guidelines prescribed by the Central Bank of Sri Lanka, and are consistent with the disclosure requirements of the applicable Sri Lanka Accounting Standards.

The Company has applied its Material Accounting Policies consistently during the year. There were no changes to the Material Accounting Policies or methods of computation during the year, except where disclosed in the Notes to the Financial Statements. Where necessary, comparative information has been reclassified to conform with the current year's presentation.

The application of Material Accounting Policies, estimates and assumptions involving a high degree of judgement and complexity were discussed with the Audit Committee and the External Auditors. Such estimates and judgements were made on a prudent and reasonable basis to ensure that the Financial Statements present a true and fair view of the financial position, financial performance and cash flows of the Company.

We confirm, to the best of our knowledge, that the Financial Statements, Material Accounting Policies and other financial information included in this Annual Report fairly present, in all material respects, the financial position of the Company as at 31 March 2026 and its financial performance and cash flows for the year then ended.

We also confirm that the Company has adequate resources to continue its operations for the foreseeable future and that the Financial Statements have been prepared on a going concern basis.

We are responsible for establishing, implementing and maintaining internal controls and procedures over financial reporting. These controls and procedures are designed to ensure that material information relating to the Company is made known to us on a timely basis, that the Company's assets are safeguarded, and that reasonable assurance is provided regarding the prevention and detection of fraud, errors and other irregularities.

The Company's internal control framework is reviewed, evaluated and updated on an ongoing basis. The Internal Audit function has conducted periodic audits to provide reasonable assurance that established policies and procedures have been consistently followed. However, due to the inherent limitations of any system of internal control, such systems are designed to manage rather than eliminate the risk of failure to achieve business and financial reporting objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Based on our evaluations and the reports made available to us, we are satisfied that the Company's internal controls and procedures over financial reporting were operating effectively during the year under review. To the best of our knowledge, there were no significant deficiencies or material weaknesses in the design or operation of internal controls that could materially affect the Financial Statements, and no fraud involving management or employees that could have a material impact on the Financial Statements has come to our attention.

The Financial Statements were audited by Messrs. Deloitte Partners, Chartered Accountants, the Independent Auditors of the Company. Their report is included on pages 135 to 138 of this Annual Report. The External Auditors were provided with all records, explanations and information required for the conduct of their audit.

The Audit Committee pre-approves audit and permitted non-audit services provided by the External Auditors to ensure that such services do not impair their independence and objectivity. The Audit Committee also reviews the external audit plan, management letters and matters arising from the statutory audit, and meets with both the External Auditors and Internal Auditors to review the effectiveness of the audit process and matters relating to financial reporting and internal controls.

We confirm, to the best of our knowledge, that the Company has complied, in all material respects, with applicable laws, regulations, directions and guidelines. There were no material instances of non-compliance and no material pending litigation against the Company, other than those disclosed in the Notes to the Financial Statements or those arising in the ordinary course of business.

We further confirm that all taxes, duties, levies and other statutory payments due from the Company, including those payable on behalf of employees, have been duly paid or, where applicable, appropriately provided for as at the reporting date.

Mr. Buddhika Weeratunga
Head of Finance

Mr. Krishan Thilakaratne
Director/Chief Executive Officer

Rajagiriya
31st July 2026

Directors' Responsibility for Financial Reporting

This statement sets out the responsibilities of the Board of Directors of LOLC Finance PLC ("the Company") in relation to the preparation and presentation of the Financial Statements of the Company for the financial year ended 31 March 2026.

The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors' Report appearing on pages 135 to 138 of this Annual Report.

In accordance with Sections 150 and 151 of the Companies Act No. 07 of 2007, the Directors are responsible for preparing Financial Statements that give a true and fair view of the financial position of the Company as at the reporting date and of its financial performance and cash flows for the year then ended. The Directors are also responsible for ensuring that the Financial Statements are certified by the officer responsible for their preparation and signed on behalf of the Board in accordance with the requirements of the Companies Act.

The Directors confirm that the Financial Statements for the year ended 31 March 2026 have been prepared and presented in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards and Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, the Finance Leasing Act No. 56 of 2000, the Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, and the directions, circulars and guidelines issued by the Central Bank of Sri Lanka applicable to Licensed Finance Companies.

The Financial Statements comprise the Statement of Financial Position as at 31 March 2026, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, and the Notes to the Financial Statements, including Material Accounting Policy Information. The Directors are satisfied that the Financial Statements present a true and fair view of the financial position, financial performance and cash flows of the Company for the year then ended.

In preparing the Financial Statements, the Directors are responsible for ensuring that appropriate accounting policies have been selected and applied consistently, that reasonable and prudent judgements and estimates have been made, and that all applicable accounting standards, statutory requirements and regulatory requirements have been complied with. Where material departures, reclassifications or changes in presentation are required, such matters have been appropriately disclosed and explained in the Notes to the Financial Statements.

In accordance with Section 148 of the Companies Act No. 07 of 2007, the Directors are responsible for ensuring that proper accounting records are maintained to correctly record and explain the transactions of the Company and to enable the financial position of the Company to be determined with reasonable accuracy at any time. The Directors are satisfied that the Company has maintained proper books of account and adequate accounting records to support the preparation and audit of the Financial Statements.

The Directors are also responsible for establishing and maintaining an adequate system of internal control and risk management. These systems are designed to provide reasonable assurance regarding the reliability of financial reporting, the safeguarding of assets, the prevention and detection of fraud and other irregularities, and compliance with applicable laws, regulations and internal policies. Due to the inherent limitations of any system of internal control, such systems are designed to manage rather than eliminate the risk of material misstatement or loss, and can provide only reasonable, not absolute, assurance.

The Board of Directors, through the Board Audit Committee and the Board Integrated Risk Management Committee, oversees the effectiveness of the Company's financial reporting framework, internal control environment and risk management processes. The Board Audit Committee reviews the Financial Statements, significant accounting judgements and estimates, internal control matters, internal audit findings, external audit matters and the independence of the External Auditors. Further details of the activities of the Board Audit Committee and the Board Integrated Risk Management Committee are set out in their respective reports appearing on page 124 and page 125 of this Annual Report.

The Directors also ensure that interim financial statements are reviewed by the Board Audit Committee and approved by the Board of Directors prior to their release to shareholders, regulators and other stakeholders.

The Directors are responsible for assessing the Company's ability to continue as a going concern. Having considered the financial position, capital adequacy, liquidity position, operating environment, regulatory requirements, future business plans and other relevant factors, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

The Financial Statements have been certified by the Head of Finance, being the officer responsible for their preparation, and have been approved and signed on behalf of the Board of Directors in accordance with the requirements of the Companies Act No. 07 of 2007.

In accordance with Sections 166, 167 and 168 of the Companies Act No. 07 of 2007, the Directors are responsible for ensuring that the Annual Report, including the Financial Statements and the Annual Report of the Board of Directors, is made available to shareholders within the prescribed statutory timeframe prior to the Annual General Meeting. This requirement is fulfilled through the publication of the Annual Report on the Company's official website and the website of the Colombo Stock Exchange. Printed copies of the Annual Report are made available to shareholders upon request in accordance with the Listing Rules of the Colombo Stock Exchange.

The Directors confirm that, to the best of their knowledge and belief, all taxes, duties, levies and other statutory dues payable by the Company, including those payable on behalf of employees, have been duly paid or, where relevant, appropriately provided for in the Financial Statements as at the reporting date.

The External Auditors, Messrs. Deloitte Partners, Chartered Accountants, were provided with full and unrestricted access to all financial records, accounting records, minutes, supporting documents and other information required for the purpose of their audit. The Independent Auditors' Report forms part of this Annual Report.

The Directors are satisfied that they have discharged their responsibilities in relation to the preparation and presentation of the Financial Statements of the Company for the year ended 31 March 2026.

By Order of the Board,

Mr. Krishan Thilakaratne
Director/Chief Executive Officer

Rajagiriya
31st July 2026

STRONG FOUNDATIONS, PROSPEROUS FUTURES

FINANCIAL INFORMATION

Financial Calendar

Financial Calendar 2025/26	
1st Quarter Results 2025/26 released on	Wednesday,August 13, 2025
2nd Quarter Results 2025/26 released on	Monday,November 10, 2025
3rd Quarter Results 2025/26 released on	Monday, February 02, 2026
4th Quarter Results 2025/26 released on	Friday, May 29, 2026
Annual report for 2025/26 released on	Tuesday. August 20,2026
25th Annual General Meeting on	Monday, September 14, 2026

Proposed Financial Calendar 2026/27	
1st Quarter Results 2026/27 will be released on	Friday,August 14, 2026
2nd Quarter Results 2026/27 will be released on	Friday, November 13, 2026
3rd Quarter Results 2026/27 will be released on	Friday, February 12, 2027
4th Quarter Results 2026/27 will be released on	Friday, May 28, 2027
Annual report for 2026/27 will be released on	Friday, July 30, 2027
26th Annual General Meeting on	Monday, August 30,2027

Independent Auditor’s Report

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INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF LOLC FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LOLC Finance PLC (the Company) which comprise the statement of financial position as at 31 March 2026, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2026, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants* issued by the Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka Code of Ethics”) and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans and advances to customers **Refer accounting policy section 2.2.10 impairment losses on financial assets and Notes 8, 19 and 46.2 to the financial statements.** As at 31 March 2026, total gross amount of loans and advances to customers amounted to Rs. 423,054,809,508 with a total allowance for impairment of Rs. 7,522,456,812. Total net amount of loans and advances represent 74% of the total assets. Management’s estimates relating to credit losses are highly subjective as a result of the significant uncertainty and judgement associated with the estimation of expected future credit losses. The complex assumptions in respect of the timing and measurement of expected credit losses (ECL), involved in this process include: » Determination of what constitutes significant increase in credit risk, and timely allocation of qualifying assets to the appropriate staged in accordance with SLFRS 9. » Modelling assumptions and data used to develop and run the models that calculate the ECL. » Judgements involved in the determination of the appropriateness of economic factors as forward-looking variables and the future forecasting of these variables. » Appropriateness, completeness and valuation of management overlays introduced to capture risks not identified by the impairment models.	The audit procedures performed to assess the adequacy of the allowance for expected credit losses on loans and advances to customers, included the following: » Obtained understanding, evaluated, and tested the design of key controls in lending and credit risk management process. » Assessed the appropriateness of the criteria used by management to determine whether customer credit exposures show significant increase in credit risk or are impaired. » Assessed the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgements made and assumptions used by management which included, cash flow estimates, discount rates, expected recoveries when defaults occur and management overlays. » Checked the reasonability of the macro-economic and other forward-looking variables used by management, by comparing those against reliable publicly available information. » Checked the underlying calculations and data on a sample basis for accuracy and completeness; and » Assessed the adequacy of impairment related disclosures in the financial statements.

C S Manoharan FCA, **T U Jayasinghe** FCA, **M D B Boyagoda** FCA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **N R Gunasekera** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **H P V Lakdeva** FCA, **K M D R P Manatunga** ACA, **M M M Manzeer** FCA, **L A C Tillekeratne** ACA,
D C A J Yapa ACA

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INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF LOLC FINANCE PLC (Contd.)
Report on the Audit of the Financial Statements (Contd.)
Key Audit Matters (Contd)

Key audit matter	How our audit addressed the key audit matter
Measurement of provisioning for individually significant exposures including the assessment of expected future cashflows and the timing of these cashflows, probability weighting of cashflow scenarios and collateral valuations. The impairment of loans and advances to customers using the ECL model was considered as a key audit matter due to: » The complex calculations with key variables used in the ECL model requiring significant management judgment and the use of assumptions; and » The magnitude of the reported amounts of loans and advances to customers and the impairment allowances thereof.	
Information Technology (IT) system related internal controls over financial reporting The Company’s financial reporting processes are highly dependent on a number of complex and integrated information systems. These systems process a high volume of transactions and are critical to the accurate recording, processing, and reporting of financial information. Given the significant reliance placed on these IT systems, together with the complexity of the IT environment, including multiple applications, interfaces, and automated processes, there is an inherent risk that deficiencies in IT controls could result in material misstatements in the financial statements. Accordingly, due to the aforementioned pervasive impact of IT systems on financial reporting and the degree of audit effort required, this area was considered a key audit matter.	Our audit procedures included the following procedures: » Obtaining an understanding of the Company’s IT environment, including key systems and related controls » Evaluating the design and testing the operating effectiveness of relevant IT general controls. » Involving our IT audit specialists to assist in testing automated controls and system interface configurations » Testing the completeness and accuracy of key system-generated reports used in the audit » Performing data validation procedures, including reconciliations and substantive testing of selected transactions » Assessing the impact of any identified control deficiencies and determining the nature, timing, and extent of additional audit procedures required address these risks primarily through inquiry. » Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations
Assessment of fair value of land buildings in investment properties . **Refer accounting policy section 2.4 and 26 investment property , 7.1 Sundry and other operating income. Investment Properties respectively to the financial statements**. The Company engaged independent valuers to determine the fair values of its investment properties Which include bare Land, Commercial Properties, Residencial Properties and apartments. As at 31 March 2026 the investment properties was carried at a fair value of Rs. 55,315,600,000. The fair value gain on investment properties amounting to Rs. 1,933,674,033 had been recognised in the financial statements for the year ended 31 March 2026.	Our audit approach included the following procedures: » Assessed the independence, qualifications and experience of the external valuer engaged by the management for the valuations. » Checked the completeness and accuracy of the data provided by management to the valuer. » Obtained the valuation reports and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with methods generally used in the valuation of similar properties; and » Evaluated the relevance and reasonableness of the significant assumptions used in the valuations by applying our knowledge and the publicly available information on the real estate market such as range of offer prices for real estates of similar nature and location. » Obtained services of an auditors expert to review the work of the management’s valuation expert relating to a few selected properties. » Assessed the adequacy of the related disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LOLC FINANCE PLC (Contd.)

Report on the Audit of the Financial Statements (Contd.)

Key Audit Matters (Contd)

Key audit matter	How our audit addressed the key audit matter
The valuation of investment properties involved significant judgement and were based on assumptions, including prices of comparable property transactions adjusted for differences in key attributes such as, property size, shape, legal restrictions, access to main roads, the physical condition of buildings and depreciated replacement cost per square foot. The valuation of investment properties were considered a key audit matter due to the significant judgement involved in the estimate of fair values and the significance of these assets to the financial statements.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Auditor's Responsibilities for the Audit of the Financial Statements (Contd)

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4084.

Deloitte Partners

CHARTERED ACCOUNTANTS

COLOMBO
08 June 2026

Statement of Financial Position

As at 31 March	Note	2026 Rs.	2025 Rs.
ASSETS			
Cash and cash equivalents	15	12,696,724,455	8,578,933,549
Placements with banks	16	15,229,187,243	2,794,250,923
Securities purchased under resale agreements		7,643,438,768	280,245,480
Derivative financial instruments	17	10,267,200	6,499,209
Financial assets recognised through profit or loss – measured at fair value	18	14,440,560,537	33,324,963,785
Financial assets at amortised cost – loans and advances to customers	19	415,532,352,695	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	20	14,284,100,082	14,828,164,580
Financial assets measured at fair value through other comprehensive income	21	349,727,598	323,720,733
Investment in associate	22	-	-
Property, plant and equipment	23	18,864,794,815	14,238,536,560
Intangible assets	24	41,045,967	60,107,649
Right-of-use assets	25	2,017,018,631	1,481,201,306
Investment properties	26	55,315,600,000	55,029,900,000
Other assets	28	2,127,676,020	1,278,500,866
Total assets		558,552,494,011	429,734,164,397
LIABILITIES			
Bank overdraft	15.1	5,457,264,687	8,516,663,167
Derivative financial instruments	17	17,587,900	1,937,593
Financial liabilities at amortised cost – due to depositors	29	271,500,745,426	225,717,328,979
Financial liabilities at amortised cost – borrowings	30	98,400,336,751	15,680,980,318
Retirement benefit obligation	31	1,370,774,632	752,325,774
Current tax liabilities	32	1,960,980,539	2,011,921,307
Deferred tax liabilities	27	-	2,992,430,886
Other liabilities	33	24,440,466,109	24,536,628,014
Total liabilities		403,148,156,044	280,210,216,038
EQUITY			
Stated capital	34	44,078,915,852	44,078,915,852
Reserves			
Statutory reserve fund	35.1	8,915,699,725	7,545,403,163
Merger reserve	35.2	-	-
Other reserves	35.3	9,337,260,070	9,154,257,762
Retained earnings	36	93,072,462,320	88,745,371,582
Total equity		155,404,337,967	149,523,948,359
Total liabilities and equity		558,552,494,011	429,734,164,397
Contingent liabilities and commitments	37	47,549,312,552	32,967,663,778
Net asset value per share	38	5.26	4.52

The annexed notes to the financial statements on pages 145 through 236 form an integral part of these financial statements.

Certification:

These financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

(Mr.) Buddhika Weeratunga
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board,

(Mr.) Krishan Thilakaratne
Director / CEO

(Mr.) Conrad Dias
Chairman / Non Executive Director

05th June 2026
Rajagiriya (Greater Colombo)

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	2026 Rs.	2025 Rs.
Gross income	3	85,954,010,109	73,499,764,573
Interest income	4.1	78,741,323,308	68,317,633,361
Interest expense	4.2	(28,808,645,803)	(26,211,477,746)
Net interest income		49,932,677,505	42,106,155,615
Fee and commission income	5.1	4,679,661,526	3,594,541,578
Less: Fee and commission expense	5.2	(1,508,049,576)	(1,052,011,108)
Net fee and commission income		3,171,611,950	2,542,530,470
Net (losses) / gains from trading	6	(159,875,012)	2,011,227,986
Net other operating income			
Sundry and other operating income	7.1	2,692,900,287	3,286,842,106
Derecognition loss on restructuring of SLISBs	7.2	-	(3,710,480,458)
Other operating income		2,533,025,275	1,587,589,634
Total operating income		55,637,314,730	46,236,275,719
Less: Impairment (charges) / reversal			
Loans and advances	8.1	1,053,732,628	(62,165,013)
Sri Lanka International Sovereign Bonds	8.2	24,007,168	7,311,700,500
Other financial assets and credit related commitments	8.3	(447,735,401)	477,534,701
Total impairment (charge) / reversal		630,004,395	7,727,070,188
Net operating income		56,267,319,125	53,963,345,907
Less: Expenses			
Personnel expenses	9	(9,536,656,435)	(7,940,798,668)
Depreciation and amortisation	10	(2,105,740,570)	(1,304,748,285)
Other operating expenses	11	(13,902,803,259)	(13,918,828,787)
Total operating expenses		(25,545,200,264)	(23,164,375,740)
Profit from operations before taxes on financial services		30,722,118,861	30,798,970,167
Taxes on financial services	12	(6,203,589,781)	(5,736,663,732)
Profit from operating activities		24,518,529,080	25,062,306,435
Share of profit of equity accounted investee	22.2	-	22,834,362
Profit before income tax expense		24,518,529,080	25,085,140,797
Income tax (expense) / reversal	13	2,887,402,159	-
Profit for the period		27,405,931,239	25,085,140,797

For the year ended 31 March	Note	2026 Rs.	2025 Rs.
Other comprehensive income			
Items that will never be reclassified to profit or loss			
(Loss) / gain arising on remeasurement of defined benefit liability	31.2	(485,183,301)	53,275,540
Less: Deferred tax effect on actuarial gains	27.2	145,554,990	(15,982,662)
Net actuarial gains on defined benefit plans		(339,628,311)	37,292,878
Revaluation gain on property, plant and equipment	23	-	2,037,975,138
Less: Deferred tax adjustment / effect on revaluation surplus	27.2	(97,529,357)	(27,324,939)
Net change in revaluation surplus		(97,529,357)	2,010,650,199
Net change in fair value (equity investments at FVOCI)	21	26,006,865	45,393,288
Total of items that will never be reclassified to profit or loss		(411,150,803)	2,093,336,365
Total other comprehensive income, net of tax		(411,150,803)	2,093,336,365
Total comprehensive income for the period		26,994,780,436	27,178,477,162
Basic earnings per share (Rs.)	14	0.89	0.76

Figures in brackets indicate deductions.

The annexed notes to the financial statements on pages 145 through 236 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2026	Note	Stated Capital Rs.	Statutory Reserve Rs.	Revaluation Reserve Rs.
Balance as at 01 April 2024		306,993,805,501	6,291,146,123	1,247,187,997
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income, net of income tax				
Remeasurements of defined benefit liability	36	-	-	-
Revaluation gain on property, plant and equipment	35.3 (a)	-	-	2,010,650,199
Revaluation gain on fair value through OCI investments	35.3 (c)	-	-	-
Total other comprehensive income for the period		-	-	2,010,650,199
Total comprehensive income for the period		-	-	2,010,650,199
Transactions recorded directly in equity				
Transferred to stated capital during the year	34	(262,914,889,649)	-	-
Transfer to Statutory Reserve Fund	35.1	-	1,254,257,040	-
Revaluation surplus transferred to retained earnings upon the disposal of fixed assets	35.3 (a)	-	-	(91,911,123)
Transferred to / (from) regulatory loss allowance reserve	35.3 (d)	-	-	-
Transferred to retained earnings during the year	36	-	-	(424,641,896)
Total transactions recorded directly in equity		(262,914,889,649)	1,254,257,040	(516,553,019)
Balance as at 31 March 2025		44,078,915,852	7,545,403,163	2,741,285,177
Balance as at 01 April 2025		44,078,915,852	7,545,403,163	2,741,285,177
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income, net of income tax				
Remeasurements of defined benefit liability	36	-	-	-
Deferred tax adjustment on revaluation surplus	35.3 (a)	-	-	(97,529,357)
Revaluation gain on fair value through OCI investments	35.3 (c)	-	-	-
Total other comprehensive income for the period		-	-	(97,529,357)
Total comprehensive income for the period		-	-	(97,529,357)
Transactions recorded directly in equity				
Repurchase of shares	34	-	-	-
Transfer to Statutory Reserve Fund	35.1	-	1,370,296,562	-
Transferred to / (from) regulatory loss allowance reserve	35.3 (d)	-	-	-
Total transactions recorded directly in equity		-	1,370,296,562	-
Balance as at 31 March 2026		44,078,915,852	8,915,699,725	2,643,755,820

The annexed notes to the financial statements on pages 145 through 236 form an integral part of these financial statements.

Cash flow Hedge Reserve	Fair Value Reserve	Regulatory Loss Allowance Reserve	Merger Reserve	Retained Earnings	Total Equity
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
41,014,495	302,199,666	6,816,123,553	(262,914,889,649)	63,568,883,511	122,345,471,197
-	-	-	-	25,085,140,797	25,085,140,797
-	-	-	-	37,292,878	37,292,878
-	-	-	-	-	2,010,650,199
-	45,393,288	-	-	-	45,393,288
-	45,393,288	-	-	37,292,878	2,093,336,365
-	45,393,288	-	-	25,122,433,675	27,178,477,162
-	-	-	262,914,889,649	-	-
-	-	-	-	(1,254,257,040)	-
-	-	-	-	91,911,123	-
-	-	(572,244,483)	-	572,244,483	-
(41,014,495)	(178,499,439)	-	-	644,155,830	-
(41,014,495)	(178,499,439)	(572,244,483)	262,914,889,649	54,054,396	-
-	169,093,515	6,243,879,070	-	88,745,371,582	149,523,948,359
-	169,093,515	6,243,879,070	-	88,745,371,582	149,523,948,359
-	-	-	-	27,405,931,239	27,405,931,239
-	-	-	-	(339,628,311)	(339,628,311)
-	-	-	-	-	(97,529,357)
-	26,006,865	-	-	-	26,006,865
-	26,006,865	-	-	(339,628,311)	(411,150,803)
-	26,006,865	-	-	27,066,302,928	26,994,780,436
-	-	-	-	(21,114,390,828)	(21,114,390,828)
-	-	-	-	(1,370,296,562)	-
-	-	254,524,800	-	(254,524,800)	-
-	-	254,524,800	-	(22,739,212,190)	(21,114,390,828)
-	195,100,380	6,498,403,870	-	93,072,462,320	155,404,337,967

Statement of Cash Flows

For the year ended 31 March	Note	2026 Rs.	2025 Rs.
Cash flows from operating activities			
Profit before income tax expense		24,518,529,080	25,085,140,797
Adjustments for:			
Net mark-to-market gains - government & debt securities	6	214,405,342	(1,889,356,450)
Change in fair value of derivatives - forward contracts	6	11,882,316	(4,561,616)
Dividend income	6	(2,101,516)	(2,513,505)
Profit / (loss) on disposal of property, plant & equipment	7.1	72,776,890	75,712,207
Profit / (loss) on disposal of investment property	7.1	(67,955,792)	(49,495,000)
Fair value change in investment properties	7.1	(1,933,674,033)	(2,740,806,466)
Derecognition loss on restructuring of SLISBs	7.2	-	3,710,480,458
Depreciation & amortisation expenses	10	2,105,740,570	1,304,748,285
Impairment charges / (reversal)	8	(630,004,395)	(7,727,070,188)
Provision for defined benefit plans	31.2 (b)	209,462,596	175,551,424
Share of (profit)/loss of associate, net of tax	22.2 (a)	-	(22,834,362)
Investment income	4.1	(3,664,102,817)	(4,204,282,232)
Interest expense	4.2	28,808,645,803	26,211,477,746
Operating profit before changes in operating assets & liabilities		49,643,604,044	39,922,191,098
Change in other assets		(1,192,188,982)	2,711,503,888
Change in trade payables		(190,649,931)	1,893,751,162
Change in other liabilities		(810,436,678)	4,162,102,041
Change in amounts due to / due from related parties		127,690,956	548,027,175
Change in financial assets at amortised cost – loans and advances		(116,969,480,310)	(47,929,542,413)
Change in financial liabilities at amortised cost – due to depositors		45,548,864,033	21,846,681,188
Cash generated from / (used in) operations		(23,842,596,868)	23,154,714,139
Interest paid on deposits		(22,802,803,499)	(26,651,743,661)
Benefits paid on defined benefit plans	31	(76,197,039)	(80,911,060)
Income tax paid	32	(50,940,768)	(669,788,818)
Net cash from / (used in) operating activities		(46,772,538,174)	(4,247,729,400)
Cash flows from investing activities			
Purchase of property, plant and equipment / investment property	23 & 26	(5,815,167,288)	(7,826,438,197)
Proceeds from sale of property, plant & equipment / investment property		112,036,398	1,113,144,559
Purchase of government securities		(16,921,736,190)	(15,585,858,523)
Proceeds from sale of government securities		11,691,744,452	20,283,450,480
Net proceeds from placements with banks		(12,330,884,039)	1,167,980,595
Net proceeds from investments / debt securities		16,986,331,106	(183,423,165)
Net proceeds from the disposal of associate		-	272,777,655
Interest received from financial assets		3,678,587,455	4,370,399,315
Dividend received from financial assets		2,166,990	1,800,696
Net cash flows from / (used in) investing activities		(2,596,921,116)	3,613,833,415
Cash flows from financing activities			
Cash flows from interest bearing borrowings		93,400,411,276	31,937,195,314
Repurchase of shares	34.2	(21,114,390,828)	-
Repayment of interest bearing borrowings	30.2 & 30.1	(15,491,835,275)	(35,133,919,467)
Proceeds from issue of debentures	30.4	10,000,000,000	-
Redemption of debentures	30.4	(5,000,000,000)	-
Repayment of principal portion of lease liabilities		(493,354,980)	(414,378,532)
Interest paid on borrowings		(4,754,181,517)	(2,161,997,607)
Net cash flows from / (used in) financing activities		56,546,648,676	(5,773,100,292)
Net increase / (decrease) in cash and cash equivalents		7,177,189,386	(6,406,996,277)
Cash and cash equivalents at the beginning of the period		62,270,382	6,469,266,659
Cash and cash equivalents at the end of the period	15.1	7,239,459,768	62,270,382

The annexed notes to the financial statements on pages 145 through 236 form an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL

1.1 REPORTING ENTITY

1.1.1 Corporate Information

LOLC Finance PLC ("the Company") is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The registered office of the Company is at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011. The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

1.1.2 Parent entity and Ultimate Parent Company

The Company's immediate parent is LOLC Ceylon Holdings Limited and ultimate parent undertaking and controlling entity is LOLC Holdings PLC, which is incorporated in Sri Lanka.

1.1.3 Principal Activities and Nature of Operations

The principal activities of the Company comprise leasing, lending, margin trading, mobilization of public deposits, alternative financing, and the renting of properties. There were no significant changes in the nature of the Company's principal activities during the financial period under review.

1.1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

1.1.5 Number of Employees

The staff strength of the Company as at 31 March 2026 was 5,468 (March 2025 – 5,053).

1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Finance Business Act No.42 of 2011 and amendments there to.

These Financial Statements include the following components:

- » a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the period under review;
- » a Statement of Financial Position providing the information on the financial position of the Company as at the period-end;
- » a Statement of Changes in Equity depicting all changes in shareholders of Changes in Equity and depicting all changes the Company;
- » a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- » Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

Details of the company's accounting policies are included in Note 2.

1.2.2 Date of authorisation of issue

The Financial Statements were authorised for issue by the Board of Directors on 05th June 2026.

1.2.3 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Derivative financial instruments	Fair value	17
Financial assets recognised through profit or loss – measured at fair value	Fair value	18
Financial assets measured at fair value through other comprehensive income	Fair value	21
Investment property	Fair value	26
Land, buildings and motor vehicle	Revaluation	23
Retirement benefit obligation	Actuarially valued and recognized at the present value	31

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position in order of liquidity.

1.2.4 Materiality and aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.2.5 Going concern basis of accounting

The management has formed reasonable judgement that the Company has adequate resources to continue its business operations for the foreseeable future monitoring its business performance and continuity by adopting risk mitigation initiatives. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

1.2.6 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period. Comparative information has not been reclassified or restated.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). These financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the company's presentation and functional currency during the period under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with SLFRSs/ LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the financial statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

Critical Accounting estimate / judgment	Disclosure reference Note
Fair value measurement of financial instruments / investment properties / land and buildings	1.4.1 / 23.2 / 26.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on assets measured at fair value through profit or loss	1.4.4
Impairment losses on other assets	1.4.5
Defined benefit obligation	1.4.6
Provisions for liabilities and contingencies	1.4.7

1.4.1 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group CFO. The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 22 – Investment property;

Note 23 – Property, plant and equipment; and

Note 2.2 & 2.2.4 – Financial instruments;

1.4.2 Financial assets and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets and liabilities, the Company applies the requirements of SLFRS 9. Financial assets are classified based on the business model for managing the assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Accordingly, financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets held for trading or managed on a fair value basis are classified as FVTPL, as described in Note 2.2.1(b). Financial assets that the Company intends and is able to hold to collect contractual cash flows, and which meet the SPPI criterion, are classified at amortised cost, as required by SLFRS 9.

1.4.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to expected loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.2.10.

1.4.4 Impairment losses on assets measured at fair value through profit or loss

The Company reviews its debt securities classified as fair value through profit or loss at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances. The Company also records impairment charges on equity investments classified as fair value through profit or loss when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged decline' in fair value below their cost requires judgment. In making this judgment, the Company evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on fair value through profit or loss is disclosed in Note 2.2.10.

1.4.5 Impairment losses on other assets

The Company classifies certain debt and equity securities as fair value through profit or loss (FVTPL). These instruments are measured at fair value at each reporting date, and any gains or losses arising from changes in fair value are recognised directly in profit or loss. Accordingly, no separate impairment assessment is performed, as expected credit losses or value declines are reflected through fair value changes.

