INDEPENDENT ADVISOR'S REPORT

ASSOCIATED MOTOR FINANCE COMPANY PLC (AMF)

INDEPENDENT ADVISOR'S REPORT ON THE

VOLUNTARY OFFER (SUBSEQUENTLY CONVERTED INTO A MANDATORY OFFER) MADE BY L B FINANCE PLC

TO THE SHAREHOLDERS OF ASSOCIATED MOTOR FINANCE COMPANY PLC
(Company Registration No. PB 733 PQ)

HNB Investment Bank (Pvt) Limited possesses the requisite expertise to perform a business valuation of this nature involving a company quoted under the Diversified Financials sector (according to the GICS classification)

This report is dated 12th November 2025

REPORT PREPARED BY

HNB Investment Bank (Private) Limited

HNB Investment Bank (Pvt) Ltd is not in the same group and does not have a significant interest in or financial connection with either offeror or offeree and the Company, its Board of Directors, senior management, employees or agents do not have any arrangements which would compromise its independence. Therefore, it is able to form an independent opinion and valuation of the mandatory offer of Associated Motor Finance Company PLC.

HNB Investment Bank (Private) Limited has employed reasonable care and consideration in preparing this report. HNB Investment Bank (Pvt) Ltd and its directors, officers, or employees shall not be held responsible for any loss or damage arising from any reliance placed on the information, analysis, or opinions contained herein.

We hereby give and have not withdrawn our consent to the publication of this report to the Board of Directors and Shareholders of Associated Motor Finance Company PLC.

HNB Investment Bank (Private) Limited as Independent Advisors (IA) are of the opinion that based on the overall valuations on different equity valuation methodologies detailed in this report, the Shareholders of AMF should Not Accept the Offer.

Contents

1. INTRODUCTION

1.1. Background of the Assignment

L B Finance PLC (the "Offeror"), made a Voluntary Offer as per the Offer document dated 27th October 2025 to acquire the shares of the shareholders of Associated Motor Finance Company PLC(the "Offeree" or AMF), consequent to having obtained the Approval of the Governing Board of the Central Bank of Sri Lanka in terms of Section 3.3 of the Finance Companies (Structural Changes) Direction No.01 of 2013 for the acquisition of 65.60% of the issued shares of AMF representing the shares held by the said two major shareholders, as per the Letter dated 23rd September 2025 Ref No:24/03/005//0001/017, from the Director , Supervision of Department of Non-Banking Financial Institutions (Director-NBFI), read together with the approval granted by the Director – NBFI as per the Letter dated 10th October 2025 REF No:24/03/005//0001/017 for the acquisition of the remaining 34.4% of the issued shares of AMF, subject to compliance with applicable laws and regulations.

By an agreement dated 01st September 2025 between Offeror and John Paulu Irugalbandarage Nalatha Dayawansa, Deputy Chairman and Executive Director of the Offeree and holder of Forty Five Million Two Hundred and Seventy Three Thousand Eight Hundred and Sixty Four (45,273,864) ordinary shares in the Offeree constituting Thirty Nine Decimal Ninety Five (39.95%) and Imperial Import & Export Company (Private) Limited, a shareholder of the Offeree (owned by the family of John Paulu Irugalbandarage Nalatha Dayawansa), holder of Twenty Nine Million and Sixty Seven Thousand Six Hundred and Ninety Six (29,067,696) shares in Offeree constituting 25.65%; the Offeror had agreed to purchase from the said parties and the said 74,341,560 shares constituting 65.60% of the shares in issue in the Offeree Company.

In compliance with the provisions of the Company Take-overs & Mergers Code 1995 as amended, (Code) published under the Rules made by the Securities and Exchange Commission of Sri Lanka under Section 53 of the Securities and Exchange Commission of Sri Lanka, Act No. 36 of 1987 (as amended).

The Offeror made a Voluntary Offer on the 27th October 2025 to the holders of the issued ordinary shares of the Offeree amounting to One Hundred & Thirteen Million Three Hundred Twenty-Seven Thousand Two Hundred and Sixty-Eight (113,327,268) ordinary voting shares constituting One Hundred per centum (100%) of the issued ordinary shares of AMF at a price of Rupees Fifty (LKR.50.00) per share.