Specific Accounting Policies on impairment of non-financial assets are discussed in Note 2.6.

1.4.6 Defined benefit obligation

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 2.7.3 for the accounting policy and assumptions used.

1.4.7 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

2. MATERIAL ACCOUNTING POLICIES

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow:

2.1 Foreign currency transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from the retranslation of the available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) are recognized in other comprehensive income.

MATERIAL ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES

2.2 Financial assets and financial liabilities

2.2.1 Non-derivative financial assets

2.2.1 (a) Initial recognition of financial assets

Date of recognition

The Company initially recognises loans and receivables and deposits with other financial institutions on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets

The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing the instrument. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Financial Reporting Standard – SLFRS 09 on 'Financial Instruments'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss

'Day 1' profit or loss on staff loan below market rate

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.2.1 (b) Classification of financial assets

The Company classifies non-derivative financial assets into the following categories:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

2.2.1 (c) Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test of its classification process. In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument.

For the purposes of this assessment,

"principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Based on above assessments, subsequent measurement of financial assets are classified as follows.

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition measured at amortized cost using the effective interest method, less any impairment losses.

This includes cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, advances and other loans granted, factoring receivables, amount due from related parties and other receivables.

- Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

- Rentals receivable on leased assets

When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.

- Loans and advances

Advances and other loans to customers comprised of revolving loans and loans with fixed installment

Loans to customers are reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for impairment losses.

- Financial guarantees

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Financial assets at fair value through other comprehensive income (FVOCI)

Instruments are measured at FVOCI, if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding. This comprises equity securities and debt securities. Fair value is used for all equity instruments, and cost may be used as a fair value estimate only in limited cases. All other investments are measured at fair value after initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets other than those classified at amortized cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs are recognized in statement of profit or loss as incurred.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss. Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as amortized cost.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss. Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss

2.2.2 Non-derivative financial liabilities

Classification and subsequent measurement of financial liabilities

The Company initially recognizes non-derivative financial liabilities on the date that they are originated.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, interest bearing borrowings, customer deposits, trade payables, accruals & other payables and amounts due to related parties:

Bank overdrafts

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits and bank borrowings - classified as other financial liabilities carried at amortized cost

Deposits and bank borrowings are the Company's sources of debt funding.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Subsequent to initial recognition deposits and bank borrowings are measured at their amortized cost using the effective interest method.

2.2.3 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the cash flows of the respective hedge item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

These hedging relationships are discussed below.

i. Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Company does not have any fair value hedges

ii. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

iii. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

The Company does not have any net investment hedge

2.2.3 (a) Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of other income.

2.2.4 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

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

2.2.5 Derecognition of financial assets and financial liabilities

Financial assets

The Company derecognises a financial asset when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either.

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and

(ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2.2.6 Modification of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses measured using pre modification interest rate. In other cases, it is presented as interest income.

Modification of financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.2.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the company's trading activity

2.2.8 Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2.2.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

2.2.10 Impairment

Overview of the expected credit loss (ECL) principles

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. So it is defined as credit impaired and default.

The key judgements and assumption adopted in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available. Based on that, management has decided that an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due and loss to take place after 90 days in accordance with the rebuttable presumption in SLFRS 9.

Individually significant impairment assessment and loans which are not impaired individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated

- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument

- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet it's obligation

- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems

- Significant increase in credit risk on other financial instruments of the same borrower

- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation

Grouping Financial Assets Measured on a Collective Basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to stage 3. All assets which belong to stage 1 and 2 will be assessed collectively for Impairment. Company groups smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- **Probability of Default (PD):** PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- **Exposure at Default (EAD):** EAD is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.

- **Loss Given Default (LGD):** LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

When estimating ECL, Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information

Company relies on broad range of qualitative/quantitative forward-looking information as economic inputs such as the following in its ECL model.

Quantitative inputs	Qualitative inputs
GDP growth	- Changes in Lending Policies and Procedure
Inflation	- Changes in Bankruptcy and lending related Legislations
Unemployment	- Credit Growth
Interest rates	- Position of the Portfolio within the
Exchange rates	- Business Cycle

Accordingly, under the collective assessment, customers operating in risk elevated industries including Tourism, Transportation and Construction were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and have specifically been identified as stage 1 reflecting forward looking view of the economy in relation to the business.

2.3 Leases

2.3.1 Company as a lessee

The Company assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

At the commencement date, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the incremental borrowing rate. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

2.3.2 Company as a lessor

A lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived at by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate of interest which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 19 "Financial assets at amortised cost – loans and advances to customers". The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

Operating leases

The Company recognises lease payments from operating leases as income on straightline basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.5 Property plant and equipment

2.5.1 Recognition and measurement

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured. Items of property, plant and equipment are measured at cost/ revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct Labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in other income/other expenses in profit or loss.

Cost model

The Company applies the cost model to all property, plant and equipment except freehold land, buildings and motor vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model

The Company revalues its land, buildings and motor vehicles which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of land, buildings and motor vehicles, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

2.5.2 Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.5.3 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The estimated useful lives of each class of assets for the current period are disclosed in Note 10.

2.5.4 Right-of-Use Assets

Right-of-use assets of the Company include land, buildings, motor vehicle and computer equipment under long term rental agreements for its use as offices and branches. The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight-line basis over the lease term.

2.6 Impairment - non-financial assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.7 Employee benefits

2.7.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.7.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.7.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses / remeasurement component arising from defined benefit plans immediately in other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

2.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.9 Equity movements

2.9.1 Ordinary shares

The company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.9.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

2.9.3 Share issue costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

2.10 Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

2.11 Events occurring after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

Material Accounting Policies - Recognition of Income and Expenses

2.12 Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss includes the interest on financial assets and financial liabilities measured at amortized cost, fair value through other comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL) calculated on an effective interest basis.

2.12.1 Income from leases and term loans

At the commencement of a contract, the difference between the aggregate contract receivable and the cost of the underlying asset represents unearned income. In accordance with SLFRS 9, this unearned income is recognized as interest income over the term of the facility using the effective interest rate (EIR) method, starting from the month the facility is executed. Income is allocated in a manner that reflects a constant periodic rate of return on the net carrying amount of the receivable, resulting in a systematic recognition of interest income over the life of the facility.

2.12.2 Factoring

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

2.13 Fees, commission and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognized as the related services are performed. Collections on contracts written off and interest on overdue rentals are accounted for on cash basis.

2.14 Dividends

Dividend income is recognized when the right to receive income is established.

2.15 Expenditure recognition

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the period.

2.15.1 Value Added Tax (VAT) on financial services

The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for specified items in the respective regulation on the prescribed rate. The VAT on financial service is recognized as expense in the period it becomes due.

2.15.2 Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the amount liable for VAT on financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.

2.16 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Note 32 represent the major components of income tax expense to the financial statements.

2.16.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2.16.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The relevant disclosures are given in Note 27 to the financial statements.

2.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Specific disclosures are included in Note 14. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. The relevant disclosures are given in Note 14 to the financial statements.

Material Accounting Policies - Statement of Cash Flows

2.18 Cash flow statements

The cash flow statement has been prepared using the indirect method and direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

Material Accounting Policies - General

2.19 Related Party Transactions

Transactions with related parties are conducted in the normal course of business. The relevant disclosures are given in Note 39 to the Financial Statements.

2.20 Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has five reportable segments, SME Finance, Personal Finance, Alternate Finance, Gold Loans and Others, which are the Company's strategic divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 43. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

2.21 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as investment properties.

Fair Value Hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments. When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using;

(a) quoted market in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value. Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.22 New accounting standards issued but not yet effective as at reporting date

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 9 and SLFRS 7 - Classification and Measurement of Financial Instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

SLFRS 18 Presentation and Disclosures in Financial Statements
SLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7.

SLFRS 18 introduces new requirements to:
- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. SLFRS 18 requires retrospective application with specific transition provisions.

Annual improvements to IFRS – Volume 11
Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards; IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments; and IAS 7 Statement of Cash Flows. These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37- Disclosures about Uncertainties in the Financial Statements

The IASB has published the final version of a set of examples that illustrate the reporting of the effects of uncertainties in financial statements through climate-related fact patterns. The Examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties. The Examples do not add to or change requirements in IFRS Accounting Standards and therefore there are no transition requirements and effective date. Instead, these Examples will accompany the respective IFRS Accounting Standards to which they relate.

3. GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 4 - Net Interest Income, Note 5 - Fee and Commission Income, Note 6 - Net gains / (losses) from trading and Note 7 - Other Operating Income.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Interest income	4.1	78,741,323,308	68,317,633,361
Fee and commission income	5	4,679,661,526	3,594,541,578
Net (losses) / gains from trading	6	(159,875,012)	2,011,227,986
Net other operating income	7	2,692,900,287	(423,638,352)
		85,954,010,109	73,499,764,573

4. NET INTEREST INCOME

Accounting Policy

Interest income and expense are recognised in the Income Statement using the Effective Interest Rate (EIR) method. Interest income and expense presented in the Income Statement include:

- Interest income on financial assets measured at amortised cost (AC) calculated using EIR method;
- Interest income on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest expense on financial liabilities measured at amortised cost calculated using EIR method;

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability. When calculating the EIR for financial instruments, the Company estimates future cash flows considering all contractual terms of the financial instrument. The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR.

When a financial asset becomes credit-impaired, the interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Overdue interest on loans and advances is recognised on cash basis.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Interest income	4.1	78,741,323,308	68,317,633,361
Interest expense	4.2	(28,808,645,803)	(26,211,477,746)
Net interest income		49,932,677,505	42,106,155,615

4.1 Interest income

For the year ended 31st March	2026 Rs.	2025 Rs.
Placements with banks	486,691,125	286,945,839
Securities purchased under resale agreements	103,553,707	274,066,571
Financial assets recognised through profit or loss – measured at fair value	1,923,701,157	2,350,751,971
Financial assets at amortised cost – loans and advances to customers		
Leases receivables	17,847,275,549	16,578,668,066
Loans and advances	45,676,966,463	36,526,927,745
Credit card receivables	1,464,486,308	1,290,267,573
Margin trading	681,124,574	1,123,765,731
Factoring receivables	523,032,118	437,741,018
Interest on overdue rentals and others	8,884,335,479	8,155,980,996
Financial assets at amortised cost – debt and other financial instruments		
Government securities	1,133,380,363	1,020,943,189
Commercial papers	16,776,465	271,574,662
	78,741,323,308	68,317,633,361

4.2 Interest expense

For the year ended 31st March	2026 Rs.	2025 Rs.
Financial liabilities at amortised cost – due to depositors		
Fixed deposits	20,342,902,151	21,269,845,892
Savings deposits	606,246,890	469,039,124
Foreign currency deposits	256,878,068	246,094,716
Profit distributed to alternative finance deposit holders	1,831,328,804	2,169,185,595
Financial liabilities at amortised cost – borrowings		
Interest on loans & bank overdraft	5,386,995,699	1,817,933,797
Interest on finance lease	9,639,989	27,763,074
Interest expense on lease liabilities	374,654,202	211,615,548
	28,808,645,803	26,211,477,746

5. NET FEE AND COMMISSION INCOME

Accounting Policy

The Company generates fee and commission income from a wide range of services offered to its customers. These include credit-related fees and commission income. All such fees and commissions are recognised in the Income Statement on an accrual basis. Fees and commissions that form an integral part of the Effective Interest Rate (EIR) of a financial asset or liability are capitalised, incorporated into the EIR calculation, and recognised in the Income Statement over the expected life of the instrument. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Fee and commission income	5.1	4,679,661,526	3,594,541,578
Less: Fee and commission expense	5.2	(1,508,049,576)	(1,052,011,108)
Net fee and commission income		3,171,611,950	2,542,530,470

5.1 Fee and commission income

For the year ended 31st March	2026 Rs.	2025 Rs.
Loans and advances related services	1,410,516,117	1,123,539,075
Credit and debit cards related services	951,849,266	717,875,099
Deposits related services	282,151,597	185,550,445
Other financial services	2,035,144,546	1,567,576,960
Total	4,679,661,526	3,594,541,578

5.2 Fee and commission expense

For the year ended 31st March	2026 Rs.	2025 Rs.
Loans and advances related services	833,587,879	602,105,630
Credit and debit cards related services	459,198,726	292,912,881
Deposits related services	17,859,692	12,528,795
Other financial services	197,403,279	144,463,801
Total	1,508,049,576	1,052,011,108

6. NET GAINS / (LOSSES) FROM TRADING

Accounting Policy

Net trading income comprises all gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit or loss, along with dividend income. Dividend income is recognised when the Company's right to receive payment is confirmed. This category also includes foreign exchange differences arising from derivative contracts that are not designated as hedging instruments.

For the year ended 31st March	2026	2025
	Rs.	Rs.
Financial assets recognised through profit or loss – measured at fair value		
Government Securities		
Net mark-to-market (losses) / gains	(513,602,068)	139,495,367
Net capital gains	-	188,316,295
Equity / debt securities		
Net mark-to-market gains	299,196,726	1,749,861,083
Net capital gains	-	60,102,345
Dividend income	2,101,516	2,513,505
Exchange gain / (loss)		
Change in fair value of derivatives - forward contracts	(11,882,316)	4,561,616
Net exchange gain / (loss)	64,311,130	(133,622,223)
	(159,875,012)	2,011,227,986

7. NET OTHER OPERATING INCOME

Accounting Policy

Net other operating income includes gains / (losses) from disposal of property, plant and equipment, gains / (losses) from disposal of investment property, gains / (losses) from fair value change in investment properties, net (loss) / gain on derecognition of financial assets, rental income and other sundry income.

For the year ended 31st March		2026	2025
	Note	Rs.	Rs.
Sundry and other operating income	7.1	2,692,900,287	3,286,842,106
Derecognition loss on restructuring of SLISBs	7.2	-	(3,710,480,458)
		2,692,900,287	(423,638,352)

7.1 Sundry and other operating income

For the year ended 31st March		2026	2025
	Note	Rs.	Rs.
Loss on disposal of property, plant & equipment		(72,776,890)	(75,712,207)
Profit on disposal of investment property		67,955,792	49,495,000
Fair value change in investment properties	26	1,933,674,033	2,740,806,466
Rental & other income		764,047,352	572,252,846
		2,692,900,287	3,286,842,106

7. NET OTHER OPERATING INCOME CONTD.

7.2 Derecognition loss on restructuring of SLISBs

The restructuring of Sri Lanka International Sovereign Bonds (SLISBs) was completed in December 2024, and the related accounting impact was recognised in the previous financial year. Accordingly, the Company derecognised the SLISBs held as at the restructuring date and recognised the restructured instruments in line with the terms of the Local Option offered to domestic bondholders.

This derecognition resulted in a loss of Rs. 3,710 Mn, as previously disclosed in Note 7.2 to the Financial Statements. During the same period, the Company also reversed impairment provisions previously recognised on SLISBs amounting to Rs. 7,392 Mn, as disclosed in Note 8.2. The restructured instruments, comprising rupee-denominated Treasury Bonds, a USD-denominated Step-Up Bond, and a PDI Bond, were initially recognised at fair value and classified under amortised cost. These instruments were assessed under Stage 2, with an expected credit loss provision recognised on the PDI Bond (refer Note 8.2). Both USD and Rs bonds have been classified under Level 1 of the fair value hierarchy in Note 45 of the Financial Statements.

8. IMPAIRMENT CHARGES / (REVERSAL)

Accounting Policy

The Company recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments).

For customers who are having exposures above the predefined threshold, the Company individually assesses for Significant Increase in Credit Risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. If the Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairment along with the remaining portfolio.

The company computes ECL using three main components; a Probability of Default (PD), a Loss Given Default (LGD) and the Exposure At Default (EAD) under the collective assessment. The Company updated its PD and LGD calculations using the most recent recovery data to determine the impairment provisions as of 31st March 2026. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information using the most recent data published by the Central Bank of Sri Lanka, the International Monetary Fund, and other relevant sources. Additionally, the weightings assigned to the best, base and worst-case scenarios were adjusted.

The methodology adopted by the Company is explained in the Note 2.2.10 to these Financial Statements. Additionally, recoveries of previously written off are offset against impairment charges.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Financial assets at amortised cost - loans & advances	8.1	(1,053,732,628)	62,165,013
Sri Lanka International Sovereign Bonds	8.2	(24,007,168)	(7,311,700,500)
Other financial assets and credit related commitments	8.3	447,735,401	(477,534,701)
		(630,004,395)	(7,727,070,188)

Comparison between provision for impairment as per SLFRS 09 and Central Bank (CBSL) requirement

	Impairment charge / (reversal) to profit or loss Rs.	Net written-off during the year Rs.	Charge / (reversal) to profit or loss net of write-offs Rs.	Provision impact / (reversal) as per CBSL Rs.
Leases receivables	(1,200,136,409)	(359,367,977)	(840,768,432)	(531,918,082)
Loans and advances	(1,121,175,417)	(1,104,385,259)	(16,790,158)	(85,110,531)
Credit card receivables	1,361,523,335	635,127,678	726,395,656	684,719,940
Gold loans	15,730,818	(2,155,252)	17,886,070	(684,185)
Margin trading	(70,878,718)	27,889,724	(98,768,442)	(24,169,461)
Factoring receivables	(38,796,237)	(41,775,861)	2,979,624	(9,502,981)
Sri Lanka International Sovereign Bonds	(24,007,168)	-	(24,007,168)	(24,007,168)
Other financial assets	447,735,401	-	447,735,401	447,735,401
	(630,004,395)	(844,666,947)	214,662,551	457,062,933

8.1 Financial assets at amortised cost - loans & advances

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Leases receivables	8.1 (a)	(1,200,136,409)	587,211,453
Loans and advances	8.1 (a)	(1,121,175,417)	(628,646,869)
Credit card receivables	8.1 (a)	1,361,523,335	19,925,773
Gold loans	8.1 (a)	15,730,818	(17,792,932)
Margin trading	8.1 (a)	(70,878,718)	61,255,930
Factoring receivables	8.1 (a)	(38,796,237)	40,211,658
		(1,053,732,628)	62,165,013

8. IMPAIRMENT CHARGES / (REVERSAL) CONTD.

8.1 (a) Analysis of impairment charges / (reversal)

For the year ended 31st March 2026	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Leases receivables	51,990,444	(42,929,167)	(1,209,197,686)	(1,200,136,409)
Loans and advances	71,095,691	(133,571,541)	(1,058,699,567)	(1,121,175,417)
Credit card receivables	30,490,622	(10,885,037)	1,341,917,750	1,361,523,335
Gold loans	10,355,815	(1,467,325)	6,842,328	15,730,818
Margin trading	-	-	(70,878,718)	(70,878,718)
Factoring receivables	12,579,213	2,981,385	(54,356,835)	(38,796,237)
	176,511,785	(185,871,685)	(1,044,372,728)	(1,053,732,628)

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Leases receivables	19,772,894	50,655,721	516,782,838	587,211,453
Loans and advances	(3,491,459)	124,900,430	(750,055,840)	(628,646,869)
Credit card receivables	(314,415)	1,613,492	18,626,696	19,925,773
Gold loans	1,604,478	(5,171,168)	(14,226,242)	(17,792,932)
Margin trading	-	-	61,255,930	61,255,930
Factoring receivables	2,707,018	(239,697)	37,744,337	40,211,658
	20,278,516	171,758,778	(129,872,281)	62,165,013

8.2 Sri Lanka International Sovereign Bonds

The Company recognised an impairment reversal of Rs. 24 Mn for the year ended 31 March 2026 on PDI bonds acquired during the previous financial year. An impairment reversal of Rs. 7,312 Mn was recognised in 2025, arising from the reversal of brought-forward impairment provisions on restructured SLISBs, net of an impairment charge of Rs. 81 Mn recognised on PDI bonds.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Stage 1	20.1	-	-
Stage 2	20.1	(24,007,168)	81,227,434
Stage 3	20.1	-	(7,392,927,934)
		(24,007,168)	(7,311,700,500)

8.3 Other financial assets and credit related commitments

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Other financial assets			
Stage 1	28.2	104,776,861	64,597,906
Stage 3	28.2	355,082,960	(554,328,169)
Credit related commitments			
Stage 2	37.1	(12,124,420)	12,195,563
		447,735,401	(477,534,700)

9. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses comprise salaries, bonuses, contributions to defined contribution and benefit plans, as well as other staff-related costs. These other costs include medical and hospitalisation expenses, training and recruitment costs, and staff welfare activities. Short-term employee benefits are recognised on an undiscounted basis and expensed as the related services are rendered. A liability for short-term bonuses is recognised when the company has a legal or constructive obligation and the amount can be reliably measured. The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

Defined Contribution Plans - In a defined contribution plan, the company makes fixed contributions to a separate entity with no further obligation. Contributions to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) are 12% and 3% of salaries, respectively, and are recognised as expenses in the relevant period.

Defined Benefit Plans - A defined benefit plan covers post-employment benefits other than defined contributions. The company's obligation is actuarially assessed and discounted to present value using the projected unit credit method. Actuarial gains and losses are recorded in other comprehensive income. As per the Payment of Gratuity Act No. 12 of 1983, gratuity liability arises after five years of continuous service and is not externally funded.

For the year ended 31st March 2026	Note	2026 Rs.	2025 Rs.
Salaries & bonus		8,058,947,260	6,588,271,836
Contributions to EPF & ETF	31.1	593,823,856	485,575,401
Amortisation of pre-paid staff cost	28.1	20,564,126	21,649,811
Provision on gratuity	31.2 (b)	209,462,596	175,551,424
Staff welfare and others		653,858,597	669,750,197
		9,536,656,435	7,940,798,669

10. DEPRECIATION AND AMORTISATION

Accounting Policy

Depreciation of Property, Plant and Equipment

Depreciation is charged from the date the asset is available for use until the date of disposal or derecognition. It is calculated on a straight-line basis over the estimated useful lives of the assets, reflecting the pattern in which the Company expects to consume the future economic benefits. Depreciation rates are reviewed periodically to reflect any changes in the expected pattern of consumption. Freehold land is not depreciated.

Amortisation of Intangible Assets

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful economic lives, commencing from the date the asset is available for use. The amortisation reflects the pattern in which the asset's economic benefits are expected to be consumed by the Company. The Company assumes no residual value for intangible assets. Useful lives are reviewed periodically, and adjustments are made where appropriate.

Amortisation of Right-of-Use Assets

Right-of-use assets are amortised from lease commencement to the earlier of the asset's useful life or lease term, consistent with the useful lives of comparable owned assets.

Class of asset	Depreciation % Per Annum	Useful lives (years)
Freehold and leasehold buildings	2.00 - 2.50	40 - 50 Years
Motor vehicles	12.50 - 25.00	4 - 8 Years
Furniture & fixtures	10.00 - 20.00	5 - 10 Years
Office equipment	12.50 - 25.00	4 - 8 Years
Computer equipment	12.50 - 25.00	4 - 8 Years
Computer software	20.00	5 Years

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Depreciation of property, plant and equipment	23	1,460,554,312	819,733,126
Amortisation of intangible assets	24	36,364,025	2,268,551
Amortisation of right-of-use assets	25	608,822,233	482,746,608
		2,105,740,570	1,304,748,285

11. OTHER OPERATING EXPENSES

Accounting Policy

These expenses are recognised in the Statement of Profit or Loss when there is a direct correlation between the costs incurred and the generation of specific income items. All operating expenses, including those related to running the business and in maintenance of property, plant and equipment to ensure operational efficiency, are charged to the Statement of Profit or Loss as incurred.

Directors' Emoluments

Directors' emoluments comprise remuneration paid to both Executive and Non-Executive Directors, including fees and other benefits attributable to their roles within the Company.

Crop Insurance Levy

In accordance with Section 14 of the Finance Act No. 12 of 2013, the Company is liable to pay a Crop Insurance Levy effective from 1 April 2013. This levy, currently applicable at a rate of 1% on profit after tax, is payable to the National Insurance Trust Fund.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Directors' emoluments		29,894,682	19,694,894
Auditors' remuneration	11.1	18,903,068	22,820,000
Operating lease expenses		99,890,499	98,261,631
Crop insurance levy		272,595,639	219,873,422
Professional & legal expenses		1,035,604,536	738,973,895
Insurance expenses		1,729,536,629	1,335,902,237
Marketing & business promotion expenses		4,641,446,887	4,549,784,952
Office administration expenses		5,814,835,094	6,496,677,180
Other overhead expenses		260,096,225	436,840,576
		13,902,803,259	13,918,828,787

11.1 Auditors' remuneration

For the year ended 31st March	2026 Rs.	2025 Rs.
Audit fees	15,075,000	17,750,000
Audit related fees & expenses	3,828,068	5,070,000
	18,903,068	22,820,000

12. TAXES ON FINANCIAL SERVICES

Accounting Policy

Tax on Financial Services include Value Added Tax on Financial Services and Social Security Contribution Levy on Financial Services.

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on Financial Services was charged at 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.

For the year ended 31 st March	2026 Rs.	2025 Rs.
VAT on Financial Services	5,688,183,322	5,033,498,000
Social Security Contribution Levy (SSCL)	515,406,459	703,165,732
Total taxes on financial services	6,203,589,781	5,736,663,732

13. INCOME TAX (EXPENSE) / REVERSAL

Accounting Policy

Income tax expense comprises of current taxation and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, at the rates specified in Note 13.1 to the Financial Statements.

Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities as per Statement of Financial Position and the amount of such assets or liabilities considered for taxation purposes. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are recognised for deductible temporary, carried forward unused tax losses and carried forward unused tax credits to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax asset or liability is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date. The measurement of deferred tax reflects the tax consequences to the Company as at the reporting date in relation to temporary difference in carrying amount of its assets and liabilities recorded in the Statement of Financial Position and the tax base.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Current tax expense			
Current tax based on profit for the year	13.1	-	-
Capital gain tax paid on disposal of investment property		57,003,094	-
Dividend tax paid on disposal of investment	13.1	-	49,932,000
Total current tax expense		57,003,094	49,932,000
Deferred tax expense			
Due to change in temporary differences	13.1	(2,944,405,253)	(49,932,000)
Total deferred tax expense / (reversal)		(2,944,405,253)	(49,932,000)
Total income tax expense / (reversal)		(2,887,402,159)	-
Effective tax rate		(11.78%)	0.00%

13.1 Reconciliation of accounting profit to income tax expense / (reversal)

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Profit before income tax		24,518,529,080	25,085,140,797
Income tax expense at the statutory tax rate		7,355,558,724	7,525,542,239
Tax effect on			
Disallowable expenses		2,806,236,997	2,160,504,490
Tax deductible expenses		(925,312,246)	(494,500,697)
Exempt income		(875,153,064)	(947,242,934)
Qualifying payments		(8,361,330,411)	(8,244,303,098)
Current tax based on profit for the year		-	-
Capital gain tax paid on disposal of investment property		57,003,094	-
Dividend tax paid on disposal of investment		-	49,932,000
Deferred tax expense due to change in temporary differences	27.2	(2,944,405,253)	(49,932,000)
Total income tax expense / (reversal)		(2,887,402,159)	-
Applicable income tax rate		30.00%	30.00%

14. EARNINGS PER SHARE

Accounting Policy

The Company presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, as per the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share). Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. The Company did not have any dilutive potential ordinary shares as at 31st March 2026.

For the year ended 31 st March	Note	2026 Rs.	2025 Rs.
Amount used as the numerator			
Profit after tax for the year attributable to equity holders		27,405,931,239	25,085,140,797
No. of ordinary shares used as the denominator			
Weighted average number of ordinary shares	14.1	30,726,741,357	33,079,212,299
Basic / diluted earnings per ordinary share (*)		0.89	0.76

(*) There were no potential dilution at the year end. Therefore, diluted earnings per share is the same as basic earnings per share shown above.

14.1 Weighted Average Number of Ordinary Shares for Basic / Diluted EPS

For the year ended 31 st March	Outstanding No. of Shares		Weighted Average No. of Shares	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Number of shares in issue as at 1st April	33,079,212,299	33,079,212,299	33,079,212,299	33,079,212,299
Less : Number of ordinary shares repurchased	(3,519,065,138)	-	(2,352,470,942)	-
Number of shares in issue as at 31st March	29,560,147,161	33,079,212,299	30,726,741,357	33,079,212,299

15. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand, balances with banks that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position and used by the Company in the management of its short-term commitments.

For the year ended 31st March	2026 Rs.	2025 Rs.
Notes and coins held	3,380,106,745	2,333,386,205
Balances with banks	9,316,617,710	6,245,547,344
Cash and cash equivalents	12,696,724,455	8,578,933,549

15.1 Net cash and cash equivalents for the purpose of the cash flow statement

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Cash and cash equivalents	15	12,696,724,455	8,578,933,549
Bank overdraft		(5,457,264,687)	(8,516,663,167)
Net cash and cash equivalents		7,239,459,768	62,270,382

16. PLACEMENTS WITH BANKS

For the year ended 31st March	2026 Rs.	2025 Rs.
Placements with banks	15,229,187,243	2,794,250,923
Less: Provision for impairment	-	-
Net placements with banks	15,229,187,243	2,794,250,923

17. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

The Company uses forward foreign exchange contracts as derivatives. Derivative financial instruments are recorded at fair value. Changes in the fair value of derivatives are included in "Net gains / (losses) from trading" in the Income Statement.

The Company entered into forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. Forward contracts involve an agreement to exchange financial instruments at a future date for a predetermined price. These forward contracts are recognised as derivative assets or liabilities in the Statement of Financial Position, depending on the net position at the reporting date. The Company measures these contracts at fair value, with changes in fair value recognised in Income Statement, consistent with the accounting treatment of derivatives under SLFRS 9. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Forward foreign exchange contracts			
Derivative financial assets		10,267,200	6,499,209
Derivative financial liabilities		(17,587,900)	(1,937,593)
Net derivative assets / (liabilities)		(7,320,700)	4,561,616
Notional amount		3,485,773,100	865,838,050

18. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS – MEASURED AT FAIR VALUE

Accounting Policy

Under SLFRS 9, financial assets are classified based on the business model for managing the assets and the contractual cash flow characteristics. Financial assets that are held for short-term profit-taking, actively traded, or managed on a fair value basis are classified as measured at fair value through profit or loss (FVTPL).

Financial assets measured at fair value through profit or loss are presented in fair value in the SOFP. Interest and dividend income are recorded in "Interest income" and "Net gains / (losses) from trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established. This includes instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling in the near term. Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Government securities	18.1	12,233,133,568	14,238,507,080
Equity securities	18.2	2,207,426,969	2,179,234,036
Unit trusts	18.3	-	16,907,222,669
Total		14,440,560,537	33,324,963,785

18.1 Government securities

Treasury bonds

For the year ended 31st March	2026 Rs.	2025 Rs.
Amortised cost	9,795,255,851	11,287,027,296
Gain / (loss) from mark to market valuation as at 1st April 2025, 2024	2,951,479,785	2,811,984,417
Movement during the year	(513,602,068)	139,495,367
Gain / (loss) from mark to market valuation as at 31st March	2,437,877,717	2,951,479,785
Market value	12,233,133,568	14,238,507,080

18.2 Equity securities

For the year ended 31st March	2026			2025		
Company name	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Equity securities - Quoted						
Access Engineering PLC	10,000	269,990	670,000	10,000	269,990	396,000
ACL Cables PLC	165,480	1,653,448	14,065,800	55,160	1,653,448	6,839,840
Aitken Spence Hotel Holdings PLC	3,800	403,468	348,080	3,800	403,468	304,000
Chemical Industries Colombo PLC [NV]	180	-	4,320	36	-	2,912
Colombo Dockyard PLC	3,300	106,682	403,425	600	106,682	46,200
Commercial Bank of Ceylon PLC	6,262	713,656	1,279,014	6,190	713,656	889,813
Commercial Bank of Ceylon PLC [NV]	5,669	125,982	1,116,793	5,596	125,982	665,924
Laugfs Gas PLC [NV]	21,500	798,342	855,700	21,500	798,342	406,350
Merchant Bank of Sri Lanka	5,000	79,874	54,000	5,000	79,874	30,500
Nations Lanka Finance PLC	81,000	181,666	8,100	81,000	181,666	24,300
Nations Trust Bank PLC [NV]	20,352	1,528,176	5,886,816	20,178	1,528,176	3,843,909
Peoples Leasing & Finance PLC	211,210	2,443,373	4,731,104	205,907	2,443,373	3,747,507
Piramal Glass Ceylon PLC	141,000	603,484	7,346,100	141,000	603,484	5,104,200
Renuka Agri Foods PLC	172,675	790,758	2,158,437	172,675	790,758	604,362
Sampath Bank PLC	7,381	469,738	1,072,090	7,381	469,738	852,506
Seylan Bank PLC [NV]	159,855	1,876,908	11,285,763	159,855	1,876,908	8,184,576
Softlogic Finance PLC	23,900	1,233,775	148,180	23,900	1,233,775	126,670
Swisstek [Ceylon] PLC	51,790	602,195	4,117,305	51,790	602,195	2,501,457
The Lanka Hospitals Corporation PLC	10,000	502,566	1,000,000	10,000	502,566	770,000
Union Bank of Colombo Limited	700	17,500	9,030	700	17,500	7,280
United Motors Lanka PLC	50,000	495,407	1,500,000	5,000	495,407	448,000
Total equity securities - Quoted		14,896,988	58,060,057		14,896,988	35,796,306
Equity securities - Unquoted*						
LOLC Myanmar Micro Finance Co. Ltd	6,584,931	861,125,000	1,808,613,642	6,584,931	861,125,000	1,805,739,090
LOLC El-Oula Microfinance Egypt	152,750	348,075,272	340,753,270	152,750	348,075,272	337,698,640
Total equity securities - Unquoted		1,209,200,272	2,149,366,912		1,209,200,272	2,143,437,730
Total equity securities		1,224,097,260	2,207,426,969		1,224,097,260	2,179,234,036
Gain / [loss] from mark to market valuation as at 1st April 2025 & 2024		955,136,776			946,980,080	
Mark to market gains / [losses]		28,192,933			8,156,696	
Gain / [loss] from mark to market valuation as at 31st March		983,329,709			955,136,776	
Market value		2,207,426,969			2,179,234,036	

18. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS – MEASURED AT FAIR VALUE CONTD.

18.2 Equity securities contd.

Valuation technique - Equity securities (Unquoted)

The fair value measurement of the above unquoted equity securities has been classified under Level 3 of the fair value hierarchy, as it is based on unobservable inputs used in valuation techniques. The Company has applied the Residual Income Approach to determine the fair value of these investments. The key unobservable inputs used in the valuation include; cost of equity, terminal growth rate, exchange rate and forecasted cash flows. These inputs reflect management's best estimates based on historical data, market trends, and internal projections. The interrelationships between significant unobservable inputs and the fair value measurement are as follows:

- A lower / (higher) cost of equity increases / (decreases) the fair value.
- A higher / (lower) terminal growth rate, exchange rate or forecasted cash flows increases / (decreases) the fair value.

18.3 Unit trusts

For the year ended 31st March	2026 Rs.	2025 Rs.
Amortised cost	-	16,500,000,000
Gain / (loss) from mark to market valuation as at 1st April	407,222,669	272,388,291
Movement during the year	(407,222,669)	134,834,378
Gain / (loss) from mark to market valuation as at 31st March	-	407,222,669
Market value	-	16,907,222,669

19. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS

Accounting Policy

Financial assets at amortised cost – loans and advances to customers includes, Loans and Advances and Lease Receivables of the Company. As per SLFRS 9, "Loans and advances to customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Company is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within "Loans and advances to customers" in the Statement of Financial Position.

After initial measurement, "Loans and advances to customers" are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Company designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income", while the losses arising from impairment are recognised in "Impairment (charges) / reversal" in the Income Statement.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross loans and advances		423,054,809,507	305,240,662,250
Stage 1		361,016,246,947	208,074,151,859
Stage 2		40,793,863,584	69,260,581,114
Stage 3		21,244,698,976	27,905,929,277
Less: Provision for impairment		(7,522,456,812)	(7,731,522,493)
Stage 1	19.2	(513,323,653)	(336,811,868)
Stage 2	19.2	(232,854,765)	(418,726,450)
Stage 3	19.2	(6,776,278,394)	(6,975,984,175)
Net loans and advances		415,532,352,695	297,509,139,757

19.1 Analysis of financial assets at amortised cost – loans and advances to customers

19.1 (a) By product

For the year ended 31st March	2026 Rs.	2025 Rs.
Overdrafts / Speed drafts	98,087,171,065	63,732,794,336
Finance lease receivable	81,815,813,715	71,107,219,176
Credit cards	7,143,425,544	6,889,568,113
Gold Loan	70,236,343,556	39,367,336,123
Staff loans	366,140,130	435,481,449
Housing development loans	2,125,616,990	2,231,365,078
Personal loans	25,942,245,886	17,002,768,157
Individual loans / Group loans	6,026,560,087	6,125,200,232
Factoring	5,215,384,449	3,727,382,041
Loans against fixed deposits	10,509,519,291	8,563,109,648
Margin trading	5,166,546,868	4,184,372,895
Alternate finance portfolio - Other receivables (Murabaha, Musharakah etc.)	39,185,722,406	28,578,336,533
Term loans		
Short term	81,977,997	68,642,074
Long term	71,152,341,523	53,227,086,394
Total	423,054,809,507	305,240,662,250

19. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS CONTD.

19.1 Analysis of financial assets at amortised cost – loans and advances to customers Contd.

19.1 (b) By industry

For the year ended 31st March	2026 Rs.	2025 Rs.
Agriculture and fishing	40,893,198,453	35,572,454,586
Arts, entertainment and recreation	1,066,314,790	1,000,843,676
Construction	52,219,997,412	30,838,953,159
Education	5,118,092,551	4,733,328,675
Financial services	10,510,030,614	12,182,113,077
Healthcare, social services and support services	60,348,859,319	20,816,428,135
Information technology and communication services	2,047,689,520	2,325,462,367
Infrastructure development	3,653,691,693	2,594,822,533
Consumption	70,236,343,556	39,367,336,123
Manufacturing	18,907,761,988	19,304,054,383
Plantation	14,685,068,978	14,088,311,388
Professional, scientific and technical activities	5,712,083,073	7,163,270,929
Tourism	10,919,997,053	7,423,188,760
Transport and storage	47,568,072,664	33,022,322,625
Wholesale and retail trade	67,108,555,689	52,103,547,658
Others	12,059,052,154	22,704,224,176
Total	423,054,809,507	305,240,662,250

19.2 Movement in provision for impairment during the year

For the year ended 31st March 2026	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Charge / (reversal) to the Income Statement	176,511,785	(185,871,685)	(1,044,372,728)	(1,053,732,628)
Net write-off during the year	-	-	844,666,947	844,666,947
Balance as at March 31, 2026	513,323,653	232,854,765	6,776,278,394	7,522,456,812

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Charge / (reversal) to the Income Statement	20,278,516	171,758,778	(129,872,281)	62,165,013
Net write-off during the year	-	-	(1,061,038,264)	(1,061,038,264)
Balance as at March 31, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493

19.3 Finance lease receivable

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Total lease rentals receivable		114,441,576,595	94,678,052,801
Unearned lease interest income		(32,625,762,880)	(23,570,833,625)
Gross lease receivable		81,815,813,715	71,107,219,176
Less: Provision for impairment		(3,027,926,460)	(3,753,286,355)
Stage 1		(174,502,214)	(122,511,771)
Stage 2		(112,598,875)	(155,528,042)
Stage 3		(2,740,825,371)	(3,475,246,542)
Net lease receivable		78,787,887,255	67,353,932,821
Gross lease receivable within one year	19.3 (a)	50,884,991,006	32,537,683,554
Gross lease receivable after one year	19.3 (b)	27,902,896,249	34,816,249,267
		78,787,887,255	67,353,932,821

19.3 (a) Finance lease receivable within one year

For the year ended 31st March	2026 Rs.	2025 Rs.
Total lease rentals receivable within one year from reporting date	71,952,649,860	47,321,772,890
Unearned lease interest income	(19,033,919,540)	(12,863,932,065)
Gross lease receivable within one year	52,918,730,320	34,457,840,825
Less: Provision for impairment	(2,033,739,314)	(1,920,157,270)
Net lease receivable within one year	50,884,991,006	32,537,683,554

19.3 (b) Finance lease receivable after one year

For the year ended 31st March	2026 Rs.	2025 Rs.
Total lease rentals receivable after one year from reporting date	42,488,926,735	47,356,279,911
Unearned lease interest income	(13,591,843,340)	(10,706,901,560)
Gross lease receivable after one year	28,897,083,395	36,649,378,351
Less: Provision for impairment	(994,187,146)	(1,833,129,085)
Net lease receivable after one year	27,902,896,249	34,816,249,267

Additional information on loans and advances are given in Note 46 to the Financial Statements (Risk Management), including the movement of the gross carrying amount of amortised cost and expected credit losses (ECL), sensitivity of ECL to key variables used in the ECL calculation etc.

20. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER FINANCIAL INSTRUMENTS

Accounting Policy

As per SLFRS 9, financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment (charges) / reversal" in the Income Statement.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Government securities		**13,826,430,458**	14,268,464,890
Treasury bills		**-**	345,567,000
Treasury bonds		**6,064,732,452**	6,658,815,674
Sri Lanka International Sovereign Bonds	20.1	**7,761,698,006**	7,264,082,216
Commercial papers		**514,889,890**	640,927,123
Gross debt & other financial instruments		**14,341,320,348**	14,909,392,014
Less: Provision for impairment	20.1 (a)	**(57,220,266)**	(81,227,434)
Total		**14,284,100,082**	14,828,164,580

20.1 Sri Lanka International Sovereign Bonds

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its International Sovereign Bonds (SLISBs). As a result, the Company reversed the impairment provision of Rs 7.4 Bn, pertains to the SLISBs classified under amortised cost is disclosed in Note 8.2 to the financial statements. The impairment reversal of Rs. 24 Mn recognised during the year represents the reduction in the provision for PDI bonds for the year ended 31 March 2026.

20.1 (a) Movement in provision for impairment during the year

For the year ended 31st March 2026	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2025		-	81,227,434	-	**81,227,434**
Charge / (reversal) to the Income Statement	**20.1**	-	(24,007,168)	-	**(24,007,168)**
Balance as at March 31, 2026		-	57,220,226	-	**57,220,226**

For the year ended 31st March 2025	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2024		-	-	**7,392,927,934**	**7,392,927,934**
Charge / (reversal) to the Income Statement	**20.1**	-	**81,277,434**	**(7,392,927,934)**	**(7,311,700,500)**
Balance as at March 31, 2025		-	**81,277,434**	-	**81,227,434**

20.2 Analysis of debt and other financial instruments based on exposure to credit risk

For the year ended 31st March 2026	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Government securities	6,064,732,452	7,761,698,006	-	13,826,430,458
Treasury bonds	6,064,732,452	-	-	6,064,732,452
Sri Lanka International Sovereign Bonds	-	7,761,698,006	-	7,761,698,006
Commercial papers	514,889,890	-	-	514,889,890
Gross debt & other financial instruments	6,579,622,342	7,761,698,006	-	14,341,320,348
Less: Provision for impairment	-	(57,220,266)	-	(57,220,266)
Total	6,579,622,342	7,704,477,740	-	14,284,100,082

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Government securities	7,004,382,674	7,264,082,216	-	14,268,464,890
Treasury bills	345,567,000	-	-	345,567,000
Treasury bonds	6,658,815,674	-	-	6,658,815,674
Sri Lanka International Sovereign Bonds	-	7,264,082,216	-	7,264,082,216
Commercial papers	640,927,123	-	-	640,927,123
Gross debt & other financial instruments	7,645,309,798	7,264,082,216	-	14,909,392,014
Less: Provision for impairment	-	(81,227,434)	-	(81,227,434)
Total	7,645,309,798	7,182,854,782	-	14,828,164,580

20.3 Analysis of debt and other financial instruments

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
By collateralisation		14,341,320,348	14,909,392,014
Pledged as collateral		-	-
Unencumbered		14,341,320,348	14,909,392,014
By currency		14,341,320,348	14,909,392,014
Sri Lankan Rupee		6,579,622,342	7,645,309,798
Other currency		7,761,698,006	7,264,082,216

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

As per SLFRS 9, this comprises equity instruments designated at FVOCI. Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in ""Net other operating income"" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

For the year ended 31st March	2026			2025		
Company name	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Equity securities - Unquoted						
Credit Information Bureau of Sri Lanka	510	608,468	608,468	510	608,468	608,468
Finance House Association of Sri Lanka	40,000	200,000	200,000	40,000	200,000	200,000
Equity Investments Lanka Limited	16,875	168,750	168,750	16,875	168,750	168,750
LOLC Global (Pvt) Ltd	1,000,000	153,650,000	348,750,380	1,000,000	153,650,000	322,743,515
Total equity securities - Unquoted		154,627,218	349,727,598		154,627,218	323,720,733
"Gain / (loss) from mark to market valuation as at 1st April 2025 & 2024"		169,093,515			123,700,227	
Mark to market gains / (losses)		26,006,865			45,393,288	
Gain / (loss) from mark to market valuation as at 31st March		195,100,380			169,093,515	
Market value		349,727,598			323,720,733	

Except for the equity investment in LOLC Global (Pvt) Ltd, the Company has used cost as the best approximation of fair value for its unquoted equity securities, due to the absence of recent market transactions or observable exit prices.

22. INVESTMENT IN ASSOCIATE

Accounting Policy

Associates are those entities in which the Company has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures."

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Accordingly, under the Equity Method, investments in associates are carried at cost plus post acquisition changes in the Company's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Company's share of the results of operations of the associates.

For the year ended 31st March Company name	Ownership interest %	No. of Shares Rs.	2026 Cost of Investment Rs.	2026 Carrying Value	2025 Cost of Investment Rs.	2025 Carrying Value Rs.
Unquoted						
Commercial Insurance Brokers (Pvt) Ltd	40.00	240,000	-	-	-	-
Total			-	-	-	-

On March 31, 2025, the Company disposed of its entire equity stake in Commercial Insurance Brokers (Pvt) Ltd for a total consideration of Rs. 332,880,000.

22.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Statements is as follows:

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Commercial Insurance Brokers (Pvt) Ltd			
Cost of investments		-	-
Add: Share of profit applicable to the Company			
Investment in associate – as at April 01, 2025&2024		-	249,943,293
Total comprehensive income		-	22,834,362
Share of profit/(loss) of associate, net of tax	22.2	-	16,155,187
Share of other comprehensive income/(expense) of associate, net of tax	22.2	-	6,679,175
Dividend received		-	-
Disposal of investment		-	(272,777,655)
Balance as at March 31,		-	-

22. INVESTMENT IN ASSOCIATE CONTD.

22.2 Summarised financial information in respect of the associate is set out below:

22.2 (a) Summarised Income Statement

For the year ended 31st March	Note	2026	2025
		Rs.	Rs.
Commercial Insurance Brokers (Pvt) Ltd			
Revenue		-	258,127,814
Expenses		-	(198,471,312)
Income tax		-	(19,268,534)
Profit/(loss) from continuing operations, net of tax		-	40,387,967
Company's share of profit/(loss) from continuing operations, net of tax		-	16,155,187
Other comprehensive income/(expense), net of tax		-	16,697,937
Company's share of Other Comprehensive Income/(expense) from continuing operations, net of tax		-	6,679,175
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive Income		-	22,834,362

23. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on “Property, plant and equipment” in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition - Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

Basis of measurement - An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs directly attributable to bringing the asset to a working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost model -The Company applies the cost model to all property, plant and equipment except freehold land, buildings and motor vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model
The Company applies the revaluation model for the entire class of land, buildings and motor vehicles for measurement after initial recognition. These are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset. The Company revalued its land, buildings and motor vehicles as at March 31, 2025. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value are given in Note 23.2 and Note 23.3.

Subsequent expenditure - Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Derecognition - The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised.

23. PROPERTY, PLANT AND EQUIPMENT CONTD.

	Freehold lands Rs.	Freehold buildings Rs.	Freehold motor vehicles Rs.	Office equipment, furniture and fixtures Rs.	Computer equipment Rs.	Total Rs.
Cost / valuation						
Balance as at April 01, 2025	6,649,200,000	3,306,000,000	2,971,324,998	3,464,732,071	1,810,239,199	18,201,496,268
Additions & improvements	-	-	5,480,118,384	9,123,256	277,008,738	5,766,250,378
Transfer from / (to) investment properties	368,300,000	133,000,000	-	-	-	501,300,000
Disposals during the year	-	-	(160,675,000)	(8,772,801)	(392,228,879)	(561,676,680)
Reclassification	-	-	-	61,673,605	(78,975,948)	(17,302,343)
Transfers / adjustments	-	-	-	-	227,660,267	227,660,267
Balance as at March 31, 2026	7,017,500,000	3,439,000,000	8,290,768,382	3,526,756,131	1,843,703,377	24,117,727,890
Accumulated depreciation						
Balance as at April 01, 2025	-	-	-	2,481,008,081	1,481,951,627	3,962,959,708
Charge for the year	-	110,797,450	945,614,489	323,717,387	80,424,986	1,460,554,312
Disposals during the year	-	-	(16,463,504)	(6,522,355)	(352,489,326)	(375,475,185)
Transfers / adjustments	-	-	-	-	204,894,240	204,894,240
Balance as at March 31, 2026	-	110,797,450	929,150,985	2,798,203,113	1,414,781,527	5,252,933,075
Net book value as at March 31, 2026	7,017,500,000	3,328,202,550	7,361,617,397	728,553,018	428,921,850	18,864,794,815
Net book value as at March 31, 2025	6,649,200,000	3,306,000,000	2,971,324,998	983,723,991	328,287,572	14,238,536,560

	Freehold lands Rs.	Freehold buildings Rs.	Freehold motor vehicles Rs.	Office equipment, furniture and fixtures Rs.	Computer equipment Rs.	Capital work-in progress Rs.	Total Rs.
Cost / valuation							
Balance as at April 01, 2024	5,574,150,000	2,914,382,639	2,193,614,896	2,669,116,994	1,775,999,078	32,280,218	15,159,543,824
Additions & improvements		103,026,810	629,225,266	654,171,887	120,012,246	191,614,034	1,698,050,242
Surplus on revaluation	623,050,000	275,293,752	344,629,836	-	-	-	1,242,973,587
Transfer from investment properties	452,000,000	-	-	-	-	-	452,000,000
Disposals during the year	-	-	(194,245,000)	(35,314,236)	(85,675,000)	(32,280,218)	(347,514,454)
Transfers / adjustments	-	13,296,800	(1,900,000)	176,757,426	(97,124)	(191,614,034)	(3,556,932)
Balance as at March 31, 2025	6,649,200,000	3,306,000,000	2,971,324,998	3,464,732,071	1,810,239,199	-	18,201,496,268
Accumulated depreciation							
Balance as at April 01, 2024	-	145,957,768	479,721,106	2,232,349,236	1,238,661,887	-	4,096,689,997
Charge for the year	-	91,233,066	142,227,229	275,047,397	311,225,435	-	819,733,126
Depreciation on revaluation	-	(237,190,834)	(557,810,716)	-	-	-	(795,001,550)
Disposals during the year	-	-	(64,137,619)	(26,485,677)	(67,838,570)	-	(158,461,866)
Transfers / adjustments	-	-	-	97,124	(97,124)	-	-
Balance as at March 31, 2025	-	-	-	2,481,008,081	1,481,951,627	-	3,962,959,708
Net book value as at March 31, 2025	6,649,200,000	3,306,000,000	2,971,324,998	983,723,991	328,287,572	-	14,238,536,560
Net book value as at March 31, 2024	5,574,150,000	2,768,424,871	1,713,893,790	436,767,757	537,337,191	32,280,218	11,062,853,827

23.1 The carrying amount of Company's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

For the year ended 31st March	2026			2025		
	Cost Rs.	Accumulated depreciation Rs.	Net book value Rs.	Cost	Accumulated depreciation Rs.	Net book value Rs.
Class of asset						
Freehold lands	4,134,473,802	-	4,134,473,802	3,766,173,802	-	3,766,173,802
Freehold buildings	2,040,436,408	298,372,740	1,742,063,668	1,907,436,408	214,509,547	1,692,926,862
Freehold motor vehicles	7,531,063,903	1,516,996,007	6,014,067,896	2,050,945,548	1,511,629,037	539,316,511
Total	13,705,974,113	1,815,368,747	11,890,605,366	7,724,555,758	1,726,138,584	5,998,417,175

23.2 Measurement of fair values

The fair value of the freehold land, buildings and motor vehicles were assessed by independent, professionally qualified external valuers with expertise in the relevant class of assets and geographic locations. The valuation, completed as of 31 March 2025, was carried out in accordance with recognised valuation standards. All freehold land, buildings and motor vehicle's were measured using Level 3 fair value inputs under the fair value hierarchy, reflecting the use of unobservable market data and significant management judgment in the valuation process.

23.3 Valuation techniques and sensitivity of the fair value measurement of the freehold land, buildings and motor vehicles of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation Technique	Significant unobservable inputs	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	» Price per perch for land » The value of a perch ranges from Rs.44,000 to Rs.28,500,000 in the Colombo area and Rs.25,000 to Rs.13,000,000 outside Colombo.	Estimated fair value would increase / (decrease) if; » Price per perch for land would increase / (decrease)
Depreciated replacement cost method The depreciated replacement cost method is used to estimate the fair value of property for which there is no active market. Fair value is determined based on the current replacement cost of a comparable asset, adjusted for accumulated depreciation, obsolescence, and physical deterioration to reflect its current condition and remaining useful life.	» Price per square foot for building » Depreciation rate for building » The value per sq.ft ranges from Rs.2,000 to Rs.180,000 in the Colombo area and Rs.1,500 to Rs.16,000 outside Colombo.	Estimated fair value would increase / (decrease) if; » Price per square foot for building would increase / (decrease) » Depreciation rate for building would (decrease) / increase

23.4 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

23.5 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

23.6 Fully-depreciated property, plant and equipment

The cost of fully-depreciated property, plant and equipment of the Company which are still in use is as follows:

For the year ended 31st March	2026 Rs.	2025 Rs.
Class of asset		
Office equipment, furniture and fixtures	2,200,653,423	2,050,050,602
Computer equipment	870,900,922	924,848,549

23.7 Temporarily idle property, plant and equipment

There were no temporary idle property, plant and equipment of the Company as at the reporting date.

24. INTANGIBLE ASSETS

Accounting Policy

The Company's intangible assets include computer software. Cost of purchased all computer software licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortisation.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets". Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation.

Subsequent expenditure - Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. There were no restrictions on the title of the intangible assets of the Company as at the reporting date. Further, there were no items pledged as securities for liabilities.

For the year ended 31st March	2026 Rs.	2025 Rs.
Cost		
Balance as at April 01, 2025 & 2024	68,618,555	72,116,765
Additions & improvements	-	26,643,650
Disposals during the year	-	(30,141,860)
Reclassification	17,302,343	-
Balance as at March 31,	85,920,898	68,618,555
Accumulated amortisation		
Balance as at April 01, 2025 & 2024	8,510,906	32,534,012
Charge for the year	36,364,025	2,268,551
Disposals during the year	-	(26,291,657)
Balance as at March 31,	44,874,931	8,510,906
Net book value as at March 31,	41,045,967	60,107,649

25. RIGHT-OF-USE ASSETS

Accounting Policy

Right-of-use assets of the Company include land and buildings under long term rental agreements for its use as offices and branches. The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight-line basis over the lease term.

	Leasehold lands Rs.	Leasehold buildings Rs.	Leasehold motor vehicles Rs.	Computer equipment Rs.	Total Rs.
Cost					
Balance as at April 01, 2025	29,082,956	2,338,302,080	54,961,000	227,660,267	2,650,006,303
Additions & improvements	3,050,537	838,928,520	-	-	841,979,057
Expiration / terminations during the year	-	(259,697,578)	-	-	(259,697,578)
Transfers / adjustments	(4,585,384)	340,870,041	-	(227,660,267)	108,624,390
Balance as at March 31, 2026	27,548,109	3,258,403,063	54,961,000	-	3,340,912,172
Accumulated amortisation					
Balance as at April 01, 2025	6,320,225	1,011,226,411	11,613,679	139,644,682	1,168,804,997
Charge for the year	2,301,171	534,053,913	746,310	71,720,839	608,822,233
Expiration / terminations during the year	-	(242,368,168)	-	(6,471,281)	(248,839,449)
Transfers / adjustments	-	-	-	(204,894,240)	(204,894,240)
Balance as at March 31, 2026	8,621,396	1,302,912,156	12,359,989	-	1,323,893,541
Net book value as at March 31, 2026	18,926,713	1,955,490,908	42,601,011	-	2,017,018,631
Net book value as at March 31, 2025	22,762,731	1,327,075,669	43,347,321	88,015,585	1,481,201,306

	Leasehold lands Rs.	Leasehold buildings Rs.	Leasehold motor vehicles Rs.	Computer equipment Rs.	Total Rs.
Cost					
Balance as at April 01, 2024	14,963,050	2,325,939,329	54,961,000	227,660,267	2,623,523,647
Additions & improvements	23,188,936	824,697,744	-	-	847,886,680
Expiration / terminations during the year	(9,069,030)	(812,334,994)	-	-	(821,404,024)
Balance as at March 31, 2025	29,082,956	2,338,302,080	54,961,000	227,660,267	2,650,006,303
Accumulated amortisation					
Balance as at April 01, 2024	9,408,657	1,307,891,630	8,845,067	37,197,562	1,363,342,916
Charge for the year	5,075,295	372,455,581	2,768,612	102,447,120	482,746,608
Expiration / terminations during the year	(8,163,727)	(669,120,800)	-	-	(677,284,527)
Balance as at March 31, 2025	6,320,225	1,011,226,411	11,613,679	139,644,682	1,168,804,997
Net book value as at March 31, 2025	22,762,731	1,327,075,669	43,347,321	88,015,585	1,481,201,306
Net book value as at March 31, 2024	5,554,393	1,018,047,699	46,115,933	190,462,705	1,260,180,731

25. RIGHT-OF-USE ASSETS

25.1 Lease liability

Set out below are the carrying amounts of lease liabilities (included under "Other liabilities" in Note 33) and the movements.

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	1,515,845,166	1,201,205,928
Additions	754,413,154	742,215,610
Adjustments	336,284,657	-
Terminations	(23,152,231)	(130,186,343)
Accretion of interest	374,654,202	211,615,548
Payments	(729,226,821)	(509,005,577)
Balance as at March 31,	2,228,818,127	1,515,845,166

25.2 Future minimum lease payments under non-cancellable leases

For the year ended 31st March	2026 Rs.	2025 Rs.
Maturity analysis of contractual undiscounted cash flows		
Less than 1 year	541,624,642	492,452,520
1 to 5 years	1,790,120,926	1,257,156,406
More than 5 years	1,085,467,438	456,880,702
Total undiscounted lease liabilities	3,417,213,006	2,206,489,628

25.3 Sensitivity of right-of-use assets / lease liability to key assumptions

25.3 (a) Sensitivity to discount rates

1% increase / (decrease) in discount rate as at 31st March 2026 would have (decreased) / increased the lease liability by approximately Rs. 84 Mn with a similar (decrease) / increase in the right-of-use asset. Had the Company increased / (decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs. 2.8 Mn.

25.3 (b) Sensitivity to lease term

Had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31st March 2026 would have increased by Rs. 407.5 Mn, with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 47.6 Mn.

26. INVESTMENT PROPERTIES

Accounting Policy

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. This includes bare lands and land and buildings acquired by the company from clients who defaulted on accommodations granted and purchased properties.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the net other operating income.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		55,029,900,000	48,313,343,393
Additions and improvements:			
Additions		-	4,847,050,141
Additions resulting from acquisitions		-	78,000,000
Improvements		48,916,911	-
Disposals / returned to clients		(975,500,000)	(497,300,000)
Transfer (to) / from PPE	23	(501,300,000)	(452,000,000)
Adjustment		(220,090,944)	-
Change in fair value during the year	7.1	1,933,674,033	2,740,806,466
Balance as at March 31,		55,315,600,000	55,029,900,000

During the year ended 31 March 2026, the Company earned rental income of Rs. 228.1 million (2024/25: Rs.202.2 million) from its investment properties. Correspondingly, property maintenance expenses amounted to Rs. 126.1 million (2024/25: Rs.134.5 million).

26.1 Measurement of fair values

The fair value of the investment property portfolio was assessed by independent, professionally qualified external valuers with expertise in the relevant property types and geographic locations. The valuation, completed as of 31 March 2026, was carried out in accordance with recognised valuation standards. All investment properties were measured using Level 3 fair value inputs under the fair value hierarchy, reflecting the use of unobservable market data and significant management judgment in the valuation process.