The Offeror confirmed that LKR.50.00 is the highest price paid by the Offeror or 'any person acting in concert' (as defined in Rule 37 of the Code) with the Offeror, for shares of AMF within the preceding 03 months, namely from 28th July 2025 to 27th October 2025 (as referred to in Rule 30(1) of the Code) [Confirmation for a Voluntary Offer]

Details of the Voluntary Offer are in the manner set out below:

Sellers	Offer Price Per Share (LKR)	No. of. Shares held	Percentage
John Paulu Irugalbandarage Nalatha Dayawansa	50.00	45,273,864	39.95%
Imperial Import & Export Company (Private) Limited	50.00	29,067,696	25.65%
Total Two Major Shareholders		74,341,560	65.60%
Remaining Shareholders	50.00	39,000,000	34.40%
Total		**113,327,268**	**100.00%**

Following the acceptance of the Voluntary Offer by John Paulu Irugalbandarage Nalatha Dayawansa and Imperial Import & Export Company (Private) Limited, an immediate market announcement was made to the effect on the 29th October 2025, which declared to the market that the Voluntary Offer triggered the threshold limits of a Mandatory Offer and accordingly the Voluntary Offer made by them, L B Finance PLC to the shareholders of AMF by the Offer documents dated 27th October 2025 was converted into a Mandatory Offer in terms of Rule 31 (1) a) of the Code, with effect from 29th October 2025.

It is further confirmed that LKR.50.00 is the highest price paid by the Offeror and 'any person acting in concert' (as defined in Rule 37 of the Code) with the Offeror, for shares of AMF within the preceding 12 months, namely from 28th October 2024 to 27th October 2025 (as referred to in Rule 31(3) of the Code). [Confirmation for a Mandatory Offer]

The Offeror, offers to acquire from the remaining shareholders of AMF, the balance Thirty Nine Million(39,000,000) ordinary shares amounting to Thirty Four decimal Four per centum (34.4%) of the issued and paid up ordinary shares of AMF, which are not already owned by the Offeror at an Offer Price of Sri Lankan Rupees Fifty (LKR50.00) per ordinary share. The offer price of LKR. 50.00 per share is the highest price paid by the offeror or any party acting in concert with the Offeror during the last 12 months.

Further, it is proposed to operate AMF as a separate legal entity and to complete the merger of AMF with L B Finance on or before 31st March 2027, as required by CBSL's letter of approval dated 23rd September 2025.

Source: *Voluntary Offer Document dated 27th October 2025 and the Corporate Disclosure dated 29th October 2025*

1.2. Terms of Reference

Our terms of reference in respect to this assignment are to provide independent advice to the Board of Directors of AMF. Under Section 13(2) of the Company Takeovers and Mergers Code 1995 (as amended in 2003), the Board of Directors of AMF are required to obtain independent advice on the mandatory offer made by the Offeror to the remaining shareholders of the Company at the price of **LKR.50.00 per share**.

1.3. Limitations

In carrying out this assignment, we have performed reasonable analysis and assessments that were possible and practical within the time available as at the date of this report. We have also obtained information that was considered relevant for this exercise from the management of AMF with reference to the current/future potential of the Company and performed a sensitivity analysis on the same. The value recommendations given in this report are valid as at the valuation date and a reasonable period of time therefrom. ***The use of these value recommendations will not be appropriate after the passage of a substantial time period (generally 6 months from the valuation date) and/or where material changes have taken place in the Company's operating environment.*** A factor to be considered when reading this report is that the valuations carried out have been done based on financial data released by AMF.

2. ASSOCIATED MOTOR FINANCE COMPANY PLC (AMF)

2.1. Background

Associated Motor Finance Company PLC ("AMF" or the "Company") is a public limited liability company incorporated in Sri Lanka. The Company was originally incorporated on 25 July 1962 under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 7 of 2007. AMF is a licensed finance company under the Finance Business Act No. 42 of 2011, regulated by the Central Bank of Sri Lanka (CBSL). Its shares were listed on the Colombo Stock Exchange (CSE) on 23 May 2011.

AMF traces its roots back to 1962 when it was established primarily to provide financing solutions in the motor/vehicle sector. Over the decades, it developed a dealer-network-based business model, particularly focused on leasing and hire-purchase of two-wheelers, cars and vans.