26.2 Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable inputs	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	» Price per perch for land » The value of a perch ranges from Rs.80,000 to Rs.29,000,000 in the Colombo area and Rs.30,000 to Rs.10,000,000 outside Colombo.	Estimated fair value would increase / (decrease) if; » Price per perch for land would increase / (decrease)
Depreciated replacement cost method The depreciated replacement cost method is used to estimate the fair value of property for which there is no active market. Fair value is determined based on the current replacement cost of a comparable asset, adjusted for accumulated depreciation, obsolescence, and physical deterioration to reflect its current condition and remaining useful life.	» Price per square foot for building » Depreciation rate for building » Price per square foot for building Depreciation rate for building The value per sq.ft ranges from Rs.2,500 to Rs.126,500 in the Colombo area and Rs.1,250 to Rs.18,000 outside Colombo.	Estimated fair value would increase / (decrease) if; » Price per square foot for building would increase / (decrease) » Depreciation rate for building would (decrease) / increase

27. DEFERRED TAX ASSETS AND LIABILITIES

Accounting Policy

There is no legally enforceable right to set off deferred tax assets against the deferred tax liabilities if it does not relates to the same taxable entity or the same taxation authority. Therefore, net deferred tax assets and liabilities of different entities / authorities are separately recognised in the Statement of Financial Position.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Recognised under deferred tax assets	27.2	13,315,441,557	9,485,561,344
Recognised under deferred tax liabilities	27.2	(13,315,441,557)	(12,477,992,230)
Net deferred tax assets / (liabilities)		-	(2,992,430,886)

27.1 Summary of net deferred tax assets / (liabilities)

For the year ended 31st March	2026		2025	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Balance at the beginning of the year	(9,974,769,621)	(2,992,430,886)	(9,996,850,951)	(2,999,055,285)
Impact on origination / (reversal) of temporary differences to Statement of Profit or Loss	9,814,684,177	2,944,405,253	166,440,000	49,932,000
Impact on origination / (reversal) of temporary differences to Statement of Other Comprehensive Income	160,085,444	48,025,633	(144,358,670)	(43,307,601)
Balance as at March 31,	-	-	(9,974,769,621)	(2,992,430,886)

27.2 Reconciliation of net deferred tax assets / (liabilities)

For the year ended 31st March	Statement of financial position		Profit or loss		Other comprehensive income	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Deferred tax assets on:						
Post employment benefit obligation	411,232,390	225,697,732	39,979,667	28,392,109	145,554,990	(15,982,662)
Provision for impairment charges	210,034,649	219,146,653	(9,112,005)	62,852,524	-	-
Lease liability	668,645,438	454,753,550	213,891,888	94,391,771	-	-
Carried forward qualifying payment (Note 27.3)	12,025,529,080	8,585,963,409	3,439,565,672	1,140,290,367	-	-
	13,315,441,557	9,485,561,344	3,684,325,222	1,325,926,771	145,554,990	(15,982,662)
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	425,846,040	383,472,888	42,373,152	387,446,659	-	-
Lease receivables	1,717,829,277	1,717,829,277	-	-	-	-
Right-of-use assets	611,935,398	444,360,392	167,575,005	66,306,173	-	-
Revaluation surplus on freehold buildings	267,215,456	169,686,099	-	-	97,529,357	(468,286,745)
Revaluation surplus on freehold land	299,852,100	299,852,100	-	-	-	299,852,100
Revaluation surplus on freehold motor vehicle	565,970,652	565,970,652	-	-	-	195,759,584
Forward exchange contracts (net)	-	-	-	-	-	-
Revaluation gain on investment property	9,426,792,634	8,896,820,822	529,971,812	822,241,940	-	-
	13,315,441,557	12,477,992,230	739,919,969	1,275,994,771	97,529,357	27,324,939
Deferred tax effect on profit or loss and other comprehensive income for the year			2,944,405,253	49,932,000	48,025,633	(43,307,601)
Net deferred tax assets / (liabilities) as at March 31,	-	(2,992,430,886)				

27.3 Cost of acquisition of subsidiary and unrecognised deferred tax assets

During the financial year 2017/18, the Company paid Rs.12,291,200,000 to acquire 100% of LOLC Micro Credit Limited. In addition, during the financial year 2021/22 and 2022/23, the Company paid purchase consideration of Rs.198,818,947,542 and Rs.95,412,357,959 to be merged with Commercial Leasing and Finance PLC and LOLC Development Finance PLC respectively. Since this was inline with the Central Bank of Sri Lanka's consolidation program, the Company is able to claim the purchase consideration as a qualifying payment in calculating the income tax liability.

During the year Rs. 27,871,101,370 was claimed keeping inline with the requirements of the Inland Revenue Act. The Company expects to claim the remaining amount over the future year based on the profitability of the Company. On a prudent basis the management has decided to evaluate the recoverability of this claim based on the projected taxable profits for the future years and expects to recover Rs.40,085,096,934 over such year and a deferred tax asset of Rs. 12,025,529,080 was recognised during the year.

The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

27. DEFERRED TAX ASSETS AND LIABILITIES CONTD.

Unrecognised deferred tax asset

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Remaining amount to be claimed at the beginning of the year		238,034,817,396	264,624,944,578
Consideration paid to acquire subsidiary		-	-
Previous year adjustment		(1,032,105,106)	890,883,146
Amount claimed during the year		(27,871,101,370)	(27,481,010,327)
Remaining amount to be claimed in future years		209,131,610,920	238,034,817,396
Tax rate		30.00%	30.00%
Deferred tax asset on remaining amount		62,739,483,276	71,410,445,219
Recognised deferred tax asset	27.2	(12,025,529,080)	(8,585,963,409)
Unrecognised deferred tax asset		50,713,954,196	62,824,481,810

28. OTHER ASSETS

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Other financial assets			
Amount due from related companies		173,611,600	56,700,133
Insurance premium receivables		1,045,888,689	982,319,226
Sundry debtors		58,068,260	86,499,133
Less: Provision for impairment	28.2	(1,050,022,875)	(590,163,054)
		227,545,674	535,355,438
Other non-financial assets			
Deposits and prepayments		865,608,759	294,528,449
Pre-paid staff cost	28.1	19,687,510	29,830,589
Other receivables		1,014,834,077	418,786,390
		1,900,130,346	743,145,428
Net other assets		2,127,676,020	1,278,500,866

28.1 The movement in the Pre-paid staff cost

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		29,830,589	37,318,316
Add: Adjustment for new grants (net of settlements)		10,421,047	14,162,083
Charge to personnel expenses	9	(20,564,126)	(21,649,811)
Balance as at March 31,		19,687,510	29,830,589

28.2 Movement in provision for impairment during the year

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	590,163,054	1,079,893,318
Charge / (reversal) to the Income Statement	459,859,821	(489,730,263)
Stage 1	104,776,861	64,597,906
Stage 2	-	-
Stage 3	355,082,960	(554,328,169)
Balance as at March 31,	1,050,022,875	590,163,054

The impairment allowance was recognised against insurance premium receivable and other financial assets.

29. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO DEPOSITORS

Accounting Policy

These include savings deposits and fixed deposits. Subsequent to initial recognition deposits are measured at amortised cost using the EIR method. Interest paid / payable on these deposits is recognised in "Interest expense" in the Income Statement.

For the year ended 31st March	2026 Rs.	2025 Rs.
Local currency deposits	266,153,475,744	221,927,375,676
Savings deposits	16,066,107,055	14,031,260,049
Fixed deposits	250,087,368,689	207,896,115,627
Foreign currency deposits	5,347,269,682	3,789,953,303
Savings deposits	315,815,025	272,704,509
Fixed deposits	5,031,454,657	3,517,248,794
Total	271,500,745,426	225,717,328,979

The maturity analysis of financial liabilities at amortised cost – due to depositors is given in Note 44.

29.1 Analysis of due to depositors

29.1 (a) By product

For the year ended 31st March	2026 Rs.	2025 Rs.
Savings deposits - Conventional	13,893,062,941	11,941,713,277
Savings deposits - Alternate finance	2,173,044,114	2,089,546,772
Savings deposits - Foreign currency	315,815,025	272,704,509
Fixed deposits - Conventional	226,068,160,045	186,176,305,615
Fixed deposits - Alternate finance	24,019,208,644	21,719,810,012
Fixed deposits - Foreign currency	5,031,454,657	3,517,248,794
Total	271,500,745,426	225,717,328,979

29.1 Analysis of due to depositors Contd.

29.1 (b) By currency

For the year ended 31st March	2026 Rs.	2025 Rs.
Sri Lankan Rupee	266,153,475,744	221,927,375,676
United States Dollar	3,030,920,657	2,173,067,941
Great Britain Pound	1,005,086,526	697,624,276
Euro	484,424,825	377,525,795
Australian Dollar	826,837,674	541,735,291
Total	271,500,745,426	225,717,328,979

29.1 (c) By institution / customers

For the year ended 31st March	2026 Rs.	2025 Rs.
Deposits from banks	3,014,347,194	1,012,721,611
Deposits from other customers	268,486,398,232	224,704,607,368
Total	271,500,745,426	225,717,328,979

30. FINANCIAL LIABILITIES AT AMORTISED COST – BORROWINGS

Accounting Policy

This includes interest-bearing borrowings from banks and financial institutions. Subsequent to initial recognition, these are measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost reflects the impact of any discounts, premiums, or directly attributable transaction costs. The EIR amortisation is recognised under interest expenses in the Income Statement.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Short-term borrowings	30.1	46,463,406,735	6,096,436,048
Long-term borrowings	30.2	41,645,227,603	4,444,723,945
Finance leases	30.3	6,746,342	127,745,867
Debentures	30.4	10,284,956,071	5,012,074,458
Total		98,400,336,751	15,680,980,318

30.1 Short-term loans

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	6,096,436,048	5,379,596,823
Loans obtained	46,260,602,740	30,000,000,000
Repayments	(8,561,040,818)	(29,749,091,498)
Interest accrued during the year	2,667,408,765	465,930,723
Balance as at March 31,	46,463,406,735	6,096,436,048

30.2 Long-term borrowings

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		4,444,723,945	9,075,079,559
Loans obtained		42,130,450,000	-
Repayments		(6,930,794,457)	(5,384,827,970)
Interest accrued during the year		2,000,848,115	754,472,356
Balance as at March 31,		41,645,227,603	4,444,723,945
Long-term borrowings - current		10,330,747,937	3,479,665,243
Long-term borrowings - non-current	30.2 (a)	31,314,479,666	965,058,702
Total		41,645,227,603	4,444,723,945

30.2 (a) Analysis of non-current portion of long-term borrowings

For the year ended 31st March	2026 Rs.	2025 Rs.
Repayable within 1-3 years	23,892,374,666	842,400,000
Repayable after 3 years	7,422,105,000	122,658,702
Total	31,314,479,666	965,058,702

30.3 Finance leases

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross lease rentals payable at the beginning of the year		137,648,496	282,495,962
Interest accrued during the year		9,639,989	27,763,074
Lease rentals paid		(140,279,502)	(172,610,540)
Gross lease rentals payable at the end of the year		7,008,983	137,648,496
Less: Interest in suspense		(262,641)	(9,902,630)
Balance at the end of the year / present value of minimum lease payments		6,746,342	127,745,867

30.3 (a) Analysis of finance leases

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Repayable within one year	30.3 (b)	6,746,342	120,999,524
Repayable within 1-5 years	30.3 (c)	-	6,746,342
Total		6,746,342	127,745,867

30.3 (b) Repayable within one year

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross lease rentals payable		7,008,983	130,639,513
Less: interest in suspense		(262,641)	(9,639,989)
		6,746,342	120,999,524

30.3 (c) Repayable within 1-5 years

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross lease rentals payable		-	7,008,983
Less: interest in suspense		-	(262,641)
		-	6,746,342

30.4 Debentures

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		5,012,074,458	5,011,996,675
Debenture issued		10,000,000,000	-
Debenture redeemed		(5,000,000,000)	-
Interest accrued during the year		609,950,516	593,706,762
Interest paid		(337,068,903)	(593,628,979)
Balance as at March 31,		10,284,956,071	5,012,074,458

30.4 (a) Details of debentures issued

These represent listed, rated, senior, unsecured, redeemable debentures amounting to 100 million units, issued in December 2025. The debentures are listed on the Colombo Stock Exchange and are rated A+ (Stable) by Lanka Rating Agency.

Instrument type	No. of debentures .	Face value Rs.	Rate of interest % (p.a)	Interest frequency	Maturity date	2026 Rs.	2025 Rs.
Type A - 5 Years Tenor	33,712,500	3,371,250,000	10.50	Semi-Annually	23-Sep-25	-	3,379,008,493
Type B - 5 Years Tenor	16,287,500	1,628,750,000	19.63	Semi-Annually	23-Sep-25	-	1,633,065,965
	50,000,000	5,000,000,000				-	5,012,074,458
Type A - 5 Years Tenor	80,414,500	8,041,450,000	11.25	Annually	10-Dec-30	8,319,045,260	-
Type B - 5 Years Tenor	20,000	2,000,000	10.95	Semi-Annually	10-Dec-30	2,067,200	-
Type C - 5 Years Tenor	19,565,500	1,956,550,000	10.53	Annually	10-Dec-30	1,963,843,611	-
	100,000,000	10,000,000,000				10,284,956,071	-

31. RETIREMENT BENEFIT OBLIGATION

Accounting Policy

The accounting policies pertaining to "Retirement benefit obligation" are given in Note 9 to the Financial Statements.

31.1 Defined contribution plans

For the year ended 31st March	2026 Rs.	2025 Rs.
Employees' Provident Fund		
Employers' contribution	474,789,147	385,690,229
Employees' contribution	316,526,098	257,126,820
Employees' Trust Fund	119,034,709	99,885,171

31.2 Defined benefit plan

31.2 (a) Movement of defined benefit obligation during the year

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Provision for Gratuity			
Balance at the beginning of the year		752,325,774	710,960,950
Expense recognised in Profit or Loss	31.2 (b)	209,462,596	175,551,424
Benefits paid from plan		(76,197,039)	(80,911,060)
Actuarial (gains) / losses recognised during the year	31.2 (c)	485,183,301	(53,275,540)
Balance as at March 31,		1,370,774,632	752,325,774

31.2 (b) Expense recognised in Profit or Loss

For the year ended 31st March	2026 Rs.	2025 Rs.
Current service cost	123,755,326	83,126,501
Interest cost	85,707,270	92,424,923
Total expense recognised in profit or loss	209,462,596	175,551,424

31.2 (c) Actuarial (gains) / losses recognised in other comprehensive income

For the year ended 31st March	2026 Rs.	2025 Rs.
Cumulative (gain) / loss at the beginning of the year	19,774,766	73,050,306
Actuarial (gains) / losses due to changes in assumptions	(56,713,162)	(8,276,549)
Actuarial experience (gains) / losses during the year	541,896,463	(44,998,991)
Cumulative (gain) / loss as at March 31,	504,958,067	19,774,766

An actuarial valuation of the gratuity fund of the Company was carried out as at 31st March 2026 by Mr Jayaraman Muthukrishnan (Fellow of the Institute and Faculty of Actuaries - UK) of Units Actuaries & Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the Projected Unit Credit Method, as recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

31.2 (d) Actuarial assumptions

For the year ended 31st March	2026 Rs.	2025 Rs.
Financial assumptions		
Discount rate	10.00%	12.00%
Future salary increment rate	8.00%	10.00%
Demographic assumptions		
Mortality (Mortality Table)	IALM 2006-08	RP 2000
Retirement age	60 years	60 years

The expected average future working life of the active participants is 9.3 years (2024/25: 11.2 years).

The discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. The future salary increment rate was also revised to align with the decrease in market interest rates. The Company adjusted the staff turnover rates used in 2025 based on the actual turnover rates during the period.

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service under the Payment of Gratuity Act No. 12 of 1983. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 Years of service. The obligation is not externally funded.

31.2 (e) Sensitivity of assumptions employed in defined benefit obligation

Reasonably possible changes to one of the significant actuarial assumptions at the reporting date, while holding other assumptions constant, would have affected the gratuity liability / Statement of Comprehensive Income by the amounts shown below.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
The defined benefit obligation under current assumptions	31.2 (a)	1,370,774,632	752,325,774
The defined benefit obligation if the discount rate increased by 100 basis points		1,267,266,683	681,278,288
The defined benefit obligation if the discount rate reduced by 100 basis points		1,489,933,281	834,376,728
The defined benefit obligation if the salary increment rate increased by 1%		1,497,663,967	842,947,813
The defined benefit obligation if the salary increment rate reduced by 1%		1,258,965,695	673,385,357
The change in the defined benefit obligation if the discount rate increased by 100 basis points		(103,507,949)	(71,047,486)
The change in the defined benefit obligation if the discount rate reduced by 100 basis points		119,158,649	82,050,955
The change in the defined benefit obligation if the salary increment rate increased by 1%		126,889,335	90,622,040
The change in the defined benefit obligation if the salary increment rate reduced by 1%		(111,808,937)	(78,940,417)

31.2 (f) The expected payouts in the future years on defined benefit obligation

For the year ended 31st March	2026 Rs.	2025 Rs.
Within the next 12 months	143,194,882	82,532,261
Between 1 - 2 years	200,978,893	82,461,389
Between 2 - 5 years	238,768,862	297,292,060
Beyond 5 Years	787,831,995	833,903,267
Total	1,370,774,632	1,296,188,977

32. CURRENT TAX LIABILITIES

Accounting Policy

The accounting policies pertaining to "Current tax liabilities" are given in Note 12 to the Financial Statements.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		2,011,921,307	2,681,710,125
Provision for the year	13.1	-	-
Under / (over) provision		-	-
Payment of tax		(50,940,768)	(669,788,818)
Balance as at March 31,		1,960,980,539	2,011,921,307

33. OTHER LIABILITIES

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Other financial liabilities			
Trade payables		1,805,970,673	1,996,620,604
Insurance premium payables		122,315,943	381,699,446
Amount due to related companies		1,070,266,163	825,663,740
Lease liability	25.1	2,228,818,127	1,515,845,166
Payable on matured deposits		63,481,022	59,469,840
		5,290,851,928	4,779,298,796
Other non-financial liabilities			
Excess payments received from clients		1,543,621,016	1,548,910,940
Stamp duty payable		25,536,521	33,759,347
Value Added Tax (VAT) / other tax payable		14,174,401,064	15,655,778,063
Crop Insurance Levy Payable		197,604,581	175,860,350
Other payables		3,206,670,996	2,329,116,095
Impairment provision in respect of off-balance sheet credit exposures	37.1	1,780,003	13,904,423
		19,149,614,181	19,757,329,218
Net other liabilities		24,440,466,109	24,536,628,014

34. STATED CAPITAL

Accounting Policy

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

For the year ended 31st March	Note	2026		2025	
		Number of shares	Rs.	Number of shares	Rs.
Balance at the beginning of the year		33,079,212,299	44,078,915,852	33,079,212,299	306,993,805,501
Capital reduction - transfer from merger reserve	34.1	-	-	-	(262,914,889,649)
Repurchase of shares	34.2	(3,519,065,138)	-	-	-
Balance as at March 31,		29,560,147,161	44,078,915,852	33,079,212,299	44,078,915,852

Rights, preferences and restrictions of classes of capital

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

34.1 Capital reduction

At the Extraordinary General Meeting held on July 29, 2024, the shareholders of the Company approved a resolution for a capital reduction in accordance with the Companies Act No. 7 of 2007. The purpose of this capital reduction was to eliminate the negative merger reserve arising from amalgamations conducted in previous years. The capital reduction involved offsetting the negative merger reserve of Rs. 262,914,889,649 against the existing stated capital of Rs. 306,993,805,501. This adjustment did not affect the company's equity, and it entailed no movement of cash or assets. Additionally, there was no impact on the number of shares outstanding for the Company.

34.2 Repurchase of shares

The Company successfully completed the share repurchase approved by the Board of Directors at a price of Rs. 6.00 per share. The offer period commenced on 30th June 2025 and closed on 8th July 2025, with payments to shareholders made on 23rd July 2025 and the effective date of the transaction being 30th July 2025.

A total of 3,519,065,138 ordinary shares were repurchased under the offer, amounting to a total consideration of Rs. 21,114,390,828. The repurchase was carried out in accordance with the provisions of Section 64 of the Companies Act No. 07 of 2007 and the guidelines issued by the Central Bank of Sri Lanka relating to profit distributions by Licensed Finance Companies. As required by Section 64(2) of the Act, the Company obtained a Solvency Certificate and a Fair Value Opinion from its external auditors prior to execution.

The Board of Directors confirmed that the repurchase was in the best interests of the Company, with the objective of optimising its capital structure while maintaining regulatory compliance, and that the consideration offered to shareholders was fair and reasonable. The repurchased shares were subsequently cancelled, and the number of shares in issue and retained earnings were adjusted accordingly to reflect the repurchase. The transaction was accounted for in accordance with LKAS 1 Presentation of Financial Statements and LKAS 33 Earnings per Share, and the impact on earnings per share is disclosed in Note 14.1.

35. RESERVES

Accounting Policy

Several statutory and voluntary reserves are maintained by the Company in order to meet various legal and operational requirements. The details of these reserves including the nature and purpose of maintaining them are given below.

35.1 Statutory reserve fund

In accordance with Direction No. 1 of 2003 issued under the Finance Business Act No. 42 of 2011, the Company is required to maintain a statutory reserve fund and transfer a percentage of its net profits after tax and provisions each year, based on its capital adequacy position. The Company is transferring annually 5% of its net profits, after making provision for taxation and bad and doubtful debts, to a statutory reserve fund, as the capital funds exceed 25% of its total deposit liabilities.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		7,545,403,163	6,291,146,123
Transfer during the year	36	1,370,296,562	1,254,257,040
Balance as at March 31,		8,915,699,725	7,545,403,163

35.2 Merger reserve

The merger reserve comprises the costs of the mergers with Commercial Leasing and Finance PLC as of 31 March 2022 and LOLC Development Finance PLC as of 31 January 2023, which exceeded the carrying amounts of the identifiable net assets of the acquiree. During the financial year 2024/25 as mentioned in the Note 34.1, this reserve is transferred to stated capital through a resulution of a capital reduction.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		-	(262,914,889,649)
Transfer during the year	34	-	262,914,889,649
Balance as at March 31,		-	-

35.3 Other reserves

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Revaluation reserve	35.3 (a)	2,643,755,820	2,741,285,177
Cash flow hedge reserve	35.3 (b)	-	-
Fair value reserve	35.3 (c)	195,100,380	169,093,515
Regulatory loss allowance reserve	35.3 (d)	6,498,403,870	6,243,879,070
		9,337,260,070	9,154,257,762

35.3 (a) Revaluation reserve

The revaluation reserve relates to the revaluation of freehold land, buildings and motor vehicles and represents the fair value changes of the land, buildings and motor vehicles, as at the date of revaluation.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		2,741,285,177	1,247,187,997
Surplus on revaluation of freehold land, buildings and motor vehicles	23	-	2,037,975,138
Deferred tax effect on revaluation surplus on freehold land, buildings and motor vehicles	27.2	(97,529,357)	(27,324,939)
Revaluation surplus transferred to retained earnings upon the disposal of freehold vehicles	36	-	(91,911,123)
Transfer to retained earnings	36	-	(424,641,896)
Balance as at March 31,		2,643,755,820	2,741,285,177

During the year, the Company identified that deferred tax related to the revaluation reserve had been under-provided in the previous financial year. Accordingly, a net deferred tax adjustment of Rs. 97,529,357 was recognised in equity during the current year, in accordance with the relevant accounting requirements.

35.3 (b) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedge cash flows affect profit or loss.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		-	41,014,495
Transfer to retained earnings	36	-	(41,014,495)
Balance as at March 31,		-	-

35.3 (c) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired..

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		169,093,515	302,199,666
Net fair value gains / (losses) on remeasuring equity investments at FVOCI	21	26,006,865	45,393,288
Transfer to retained earnings	36	-	(178,499,439)
Balance as at March 31,		195,100,380	169,093,515

35.3 (d) Regulatory loss allowance reserve

In accordance with Section 7.1.3 of the Finance Business Act Direction No. 01 of 2020, where the loss allowance for expected credit losses under SLFRS 9 falls below the regulatory provision, the Company is required to maintain the difference as an additional loss allowance in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings. In compliance with this requirement, the Company has transferred the required additional loss allowance from retained earnings to the RLAR during the year.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		6,243,879,070	6,816,123,553
Transfer from / (to) retained earnings	36	254,524,800	(572,244,483)
Balance as at March 31,		6,498,403,870	6,243,879,070

36. RETAINED EARNINGS

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		88,745,371,582	63,568,883,511
Profit for the year		27,405,931,239	25,085,140,797
Gains on remeasurement of defined benefit liability	31.2	(485,183,301)	53,275,540
Deferred tax effect on remeasurement of defined benefit liability	27.2	145,554,990	(15,982,662)
Transfer to statutory reserve fund	35.1	(1,370,296,562)	(1,254,257,040)
Transfer from / (to) regulatory loss allowance reserve	35.3 (d)	(254,524,800)	572,244,483
Revaluation surplus transferred to retained earnings upon the disposal of freehold vehicles	35.3 (a)	-	91,911,123
Transfer during the year	35.3 (a), (b) & (c)	-	644,155,830
Repurchase of shares	34.2	(21,114,390,828)	-
Balance as at March 31,		93,072,462,320	88,745,371,582

37. CONTINGENT LIABILITIES AND COMMITMENTS

Accounting Policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote. These mainly consist of financial guarantees and undrawn loan commitments to lend. Additionally, the contingencies include nominal amounts related to forward exchange contract commitments to purchase.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Contingencies			
Guarantees issued to banks and other institutions - backed by deposits held with the Company		716,688,000	577,980,000
Commitments			
Forward exchange contracts (commitment to purchase)		3,485,773,100	865,838,050
Undrawn credit facilities		43,348,631,455	31,537,750,151
Provision for impairment - Undrawn credit facilities	37.1	(1,780,003)	(13,904,423)
Total		47,549,312,552	32,967,663,778

37.1 Movement in provision for impairment during the year

For the year ended 31st March 2026	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2025	-	13,904,423	-	13,904,423
Charge / (reversal) to the Income Statement	-	(12,124,420)	-	(12,124,420)
Net write-off during the year	-	-	-	-
Balance as at March 31, 2026	-	1,780,003	-	1,780,003

For the year ended 31st March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at April 01, 2024	-	1,708,861	-	1,708,861
Charge / (reversal) to the Income Statement	-	12,195,563	-	12,195,563
Net write-off during the year	-	-	-	-
Balance as at March 31, 2025	-	13,904,423	-	13,904,423

38. NET ASSET VALUE PER SHARE

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Amount used as the numerator			
Total equity attributable to equity holders of the Company		155,404,337,967	149,523,948,358
No. of ordinary shares used as the denominator			
Total number of shares as at March 31,	34	29,560,147,161	33,079,212,299
Net asset value per share		5.26	4.52

39. RELATED PARTY DISCLOSURES

Accounting Policy

The Company carried out transactions in the ordinary course of business on an arm’s length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 “Related Party Disclosures”, other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

39.1 Parent and ultimate controlling party

The Company’s immediate parent is LOLC Ceylon Holdings Limited and ultimate parent undertaking and controlling entity is LOLC Holding PLC.

39.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on “Related Party Disclosures”, KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, KMP comprise the members of the Board of Directors and identified senior management personnel of the Company, as well as those of its ultimate parent, LOLC Holdings PLC. Close Family Members (CFM) of a KMP are defined as those family members who may be expected to influence, or be influenced by, that individual in their transactions with the Company.

39.2 (a) Compensation to KMP

For the year ended 31st March	2026 Rs.	2025 Rs.
Short-term employment benefits (*)	237,411,928	222,996,980
Total	237,411,928	222,996,980

(*) The short-term employment benefits include only the directors fees and emoluments paid to Directors & KMPs. This is also included under Note 9 & 11.

39.2 (b) Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner. CFM too have been identified as Related Parties of the Company. All transactions have been carried out on an arm's length basis, and the details of such transactions are disclosed below.

For the year ended 31st March	Reported Under	Note	2026 Rs.	2025 Rs.
Statement of Financial Position				
Assets				
Outstanding on facilities granted to KMPs	Financial assets at amortised cost – loans and advances		183,585,716	158,194,811
Liabilities				
Deposits held with the Company	Financial liabilities at amortised cost – due to depositors		2,267,159,906	1,758,096,101
Interest payable	Financial liabilities at amortised cost – due to depositors		272,548,458	167,890,521
Statement of Profit or Loss				
Interest income	Interest income		28,299,633	120,987,389
Interest expense	Interest expense		217,220,383	262,019,061
Compensation to KMP	Other operating expenses	39.2 (a)	237,411,928	222,996,980
Other Information				
Loans granted during the period			96,224,944	132,614,525
Rental collections			32,893,608	280,909,594
Accommodation outstanding as a percentage of the Company's Capital Funds			0.16%	0.15%

No impairment losses have been recorded against balances outstanding with KMP and CFM. There were no significant transactions, arrangements and agreements during the year involving entities that are controlled, and/or jointly controlled by KMP or their CFM.

39.3 Transactions with related entities

Aggregate value of transactions with related entities are disclosed below.

For the year ended 31st March Description of Transaction	Reported Under	2026 Rs.	2025 Rs.
(a) Ultimate Parent			
Statement of Financial Position			
Liabilities			
Inter-company payable	Other liabilities	429,266,870	579,863,972
Deposits	Financial liabilities at amortised cost – due to depositors	327,591,917	302,007,197
Statement of Profit or Loss			
Income			
Rent income	Sundry and other operating income	59,248,700	62,842,522
Expenses			
Interest expense	Interest expense	10,532,975	4,967,996
Fund transfer interest	Interest expense	37,143,213	20,160,478
Reimbursement of expenses	Other operating expenses	2,689,090,624	3,472,210,006
Asset hire charges	Other operating expenses	4,005,818	6,835,818
Show back charges	Other operating expenses	427,954,078	541,032,485
Rent expense	Other operating expenses	256,510,392	167,510,544
Other Information			
Net funds granted / (settled) to the Parent during the period (excluding opening balance)		(3,512,931,173)	(3,713,937,190)

39. RELATED PARTY DISCLOSURES CONTD.

For the year ended 31st March Description of Transaction	Reported Under	2026 Rs.	2025 Rs.

(b) Fellow Subsidiaries

Statement of Financial Position

Assets			
Outstanding on facilities granted	Financial assets at amortised cost – loans and advances	7,807,740,499	9,818,173,881
Inter-company receivable	Other Assets	173,611,600	56,700,133
Liabilities			
Deposits	Financial liabilities at amortised cost – due to depositors	664,718,118	256,785,079
Long term loan	Financial liabilities at amortised cost – borrowings	349,860,900	328,782,000
Interest payable	Financial liabilities at amortised cost – borrowings	85,307,749	60,167,106
Inter-company payable	Other Liabilities	640,999,293	245,799,768
Statement of Profit or Loss			
Income			
Interest income	Interest income	1,371,518,285	2,134,190,928
Rent Income	Sundry and other operating income	96,625,191	118,673,509
Franchise fee income	Fee and commission income	1,276,210,313	880,439,503
Fee and commission income	Fee and commission income	47,386,400	34,295,451
Expenses			
Interest expense	Interest expense	25,978,647	8,922,503
IT service fee	Other operating expenses	1,332,461,168	1,143,787,597
Services / Maintenance fee	Other operating expenses	392,478,535	125,354,792
Other operating expenses	Other operating expenses	28,053,918	375,433,553
Insurance premium expense	Other operating expenses	7,685,654,559	619,539,480
Other Information			
Loan / lease granted	Disbursements	-	6,300,000,000
Rental collections	Collections	1,530,274,468	10,134,861,962
Accommodation outstanding as a percentage of the Company's Capital Funds		6.92%	9.03%

39.4 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 10% of the gross revenue of the Company.

39.5 Non-recurrent related party transactions

There are no non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, which ever is lower.

40. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

For the year ended 31st March Nature of Assets	Nature of Liability	2026 Rs.	2025 Rs.
Loans & advances	Short-term borrowing	45,925,587,500	10,007,103,744
Placements with banks	Long-term / short-term borrowing	11,256,660,962	-

The financial assets have been pledged as collateral against the borrowings obtained by the Company. In the event of non-payment or default, the lender retains the right to claim against the pledged lease receivables to recover the outstanding obligations.

41. COMPARATIVE INFORMATION

Comparative information has been reclassified to conform to the current year presentation, where necessary. No information has been restated.

42. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the financial statements.

43. OPERATING SEGMENTS

Accounting Policy

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has the following strategic divisions, which are identified as reportable operating segments:

- SME Finance
- Personal Finance
- Alternate Finance
- Gold Loan
- Others

Segment performance is evaluated based on operating profits or losses, which, in certain respects, may be measured differently from those presented in the Financial Statements. The following table presents the income, profit, and asset and liability information of the Company's strategic business divisions for the year ended March 31, 2026, along with comparative figures for the year ended March 31, 2025

43. OPERATING SEGMENTS CONTD.

For the year ended 31st March 2026

Item	SME Finance Rs.	Personal Finance Rs.	Alternate Finance Rs.	Gold Loans Rs.	Others Rs.	(Eliminations) / Unallocated Rs.	Total / Consolidated Rs.
Interest income	48,132,512,118	9,172,659,833	9,275,160,029	8,628,722,128	5,434,078,849	(1,901,809,648)	78,741,323,308
Interest expense	(18,164,113,651)	(2,247,577,583)	(2,722,890,974)	(3,902,823,484)	(1,506,066,290)	(265,173,821)	(28,808,645,803)
Net interest income	**29,968,398,467**	**6,925,082,250**	**6,552,269,055**	**4,725,898,644**	**3,928,012,559**	**(2,166,983,470)**	**49,932,677,505**
Net fee and commission income	1,431,544,836	180,330,752	322,303,448	320,492,894	101,390,156	815,549,865	3,171,611,950
Net gains / (losses) from trading	-	-	-	-	-	(159,875,012)	(159,875,012)
Net other operating income	491,876,443	61,961,349	60,430,144	110,120,829	34,837,490	1,933,674,033	2,692,900,287
Total other operating income	**1,923,421,279**	**242,292,100**	**382,733,591**	**430,613,723**	**136,227,646**	**2,589,348,886**	**5,704,637,225**
Net operating income	**31,891,819,746**	**7,167,374,350**	**6,935,002,647**	**5,156,512,367**	**4,064,240,205**	**422,365,416**	**55,637,314,730**
Less: Expenses							
Impairment (charge) / reversal	1,860,009,721	1,102,693,424	(40,888,100)	(13,385,421)	(1,854,696,997)	(423,728,233)	630,004,395
Total operating expenses	(15,331,116,067)	(3,052,219,522)	(2,933,268,641)	(2,325,303,957)	(2,106,050,614)	202,758,537	(25,545,200,264)
VAT and other taxes on financial services	(3,761,285,598)	(1,048,895,407)	(809,302,886)	(566,394,666)	(179,229,142)	161,517,918	(6,203,589,781)
Profit before income tax expense	**14,659,427,801**	**4,168,952,846**	**3,151,543,019**	**2,251,428,323**	**(75,736,548)**	**362,913,639**	**24,518,529,080**
Other information							
Depreciation and amortisation	964,615,612	121,993,663	213,769,894	240,406,516	64,126,307	500,828,578	2,105,740,570
Capital expenditure - Property Plant and equipment	2,640,030,386	333,881,157	588,166,993	657,962,094	175,505,555	1,370,704,194	5,766,250,378
Total assets	255,728,672,879	32,341,667,541	56,973,270,167	63,734,028,935	17,000,487,134	132,774,367,356	**558,552,494,011**
Total liabilities	182,734,804,005	23,110,229,341	44,737,109,952	45,542,117,569	12,147,956,071	94,875,939,106	**403,148,156,044**

For the year ended 31st March 2025

Item	SME Finance Rs.	Personal Finance Rs.	Alternate Finance Rs.	Gold Loans Rs.	Others Rs.	(Eliminations) / Unallocated Rs.	Total / Consolidated Rs.
Interest income	46,980,876,349	7,527,208,796	7,260,301,427	5,880,873,514	5,160,043,698	(4,491,670,422)	68,317,633,361
Interest expense	(17,263,420,963)	(2,071,013,210)	(2,233,625,831)	(2,924,156,716)	(1,610,252,765)	(109,008,261)	(26,211,477,746)
Net interest income	**29,717,455,386**	**5,456,195,586**	**5,026,675,597**	**2,956,716,797**	**3,549,790,933**	**(4,600,678,683)**	**42,106,155,615**
Net fee and commission income	1,130,123,354	135,948,856	228,595,855	200,167,335	88,376,087	759,318,983	2,542,530,470
Net gains / (losses) from trading	-	-	-	-	-	2,011,227,986	2,011,227,986
Net other operating income	373,474,184	44,927,297	32,278,621	66,149,710	29,205,827	(969,673,992)	(423,638,352)
Total other operating income	**1,503,597,538**	**180,876,154**	**260,874,476**	**266,317,045**	**117,581,914**	**1,800,872,977**	**4,130,120,104**
Net operating income	**31,221,052,924**	**5,637,071,739**	**5,287,550,073**	**3,223,033,842**	**3,667,372,847**	**(2,799,805,706)**	**46,236,275,719**
Less: Expenses							
Impairment (charge) / reversal	(1,102,906,550)	1,211,440,201	(63,976,950)	17,919,997	(124,641,711)	7,789,235,201	7,727,070,188
Total operating expenses	(14,487,362,863)	(2,782,261,416)	(2,222,990,608)	(1,981,976,624)	(1,562,441,222)	(127,343,007)	(23,164,375,740)
VAT and other taxes on financial services	(3,367,042,399)	(875,516,055)	(629,904,172)	(262,148,199)	(381,091,948)	(212,236,567)	(5,736,663,732)
Profit from operating activities	**12,263,741,112**	**3,190,734,469**	**2,370,678,342**	**996,829,017**	**1,599,197,965**	**4,649,849,920**	**25,062,306,435**
Share of profit of equity accounted investee	-	-	-	-	-	22,834,362	22,834,362
Profit before income tax expense	**12,263,741,112**	**3,190,734,469**	**2,370,678,342**	**996,829,017**	**1,599,197,965**	**4,672,684,282**	**25,085,140,797**
Other information							
Depreciation and amortisation	604,675,077	75,769,058	77,903,517	114,996,448	46,321,470	385,082,714	**1,304,748,285**
Capital expenditure - Property Plant and equipment	759,994,492	95,231,421	156,072,902	144,534,926	58,219,800	483,996,700	**1,698,050,242**
Total assets	192,335,650,616	24,100,697,504	39,498,158,857	36,578,184,781	14,733,979,338	122,487,493,301	**429,734,164,397**
Total liabilities	123,127,599,775	15,428,554,337	30,392,657,233	23,416,272,968	9,432,258,166	78,412,873,559	**280,210,216,038**

44. MATURITY ANALYSIS

(i) Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets employed by the Company is detailed below:

Item	Up to 3 Months Rs	3-12 Months Rs	1-3 Years Rs	3-5 Years Rs	Over 5 Years Rs	No contractual maturity Rs	Total as at 31.03.2026 Rs	Total as at 31.03.2025 Rs
Assets								
Cash and cash equivalents	12,696,724,455	-	-	-	-	-	12,696,724,455	8,578,933,549
Placements with banks	4,226,896,995	11,002,290,247	-	-	-	-	15,229,187,243	2,794,250,923
Securities purchased under resale agreements	7,643,438,768	-	-	-	-	-	7,643,438,768	280,245,480
Derivative financial instruments	10,267,200	-	-	-	-	-	10,267,200	6,499,209
Financial assets measured at fair value through profit or loss	3,076,617,212	-	5,165,394,339	3,939,188,672	2,259,360,313	-	14,440,560,537	33,324,963,785
Financial assets at amortised cost – loans and advances to customers	76,578,273,774	128,410,339,977	161,837,995,861	48,287,216,224	418,526,859	-	415,532,352,695	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	950,098,097	-	1,536,834,501	1,622,377,084	10,174,790,400	-	14,284,100,082	14,828,164,580
Financial assets measured at fair value through OCI	-	-	-	-	-	349,727,598	349,727,598	323,720,733
Property, plant and equipment	-	-	-	-	-	18,864,794,815	18,864,794,815	14,238,536,560
Intangible assets	-	-	-	-	-	41,045,967	41,045,967	60,107,649
Right-of-use assets	76,761,803	278,556,363	627,302,603	508,993,204	-	525,404,658	2,017,018,631	1,481,201,306
Investment properties	-	-	-	-	-	55,315,600,000	55,315,600,000	55,029,900,000
Other assets	221,860,066	1,905,815,954	-	-	-	-	2,127,676,020	1,278,500,866
Total assets as at 31.03.2026	**105,830,665,968**	**141,597,002,541**	**169,167,527,305**	**54,357,775,184**	**12,852,677,573**	**75,096,573,038**	**558,552,494,010**	**429,734,164,397**
Total assets as at 31.03.2025	**92,711,636,274**	**85,705,750,730**	**127,097,903,870**	**41,040,599,380**	**13,184,953,076**	**69,993,321,066**		**429,734,164,397**

Remaining contractual period to maturity as at the date of Statement of Financial Position of the liabilities and equity employed by the Company is detailed below:

Item	Up to 3 Months Rs	3-12 Months Rs	1-3 Years Rs	3-5 Years Rs	Over 5 Years Rs	No contractual maturity Rs	Total as at 31.03.2026 Rs	Total as at 31.03.2025 Rs
Liabilities								
Bank overdraft	5,457,264,687	-	-	-	-	-	**5,457,264,687**	8,516,663,167
Derivative financial instruments	17,587,900	-	-	-	-	-	**17,587,900**	1,937,593
Financial liabilities at amortised cost – due to depositors	106,811,362,162	104,897,939,916	52,136,208,033	7,655,235,314	-	-	**271,500,745,426**	225,717,328,979
Financial liabilities at amortised cost – borrowings	38,702,043,805	17,315,707,000	23,892,374,667	18,490,211,279	-	-	**98,400,336,751**	15,680,980,318
Retirement benefit obligation	-	-	-	1,370,774,632	-	-	**1,370,774,632**	752,325,774
Current tax liabilities	-	1,960,980,539	-	-	-	-	**1,960,980,539**	2,011,921,307
Deferred tax liabilities	-	-	-	-	-	-	**-**	2,992,430,886
Other liabilities	5,126,377,209	17,355,755,755	202,956,484	872,829,814		882,546,847	**24,440,466,109**	24,536,628,014
Total liabilities as at 31.03.2026	156,114,635,763	141,530,383,210	76,231,539,184	28,389,051,040	-	882,546,847	403,148,156,044	280,210,216,038
Total liabilities as at 31.03.2025	130,364,065,440	104,043,151,327	40,191,231,853	5,270,711,294	-	341,056,124		280,210,216,038
Equity								
Stated capital	-	-	-	-	-	44,078,915,852	**44,078,915,852**	44,078,915,852
Reserves								
Statutory reserve fund	-	-	-	-	-	8,915,699,725	**8,915,699,725**	7,545,403,163
Other reserves	-	-	-	-	-	9,337,260,070	**9,337,260,070**	9,154,257,762
Retained earnings	-	-	-	-	-	93,072,462,320	**93,072,462,320**	88,745,371,582
Total equity as at 31.03.2026	-	-	-	-	-	155,404,337,967	**155,404,337,967**	149,523,948,358
Total equity as at 31.03.2025	-	-	-	-	-	149,523,948,359		149,523,948,359
Total liabilities and equity as at 31.03.2026	156,114,635,763	141,530,383,210	76,231,539,184	28,389,051,040	-	156,286,884,813	558,552,494,010	429,734,164,396
Total liabilities and equity as at 31.03.2025	130,364,065,440	104,043,151,327	40,191,231,853	5,270,711,294	-	149,865,004,483		429,734,164,397

45. FAIR VALUE OF ASSETS & LIABILITIES

Accounting Policy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments. When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations, without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes financial instruments valued using techniques that rely on significant unobservable inputs. These may involve adjustments to quoted prices of similar instruments or models such as discounted cash flows. Key inputs and assumptions include interest rates, risk premiums, market prices, exchange rates, and price volatilities.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values

For the year ended 31st March 2026

Item	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.	Total carrying amount Rs.
Financial Assets					
Cash and cash equivalents	-	12,696,724,455	-	12,696,724,455	12,696,724,455
Placements with banks	-	15,229,187,243	-	15,229,187,243	15,229,187,243
Securities purchased under resale agreements	-	7,643,438,768	-	7,643,438,768	7,643,438,768
Derivative financial instruments	-	10,267,200	-	10,267,200	10,267,200
Financial assets - fair value through profit or loss	12,291,193,625	-	2,149,366,912	14,440,560,537	14,440,560,537
Financial assets at amortised cost – loans and advances	-	414,852,071,761	-	414,852,071,761	415,532,352,695
Financial assets at amortised cost – debt instruments	12,542,485,906	514,889,890	-	13,057,375,796	14,284,100,082
Financial assets - fair value through OCI	-	349,727,598	-	349,727,598	349,727,598
Other financial assets	-	227,545,674		227,545,674	227,545,674
Total financial assets	24,833,679,531	451,523,852,589	2,149,366,912	478,506,899,031	480,413,904,252
Financial Liabilities					
Bank overdraft	-	5,457,264,687	-	5,457,264,687	5,457,264,687
Derivative financial instruments	-	17,587,900	-	17,587,900	17,587,900
Financial liabilities at amortised cost – due to depositors	-	271,956,161,326	-	271,956,161,326	271,500,745,426
Financial liabilities at amortised cost – borrowings	-	97,963,928,969	-	97,963,928,969	98,400,336,751
Other financial liabilities	-	5,290,851,928	-	5,290,851,928	5,290,851,928
Total financial liabilities	-	380,685,794,810	-	380,685,794,810	380,666,786,692

45. FAIR VALUE OF ASSETS & LIABILITIES CONTD.

For the year ended 31st March 2025

Item	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.	Total carrying amount Rs.
Financial Assets					
Cash and cash equivalents	-	8,578,933,549	-	8,578,933,549	8,578,933,549
Placements with banks	-	2,794,250,923	-	2,794,250,923	2,794,250,923
Securities purchased under resale agreements	-	280,245,480	-	280,245,480	280,245,480
Derivative financial instruments	-	6,499,209	-	6,499,209	6,499,209
Financial assets - fair value through profit or loss	31,181,526,055	-	2,143,437,730	33,324,963,785	33,324,963,785
Financial assets at amortised cost – loans and advances	-	297,486,139,772	-	297,486,139,772	297,509,139,757
Financial assets at amortised cost – debt instruments	13,263,650,655	640,927,123	-	13,904,577,778	14,828,164,580
Financial assets - fair value through OCI	-	323,720,733	-	323,720,733	323,720,733
Other financial assets	-	535,355,438		535,355,438	535,355,438
Total financial assets	44,445,176,710	310,646,072,227	2,143,437,730	357,234,686,667	358,181,273,453
Financial Liabilities					
Bank overdraft	-	8,516,663,167	-	8,516,663,167	8,516,663,167
Derivative financial instruments	-	1,937,593	-	1,937,593	1,937,593
Financial liabilities at amortised cost – due to depositors	-	230,572,571,747	-	230,572,571,747	225,717,328,979
Financial liabilities at amortised cost – borrowings	-	15,542,959,060	-	15,542,959,060	15,680,980,318
Other financial liabilities	-	4,779,298,796	-	4,779,298,796	4,779,298,796
Total financial liabilities	-	259,413,430,363	-	259,413,430,363	254,696,208,853

46. FINANCIAL RISK MANAGEMENT

As a licensed finance company, we are exposed to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk and
- Market risks

Effective risk management is essential for maintaining financial stability and optimising value within our defined risk appetite. The Company's risk management function is focused on identifying, assessing, and mitigating key risks, while also ensuring sound capital management practices.

46.1 Risk management framework

"The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. All the Company level risks are escalated to the parent company IRMC and the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees the reports submitted by the Enterprise Risk Management (ERM) and monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced. The Audit Committee is assisted in its oversight role by ERM. ERM undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

46.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from Company's receivable from customers.

46.2 (a) Management of credit risk

Facilities granted to customers

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit department. Credit department, reporting to the Credit Committee, is responsible for management of the Company's credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
2. Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Chief Credit Officer, CEO and the Board of Directors as appropriate.
3. Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
4. Monitoring limiting concentrations of exposure to counterparties, geographies and industries.
5. Developing and maintaining a risk grading for significant clients in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the associated risks.
6. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types.
7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of expected losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortized cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2026 (March 2025: no collateral held).

46.2 (b) Assessment of Expected Credit Losses

46.2 (b) (i) Analysis of the total impairment for expected credit losses

For the year ended 31st March 2026	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Financial assets at amortised cost – loans and advances	19	513,323,653	232,854,765	6,776,278,394	7,522,456,812
Finance lease receivable	19.3	174,502,214	112,598,875	2,740,825,371	3,027,926,460
Loans and advances		338,821,439	120,255,890	4,035,453,022	4,494,530,352
Financial assets at amortised cost – debt and other financial instruments		-	57,220,266	-	57,220,266
Sri Lanka International Sovereign Bonds	20.1	-	57,220,266	-	57,220,266
Other debt securities	20.2	-	-	-	-
Other financial assets and credit related commitments		-	1,780,003	1,050,022,875	1,051,802,878
Insurance premium receivables	28.2	-	-	1,050,022,875	1,050,022,875
Credit related commitments	37.1	-	1,780,003	-	1,780,003
		513,323,653	291,855,034	7,826,301,269	8,631,479,957

For the year ended 31st March 2025	Note	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Financial assets at amortised cost – loans and advances	19.0	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Finance lease receivable	19.3	122,511,771	155,528,042	3,475,246,542	3,753,286,355
Loans and advances		214,300,098	263,198,408	3,500,737,632	3,978,236,138
Financial assets at amortised cost – debt and other financial instruments		-	81,227,434	-	81,227,434
Sri Lanka International Sovereign Bonds	20.1	-	81,227,434	-	-
Other debt securities	20.1	-	-	-	-
Other financial assets and credit related commitments		-	13,904,423	590,163,054	604,067,478
Insurance premium receivables	28.2	-	-	590,163,054	590,163,054
Credit related commitments	37.1	-	13,904,423	-	13,904,423
		336,811,868	513,858,307	7,566,147,229	8,416,817,405

46.2 (b) (ii) Movement of the total allowance for expected credit losses during the period

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		8,416,817,405	17,204,925,857
Charge / (reversal) to the Income Statement		(630,004,395)	(7,727,070,188)
Stage 1	19.2, 20.1, 28.2 & 37.1	176,511,785	84,876,422
Stage 2	19.2, 20.1, 28.2 & 37.1	(222,003,273)	265,181,775
Stage 3	19.2, 20.1, 28.2 & 37.1	(584,512,907)	(8,077,128,385)
Net write-off during the year	19.2	844,666,947	(1,061,038,264)
Balance as at March 31,		8,631,479,957	8,416,817,405

46.2 (b) (iii) Sensitivity of factors used to determine impairment provisions

Determination of impairment allowance for loans and advances involves significant management judgement. Key assumptions such as PD, LGD and property foreclosure periods for individually significant exposures are subject to estimation uncertainty. Variations in these assumptions could materially impact the level of impairment recognised. The tables below illustrate the sensitivity of the Company's impairment allowance to changes in these key variables as at 31st March 2026 and 31st March 2025.

For the year ended 31st March 2026

Sensitivity effect on Statement of Financial Position and Statement of Profit or Loss (increase/(decrease) in impairment provision)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Probability of Default (PD)				
Increase existing PD by 1% across all age buckets	5,133,237	2,328,548	-	7,461,784
Decrease existing PD by 1% across all age buckets	(5,133,237)	(2,328,548)	-	(7,461,784)
Loss Given Default (LGD)				
5% increase	16,254,179	15,009,062	291,625,801	322,889,042
5% decrease	(16,254,179)	(15,009,062)	(291,625,801)	(322,889,042)
Property foreclosure period for individually significant impaired customers				
Increase by 1 year	-	-	157,094,931	157,094,931
Decrease by 1 year	-	-	(109,024,781)	(109,024,781)

46.2 (b) (iii) Sensitivity of factors used to determine impairment provisions

Determination of impairment allowance for loans and advances involves significant management judgement. Key assumptions such as PD, LGD and property foreclosure periods for individually significant exposures are subject to estimation uncertainty. Variations in these assumptions could materially impact the level of impairment recognised. The tables below illustrate the sensitivity of the Company's impairment allowance to changes in these key variables as at 31st March 2026 and 31st March 2025.

For the year ended 31 st March 2025

Sensitivity effect on Statement of Financial Position and Statement of Profit or Loss (increase/(decrease) in impairment provision)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Probability of Default (PD)				
Increase existing PD by 1% across all age buckets	3,368,119	4,187,265	-	7,555,383
Decrease existing PD by 1% across all age buckets	(3,368,119)	(4,187,265)	-	(7,555,383)
Loss Given Default (LGD)				
5% increase	16,270,120	20,933,804	248,888,718	286,092,643
5% decrease	(16,270,120)	(20,933,804)	(248,888,718)	(286,092,643)
Property foreclosure period for individually significant impaired customers				
Increase by 1 year	-	9,514,268	135,924,444	145,438,713
Decrease by 1 year	-	-	(88,143,800)	(88,143,800)

46.2 (b) (iv) Sensitivity Analysis: Impact of staging of loans and advances on collective impairment

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Company as at 31st March 2026 would have reduced by approximately 1% (2025 - 4%). The total loans and advances in stage 2 as at 31st March 2026 amounts to Rs. 41 Bn.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Company as at 31st March 2026 would have further increased by approximately 14% (2025 - 8%). The total loans and advances in stage 1 as at 31st March 2026 amounts to Rs. 356 Bn. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is remote, based on current credit risk assessments and portfolio performance.

The increase/decrease in impairment has been calculated excluding the allowance for overlay recognised as at the reporting date.

46.2 (c) Collateral and Other Credit Enhancements

46.2 (c) (i) Net exposure to credit risk

"The Comany does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Company. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by treasury bills and treasury bonds. Except for the above, the Company has recognised ECL for all other financial assets measured at amortised cost, wherever necessary.

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

For the year ended 31st March	Note	2026		2025	
		Maximum Exposure to Credit Risk Rs.	Net Exposure	Maximum Exposure to Credit Risk Rs.	Net Exposure
Financial Assets					
Cash and cash equivalents	15	12,696,724,455	12,696,724,455	8,578,933,549	8,578,933,549
Placements with banks	16	15,229,187,243	15,229,187,243	2,794,250,923	2,794,250,923
Securities purchased under resale agreements		7,643,438,768	7,643,438,768	280,245,480	280,245,480
Derivative financial instruments	17	10,267,200	10,267,200	6,499,209	6,499,209
Financial assets recognised through profit or loss – measured at fair value	18	14,440,560,537	12,002,682,820	33,324,963,785	30,373,484,000
Financial assets at amortised cost – loans and advances	19	423,054,809,507	519,559,513	305,240,662,250	3,036,628,382
Financial assets at amortised cost – debt and other financial instruments	20	14,341,320,348	8,276,587,896	14,909,392,014	7,905,009,339
Other financial assets	28	1,277,568,549	227,545,674	1,125,518,492	535,355,438
		489,042,626,987	56,954,743,949	366,583,209,217	53,833,149,835
Credit related commitments and contingencies		47,551,092,555	35,231,247,360	32,981,568,201	19,254,065,452

46.2 (c) Collateral and Other Credit Enhancements Contd.

46.2 (c) (ii) Stage-wise analysis of collateral held against loans & advances

The following table sets out the principle types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

For the year ended 31st March	2026		2025	
	Mix %	amortised cost of motor vehicles & total	Mix %	Amortised Cost Rs
Stage 1				
Deposits held with the Company	3.21	11,594,409,888	2.49	4,016,648,588
Gold	18.65	67,338,139,668	22.39	36,103,512,109
Motor vehicle	64.21	231,824,728,227	59.10	95,322,074,683
Immovable property	6.35	22,911,720,980	4.05	6,532,153,265
Quoted & unquoted shares	1.43	5,150,141,597	2.52	4,067,101,342
Other securities (*)	6.02	21,746,708,340	9.19	14,826,102,856
Unsecured	0.12	450,398,246	0.25	409,475,075
	100.00	361,016,246,947	100.00	161,277,067,918
Stage 2				
Deposits held with the Company	3.44	1,401,895,299	3.94	4,532,287,418
Gold	6.75	2,752,148,053	2.55	2,931,101,891
Motor vehicle	84.56	34,495,783,552	77.86	89,536,137,610
Immovable property	2.92	1,190,009,193	7.82	8,991,970,023
Quoted & unquoted shares	-	-	-	-
Other securities (*)	2.33	948,787,683	7.80	8,966,564,641
Unsecured	0.01	5,239,803	0.04	43,495,622
	100.00	40,793,863,584	100.00	115,001,557,206
Stage 3				
Deposits held with the Company	0.40	84,017,561	1.70	449,090,345
Gold	0.69	146,055,834	1.26	332,722,123
Motor vehicle	62.40	13,256,778,616	69.18	18,263,877,171
Immovable property	26.75	5,682,760,724	20.80	5,491,707,765
Quoted & unquoted shares	0.08	16,405,271	0.44	117,271,553
Other securities (*)	9.39	1,994,759,506	6.53	1,723,710,485
Unsecured	0.30	63,921,465	0.09	23,670,439
	100.00	21,244,698,976	100.00	26,402,049,880

(*) Other securities include inventories, trade receivable, personal guarantees and corporate guarantees etc.

46.2 (c) (iii) Concentrations of credit risk

The Company actively monitors credit risk concentrations by large exposures, industry, product etc, as detailed in Note 19.1 & 46.2 (c) (iii) to the financial statements. In order to manage and mitigate potential credit concentration risks, the Company maintains an acceptable level of risk diversification across its lending portfolio. These risk concentrations limits are continuously monitored to ensure adherence and alignment with the Company's overall risk management strategy.

Provincial breakdown for loans & advances

For the year ended 31st March	2026 Rs.	2025 Rs.
Central	46,112,104,894	34,041,654,932
Eastern	31,077,912,029	22,313,272,926
North Central	37,656,093,612	26,512,123,995
North Western	36,443,875,336	25,568,006,568
Northern	33,239,137,859	23,596,757,485
Sabaragamuwa	23,978,827,450	16,648,038,435
Southern	42,852,607,461	27,907,149,411
Uva	16,578,808,628	11,571,787,457
Western	155,115,442,238	117,081,871,041
Total	423,054,809,507	305,240,662,250

46.2 (d) Stage-wise movement of loans & advances

Changes in the gross carrying amount of loans & advances and commitments & contingencies during the period that contributed to the changes in impairment provisions is given below.

46.2 (d) (i) Stage -wise movement of gross values of loans and advances

	Stage 01 12-month ECL Rs.	Stage 02 Lifetime ECL but not credit impaired Rs.	Stage 03 Lifetime ECL credit impaired Rs.	Total Rs.
Balance as at April 01, 2025	208,074,151,859	69,260,581,114	27,905,929,277	305,240,662,250
New assets originated or purchased	260,747,741,286	23,113,815,277	1,354,724,792	285,216,281,355
Changes in the gross carrying amount				
Transfer to stage 1	20,548,802,100	(19,063,969,485)	(1,484,832,615)	-
Transfer to stage 2	(9,382,465,920)	10,131,884,254	(749,418,334)	-
Transfer to stage 3	(1,689,468,020)	(2,878,868,239)	4,568,336,259	-
Financial assets that have been derecognised	(174,689,786,891)	(46,258,389,476)	(11,929,566,064)	(232,877,742,432)
Write-offs during the year	-	-	(1,799,728,128)	(1,799,728,128)
Changes to contractual cash flows due to modifications	57,407,272,533	6,488,810,140	3,379,253,790	67,275,336,463
Balance as at March 31, 2026	361,016,246,947	40,793,863,584	21,244,698,976	423,054,809,508
Balance as at April 01, 2024	177,933,791,182	40,288,417,162	40,149,949,758	258,372,158,102
New assets originated or purchased	281,772,538,249	48,912,245,269	2,208,881,482	332,893,665,000
Changes in the gross carrying amount				
Transfer to stage 1	6,201,397,832	(5,214,560,885)	(986,836,947)	-
Transfer to stage 2	(17,934,851,727)	19,231,271,649	(1,296,419,922)	-
Transfer to stage 3	(7,339,432,705)	(5,597,085,623)	12,936,518,328	-
Financial assets that have been derecognised	(271,251,593,106)	(41,271,234,720)	(26,567,949,600)	(339,090,777,426)
Write-offs during the year	-	-	(3,713,966,624)	(3,713,966,624)
Changes to contractual cash flows due to modifications	38,692,302,134	12,911,528,261	5,175,752,803	56,779,583,198
Balance as at March 31, 2025	208,074,151,859	69,260,581,114	27,905,929,277	305,240,662,250

46.2 (d) Stage-wise movement of loans & advances Contd.

46.2 (d) (ii) Stage-wise movement of impairment for loans and advances

	Stage 01 12-month ECL Rs.	Stage 02 Lifetime ECL but not credit impaired Rs.	Stage 03 Lifetime ECL credit impaired Rs.	Total Rs.
Provision for impairment as at April 01, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Net impairment charge for the year due to:				
New assets originated or purchased	333,467,566	124,614,196	90,923,530	549,005,292
Changes in the gross carrying amount				
Transfer to stage 1	40,753,181	(34,896,868)	(5,856,313)	-
Transfer to stage 2	(54,595,109)	60,273,933	(5,678,824)	-
Transfer to stage 3	(114,694,858)	(282,561,769)	397,256,627	-
Net remeasurement of impairment	101,287,843	108,770,739	823,686,602	1,033,745,184
Financial assets that have been derecognised	(129,706,838)	(162,071,916)	(2,344,704,349)	(2,636,483,103)
Net write-offs during the year	-	-	844,666,947	844,666,947
Provision for impairment as at March 31, 2026	513,323,653	232,854,765	6,776,278,394	7,522,456,812
Provision for impairment as at April 01, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Net impairment charge for the year due to:				
New assets originated or purchased	205,676,328	498,252,842	467,722,487	1,171,651,657
Changes in the gross carrying amount				
Transfer to stage 1	127,496,218	(42,413,607)	(85,082,611)	-
Transfer to stage 2	(65,403,809)	150,616,936	(85,213,127)	-
Transfer to stage 3	(50,568,982)	(73,835,231)	124,404,213	-
Net remeasurement of impairment	(52,921,030)	(237,563,695)	3,262,436,692	2,971,951,967
Financial assets that have been derecognised	(144,000,209)	(123,298,467)	(3,814,139,935)	(4,081,438,611)
Net write-offs during the year	-	-	(1,061,038,264)	(1,061,038,264)
Provision for impairment as at March 31, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493

46.2 (d) (iii) Credit-impaired loans and advances

Reconciliation of changes in the net carrying amount of lifetime ECL credit impaired (Stage 3) loans and advances as detailed below:

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance of credit impaired loans and advances to other customers at the beginning of the year	27,905,929,277	40,149,949,758
Newly classified as impaired loans and advances during the year	5,923,061,051	15,145,399,810
Net change in already impaired loans and advances during the year	(14,163,817,013)	(28,851,206,469)
Net payment, write-off and recoveries and other movements during the year	1,579,525,662	1,461,786,179
Balance of credit impaired loans and advances to customers as at March 31,	21,244,698,976	27,905,929,277

46.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations, make sure receipt of funds when they are due and to ensure the availability of adequate funding to fulfill those needs at the appropriate time, under both normal and stressed conditions.

46.3 (a) Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of the Company while maintaining regulatory requirements and debt covenants agreed with the fund providers. The treasury manages the liquidity position as per the treasury policies and procedures and regulatory requirements.

The treasury receives information from the business regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at the ALCO meetings (Asset Liability Committee) and are arranged by the Treasury.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company relies on deposits from customers and bank borrowings as its primary sources of funding. The deposits from customers and banks largely have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

46.3 (b) Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments

46.3 (b) (i) Contractual maturities of undiscounted cash flows of financial assets and financial liabilities

The tables below summarise the maturity profile of the undiscounted cash flows of the Company's financial assets and financial liabilities as at 31st March 2026 and 31st March 2025. Although the cash outflows have been considered based on the earliest date of repayment, it is believed that most of the customers would not expect the repayments on the earliest possible date. Therefore, the behavioural maturity profile would be different to the contractual maturities shown in the below tables.