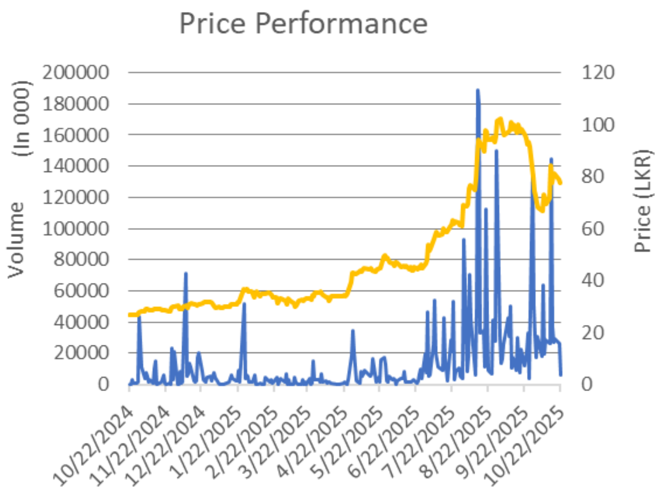
In 2014 the Company acquired approximately 94% of the share capital of Arpico Finance Company PLC (AFC) and subsequently, on 1 April 2021, the merger of AFC into AMF was completed, creating a combined entity that benefits from AFC's branch-network and expanded product portfolio.

AMF is a well-established Sri Lankan finance company with six decades of history, now operating under a broadened platform post-merger, with a diversified set of financial products, a stronger capital base, and growing operational scale. This sets a firm foundation for its future development and provides a relevant basis for assessing its fair value in the context of the mandatory offer.

2.2. Share Performance of AMF

The price performance of AMF reveals significant volatility, particularly around mid-2025. This could indicate speculative trading or reactions to important market events or company-specific news. The large fluctuations in both price and volume suggest a market environment with uncertainty and high investor activity (Price rose 48% in August 2025 and peaked at LKR102.25).

Figure 2.1 – Share Price Movement of AMF – Last 12 months



Source: *CSE*

2.3. Historical Performance of AMF - Income Statements

STATEMENT OF COMPREHENSIVE INCOME	Mar-22	Mar-23	Mar-24	Mar-25
Gross income	**2,580,779,777**	**3,986,498,558**	**5,072,097,014**	**5,619,992,235**
Interest income	2,467,760,084	3,880,860,398	4,966,228,032	5,556,998,372
Interest expenses	(1,519,247,143)	(2,187,630,642)	(2,816,229,848)	(2,276,356,466)
Net interest income	**948,512,941**	**1,693,229,756**	**2,149,998,184**	**3,280,641,906**
Fee and commission income	54,388,376	65,976,670	54,114,954	46,484,815
Net trading income/(expense)	2,033,364	349,361	6,293,206	(295,356)
Other operating income (net)	56,597,953	39,312,129	45,460,822	16,804,404
Total operating income	**1,061,532,634**	**1,798,867,916**	**2,255,867,166**	**3,343,635,769**
Impairment on financial assets and other losses	422,617,554	(414,444,607)	(457,282,106)	(340,247,341)
Net operating income	**1,484,150,189**	**1,384,423,309**	**1,798,585,060**	**3,003,388,428**
Operating expenses				
Personnel costs	(500,294,845)	(565,055,907)	(675,037,914)	(806,624,052)
Depreciation of property & equipment	(76,979,481)	(84,387,310)	(69,250,261)	(75,283,379)
Amortisation of intangible assets	(5,337,001)	(3,899,480)	(2,707,093)	(3,414,909)
Other operating expenses	(311,585,945)	(224,210,726)	(250,471,092)	(340,556,496)
Profit before value added tax on financial services	**589,952,917**	**506,869,886**	**801,118,700**	**1,777,509,592**
Tax on financial services	(97,624,405)	(139,454,116)	(194,246,795)	(526,552,264)
Profit before Tax and Extra-ordinary items	**492,328,513**	**367,415,770**	**606,871,905**	**1,250,957,328**
Amortization of goodwill	-	-	-	-
Profit before income tax	**492,328,513**	**367,415,770**	**606,871,905**	**1,250,957,328**
Income tax (expense)/ income	(192,859,554)	(166,952,732)	(288,588,053)	(500,858,867)
Profit for the year	**299,468,960**	**200,463,038**	**318,283,852**	**750,098,461**
Other comprehensive income / (expense), net of tax				
Items that may be subsequently reclassified to profit or loss				
Available-for-sale financial assets:	-	-	-	-
Net change in fair value during the period	10,887,036	1,722,521	2,151,758	(1,400,703)
Gain on -revaluation of land & building	-	31,982,185	-	-
Retirement benefit obligations - actuarial gain/ (loss)	(1,042,657)	1,180,882	(12,846,790)	(23,626,912)
Total other comprehensive income for the period, net of taxes	**9,844,379**	**34,885,588**	**(10,695,032)**	**(25,027,615)**
Total comprehensive income for the period	**309,313,338**	**235,348,627**	**307,588,820**	**725,070,846**