For the year ended 31st March 2026

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	12,696,724,455	-	-	-	-	**12,696,724,455**
Placements with banks	4,257,695,782	11,308,070,663	-	-	-	**15,565,766,445**
Securities purchased under resale agreements	7,648,894,315	-	-	-	-	**7,648,894,315**
Derivative financial instruments	1,548,186,600	-	-	-	-	**1,548,186,600**
"Financial assets - fair value through profit or loss profit or loss – measured at fair value"	3,029,439,417	18,454,025	4,794,699,579	3,116,203,000	1,634,565,224	**12,593,361,245**
"Financial assets at amortised cost – loans and advances"	81,499,151,000	150,935,306,807	186,329,717,514	51,988,855,209	450,304,235	**471,203,334,764**
"Financial assets at amortised cost – debt and other financial instruments"	1,487,557,985	10,031,892	2,089,208,193	3,821,206,143	11,355,320,995	**18,763,325,209**
Financial assets measured at fair value through other comprehensive income	-	-	-	-	349,727,598	**349,727,598**
Other financial assets	173,611,600	58,068,260	1,045,888,689	-	-	**1,277,568,549**
Total financial assets	112,341,261,154	162,329,931,647	194,259,513,975	58,926,264,352	13,789,918,052	541,646,889,180
Financial Liabilities						
Bank overdraft	5,457,264,687	-	-	-	-	**5,457,264,687**
Derivative financial instruments	1,937,586,500	-	-	-	-	**1,937,586,500**
"Financial liabilities at amortised cost – due to depositors"	110,891,336,608	116,130,909,826	57,774,859,883	7,569,506,734	-	**292,366,613,052**
Financial liabilities at amortised cost – borrowings	40,138,579,482	19,241,144,272	27,141,401,843	18,042,077,336	-	**104,563,202,933**
Other financial liabilities	3,201,453,692	402,204,751	1,002,378,280	787,742,646	1,085,467,438	**6,479,246,807**
Total financial liabilities	161,626,220,969	135,774,258,850	85,918,640,006	26,399,326,716	1,085,467,438	410,803,913,979
Total net financial assets/(liabilities)	(49,284,959,815)	26,555,672,797	108,340,873,969	32,526,937,636	12,704,450,614	130,842,975,201

For the year ended 31st March 2025

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	8,578,933,549	-	-	-	-	**8,578,933,549**
Placements with banks	2,671,093,632	93,241,940	-	-	-	**2,764,335,572**
Securities purchased under resale agreements	280,245,479	-	-	-	-	**280,245,479**
Derivative financial instruments	375,505,100	-	-	-	-	**375,505,100**
Financial assets - fair value through profit or loss	19,889,551,544	720,475,973	3,123,930,389	5,324,961,000	2,438,774,637	**31,497,693,544**
"Financial assets at amortised cost – loans and advances"	65,903,228,926	102,532,035,303	141,424,972,015	35,689,281,592	154,719,797	**345,704,237,633**
"Financial assets at amortised cost – debt and other financial instruments"	2,025,352,170	596,852,878	2,092,870,432	3,497,726,143	11,985,673,818	**20,198,475,441**
"Financial assets measured at fair value through other comprehensive income"	-	-	-	-	323,720,733	**323,720,733**
Other financial assets	56,700,133	86,499,133	982,319,226	-	-	**1,125,518,492**
Total financial assets	99,780,610,533	104,029,105,227	147,624,092,063	44,511,968,735	14,902,888,985	410,848,665,543
Financial Liabilities						
Bank overdraft	8,516,663,167	-	-	-	-	**8,516,663,167**
Derivative financial instruments	490,332,950	-	-	-	-	**490,332,950**
"Financial liabilities at amortised cost – due to depositors"	112,052,082,575	76,002,091,052	39,106,748,544	4,131,063,564	-	**231,291,985,736**
Financial liabilities at amortised cost – borrowings	4,492,353,325	10,317,817,531	1,627,257,942	-	-	**16,437,428,797**
Other financial liabilities	3,388,758,302	367,147,848	773,382,296	483,774,110	456,880,702	**5,469,943,258**
Total financial liabilities	128,940,190,318	86,687,056,431	41,507,388,782	4,614,837,674	456,880,702	262,206,353,908
Total net financial assets/(liabilities)	(29,159,579,785)	17,342,048,796	106,116,703,280	39,897,131,061	14,446,008,283	148,642,311,635

46.3 (b) (ii) Contractual maturities of commitments & contingencies

The table below shows the remaining maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

For the year ended 31st March 2026

Item	On demand Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Contingent liabilities						
Guarantees issued - backed by deposits held with the Company	716,688,000	-	-	-	-	716,688,000
Commitments						
Forward exchange contracts - (commitment to purchase) loans and advances	-	3,485,773,100	-	-	-	3,485,773,100
"Undrawn credit facilities profit or loss – measured at fair value"	43,348,631,455	-	-	-	-	43,348,631,455
Total	44,065,319,455	3,485,773,100	-	-	-	47,551,092,555

46.3 (b) Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments

46.3 (b) (ii) Contractual maturities of commitments & contingencies Contd.

For the year ended 31st March 2025

Item	On demand Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Contingent liabilities						
Guarantees issued - backed by deposits held with the Company	577,980,000	-	-	-	-	577,980,000
Commitments						
"Forward exchange contracts - (commitment to purchase) loans and advances"	-	865,838,050	-	-	-	865,838,050
"Undrawn credit facilities profit or loss – measured at fair value"	31,537,750,151	-	-	-	-	31,537,750,151
Total	32,115,730,151	865,838,050	-	-	-	32,981,568,201

46.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Company is exposed to foreign currency risk mainly due to the foreign currency borrowings. The Company manages its exposure to the foreign exchange rates by entering in to forward rate contracts with the banks and placing deposit / maintaining financial assets in the same currency. In this way the Company eliminates substantial exposure on foreign currency risk.

The Company ensures the mix of variable and fixed rate borrowings to manage any exposure due to interest rate movement in the market. These are monitored by the treasury division

46.4 (a) Exposure to market risk – Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

For the year ended 31st March 2026 Item	Note	Carrying amount	Market risk measurement Trading portfolios	Non-trading portfolios
Assets subject to market risk				
Cash and cash equivalents	15	12,696,724,455	-	12,696,724,455
Placements with banks	16	15,229,187,243	-	15,229,187,243
Securities purchased under resale agreements		7,643,438,768	-	7,643,438,768
Derivative financial instruments	17	10,267,200	10,267,200	-
Financial assets recognised through profit or loss – measured at fair value	18	14,440,560,537	14,440,560,537	-
Financial assets at amortised cost – loans and advances	19	415,532,352,695	-	415,532,352,695
Financial assets at amortised cost – debt and other financial instruments	20	14,284,100,082	-	14,284,100,082
Financial assets measured at fair value through other comprehensive income	21	349,727,598	-	349,727,598
Other financial assets	28	227,545,674	-	227,545,674
Total		480,413,904,252	14,450,827,737	465,963,076,515
Liabilities subject to market risk				
Bank overdraft	15.1	5,457,264,687	-	5,457,264,687
Derivative financial instruments	17	17,587,900	17,587,900	-
Financial liabilities at amortised cost – due to depositors	29	271,500,745,426	-	271,500,745,426
Financial liabilities at amortised cost – borrowings	30	98,400,336,751	-	98,400,336,751
Other financial liabilities	33	5,290,851,928	-	5,290,851,928
Total		380,666,786,692	17,587,900	380,649,198,792

46.4 (a) Exposure to market risk – Trading and non-trading portfolio Contd.

For the year ended 31st March 2025 Item	Note	Carrying amount	Market risk measurement	
			Trading portfolios	Non-trading portfolios
Assets subject to market risk				
Cash and cash equivalents	15	8,578,933,549	-	8,578,933,549
Placements with banks	16	2,794,250,923	-	2,794,250,923
Securities purchased under resale agreements		280,245,480	-	280,245,480
Derivative financial instruments	17	6,499,209	6,499,209	-
Financial assets recognised through profit or loss – measured at fair value	18	33,324,963,785	33,324,963,785	-
Financial assets at amortised cost – loans and advances	19	297,509,139,757	-	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	20	14,828,164,580	-	14,828,164,580
Financial assets measured at fair value through other comprehensive income	21	323,720,733	-	323,720,733
Other financial assets	28	535,355,438	-	535,355,438
Total		358,181,273,453	33,331,462,994	324,849,810,459
Liabilities subject to market risk				
Bank overdraft	15.1	8,516,663,167	-	8,516,663,167
Derivative financial instruments	17	1,937,593	1,937,593	-
Financial liabilities at amortised cost – due to depositors	29	225,717,328,979	-	225,717,328,979
Financial liabilities at amortised cost – borrowings	30	15,680,980,318	-	15,680,980,318
Other financial liabilities	33	4,779,298,796	-	4,779,298,796
Total		254,696,208,853	1,937,593	254,694,271,260

46.4 (b) Exposure to interest rate risk – Sensitivity analysis

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments and hence expose the Company to fluctuations of Net interest income (NII) give rise to interest rate risk. The Company's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is maintained within prudent levels.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows. The Company's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.

For the year ended 31st March 2026

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest earning assets						
Placements with banks	4,226,896,995	11,002,290,247	-	-	-	15,229,187,243
Securities purchased under resale agreements	7,643,438,768	-	-	-	-	7,643,438,768
Financial assets - fair value through profit or loss	869,190,244	-	5,165,394,339	3,939,188,672	2,259,360,313	12,233,133,568
Financial assets at amortised cost – loans and advances	76,578,273,774	128,410,339,977	161,837,995,861	48,287,216,224	418,526,859	415,532,352,695
Financial assets at amortised cost – debt and other financial instruments	950,098,097	-	1,536,834,501	1,622,377,084	10,174,790,400	14,284,100,082
Total interest earning assets	90,617,625,476	139,412,630,224	168,540,224,701	53,848,781,980	12,852,677,573	465,271,939,954
Interest bearing liabilities						
Bank overdraft	5,457,264,687	-	-	-	-	5,457,264,687
Financial liabilities at amortised cost – due to depositors	106,811,362,162	104,897,939,916	52,136,208,033	7,655,235,314	-	271,500,745,426
Financial liabilities at amortised cost – borrowings	38,702,043,805	17,315,707,000	23,892,374,667	18,490,211,279	-	98,400,336,751
Total interest bearing liabilities	150,988,258,554	122,213,646,916	76,028,582,700	26,145,446,594	-	375,375,934,764
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(60,370,633,078)	17,198,983,308	92,511,642,001	27,703,335,386	12,852,677,573	89,896,005,190
Effect on profitability by 1% increase in interest rates - increase / (decrease) in profits - annualised effect	(603,706,331)	171,989,833	925,116,420	277,033,354	128,526,776	898,960,052
Effect on profitability by 1% decrease in interest rates - increase / (decrease) in profits - annualised effect	603,706,331	(171,989,833)	(925,116,420)	(277,033,354)	(128,526,776)	(898,960,052)

46.4 (b) Exposure to interest rate risk – Sensitivity analysis Contd.

For the year ended 31st March 2025

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest earning assets						
Placements with banks	2,699,465,246	94,785,677	-	-	-	2,794,250,923
Securities purchased under resale agreements	280,245,481	-	-	-	-	280,245,481
Financial assets - fair value through profit or loss	17,763,046,084	748,942,867	3,693,830,323	5,895,582,587	3,044,327,889	31,145,729,750
Financial assets at amortised cost – loans and advances	59,682,264,222	82,828,934,991	121,645,391,616	33,209,013,321	143,535,607	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	1,367,462,869	615,971,392	1,253,600,119	1,594,040,619	9,997,089,580	14,828,164,580
Total interest earning assets	81,792,483,901	84,288,634,926	126,592,822,059	40,698,636,528	13,508,673,809	346,881,251,223
Interest bearing liabilities						
Bank overdraft	8,516,663,167	-	-	-	-	8,516,663,167
Financial liabilities at amortised cost – due to depositors	112,413,378,196	74,127,680,240	35,440,761,244	3,735,509,299	-	225,717,328,979
Financial liabilities at amortised cost – borrowings	4,238,263,757	9,783,439,109	1,536,618,750	122,658,702	-	15,680,980,318
Total interest bearing liabilities	125,170,242,713	83,911,119,348	36,977,379,994	3,858,168,001	-	249,916,910,057
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(43,377,758,812)	377,515,578	89,615,442,064	36,840,468,527	13,508,673,809	96,964,341,166
Effect on profitability by 1% increase in interest rates - increase / (decrease) in profits - annualised effect	(433,777,588)	3,775,156	896,154,421	368,404,685	135,086,738	969,643,412
Effect on profitability by 1% decrease in interest rates - increase / (decrease) in profits - annualised effect	433,777,588	(3,775,156)	(896,154,421)	(368,404,685)	(135,086,738)	(969,643,412)

46.5 Currency risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Company has established limits on position by currency and these positions are monitored on a daily basis. The table below indicates the currencies to which the Company had significant exposures as at March 31, 2026 and March 31, 2025 and the exposure as a percentage of the total capital funds.

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its Sri Lanka International Sovereign Bonds (SLISBs). As a result, the Company's foreign currency exposure reduced significantly by approximately Rs. 7 billion, primarily due to the conversion of certain bonds to Sri Lanka Rupee (Rs) denominated instruments and the derecognition of previously held ISBs, as further detailed in Note 7.2.

Foreign exchange position as at March 31, 2026

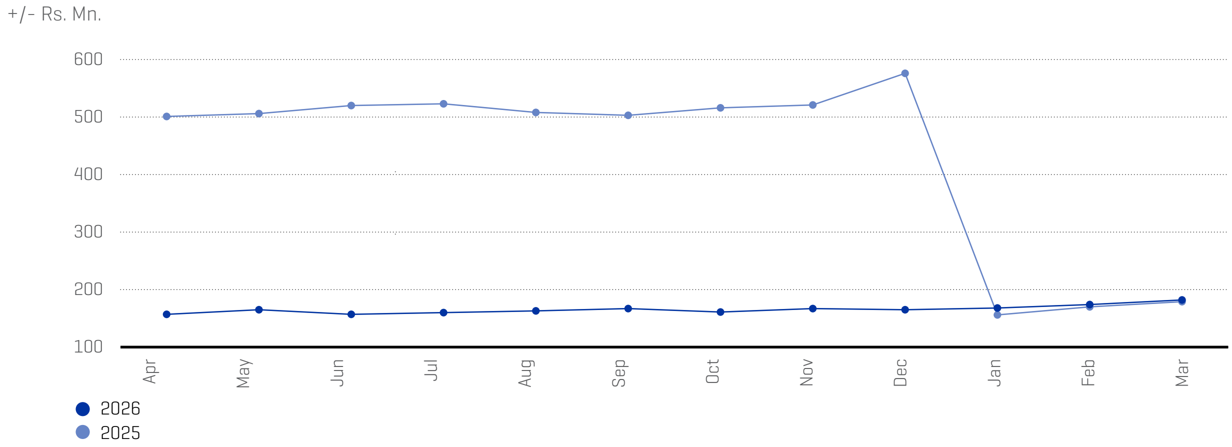
Currency	Spot assets in FCY	Spot liabilities in FCY	Net spot assets / (liabilities) in FCY	Forward contracts in FCY	Net open position in FCY	**Overall exposure in Rs.**
United States Dollar	73,367,828	62,532,463	10,835,365	830,000	11,665,365	3,676,806,503
Great Britain Pound	48,339	2,473,951	(2,425,612)	2,480,000	54,388	22,692,276
Euro	62,827	1,336,934	(1,274,108)	1,350,000	75,892	27,498,780
Australian Dollar	63,674	3,810,487	(3,746,814)	3,380,000	(366,814)	(79,594,883)
Total exposure						3,647,402,675
Total capital funds (capital base) as per the audited computation						112,845,522,422
Total exposure as a percentage of total capital funds (%)						3.23%

Foreign exchange position as at March 31, 2025

Currency	Spot assets in FCY	Spot liabilities in FCY	Net spot assets / (liabilities) in FCY	Forward contracts in FCY	Net open position in FCY	**Overall exposure in Rs.**
United States Dollar	30,757,354	17,753,361	13,003,993	(1,000,000)	12,003,993	3,555,582,759
Great Britain Pound	580,949	1,821,616	(1,240,667)	1,506,000	265,333	101,614,456
Euro	1,067,794	1,182,947	(115,153)	-	(115,153)	(36,750,082)
Australian Dollar	2,641,721	2,906,305	(264,584)	-	(264,584)	(49,318,549)
Total exposure						3,571,128,585
Total capital funds (capital base) as per the audited computation						108,785,840,866
Total exposure as a percentage of total capital funds (%)						3.28%

The Company regularly carries out sensitivity analysis on Net Open Position (NOP) to assess the exposure to foreign exchange (Fx) risk due to possible changes in the exchange rates. An appropriate shock based on historical exchange rates are applied on the NOP which is measured against the approved threshold limits.

Sensitivity of Fx Position – Impact of 5% change in exchange rates



46.6 Equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Company conducts mark-to-market calculations on a daily, quarterly and on a need basis to identify the impact due to changes in equity prices.

The table below summarises the impact (both to Income Statement and to equity) due to a change of 10% on equity prices.

	2026			2025		
	Financial assets recognised through profit or loss Rs.	Financial assets at fair value through other comprehensive income Rs.	Total Rs.	Financial assets recognised through profit or loss Rs.	Financial assets at fair value through other comprehensive income Rs.	Total Rs.
Market value of equity securities as at March 31,	2,207,426,969	349,727,598	2,557,154,567	2,179,234,036	323,720,733	2,502,954,768

46. FINANCIAL RISK MANAGEMENT CONTD.

46.6 Equity price risk Contd.

Stress Level	Impact on Income Statement Rs.	Impact on OCI Rs.	Impact on Equity Rs.	Impact on Income Statement Rs.	Impact on OCI Rs.	Impact on Equity Rs.
Shock of 10% on equity prices						
Upward	220,742,697	34,972,760	255,715,457	217,923,404	32,372,073	250,295,477
Downward	(220,742,697)	(34,972,760)	(255,715,457)	(217,923,404)	(32,372,073)	(250,295,477)

46.7 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company.

The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Capital Adequacy Requirements) Direction No.03 of 2018 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital.

The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

46.7 (a) Regulatory Capital

The Company manages its capital in line with regulatory capital requirements set by the Central Bank of Sri Lanka (CBSL). As of 31st March 2026, the Company is required to maintain a minimum Total Tier I Capital Adequacy Ratio of 10% and a minimum Total Capital Adequacy Ratio of 17%.

For the year ended 31st March	2026 Rs.	2025 Rs.
Tier I capital	115,061,526,190	111,007,759,229
Stated capital	44,078,915,852	44,078,915,852
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	8,915,699,725	7,545,403,163
Audited retained earnings/(losses)	65,666,531,081	63,660,230,785
(less) Revaluation gains/surplus of investment property	(31,005,551,706)	(29,361,931,368)
General and other disclosed reserves	-	-
Current year's profit(losses)	27,405,931,239	25,085,140,797
Total Adjustments to Tier I capital	1,128,524,868	1,141,013,006
Goodwill (net)	-	-
Other intangible assets (net)	41,045,967	60,107,649
Other comprehensive Income losses	-	-
Deferred tax assets (net)	-	-
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	1,087,478,901	1,080,905,357
Shortfall of capital in financial subsidiaries	-	-
Tier I Capital (after adjustments)	113,933,001,322	109,866,746,223
Tier 2 Capital	-	-
Instruments Qualified as Tier 2 Capital	-	-
Revaluation gains	-	-
General provisions / collective impairment allowances	-	-
Eligible Tier 2 Capital	-	-
Total Adjustments to eligible Tier 2 Capital	1,087,478,901	1,080,905,357
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	1,087,478,901	1,080,905,357
Eligible Tier 2 Capital after adjustments	1,087,478,901	1,080,905,357
Total Capital	112,845,522,422	108,785,840,866
Total Risk Weighted Assets (RWA)	484,047,608,396	419,673,370,979
Risk Weighted Assets Amount for Credit Risk	436,329,723,851	374,493,187,081
Risk Weighted Assets Amount for Operational Risk	47,717,884,545	45,180,183,898
Tier I Capital Ratio, %	23.54%	26.18%
Total Capital Ratio, %	23.31%	25.92%

Financial Information for Last Ten Years

STATEMENT OF PROFIT OR LOSS

As at	2026 Rs '000	2025 Rs '000	2024 Rs '000	2023 Rs '000	2022 Rs '000	2021 Rs '000	2020 Rs '000	2019 Rs '000	2018 Rs '000	2017 Rs '000
Interest income	78,741,323	68,317,633	74,993,923	69,039,674	30,569,863	33,761,534	38,081,709	42,663,318	24,848,471	18,489,741
Interest expense	(28,808,646)	(26,211,478)	(37,019,230)	(36,124,596)	(8,979,992)	(12,446,790)	(19,271,364)	(20,891,754)	(15,016,602)	(11,459,273)
Net interest income	49,932,678	42,106,156	37,974,693	32,915,079	21,589,871	21,314,744	18,810,345	21,771,563	9,831,870	7,030,467
Net other operating income	5,704,637	4,130,120	12,788,100	9,982,265	8,602,642	5,262,483	4,074,993	3,205,380	3,796,819	2,130,105
Total operating income	55,637,315	46,236,276	50,762,793	42,897,344	30,192,513	26,577,227	22,885,338	24,976,943	13,628,689	9,160,572
Impairment reversal / (charges)	630,004	7,727,070	(4,656,710)	(3,623,998)	(72,130)	(11,305,407)	(6,998,707)	(4,893,628)	(4,449,052)	(1,110,494)
Total operating expenses	(25,545,200)	(23,164,376)	(21,126,711)	(18,961,057)	(10,540,249)	(10,218,891)	(11,114,762)	(11,585,848)	(6,635,192)	(5,508,666)
Profit from operations	30,722,119	30,798,970	24,979,372	20,312,288	19,580,135	5,052,929	4,771,869	8,497,467	2,544,445	2,541,412
Value added tax on financial service	(6,203,590)	(5,736,664)	(3,465,810)	(4,023,911)	(1,837,501)	(556,146)	(892,210)	(1,389,654)	(480,484)	(364,835)
Profit from operating activities	24,518,529	25,062,306	21,513,562	16,288,378	17,742,634	4,496,783	3,879,659	7,107,812	2,063,961	2,176,577
Share of profit / (loss) of equity accounted investee	-	22,834	33,934	(895,111)	-	-	-	-	-	-
Profit before tax	24,518,529	25,085,141	21,547,495	15,393,267	17,742,634	4,496,783	3,879,659	7,107,812	2,063,961	2,176,577
Income tax (expense) / reversal	2,887,402		-	-	(792,048)	(130,845)	(99,975)	(1,144,944)	127,213	(589,759)
Profit for the year	27,405,932	25,085,141	21,547,495	15,393,267	16,950,585	4,365,939	3,779,684	5,962,868	2,191,175	1,586,818

STATEMENT OF FINANCIAL POSITION

As at	2026 Rs '000	2025 Rs '000	2024 Rs '000	2023 Rs '000	2022 Rs '000	2021 Rs '000	2020 Rs '000	2019 Rs '000	2018 Rs '000	2017 Rs '000
ASSETS										
Cash and cash equivalents	12,696,724	8,578,934	11,486,914	16,484,822	12,282,960	13,422,690	8,333,561	17,535,538	11,323,366	4,924,112
Placements with banks	15,229,187	2,794,251	4,060,475	2,493,925	8,885,611	7,203,306	17,282,277	21,637,176	26,346,552	14,161,567
Securities purchased under resale agreements	7,643,439	280,245	2,318,268	7,007,081	7,758,178	720,085	1,182,245	8,233,594	6,490,720	5,420,174
Derivative financial instruments	10,267	6,499	-	64,428	3,450,266	325,029	273,195	568,530	133,541	23,840
Financial assets recognised through profit or loss	14,440,561	33,324,964	32,215,625	4,424,824	5,993,197	5,298,904	2,769,277	2,324,116	1,744,987	258,161
Financial assets at amortised cost – loans and advances	415,532,353	297,509,140	249,641,762	246,568,259	206,810,085	104,648,917	133,955,850	136,191,346	151,316,544	90,512,277
Financial assets at amortised cost – debt instruments	14,284,100	14,828,165	12,990,947	24,445,632	16,083,305	15,118,370	-	3,340,438	-	1,305,877
Financial assets measured at fair value through OCI	349,728	323,721	278,327	307,756	295,369	199,096	9,797,520	7,062,077	4,601,361	1,193,594
Investment in associate	-	-	249,943	564,085	1,833,661	-	-	-	-	-
Property, plant and equipment	18,864,795	14,238,537	11,062,854	10,565,862	7,238,125	1,139,920	1,344,684	1,559,025	1,714,491	2,621,022
Intangible assets	41,046	60,108	39,583	5,176	36,198	23,299	6,523	-	-	-
Right-of-use assets	2,017,019	1,481,201	1,260,181	981,943	1,052,413	-	-	-	-	-
Investment properties	55,315,600	55,029,900	48,313,343	41,252,661	38,287,958	21,088,740	15,963,886	11,635,211	6,278,187	906,300
Other assets	2,127,676	1,278,501	3,554,007	5,681,283	1,559,743	920,224	979,329	948,322	1,164,484	1,296,167
Total assets	558,552,494	429,734,164	377,472,229	360,847,738	311,567,068	170,108,579	191,888,346	211,035,373	211,114,232	122,623,092

Financial Information for Last Ten Years

As at	2026 Rs '000	2025 Rs '000	2024 Rs '000	2023 Rs '000	2022 Rs '000	2021 Rs '000	2020 Rs '000	2019 Rs '000	2018 Rs '000	2017 Rs '000
LIABILITIES										
Bank overdraft	**5,457,265**	8,516,663	5,017,647	8,783,895	5,675,768	1,861,003	1,283,201	2,242,496	4,243,170	2,393,316
Derivative financial instruments	**17,588**	1,938	-	11,635	13,176	-	114,349	661,931	482,464	18,978
Financial liabilities at amortised cost – due to depositors	**271,500,745**	225,717,329	206,368,226	201,270,901	159,252,382	107,791,136	99,261,181	115,365,141	110,027,420	80,607,115
Financial liabilities at amortised cost – borrowings	**98,400,337**	15,680,980	19,711,407	30,346,759	43,110,443	16,437,442	51,558,593	61,086,897	70,490,432	24,456,314
Retirement benefit obligation	**1,370,775**	752,326	710,961	652,807	565,709	332,532	298,142	87,061	70,303	17,018
Current tax liabilities	**1,960,981**	2,011,921	2,681,710	2,681,710	2,525,556	857,903	960,255	1,501,293	813,718	268,932
Deferred tax liabilities	**-**	2,992,431	2,999,055	2,990,837	2,974,781	1,733,249	1,888,186	2,272,773	2,402,219	1,102,058
Other liabilities	**24,440,466**	24,536,628	17,637,751	13,300,966	13,896,350	5,206,780	5,234,785	5,051,192	5,478,871	2,733,105
Total liabilities	**403,148,156**	280,210,216	255,126,758	260,039,510	228,014,165	134,220,046	160,598,693	188,268,784	194,008,598	111,596,835
EQUITY										
Stated capital	**44,078,916**	44,078,916	306,993,806	306,993,806	211,581,448	12,762,500	12,762,500	7,880,000	7,880,000	2,000,000
Statutory reserve fund	**8,915,700**	7,545,403	6,291,146	5,213,771	4,444,108	3,596,579	3,378,282	3,189,298	1,996,724	1,556,439
Merger reserve	**-**	-	(262,914,890)	(262,914,890)	(169,284,517)	-	-	-	-	-
Other reserves	**9,337,260**	9,154,258	8,406,526	4,851,332	1,562,684	401,892	176,175	180,712	228,028	104,982
Retained earnings	**93,072,462**	88,745,372	63,568,884	46,664,209	35,249,180	19,127,563	14,972,696	11,516,579	7,000,882	7,364,836
Total equity	**155,404,338**	149,523,948	122,345,471	100,808,228	83,552,903	35,888,534	31,289,653	22,766,588	17,105,634	11,026,257
Total liabilities and equity	**558,552,494**	429,734,164	377,472,229	360,847,738	311,567,068	170,108,579	191,888,346	211,035,373	211,114,232	122,623,092

Quarterly Statement of Financial Position

As at	1st Quarter 30-Jun-25 Rs '000	 30-Jun-24 Rs '000	2nd Quarter 30-Sep-25 Rs '000	 30-Sep-24 Rs '000	3rd Quarter 31-Dec-25 Rs '000	 31-Dec-24 Rs '000	4th Quarter 31-Mar-26 Rs '000	 31-Mar-25 Rs '000
ASSETS								
Cash and cash equivalents	10,857,083	7,843,987	8,300,753	10,897,869	7,501,348	9,860,932	12,696,724	8,578,934
Placements with banks	4,278,953	5,862,032	4,371,355	3,759,592	14,945,988	2,410,318	15,229,187	2,794,251
Securities purchased under resale agreements	1,075,228	1,519,026	320,069	2,125,000	-	3,910,600	7,643,439	280,245
Derivative financial instruments	15,496	-	302	-	5,338	760	10,267	6,499
Financial assets recognised through profit or loss – measured at fair value	24,843,686	36,265,424	14,720,482	33,629,564	14,868,981	36,026,570	14,440,561	33,324,964
Financial assets at amortised cost – loans and advances to customers	320,691,887	254,562,519	351,927,195	263,717,945	383,345,974	273,257,192	415,532,353	297,509,140
Financial assets at amortised cost – debt and other financial instruments	13,805,726	15,519,772	13,236,629	12,949,206	14,114,857	16,728,760	14,284,100	14,828,165
Financial assets measured at fair value through other comprehensive income	323,721	278,327	323,721	278,327	323,721	278,327	349,728	323,721
Investment in associate	-	254,464	-	257,459	17,847,250	259,394	-	-
Property, plant and equipment	14,529,767	11,371,306	15,274,123	11,078,413	58,653	11,117,773	18,864,795	14,238,537
Intangible assets	59,356	38,843	59,005	34,388	1,995,033	34,376	41,046	60,108
Right-of-use assets	1,508,900	1,267,760	1,402,139	1,193,461	54,034,554	1,205,509	2,017,019	1,481,201
Investment properties	55,020,200	48,591,675	54,792,535	48,789,754	37,950	51,324,512	55,315,600	55,029,900
Other assets	1,423,591	3,656,746	1,532,156	4,064,728	1,991,940	3,735,003	2,127,676	1,278,501
Total assets	448,433,595	387,031,881	466,260,463	392,775,707	511,071,587	410,150,025	558,552,494	429,734,164
LIABILITIES								
Bank overdraft	5,625,691	4,999,352	6,703,208	5,145,009	5,988,634	5,404,818	5,457,265	8,516,663
Derivative financial instruments	812	-	6,319	-	6,724	2,592	17,588	1,938
Financial liabilities at amortised cost – due to depositors	226,338,072	212,192,690	238,584,746	212,057,715	241,653,547	222,683,463	271,500,745	225,717,329
Financial liabilities at amortised cost – borrowings	31,129,230	19,887,058	50,162,122	18,587,545	89,335,140	18,248,890	98,400,337	17,196,825
Retirement benefit obligation	785,207	751,793	814,969	771,972	897,385	752,880	1,370,775	752,326
Current tax liabilities	1,994,941	2,681,710	1,960,981	2,565,976	1,960,981	2,062,739	1,960,981	2,011,921
Deferred tax liabilities	2,992,431	2,999,055	-	2,999,055	-	3,012,241	-	2,992,431
Other liabilities	22,435,950	17,307,352	24,195,288	20,157,816	23,113,369	19,967,905	24,440,466	23,020,783
Total liabilities	293,706,329	260,819,010	323,830,740	262,285,089	363,455,910	272,135,528	403,148,156	280,210,216
EQUITY								
Stated capital	44,078,916	306,993,806	44,078,916	44,078,916	44,078,916	44,078,916	44,078,916	44,078,916
Reserves								
Statutory reserve fund	7,545,403	6,291,146	7,545,403	6,291,146	7,545,403	6,291,146	8,915,700	7,545,403
Merger reserve		(262,914,890)		-		-	-	9,154,258
Other reserves	9,601,842	7,089,856	9,141,917	8,555,621	8,992,476	6,751,445	9,337,260	-
Retained earnings	93,501,105	68,752,952	81,663,487	71,564,937	86,998,881	80,892,990	93,072,462	88,745,372
Total equity	154,727,266	126,212,870	142,429,723	130,490,620	147,615,677	138,014,498	155,404,338	149,523,948
Total liabilities and equity	448,433,595	387,031,880	466,260,463	392,775,708	511,071,587	410,150,026	558,552,494	429,734,164

Quarterly Statement of Profit or Loss

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
As at	30-Jun-25 Rs '000	30-Jun-24 Rs '000	30-Sep-25 Rs '000	30-Sep-24 Rs '000	31-Dec-25 Rs '000	31-Dec-24 Rs '000	31-Mar-26 Rs '000	31-Mar-25 Rs '000
Gross income	18,926,922	18,517,255	20,631,345	17,936,973	21,187,846	16,073,565	25,207,897	20,971,972
Interest income	17,558,245	16,967,895	19,319,006	17,245,516	20,140,172	16,753,800	21,723,900	17,350,422
Interest expense	(6,104,396)	(7,140,201)	(6,791,362)	(6,442,697)	(7,583,565)	(6,429,131)	(8,329,323)	(6,199,449)
Net interest income	11,453,849	9,827,694	12,527,644	10,802,819	12,556,607	10,324,669	13,394,577	11,150,973
Fee and commission income	1,015,046	809,192	1,184,593	911,758	1,121,259	805,532	1,358,764	1,068,060
Less: Fee and commission expense	(286,245)	(197,106)	(415,647)	(92,535)	(358,363)	(350,813)	(447,795)	(411,557)
Net fee and commission income	728,801	612,085	768,946	819,223	762,896	454,719	910,969	656,503
Net gains / (losses) from trading	281,926	637,006	(97,894)	(308,441)	(137,083)	1,210,766	(206,824)	471,896
Net other operating income								
Sundry and other operating income	71,705	103,163	225,641	88,139	63,498	1,654,402	2,332,058	1,441,139
Derecognition loss on restructuring of SLISBs	-	-	-	-	-	(3,710,480)	-	0
Other operating income	353,631	740,169	127,746	(220,302)	(73,585)	(845,313)	2,125,233	1,587,590
Total operating income	12,536,281	11,179,948	13,424,336	11,401,740	13,245,918	9,934,076	16,430,779	46,236,276
Less: Impairment (charges) / reversal								
Loans and advances	(221,813)	(1,935,843)	236,818	(125,664)	(291,554)	(543,828)	1,330,281	2,543,170
Sri Lanka International Sovereign Bonds	-	580,907	7,097	-	-	6,812,020	16,910	(81,227)
Other financial assets and credit related commitments	41,682	331,013	(64,598)	(657)	(20,000)	-	(404,820)	147,179
Total impairment (charge) / reversal	(180,131)	(1,023,923)	179,317	(126,322)	(311,554)	6,268,193	942,371	2,609,122
Net operating income	12,356,150	10,156,026	13,603,654	11,275,419	12,934,364	16,202,269	17,373,151	16,329,633
Less: Expenses								
Personnel expenses	(1,960,810)	(1,736,416)	(2,388,960)	(1,944,522)	(2,191,324)	(1,825,619)	(2,995,562)	(2,434,241)
Depreciation and amortisation	(407,527)	(326,170)	(516,821)	(310,257)	(554,229)	(335,717)	(627,163)	(332,604)
Other operating expenses	(3,472,402)	(3,230,686)	(3,325,866)	(3,540,345)	(3,455,449)	(3,807,274)	(3,649,087)	(3,340,524)
Total operating expenses	(5,840,739)	(5,293,273)	(6,231,647)	(5,795,124)	(6,201,002)	(5,968,610)	(7,271,811)	(23,164,376)
Profit from operations before VAT on financial services	6,515,411	4,862,753	7,372,006	5,480,295	6,733,362	10,233,659	10,101,340	10,222,264
Taxes on financial services	(1,312,094)	(999,875)	(1,554,292)	(1,205,541)	(1,466,427)	(1,758,422)	(1,870,776)	(1,772,826)
Profit from operating activities	5,203,317	3,862,878	5,817,714	4,274,754	5,266,935	8,475,236	8,230,563	8,449,438
Share of profit of equity accounted investee	-	4,521	-	2,995	-	1,934	-	13,384
Profit before income tax expense	5,203,317	3,867,399	5,817,714	4,277,749	5,266,935	8,477,171	8,230,563	8,462,822
Income tax expense		-	2,990,841	-	71,530	-	(174,969)	-
Profit for the period	5,203,317	3,867,399	8,808,555	4,277,749	5,338,465	8,477,171	8,055,594	8,462,822

Investor Information

1. MARKET PRICE PER SHARE AS AT 31 MARCH

	2026 Rs.	2025 Rs.
Highest during the year	7.20	6.60
Lowest during the year	4.90	3.90
Last traded as at the end of the year	5.20	5.60

2. COMPOSITION OF SHAREHOLDERS AS AT 31ST MARCH

	2026		2025	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Institutions				
Resident	28,802,517,710	97.43	30,430,808,297	91.9938
Non-Resident	733,510	0.0025	1,892,905,176	5.7223
Individuals				
Resident	741,838,242	2.5095	749,230,730	2.2650
Non-Resident	15,057,699	0.0509	6,268,096	0.0189
	29,560,147,161	99.9929	33,079,212,299	99.9998

3. DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH

Range		2026			2025		
		No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1	1,000	6,702	2,381,775	0.0081	5786	2,081,920	0.0063
1,001	10,000	6,008	25,387,450	0.0859	5735	24,391,368	0.0737
10,001	100,000	4,219	154,809,149	0.5237	4342	158,855,024	1.2444
100,001	1,000,000	1,414	409,935,020	1.3800	1462	411,660,082	2.4506
Over 1,000,000 Shares		147	28,969,633,767	97.9714	139	32,482,223,905	98.1952
Total		18,490	29,560,147,161	100.0000	17464	33,079,212,299	100

4. TOP 20 SHAREHOLDERS

Name of Shareholder	2026		2025	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
LOLC CEYLON HOLDINGS PLC	27,153,165,444	91.857	29,179,995,406	88.212
HATTON NATIONAL BANK PLC/LOLC CEYLON HOLDINGS LIMITED	1,309,523,810	4.43	909,523,810	2.750
COMMERCIAL BANK OF CEYLON PLC/ PHANTOM INVESTMENTS (PRIVATE) LIMITED	108,430,628	0.367	108,430,628	0.328
SAMPATH BANK PLC/ANDARADENIYA ESTATE PRIVATE LIMITED	25,059,524	0.085	25,059,524	0.076
MR. V.R. RAMANAN	20,900,000	0.071	20,900,000	0.063
MR. S. VASUDEVAN	14.906,375	0.05	20,917,827	0.063
ASSETLINE FINANCE LTD/M.D.N.P. FONSEKA & W.H. NAWODYA	11,401,141	0.039	5,317,739	0.016
MR. Y.R.T.S. PREMACHANDRA	10,000,010	0.034	11	0.000
MR. B.C.S.T.I. RODRIGO	9,650,000	0.033	6,500,000	0.020
CIC HOLDINGS PLC/CIC CHARITABLE & EDUCATIONAL TRUST FUND	8,707,200	0.029	8,707,200	0.026
MISS. M.I. THANUDARA	7,885,776	0.027	7,913,276	0.024
SENKADAGALA FINANCE PLC/S.GOBINATH	7,102,500	0.024	4,790,000	0.014
MR. A.B.V.U. ALAHARUWAN	7,000,000	0.024	-	-
MR. R.E. RAMBUKWELLE	6,143,752	0.021	9,758,752	0.030
MR. B.W. KUNDANMAL	5,750,000	0.019	9,758,752	0.023
MR. A.A. SUNIL	5,665,468	0.019	5,665,468	0.017
HATTON NATIONAL BANK PLC/RAMARAJ KUHAN	5,500,000	0.019	4,500,000	0.014
HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	5,200,000	0.018	4,120,000	0.012
ASSETLINE FINANCE PLC/M.W.A.LAKMAL	4,900,000	0.017	1,414,000	0.004
SEYLAN BANK PLC. - A/C NO. 3	4,470,000	0.015	-	-
	28,731,361,628	98.198	30,331,013,641	91.692
Others	828,758,533	2.802	2,748,198,658	8.308
Total	29,560,147,161	100.000	33,079,212,299	100.000

5. PUBLIC SHAREHOLDING

	2026 %	2025 %
Public Holding percentage	3.6925%	3.3142%
Number of public shareholders	18,475	17,450
Float adjusted market capitalisation	Rs.5,784,958,442.90	Rs.6,468,309,641.20

The Company is not compliant with the minimum public holding requirement stipulated in the Listing Rule 17.14.1.i(b) (Option 1) of the Colombo Stock Exchange. Your Board is in the process of exploring options available for complying with the said rule.

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
1	Hendala, Wattala / Hekiththa Waththa	Gampaha	Western	0A-0R-9P & 2606Sq	38,000,000	1
2	Wewala, Piliyandala	Colombo	Western	0A-0R-20P	14,000,000	
3	Gothatuwa Property	Colombo	Western	0A-3R-35P	263,500,000	
4	Wickremasinghepura,	Colombo	Western	0A- 3R- 33.83P	507,600,000	
5	Shady Grove Property	Colombo	Western	0A- 0R- 35.75P	1,001,500,000	1
6	Land In Kosgoda	Kaluthara	Western	9A- 0R- 00.00P	112,300,000	
7	Thalaheena Property	Colombo	Western	1A- 3R- 13.47P & 2543Sq	115,000,000	1
8	No-296 Horana Property	Kaluthara	Western	0A- 0R- 10.1P	33,300,000	
9	Badulla Property	Badulla	Uva	0A-1R-19.15P	189,300,000	
10	Mannar Property	Mannar	Nothern	0A-0R-23.5P	58,800,000	
11	Beruwala Property	Kaluthara	Western	0A – 1R – 06.00P	128,500,000	1
12	Jethawana Property	Colombo	Western	0A-2R-19.90 P & 18250Sq	1,296,462,470	1
13	Nawala 2nd Lane Property	Colombo	Western	0A-0R-08.70 P & 9630Sq	245,600,000	1
14	Piliyandala Property - Thumbowila	Colombo	Western	0A-0R-30.50 P	183,000,000	
15	Rajagiriya Land (Valuation Unit)	Colombo	Western	0A- 1R- 12.50P	735,000,000	
16	Colombo 14 - Grandpass - Vincent Perera Mw	Colombo	Western	4A- 3R- 8.6P	7,301,700,000	
17	Grandpass Property- Deed 220	Colombo	Western	A2-R3-14.5P	4,393,200,000	5
18	Kiribathgoda Property	Gampaha	Western	0A- 0R- 30.57P	169,500,000	1
19	Watinapaha Property - Pannala	Gampaha	Western	19A-0R-35.85P	169,200,000	
20	No 72 Galle Road ,Kaluwamodara,Beruwala	Kaluthara	Western	0A- 1R- 22.55P	156,400,000	
21	Wellampitiya Yard	Colombo	Western	5A- 0R- 3.11P	1,845,537,530	
22	Investment Property Dampe - Kesbewa	Colombo	Western	0A-0R-40P	36,000,000	
23	Malabe Property	Colombo	Western	0A-0R-12P	49,800,000	1
24	Battaramulla Land	Colombo	Western	0A-0R-38.71P	193,600,000	
25	Ip Gamunu Mw, Rajagiriya	Colombo	Western	A0-R0-P30.25 & 2782Sq	130,600,000	1
26	Investment Property Biyagama	Gampaha	Western	A0-R0-P23.70	52,200,000	1
27	Gnanendra Mawatha Property - Nawala	Colombo	Western	A0-R01-P04	346,900,000	3
28	Yakkala Proprty (Plan - 4897)	Gampaha	Western	A7-R02-P9.20	241,800,000	
29	Dambulla Property (Padeniya)	Dambulla	Central	A0-R0-P35.96	135,000,000	
30	Waskaduwa Property (Desatara, Kalutara)	Kaluthara	Western	A0-R02-P39.5	131,500,000	
31	Kadawatha Property	Gampaha	Western	A0-R01-P.3	443,300,000	
32	Kadawatha Property (No 348)	Gampaha	Western	A0-R0-P12.85	128,500,000	
33	Baththaramulla Property (Plan -8248)	Colombo	Western	A0-R0-P16.1	88,600,000	
34	Rathnapura Property -Kataliyanpala	Rathnapura	Sabaragamuwa	A0-R0-P15	7,500,000	
35	Panadura Property -No.224,Gorakana,Panadura	Kaluthara	Western	A0-R0-P39.63 & 11972Sq	161,800,000	1
36	Panadura Property -No.222,Gorakana,Panadura	Kaluthara	Western	3960Sq	58,800,000	1
37	Panadura Property-No.12/4,Gorakana,Panadura	Kaluthara	Western	A0-R01-P07	47,000,000	
38	Moratuwa Property -No,24,1St Lane,Angulana	Colombo	Western	A0-R0-P19.84	63,100,000	1
39	Horana Property-Villa Resident	Kaluthara	Western	A0-R01-P25.73 & 9485Sq	223,900,000	1

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
40	Matara Property -Deed 1285	Matara	Southern	A0-R2-P11.299	237,400,000	
41	Matara Property	Matara	Southern	A0-R2-P26.30	244,500,000	
42	Excellent Property - Deed No 37 (Lenadora)	Dambulla	Central	A1-R1-P2	50,500,000	
43	Kahatagahawatta Property -Deed 131 - Kandana	Gampaha	Western	A0-0R-4.2P & 2800Sq	49,400,000	1
44	Delgahawatta Pannipitiya Property -Deed 105	Colombo	Western	A0-0R-32.62P	195,700,000	
45	Colombo 13 - Bluemendhal - Cyril C Perera Mw	Colombo	Western	1A- 3R- 16.5P & 11,063 Sq /11,063 Sq	2,026,300,000	9
46	Pahadamulla Property -Deed 9767	Kaluthara	Western	A0-R0-20P	48,900,000	1
47	Welabodawila Property -(Nawala, Senanayaka)	Colombo	Western	A0-R0-9P & 3163Sq	80,700,000	1
48	Mahara Property -Deed No.7179B	Gampaha	Western	A0-R1-19.80P & 7612 Sq & 7612 Sq	93,000,000	1
49	Property Malwana No -68/2014	Gampaha	Western	A0-R0-P 30	43,500,000	
50	Malwana Sunflower Construction Property	Gampaha	Western	A5-R0-32.67P	291,400,000	
51	Property Kiribathgoda	Gampaha	Western	A0-R0-P23.30 & 2950Sq	55,700,000	1
52	Merigam Kanda Property	Gampaha	Western	A0-R03 -4.50P	37,500,000	1
53	Damugahawatta Property - Kottawa	Colombo	Western	A0-R0- 40P	94,900,000	1
54	Ranmuthugala Property 37.P	Gampaha	Western	A0-R0 -37 P & 1064Sq	94,900,000	1
55	Eriyagaha Kumbura Property 20-P - Kotikawatta	Colombo	Western	A0-R0 -20 P & 4268Sq	60,900,000	1
56	Madangahawatta Property 16.77P - Uyana, Moratuwa	Colombo	Western	A0-R0 -10.77 P	41,900,000	1
57	Thalagahawattha Kolonnawa Property	Colombo	Western	A0-R0 -10.62P	35,000,000	
58	Abagahawattha Maharagama Property 12.5P	Colombo	Western	A0-R0 -12.5P	37,500,000	1
59	Horana Property 28.5P (Dikhena)	Kaluthara	Western	A0-R0-P29.50	30,000,000	1
60	Nuwaraeliya Property 10.8P	Nuwaraeliya	Central	A0-R0-P10.8 & 1450Sq	12,000,000	1
61	Walgama Property	Colombo	Western	A0-R2-P34	128,200,000	1
62	Kurunegala Property	Kurunegala	North Western	A0-R0-P10.90	57,800,000	
63	Paragahakotuwe Kumbura Property Lot B (368)	Kurunegala	North Western	A0-R0-P12.5	65,000,000	
64	Paragahakotuwe Kumbura Property(367)	Kurunegala	North Western	A0-R0-P23	112,700,000	
65	Kurunegala Property	Kurunegala	North Western	A0-R3-P20.5	688,500,000	
66	Malawatta Estate	Gampaha	Western	A0-R2-P5.6	102,700,000	
67	Waragoda Property	Gampaha	Western	A0-R2-P15	171,000,000	
68	Millagahawatta Property - Nawala	Colombo	Western	A0-R0-P15.6 & 5680Sq	221,900,000	1
69	Hettiyana Property(Matara)	Matara	Southern	A0-R0-P39 & 8820Sq	201,700,000	1
70	Thalahena Malabe (787)	Colombo	Western	A0-R0-P38.27	65,100,000	
71	Kandy Rd Thalahena Malabe - Thalahena Bunglow	Colombo	Western	A0-R0-P29.42 & 5040 Sq	162,400,000	1
72	Pattinigewatta Property	Colombo	Western	A0-R0-P20	33,700,000	
73	Erewwala Property(Kesbawa)	Colombo	Western	A0-R0-P15	16,500,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
74	Damparagahawatta Peoperty	Colombo	Western	A0-R0-P9.7	8,700,000	
75	Pitakotte Property	Colombo	Western	A0-R0-P25.4	63,500,000	
76	Kotabodawatta Avissavelle Property D267	Kaluthara	Western	A0-R1-P38.5	27,500,000	
77	Siriyapulla, Mahara, Kadawatha	Gampaha	Western	A0-R0-P20	14,500,000	
78	Bandarawatta Estate (Yakkala)	Gampaha	Western	A0-R0-P38.8 & 7840Sq	81,700,000	1
79	No 114/21, Sooriyapaluwa, Mawatha, Kandana	Gampaha	Western	A0-R0-P10.84	10,400,000	
80	Horagala Property	Colombo	Western	A1-R1-P26.5	90,000,000	
81	Kirigalpotta Property	Matale	Central	A1-R3-P25.3	155,200,000	1
82	Kesbawa Property Monarch Ltd	Colombo	Western	A0-R0-P11.75	39,400,000	1
83	Ladhubima Property-Malabe Athurugiriya	Colombo	Western	A0-R2-P23.15	134,200,000	
84	Bogahawaththa Property-Sharmila Amidon	Gampaha	Western	A0-R0-P9.8	17,600,000	
85	Kosgahalanda Property (Rag Priyani)	Colombo	Western	A0-R0-P19.8	86,600,000	1
86	Topuwewatta Property- Rickey Skylark(Pvt) Ltd	Kaluthara	Western	A1-R0-P0	131,200,000	
87	Watarappola .Rabangewatta Property Guadian	Colombo	Western	A0-R0-P6.13	46,900,000	1
88	Kadawatha Property-S.D.D. Gunawardena / Ihala Karagahamuna, Kadawatha	Gampaha	Western	A0-R0-P38.5 & 2075 Sq	67,800,000	1
89	Malwattha Property-Hokandara-Sanduma Lanka	Colombo	Western	A0-R0-P10.15	37,300,000	1
90	Kelanimulla Property M/S Hanco Investment	Colombo	Western	A0-R2-P38.10 & 6150Sq	621,600,000	1
91	Udahamulla Village Property (Zabir)	Colombo	Western	A0-R0-P9.75	47,000,000	1
92	Malamulla Property Rld Wasantha Kumar Property	Kaluthara	Western	A0-R3-P15.40	63,800,000	1
93	Rathmalana Gnanasiri Abeywickrama Property	Colombo	Western	A0-R0-P9.67	62,400,000	
94	Welisara Property Blue Mountain Properties (Pvt) Ltd	Gampaha	Western	A0-R0-P20.5	32,800,000	
95	Galigamuwa P.P.N. Perera Property	Kegalle	Sabaragamuwa	A0-R0-P72.18 & 3850 Sq	58,200,000	1
96	Ambalanthota A Muthumala Property	Hambanthota	Southern	A0-R0-P17.20	77,400,000	
97	Pathadumbara Kandy Land Ex(Pvt)Ltd Property	Kandy	Central	A0-R3-P34.4	18,500,000	
98	Walawage Nishantha Kumara Jamburaliya Property	Colombo	Western	A0-R3-P0	72,000,000	
99	N S C International Pvt (Ltd) Moratuwa Property	Colombo	Western	A0-R0-P9.72	12,600,000	
100	Bogahawatu Kotasa Hapugoda Kadana	Gampaha	Western	A0-R0-P10	17,900,000	1
101	Sanguine Garment Property(H D Jagath Jayasundara)	Gampaha	Western	A0-R0-P20	37,100,000	1
102	Golden Links International, Pragathi Mw Kotte Property	Colombo	Western	A0-R0-P13.99	18,900,000	
103	Ravindra Dayasiri Kumarage Thalangama Property	Colombo	Western	A0-R0-P15	35,300,000	
104	S Vishvalingam Arugambay Property	Ampara	Eastern	A5-R2-P15	179,000,000	
105	S Vishvalingam Pothuwil Property	Ampara	Eastern	A12-R3-P18.8	41,200,000	
106	Buddhi Metals (Pvt) Ltd Habangewatta Property	Colombo	Western	A0-R2-P5	42,700,000	1
107	Horizon Tour-Inn Property Pugoda	Gampaha	Western	A4-R1-P2	42,200,000	
108	W U Senavirathna Company (Pvt) Ltd Property Godigamuwa.	Colombo	Western	A0-R0-P18.83	107,000,000	
109	Nisansala Boralesgamuwa Land	Colombo	Western	A0-R0-17P	52,300,000	1

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
110	Kolitha Amarasekara Kundasale Property	Kandy	Central	A0-R2-P31.1	72,000,000	
111	Asp Construction Nawala Property	Colombo	Western	A1-R0-P3.5 & 7260Sq	1,260,300,000	1
112	Pinwatta-Panadura Property-Creative Entertainment	Colombo	Western	A0-R0-P21.14	58,100,000	1
113	G N Jayawardena Wattala Property	Gampaha	Western	665Sq	47,500,000	1
114	Manik Tea Enterprises Ltd Property	Kaluthara	Western	A2-R1-P19.55	40,500,000	1
115	Buddhi Metals (Pvt) Ltd Homagama Property 02	Colombo	Western	A1-R2-P15	102,000,000	
116	Buddhi Metals (Pvt) Ltd Homagama Property 01	Colombo	Western	A0-R0-P9.82	9,800,000	
117	I C Nanayakkara No 730, Havelock Rd , Colombo 06 Property	Colombo	Western	A0-R0-P29.10	483,100,000	
118	Panadura Jayanthi Mala Abeyrathne Property	Kaluthara	Western	A0-R0-P16.5	42,600,000	1
119	M K D D Wijayarathna Mathugama Property	Kaluthara	Western	A0-R0-P27 & 3280Sq	43,500,000	1
120	S T C Pathiraja Wennappuwa Property	Gampaha	Western	A0-R1-P31.6 & 7045Sq	43,000,000	1
121	Oru Mix Asphalt (Pvt) Ltd Delwala Property(Meerigama)	Gampaha	Western	A10-R3-P6	125,500,000	
122	P C P Jayasinghe Padeniya Village Property(Dambulla)	Dambulla	Central	A0-R1-P17 & 9373Sq	115,000,000	1
123	W D N Perera'S Biyagama Property	Gampaha	Western	A0-R0-P12	18,000,000	
124	M M Saalim Makola Property	Gampaha	Western	2476Sq	24,500,000	1
125	I D S Champika Kaduwela Property	Colombo	Western	A0-R0-P21.4 & 1226Sq	37,200,000	1
126	Central Homes & Real Estate Ja Ela Property	Gampaha	Western	A0-R0-P13.25	28,300,000	
127	D W Ajith Aluthwala Property	Galle	Southern	A0-R0-P55	24,000,000	
128	Aquacleen International Angoda Property	Colombo	Western	A0-R0-P19	55,400,000	1
129	Wi Mudalige Kotte Property	Colombo	Western	A0-R0-P18.5	222,000,000	
130	Ranaviru Prabath Cooray Mw Property	Colombo	Western	A0-R2-P17.25	680,800,000	
131	W U Senavirathna Kahathuduwa Property	Colombo	Western	A0-R0-P10.1	22,600,000	1
132	W U Senavirathna Maharagama Property	Colombo	Western	A0-R0-P12.1 & 2930Sq	71,600,000	1
133	Sadara Senavirathna Depanama 11.55P Property	Colombo	Western	A0-R0-P16.8 & 3648.6Sq	70,900,000	1
134	Sadara Senavirathna Depanama 12.40P Property	Colombo	Western	A0-R0-P10.8 & 2550Sq	54,700,000	1
135	Sadara Senavirathna Depanama 17.20P Property	Colombo	Western	A0-R0-P17.75	118,000,000	1
136	Orumex Pvt Ltd Kolonnawa Property (Jayalath Trades & Transport)	Colombo	Western	A0-R0-P86.76	477,200,000	
137	Liyanagemulla Seeduwa Property (K.A.D.A.G Damayanthi)	Gampaha	Western	A0-R0-P28.78	45,000,000	1
138	Gothatuwa Manigamulla Rd. Property	Colombo	Western	0A-0R-25.90P	36,300,000	
139	A R A Lathif Rohini Rd. Property	Colombo	Western	0A-0R-03.00P	96,000,000	1
140	Artigala Property 01	Colombo	Western	0A-1R-19.00P & 0A-0R-34.20P & 1468Sq	18,500,000	1
141	Artigala Gonawala Property 02	Colombo	Western	0A - 0R - 34.20P	23,000,000	
142	Rajapihilla Rd Kurunegala Property	Kurunegala	North Western	0A-0R-01.1P	5,500,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
143	Ahangama Property	Galle	Southern	0A-2R-13.00P & 0A-2R-P11.50	106,700,000	1
144	Waterfront Cinnamon Life Apartments	Colombo	Western	1270 Sq	164,000,000	
145	Havelock Apt. Tower-Edmonton-324/1 13/4,	Colombo	Western	1442 Sq	110,000,000	
146	Havelock Apt. Tower-Edmonton-324/1 17/4,	Colombo	Western	1442 Sq	110,000,000	
147	Havelock Apt. Tower-Melford-324/3 16/1,	Colombo	Western	1690 Sq	133,000,000	
148	Havelock Apt. Tower-Melford-324/3 22/3,	Colombo	Western	1345 Sq	110,000,000	
149	Havelock Apt. Tower-Melford-324/3 24/3,	Colombo	Western	1345 Sq	110,000,000	
150	Havelock Apt. Tower-Melford-324/3 25/3,	Colombo	Western	1345 Sq	112,000,000	
151	Havelock Apt. Tower-Peterson-324/2, 21/3,	Colombo	Western	1259 Sq	104,000,000	
152	Havelock Apt. Tower-Peterson-324/2, 22/3,	Colombo	Western	1259 Sq	104,000,000	
153	Havelock Apt. Tower-Peterson-324/2, 23/6,	Colombo	Western	1367 Sq	111,000,000	
154	Havelock Apt. Tower-Peterson-324/2, 24/2,	Colombo	Western	1302 Sq	106,000,000	
155	Havelock Apt. Tower-Peterson-324/2, 24/3,	Colombo	Western	1259 Sq	104,000,000	
156	Havelock Apt. Tower-Peterson-.324/2, 25/2,	Colombo	Western	1302 Sq	104,000,000	
157	Havelock Apt. Tower-Peterson-324/2, 25/3,	Colombo	Western	1259 Sq	104,000,000	
158	Havelock Apt. Tower-Peterson-324/2, 26/2,	Colombo	Western	1302 Sq	106,000,000	
159	Havelock Apt. Tower-Peterson-.324/2, 26/1,	Colombo	Western	1023 Sq	84,000,000	
160	Havelock Apt. Tower-Peterson-324/2, 27/1,	Colombo	Western	1023 Sq	87,000,000	
161	Havelock Apt. Tower-Peterson-324/2, 27/6,	Colombo	Western	1367 Sq	115,000,000	
162	Havelock Apt. Tower-Peterson-324/2, 28/1,	Colombo	Western	1023 Sq	86,000,000	
163	Havelock Apt. Tower-Peterson-324/2, 28/6,	Colombo	Western	1367 Sq	115,000,000	
164	Havelock Apt. Tower-Peterson-324/2, 29/1,	Colombo	Western	1023 Sq	86,000,000	
165	Havelock Apt. Tower-Peterson-324/2, 29/6,	Colombo	Western	1367 Sq	118,000,000	
166	Havelock Apt. Tower-Straford-324/4 19/2,	Colombo	Western	1173 Sq	96,000,000	
167	Havelock Apt. Tower-Straford-324/4 21/5,	Colombo	Western	1109 Sq	90,000,000	
168	Havelock Apt. Tower-Straford-324/4 27/6,	Colombo	Western	1345 Sq	112,000,000	
169	Sillicon Technologies Property	Colombo	Western	0A- 0R- 35.18P & 1647Sq	130,000,000	1
170	LOMO Gaurage Property	Colombo	Western	1A- 1R- 33.71P & 39,940Sq	1,175,300,000	1
171	N'Eliya Bunglow Property	Nuwaraeliya	Central	21.03P & 5,426Sq	193,800,000	1
172	Nawala Riyapola Property	Colombo	Western	0A-3R-19.14P	1,530,500,000	
173	Mr.O.C Baduge Property	Gampaha	Western	0A-1R-14.21	189,700,000	
174	M/S Hilltop Global (Private) Limited Property	Puttalam	North Western	0A-0R-20.40P	99,000,000	
175	Mr Ajs Jayakody Property	Puttalam	North Western	0A-2R-22.94P	66,900,000	
176	Kanthavel Vinothan Property	Batticaloa	Eastern	0A-R0-08.78P	3,200,000	
177	Design Print Property	Colombo	Western	0A-R0-19.1P	634,000,000	1
178	Ms Mc Tit Associates Property	Colombo	Western	0A-0R-13.32P	44,000,000	
179	Thamalu Transport Services (Pvt) Ltd Property	Hambanthota	Southern	1A-2R-38.70P	90,600,000	
180	M/S Orient Gold Plus (Pvt) Ltd Property	Colombo	Western	0A-0R-06.47P	51,800,000	
181	M/S Raveena Garment Property	Dambulla	Central	0A-0R-36P & 3440Sq	53,000,000	1
182	Dharini Impex (Factoring) Property	Gampaha	Western	0A-0R-06.01P	12,000,000	
183	G.A.U Nishantha Property	Gampaha	Western	11920Sq	149,000,000	1
184	Mihinthale Yard Property	Anuradhapura	North Central	0A-2R-0.0P & & 3990 Sq	47,700,000	1

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
185	Hewage Holding-(Factoring) Property	Kurunegala	North Western	0A-3R-27.68P	163,800,000	1
186	Mr G P A G C R Chandrasena Property	Dambulla	Central	0A-0R-09.50P	51,200,000	1
187	Universal Paper Products (Pvt) Ltd Property	Gampaha	Western	0A-0R-20.20P	38,600,000	1
188	Mr S S Samaranayake Property	Gampaha	Western	0A-1R-39.7P	23,900,000	
189	Dishara Export S-(Factoring) Property	Galle	Southern	6A-2R-18.5P	65,600,000	
190	M/S Dht Cement (Pvt) Ltd Property	Colombo	Western	0A-0R-19.00P & 4000Sq	121,000,000	
191	M/S Dht Cement (Pvt) Ltd Property	Colombo	Western	0A-0R-28.00P	186,200,000	
192	Smart Metals-(Factoring) Property	Colombo	Western	0A-0R-64.10P	86,500,000	
193	Civimec Contraction Pvt Ltd Property	Colombo	Western	0A-1R-16.10P & 2425Sq	33,800,000	1
194	S S Impex-(Factoring) Property	Nuwaraeliya	Central	0A- 0R- 24P	38,400,000	
195	Ceylon & Foreign Traders Plc-(Factoring) Property	Colombo	Western	141 Sq	17,800,000	1
196	Isuru Traval & Tours Pvt Ltd Property	Colombo	Western	0A- 0R- 47.60P	115,600,000	
197	D G K Krishantha Property	Kurunegala	North Western	1A-0R-03.0P	27,400,000	
198	Kandy Property Property	Kandy	Central	0A-0R-10.40P & 5000Sq	48,700,000	1
199	Rahula Road Angoda Property	Colombo	Western	0A-1R-03.75P & 5400Sq	81,600,000	1
200	Ishara Traders Property-Kurunegala	Kurunegala	North Western	0A-1R-04.06P & 1850Sq	324,700,000	
201	Ishara Traders Property-Kandy	Kandy	Central	0A-0R-13.25P	134,200,000	
202	Ishara Traders Property-Kandy	Kandy	Central	0A-0R-07.45P & 225 Sq	76,100,000	
203	Ishara Traders Property-Kelaniya	Gampaha	Western	0A-0R-39.05P	319,900,000	
204	R.A.A. Rupasinghe Property	Nuwaraeliya	Central	3536Sq & 12.8P	64,000,000	1
205	Kandy Tyre House Pvt Ltd (Sampath Gunathilaka) Property	Colombo	Western	10.98P	162,300,000	1
206	P.G.S . Senadheera Property	Kandy	Central	38P & 1580Sq	40,500,000	1
207	K.H.G.P.A.K. Jayawardane Property	Kandy	Central	10.5P	3,700,000	
208	P.D.G.D.Gunawardane Property	Dambulla	Central	40P	16,000,000	
209	S.G.N. Ariyaratne Property	Kandy	Central	63.5P	19,100,000	
210	P.R.M.Perera Property	Kurunegala	North Western	66P	13,200,000	
211	K.M.P.A.I.B. Bandara Onwin Project Property	Matale	Central	131.9P	150,200,000	1
212	R.P.K Amarajeewa Property	Kandy	Central	3780Sq & 12P	30,700,000	1
213	Cinnamon Life Apartment -17-B2C	Colombo	Western	1270 Sq	130,000,000	
214	Cinnamon Life Apartment -36 B2C	Colombo	Western	1270 Sq	143,000,000	
215	Cinnamon Life Apartment -15 B2C	Colombo	Western	1270 Sq	125,000,000	
216	Cinnamon Life Apartment -11 B2A	Colombo	Western	1270 Sq	125,000,000	
217	K A S Premalal Property	Gampaha	Western	0A-0R-10.00P	9,000,000	
218	A E Dissanayaka Battaramulla Property	Colombo	Western	0A-0R-15.00P	82,500,000	
219	Jampata Street Property-R.S Wijerathna	Colombo	Western	0A-0R-04.50P	40,500,000	
220	Hashiharan Property	Trincomalee	Eastern	0A-0R-08.10P & 2822Sq	52,000,000	1
221	Senuri Auto Property	Gampaha	Western	0A-0R-17.09P	25,700,000	
222	Bandaragama Property	Kaluthara	Western	0A-0R-30P & 1000Sq	13,100,000	1

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
223	Buddhi Metal International (Pvt) Ltd Property	Colombo	Western	0A-0R-35P	87,500,000	
224	M.P.M.S. Jayawardena Property	Colombo	Western	0A-0R-7.25P	23,200,000	
225	V R K Perera Property	Gampaha	Western	0A-1R-11.4P	102,000,000	
226	Capital Towers Apartments	Colombo	Western	843 Sq	98,000,000	
227	Capital Towers Apartments	Colombo	Western	867 Sq	102,000,000	
228	Capital Towers Apartments	Colombo	Western	867 Sq	102,000,000	
229	Capital Towers Apartments	Colombo	Western	867 Sq	102,000,000	
230	Capital Towers Apartments	Colombo	Western	867 Sq	104,000,000	
231	Capital Towers Apartments	Colombo	Western	1,214 Sq	108,000,000	
232	Capital Towers Apartments	Colombo	Western	1,045 Sq	107,000,000	
233	Capital Towers Apartments	Colombo	Western	1,045 Sq	107,000,000	
234	Capital Towers Apartments	Colombo	Western	1,045 Sq	110,000,000	
235	Capital Towers Apartments	Colombo	Western	1,045 Sq	110,000,000	
236	Capital Towers Apartments	Colombo	Western	1,045 Sq	111,000,000	
237	Capital Towers Apartments	Colombo	Western	1,425 Sq	111,000,000	
238	Capital Towers Apartments	Colombo	Western	843 Sq	95,000,000	
239	Capital Towers Apartments	Colombo	Western	988 Sq	107,000,000	
240	A D A K Karunarathne - Moratuwa Property	Colombo	Western	0A-2R-14.82P	43,300,000	1
241	Ja-Ela Property - Brac	Gampaha	Western	1A-4R-63.15P	57,500,000	
242	Chaminda Asitha Kulathunga Property - Gonatuwewatta & Gonatuweyaya Alias Gotuwehena	Matale	Central	0A-0R-39.00P	52,100,000	1
243	Ampara Property - Hairu Eng	Ampara	Eastern	02A-0-R-35P	130,800,000	1
244	Bakmeekotuwa Kumbura - Narasinghe Arachchilage	Kegalle	Sabaragamuwa	0A-0R-20P	8,100,000	1
245	Ambakote Watta Land	Kandy	Central	0A-0R-20.4P	3,100,000	
246	Makulethannawatta Land	Kandy	Central	0A-1R-04.528P	8,900,000	
247	Lional Kumarasiri Ekanayake Property	Kegalle	Sabaragamuwa	0A-1R-26P	12,600,000	1
248	New Ratna H/W Property - Polonnaruwa	Polonnaruwa	North Central	A0-0R-14P	50,000,000	1
249	J G B Epakanda - Kandy Land	Kandy	Central	0A-0R-33.34P	5,600,000	
250	Dolapihilla Land - Kandy	Kandy	Central	A0-1R-5P	3,400,000	
251	Kalagedihena Land	Gampaha	Western	A0-R0-P31	28,300,000	
252	Oyapahala Estate - M M Ashan	Matale	Central	A0-0R-20P	8,000,000	
253	Suduganga Estate - M M Ashan	Matale	Central	A1-R0-29P	7,600,000	
254	J G B Epakanda - Kandy Land	Kandy	Central	0A-1R-11.69P	2,500,000	
255	Ganemulla Property	Gampaha	Western	A0-0R-12P	9,600,000	
256	Haputhale Pallegama Property	Kandy	Central	A0-R2-P13.80	4,700,000	
257	Havelock Apt. Tower-Melford	Colombo	Western	109Sq	98,000,000	
258	Millagahawatta Property -Wattala	Gampaha	Western	0A-0R-19P	19,500,000	1
259	Kalagedihena Property	Gampaha	Western	0A-2R-20P	75,000,000	
260	Yakkala Property	Gampaha	Western	4A-2R-1.5P	21,600,000	
261	Unagaspitiye Thubakome Hena Property	Kurunegala	North Western	0A-1R-0P	14,000,000	
262	Tittawalgolla Property	Dambulla	Central	1A-3R-10P	26,100,000	
263	Kahatagaha Hinna Watta Property	Kandy	Central	0A-1R-4.15P/0A-0R-12P	9,800,000	
264	Nugagahawatte Property- Land & Vehicle Yard	Gampaha	Western	0A-0R-32.81P	59,100,000	
265	Wariyapola Estate	MATALE		3A-0R-15P	14,900,000	

1. PROPERTIES HELD BY THE COMPANY CONTD.

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
266	Orient Residencies	Colombo	Western	1758Sq	46,200,000	
267	TRIZEN AppartmentTRI/1/L46/U3	Colombo	Western	716Sq	66,000,000	
268	TRIZEN AppartmentTRI/1/L47/U3	Colombo	Western	716Sq	66,000,000	
269	TRIZEN AppartmentTRI/1/L48/U3	Colombo	Western	716Sq	66,000,000	
270	TRIZEN AppartmentTRI/1/L49/U3	Colombo	Western	716Sq	69,000,000	
271	TRIZEN AppartmentTRI/1/L50/U3	Colombo	Western	716Sq	69,000,000	
272	TRIZEN AppartmentTRI/1/L41/U6	Colombo	Western	726Sq	70,000,000	
273	TRIZEN AppartmentTRI/1/L42/U6	Colombo	Western	726Sq	72,000,000	
274	TRIZEN AppartmentTRI/1/L46/U6	Colombo	Western	726Sq	82,000,000	
275	TRIZEN AppartmentTRI/1/L47/U6	Colombo	Western	726Sq	82,000,000	
276	TRIZEN AppartmentTRI/1/L49/U6	Colombo	Western	726Sq	77,000,000	
277	TRIZEN AppartmentTRI/1/L34/U1	Colombo	Western	989Sq	76,000,000	
278	TRIZEN AppartmentTRI/1/L35/U1	Colombo	Western	989Sq	76,000,000	
279	TRIZEN AppartmentTRI/1/L36/U1	Colombo	Western	989Sq	76,000,000	
280	TRIZEN AppartmentTRI/1/L37/U1	Colombo	Western	989Sq	78,000,000	
281	TRIZEN AppartmentTRI/1/L38/U1	Colombo	Western	989Sq	78,000,000	
282	TRIZEN AppartmentTRI/1/L39/U1	Colombo	Western	989Sq	79,000,000	
283	TRIZEN AppartmentTRI/1/L40/U1	Colombo	Western	989Sq	80,000,000	
284	TRIZEN AppartmentTRI/1/L41/U1	Colombo	Western	989Sq	80,000,000	
285	TRIZEN AppartmentTRI/1/L42/U1	Colombo	Western	989Sq	86,000,000	
286	TRIZEN AppartmentTRI/1/L43/U1	Colombo	Western	989Sq	86,000,000	
287	TRIZEN AppartmentTRI/1/L44/U1	Colombo	Western	989Sq	86,000,000	
288	TRIZEN AppartmentTRI/1/L46/U1	Colombo	Western	989Sq	87,000,000	
289	TRIZEN AppartmentTRI/1/L47/U1	Colombo	Western	989Sq	88,000,000	
290	TRIZEN AppartmentTRI/1/L48/U1	Colombo	Western	989Sq	90,000,000	
291	TRIZEN AppartmentTRI/1/L49/U1	Colombo	Western	989Sq	90,000,000	
292	TRIZEN AppartmentTRI/1/L50/U1	Colombo	Western	989Sq	87,000,000	
293	TRIZEN AppartmentTRI/1/L40/U4	Colombo	Western	1011Sq	100,000,000	
294	TRIZEN AppartmentTRI/1/L47/U4	Colombo	Western	1011Sq	102,000,000	
295	TRIZEN AppartmentTRI/1/L48/U4	Colombo	Western	1011Sq	105,000,000	
296	TRIZEN AppartmentTRI/3/L38/U3	Colombo	Western	720Sq	71,000,000	
297	TRIZEN AppartmentTRI/3/L39/U3	Colombo	Western	720Sq	71,000,000	
298	TRIZEN AppartmentTRI/3/L44/U3	Colombo	Western	720Sq	73,000,000	
299	TRIZEN AppartmentTRI/3/L45/U3	Colombo	Western	720Sq	73,000,000	
300	TRIZEN AppartmentTRI/3/L46/U3	Colombo	Western	720Sq	67,000,000	
301	TRIZEN AppartmentTRI/3/L47/U3	Colombo	Western	720Sq	68,000,000	
302	TRIZEN AppartmentTRI/3/L48/U3	Colombo	Western	720Sq	68,000,000	
303	TRIZEN AppartmentTRI/3/L49/U3	Colombo	Western	720Sq	69,000,000	
304	TRIZEN AppartmentTRI/3/L50/U3	Colombo	Western	720Sq	68,000,000	
305	TRIZEN AppartmentTRI/3/L51/U3	Colombo	Western	720Sq	69,000,000	
306	TRIZEN AppartmentTRI/3/L41/U6	Colombo	Western	759Sq	81,000,000	
307	TRIZEN AppartmentTRI/3/L42/U6	Colombo	Western	759Sq	83,000,000	
308	TRIZEN AppartmentTRI/3/L46/U6	Colombo	Western	759Sq	84,000,000	
309	TRIZEN AppartmentTRI/3/L26/U4	Colombo	Western	1011Sq	74,000,000	
310	TRIZEN AppartmentTRI/3/L27/U4	Colombo	Western	1011Sq	74,000,000	
311	TRIZEN AppartmentTRI/3/L28/U4	Colombo	Western	1011Sq	75,000,000	
312	TRIZEN AppartmentTRI/3/L29/U4	Colombo	Western	1011Sq	75,000,000	

Location	Property Name	District	Province	Extent	Latest Valuation Rs.	Number of building
313	TRIZEN ApartmentTRI/3/L30/U4	Colombo	Western	1011Sq	76,000,000	
314	TRIZEN ApartmentTRI/3/L31/U4	Colombo	Western	1011Sq	76,000,000	
315	TRIZEN ApartmentTRI/3/L32/U4	Colombo	Western	1011Sq	77,000,000	
316	TRIZEN ApartmentTRI/3/L33/U4	Colombo	Western	1011Sq	77,000,000	
317	TRIZEN ApartmentTRI/3/L34/U4	Colombo	Western	1011Sq	77,000,000	
318	TRIZEN ApartmentTRI/3/L35/U4	Colombo	Western	1011Sq	78,000,000	
319	TRIZEN ApartmentTRI/3/L36/U4	Colombo	Western	1011Sq	79,000,000	
320	TRIZEN ApartmentTRI/3/L37/U4	Colombo	Western	1011Sq	80,000,000	
321	TRIZEN ApartmentTRI/3/L38/U4	Colombo	Western	1011Sq	81,000,000	
322	TRIZEN ApartmentTRI/3/L49/U1	Colombo	Western	1041Sq	103,000,000	
323	TRIZEN ApartmentTRI/3/L49/U2	Colombo	Western	1041Sq	104,000,000	
324	TRIZEN ApartmentTRI/1/L35/U4	Colombo	Western	1011Sq	99,000,000	
325	TRIZEN ApartmentTRI/1/L43/U4	Colombo	Western	1011Sq	101,000,000	
326	TRIZEN ApartmentTRI/1/L44/U4	Colombo	Western	1011Sq	101,000,000	
327	TRIZEN ApartmentTRI/3/L40/U1	Colombo	Western	1041Sq	99,000,000	
328	TRIZEN ApartmentTRI/3/L43/U1	Colombo	Western	1041Sq	100,000,000	
329	TRIZEN ApartmentTRI/3/L44/U1	Colombo	Western	1041Sq	100,000,000	
330	TRIZEN ApartmentTRI/3/L45/U1	Colombo	Western	1041Sq	101,000,000	
331	TRIZEN ApartmentTRI/3/L46/U1	Colombo	Western	1041Sq	101,000,000	
332	TRIZEN ApartmentTRI/3/L47/U1	Colombo	Western	1041Sq	102,000,000	
333	TRIZEN ApartmentTRI/3/L48/U1	Colombo	Western	1041Sq	103,000,000	
334	TRIZEN ApartmentTRI/1/L25/U4	Colombo	Western	1011Sq	90,000,000	
335	TRIZEN ApartmentTRI/1/L27/U4	Colombo	Western	1011Sq	90,000,000	
336	TRIZEN ApartmentTRI/1/L30/U4	Colombo	Western	1011Sq	93,000,000	
337	TRIZEN ApartmentTRI/1/L32/U4	Colombo	Western	1011Sq	96,000,000	
338	TRIZEN ApartmentTRI/1/L34/U4	Colombo	Western	1011Sq	97,000,000	
339	TRIZEN ApartmentTRI/3/L12A/U6	Colombo	Western	759Sq	69,000,000	
340	TRIZEN ApartmentTRI/3/L12A/U1	Colombo	Western	1041Sq	78,000,000	
341	TRIZEN ApartmentTRI/3/L33/U1	Colombo	Western	1041Sq	92,000,000	
342	TRIZEN ApartmentTRI/3/L35/U1	Colombo	Western	1041Sq	93,000,000	
343	TRIZEN ApartmentTRI/3/L36/U1	Colombo	Western	1041Sq	92,000,000	
344	TRIZEN ApartmentTRI/3/L12A/U2	Colombo	Western	1041Sq	79,000,000	
345	TRIZEN ApartmentTRI/3/L29/U2	Colombo	Western	1041Sq	90,000,000	
346	TRIZEN ApartmentTRI/3/L30/U2	Colombo	Western	1041Sq	90,000,000	
347	TRIZEN ApartmentTRI/3/L31/U2	Colombo	Western	1041Sq	90,000,000	
348	TRIZEN ApartmentTRI/3/L33/U2	Colombo	Western	1041Sq	90,000,000	
349	TRIZEN ApartmentTRI/3/L35/U2	Colombo	Western	1041Sq	92,000,000	
350	TRIZEN ApartmentTRI/3/L41/U2	Colombo	Western	1041Sq	100,000,000	
351	TRIZEN ApartmentTRI/3/L42/U2	Colombo	Western	1041Sq	100,000,000	
352	TRIZEN ApartmentTRI/3/L43/U2	Colombo	Western	1041Sq	100,000,000	
353	TRIZEN ApartmentTRI/3/L44/U2	Colombo	Western	1041Sq	101,000,000	
354	TRIZEN ApartmentTRI/3/L45/U2	Colombo	Western	1041Sq	101,000,000	
355	TRIZEN ApartmentTRI/3/L46/U2	Colombo	Western	1041Sq	101,000,000	
356	TRIZEN ApartmentTRI/3/L47/U2	Colombo	Western	1041Sq	103,000,000	
357	TRIZEN ApartmentTRI/3/L48/U2	Colombo	Western	1041Sq	105,000,000	

2. NON-RECURRENT RELATED PARTY TRANSACTIONS

During the current period there were no non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 39.

3. RECURRENT RELATED PARTY TRANSACTIONS

During the current period there were no recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets, whichever is lower, in the company. However detailed related party transactions were disclosed in the note no 39.

All the transactions with related parties which are disclosed under note 39 are recurrent and involve revenue or trading nature and are necessary for day-to-day operations of the Company. In the opinion of the Related Party Transaction Review Committee, terms for all these transactions are not favourable to the related party than those generally available to the public.

4. SELECTED KEY PERFORMANCE INDICATORS

Regulatory Capital Adequacy		31.03.2026	31.03.2025
Total Tier 1 Core Capital	Rs.'000	113,933,001	109,866,746
Total Capital Base	Rs.'000	112,845,522	108,785,841
Core Capital Adequacy Ratio (Minimum Requirement 10%)		23.54%	26.18%
Total Capital Adequacy Ratio (Minimum Requirement 17%)		23.31%	25.92%

Asset Quality Ratios		31.03.2026	31.03.2025
Net Non-Performing Loans Ratio		3.24%	4.81%

Regulatory Liquidity		31.03.2026	31.03.2025
Available Liquid Assets	Rs.'000	38,331,656	33,973,375
Required Liquid Assets	Rs.'000	31,779,247	24,236,615
Liquid Assets to Deposits Ratio		14.12%	15.05%

5 DETAILS OF DEBENTURES ISSUED

These represent listed, rated, senior, unsecured, redeemable debentures amounting to 100 million units, issued in December 2025. The debentures are listed on the Colombo Stock Exchange and are rated A+ (Stable) by Lanka Rating Agency.

Instrument type	"No. of debentures"	"Face value"	"Rate of interest"	Interest frequency	Maturity date	Outstanding Amount as at 31.03.2026
Type A - 5 Years Tenor	80,414,500	8,041,450,000	11.25	Annually	10-Dec-30	8,319,045,260
Type B - 5 Years Tenor	20,000	2,000,000	10.95	Semi-Annually	10-Dec-30	2,067,200
Type C - 5 Years Tenor	19,565,500	1,956,550,000	10.53	Annually	10-Dec-30	1,963,843,611
	100,000,000	10,000,000,000				10,284,956,071

6 STATEMENT OF VALUE ADDED

	2025/26 Rs.	2024/25 Rs.
Interest income		
Other Income	78,741,323,308	68,317,633,361
Cost of Borrowing	5,704,637,225	4,152,954,466
General and administration Expenses	(28,808,645,803)	(26,211,477,746)
Allowance for impairment & write-offs	(13,902,803,259)	(13,918,828,787)
	630,004,394	7,727,070,189
	42,364,515,865	40,067,351,482
Distribution of value added		
To Employees	9,536,656,435	7,940,798,668
Remuneration and other benefits	9,536,656,435	7,940,798,668
To Government	3,316,187,622	5,736,663,732
Indirect Taxes	3,316,187,622	5,736,663,732
To Expansion and Growth	29,511,671,808	26,389,889,082
Retained Profits	27,405,931,238	25,085,140,797
Depreciation and amortization	2,105,740,570	1,304,748,285
	42,364,515,865	40,067,351,482

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 25th ANNUAL GENERAL MEETING of the Company will be held on, 14th September 2026 at 09.30 am as a virtual meeting with arrangements for the online meeting platform made at the registered office of the Company at No.100/1, Sri Jayawardenepura Mawatha, Rajagiriya, for the following purposes:

1. To receive and consider the Annual Report and Financial Statements for the year ended 31st March 2026, with the Report of the Auditors thereon.

2. To re-elect as Director Mr J T Fernando who retires in terms of Article 70 of the Articles of Association of the Company.

3. To re-elect as Director Mr M R Dewapura who retires in terms of Article 70 of the Articles of Association of the Company.

4. To re-elect as Director Mr B G C de Zylva who retires by rotation in terms of Article 75 of the Articles of Association of the Company.

5. To re-elect as Director Mr S Lankathilake who retires by rotation in terms of Article 75 of the Articles of Association of the Company.

5. To re-appoint Auditors Messrs Deloitte partners, Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors.

6. To approve in terms of the Companies (Donations) Act No.26 of 1951, the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.

By Order of the Board
LOLC Finance PLC

Mrs M V S C Rodrigo
Company Secretary

20th August 2026
Rajagiriya (in the Greater Colombo)

Form of Proxy

I/We ....

holder of NIC/ Reg. No .... of .... being

a member/members of the LOLC Finance PLC hereby appoint ....

of .... whom failing

Mr. Francisco Kankanamalage Conrad Prasad Niroshan Dias	of Colombo or failing him
Mr. Don Manuwelge Don Krishan Thilakaratne	of Colombo or failing him
Mr. Brindley Chrishantha Gajanayake De Zylva	of Colombo or failing him
Mrs. K T C Priyangani	of Colombo or failing him
Mr. Sunil Lankathilake	of Colombo or failing him
Mr. Jayantha Theobald Fernando	of Colombo or falling him
Mr. Manruk Reshan Dewapura	of Colombo or falling him

as my/our proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held as an on-line meeting on 14th September 2026 at 09.30 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

	For	Against
1. To re-elect as Director Mr J T Fernando who retires in terms of Article 70 of the Articles of Association of the Company.	☐	☐
2. To re-elect as Director Mr M R Dewapura who retires in terms of Article 70 of the Articles of Association of the Company.	☐	☐
3. To re-elect as Director Mr B G C de Zylva who retires by rotation in terms of Article 75 of the Articles of Association of the Company.	☐	☐
4. To re-elect as Director Mr S Lankathilake who retires by rotation in terms of Article 75 of the Articles of Association of the Company.	☐	☐
5. To re-appoint Auditors Messrs Deloitte partners, Chartered Accountants for the ensuing financial year at a remuneration to be fixed by the Directors.	☐	☐
6. To approve in terms of the Companies (Donations) Act No.26 of 1951, the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.	☐	☐

dated this .... day of ...., Two Thousand Twenty Six.

....
Signature of Shareholder
(Please delete inappropriate words and refer overleaf for instructions)

INSTRUCTIONS AS TO COMPLETION

1. Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2. The Proxy shall
   a) in the case of an individual, be under the hand of the shareholder or his or her attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   b) if the shareholder is a company or a corporation, be either under its common seal or under the hand of an officer or attorney authorised by such organisation in that behalf in accordance with its Articles of Association or Constitution.

3. Please indicate with an 'X' how the proxy should vote on each Resolution. If no indication is given, the proxy shall exercise his/her discretion and vote as he/she thinks fit.

4. The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenepura Mawatha, Rajagiriya or scanned and emailed to **veronicac@lolcfinance.com** with the email subject titled "LOFC AGM PROXY" not less than 48 hours before the time appointed for the holding of the Meeting.

Stakeholder Feedback Form

LOLC Finance PLC values your opinions and feedback. This form is designed to gather comments and constructive criticism from our stakeholders to help us improve our governance, operations, financial condition, and future prospects. Please fill out the form with your comments and suggestions. Your feedback will be treated confidentially and used solely for the purpose of enhancing our stakeholder communication and overall performance.

CONTACT INFORMATION

Name : ____

Email : ____

Phone : ____

Company/Organisation : ____

WHICH STAKEHOLDER GROUPS DO YOU BELONG TO? (YOU MAY TICK MORE THAN ONE)

- » ☐ Shareholder
- » ☐ Customer
- » ☐ Community
- » ☐ Public Authority
- » ☐ Investor
- » ☐ Employee
- » ☐ Student
- » ☐ Regulatory Body
- » ☐ Journalist
- » ☐ Service Provider
- » ☐ Supplier
- » ☐ Special Interest Group

GENERAL FEEDBACK

1. How would you rate your overall satisfaction with the Company's communication practices?
   - » ☐ Very Satisfied
   - » ☐ Satisfied
   - » ☐ Neutral
   - » ☐ Dissatisfied
   - » ☐ Very Dissatisfied

2. How often do you feel the Company provides timely and accurate information?
   - » ☐ Always
   - » ☐ Often
   - » ☐ Sometimes
   - » ☐ Rarely
   - » ☐ Never

3. How effective do you find the Company's use of its website and social media for communication?
   - » ☐ Very Effective
   - » ☐ Effective
   - » ☐ Neutral
   - » ☐ Ineffective
   - » ☐ Very Ineffective

SPECIFIC FEEDBACK

1. What specific aspects of the Company's communication do you find most useful?
   - » ☐ Financial Reports
   - » ☐ Annual Reports
   - » ☐ Press Releases
   - » ☐ Investor Briefings
   - » ☐ Social Media Updates
   - » ☐ Website Content
   - » ☐ Other (please specify): __________________________

2. How would you rate the accessibility of the Company's spokespersons for providing information and responding to queries?
   - » ☐ Very Accessible
   - » ☐ Accessible
   - » ☐ Neutral
   - » ☐ Inaccessible
   - » ☐ Very Inaccessible

3. How well do the Company's communications address your concerns and queries?
   - » ☐ Very Well
   - » ☐ Well
   - » ☐ Neutral
   - » ☐ Poorly
   - » ☐ Very Poorly

FORWARD-LOOKING INFORMATION & MAJOR DEVELOPMENTS

1. How useful do you find the Company's forward-looking comments and information on future prospects?
   - » ☐ Very Useful
   - » ☐ Useful
   - » ☐ Neutral
   - » ☐ Not Useful
   - » ☐ Very Not Useful

2. How effectively does the Company handle the communication of major corporate developments (e.g., mergers, acquisitions, new products)?
   - » ☐ Very Effectively
   - » ☐ Effectively
   - » ☐ Neutral
   - » ☐ Ineffectively
   - » ☐ Very Ineffectively

CRISIS COMMUNICATION & CONFIDENTIALITY

1. How confident are you in the Company's ability to manage crisis communications?
   - » ☐ Very Confident
   - » ☐ Confident
   - » ☐ Neutral
   - » ☐ Not Confident
   - » ☐ Very Not Confident

2. How well does the Company maintain the confidentiality of sensitive information?
   - » ☐ Very Well
   - » ☐ Well
   - » ☐ Neutral
   - » ☐ Poorly
   - » ☐ Very Poorly

ADDITIONAL COMMENTS

Please provide any additional comments or suggestions you have for improving the Company's communication practices.

SUBMISSION

Please return the completed form to:
Investor Relations, LOLC Finance PLC, 100/1 Sri Jayawardenepura Mawatha, Rajagiriya, Sri Lanka

Corporate Information

NAME OF THE COMPANY

LOLC Finance PLC

COUNTRY OF INCORPORATION

Sri Lanka

DATE OF INCORPORATION

13th December 2001

LEGAL FORM

A quoted public Company with limited liability

COMPANY REGISTRATION NO.

PB 244 PQ

STOCK EXCHANGE LISTING

The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange (CSE) on 7th July 2011.

CREDIT RATING

Lanka Rating Agency assigned the Company with a long-term rating of 'A' with a stable outlook.

REGISTERED OFFICE AND HEAD OFFICE

No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya
Tel: 011 7248248
Fax: 011 2865606
Website: https://www.lolcfinance.com/
Swift: LOFCKLC

DIRECTORS

F K C P N Dias, Non Executive Chairman
D M D K Thilakaratne, Executive Director/CEO
B C G de Zylva, Non-Executive Director
S Lankathilake, Senior Independent Director
Mrs. K T C Priyangani, Independent Director
J T Fernando, Independent Director (appointed w.e.f. 03.11.2025)
M R Dewapura, Independent Director (appointed w.e.f 07.05.2026)
A J L Peiris, Independent Director (retired w.e.f. 17.12.2025)
P A Wijeratne, Senior Independent Director (retired w.e.f. 26.05.2026)

THE COMPANY SECRETARY

Mrs M V C S Rodrigo
100/1, Sri Jayawardenapura Mawatha, Rajagiriya
Tel: 0117 248 578
Email: veronicac@lolcfinance.com

AUDITORS

Messrs. Deloitte Partners, Chartered Accountants

LAWYERS

Julius & Creasy, Attorneys-at-Law
Nithya Partners

REGISTRARS

Central Depository System (Pvt) Limited
04 – 01, West Block, World Trade Centre, Echelon Square, Colombo 01.
Tel: 011 244 0396

PRINCIPAL ACTIVITIES

During the year the principal activities of the Company comprised Finance Business, Finance leasing, Islamic Finance, issue of Payment Cards, Micro Finance Loans, Gold Loans and provision of Advances for Margin Trading in the Colombo Stock Exchange.

BANKERS -

Standard Chartered Bank
Nations Trust Bank PLC
Citi Bank N.A.
Commercial Bank of Ceylon PLC
NDB Bank PLC
Bank of Ceylon
Seylan Bank PLC
MCB Bank
Hatton National Bank PLC
Pan Asia Bank PLC
Hong Kong & Shanghai Banking Corporation
Sampath Bank PLC
DFCC Bank
Peoples Bank
Cargills Bank Limited
Union Bank of Colombo PLC
Habib Bank

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