Source: *Annual Reports (FY2023,FY 2024, FY 2025)*

2.4. Historical Performance of AMF – Balance Sheets

STATEMENT OF FINANCIAL POSITION

AS AT	Mar-22	Mar-23	Mar-24	Mar-25
Assets				
Cash in hand and at bank	504,107,920	161,388,335	192,969,203	150,733,173
Financial assets - amortised cost	4,009,763,997	3,893,786,671	6,270,936,008	5,587,989,431
Loans and advances	8,777,307,386	10,109,178,417	11,040,578,975	13,608,267,971
Financial assets - measured at fair value through P&L	20,292,803	20,642,164	26,534,372	-
Financial assets - measured at fair value through OCI	33,676,887	35,810,964	37,096,782	11,046,206
Inventories	22,328,270	2,104,891		
Investment properties	91,850,000	113,000,000	150,000,000	161,100,000
Property & equipment	1,118,194,852	1,146,971,047	1,120,205,526	1,187,542,565
Intangible assets	7,607,033	3,707,554	14,595,724	11,180,815
Current tax asset	-	-	-	-
Deferred tax assets	81,491,673	56,474,473	-	-
Other assets	108,751,142	94,927,042	69,025,822	69,205,660
Goodwill	385,244,360	385,244,360	385,244,360	385,244,360
Total assets	**15,160,616,322**	**16,023,235,919**	**19,307,186,772**	**21,172,310,181**
				-
Liabilities				
Due to banks and financial institutions	765,497,212	28,221,643	723,726,558	-
Deposits from customers	11,173,182,495	12,442,822,754	14,552,850,301	15,548,876,387
Debentures/Preference shares	-	-	-	-
Other liabilities	432,560,220	411,780,303	515,758,598	1,074,346,056
Retirement benefit obligation	56,947,593	66,674,596	93,567,035	139,797,235
Current tax liability	32,995,738	138,954,930	103,998,753	400,117,235
Deferred tax liability	-	-	74,915,015	41,731,910
Total liabilities	**12,461,183,257**	**13,088,454,226**	**16,064,816,260**	**17,204,868,822**
Equity				
Stated capital	611,273,941	611,273,941	611,273,941	611,273,941
Retained Earnings	1,938,812,636	2,018,644,749	2,286,168,002	3,122,324,896
Other reserves	149,346,488	304,863,002	344,928,569	233,842,522
Total equity attributable to equity holders of the company	2,699,433,065	2,934,781,693	3,242,370,512	3,967,441,359
NCI	-	-	-	-
Total Equity	**2,699,433,065**	**2,934,781,693**	**3,242,370,512**	**3,967,441,359**

Source: AMF Annual Reports (FY2023,FY 2024,FY 2025)

3. THE OFFEROR

3.1 Profile of L B Finance PLC

L B Finance PLC (Offeror or L B Finance), is a Limited Liability Company incorporated in Sri Lanka & registered under the Companies Act No. 07 of 2007, bearing Company Registration No. PQ156, a Licenced Finance Company Listed in the Colombo Stock Exchange, having its registered office at No275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7.

The Offeror provides a comprehensive range of financial services encompassing acceptance of Fixed Deposits, maintenance of Savings Accounts, providing Finance Leases and Vehicle Loan Facilities, Mortgage Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value-Added Services. The Offeror's Subsidiary, L B Microfinance Myanmar Company Limited carries on Microfinance lending in Myanmar.

Source: *Voluntary Offer Document dated 27th October 2025*

3.2 Intention of the Offeror

The Offeror intends to continue the operations of the Offeree as a going concern, with the Offeree initially operating as a standalone entity during a transitional period. Following this, the two companies will be amalgamated on or before March 31, 2027, in accordance with the approval granted by the Governing Board of the Central Bank of Sri Lanka, as communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions in a letter dated September 23, 2025. This amalgamation will be carried out in compliance with the Companies Act No. 07 of 2007 (as amended) and the Listing Rules of the Colombo Stock Exchange, after which the business and operations of the Offeree will continue under the Offeror.

The Board of Directors of the Offeror has no intention of making significant changes to the Offeree's business, including redeploying its fixed assets, unless the Offeree operates under the Offeror post-amalgamation, as mentioned above.

The proposed acquisition presents a strategic opportunity for the Offeror to strengthen its market position, expand its vehicle leasing operations, and capture operational synergies. The Offeree's lease portfolio is largely focused on high-yielding two-wheeler leasing facilities, which offers the Offeror an opportunity to enter a market segment where it currently has limited exposure and expertise.

Additionally, this acquisition aligns with Phase II of the Masterplan for Consolidation of the Finance Companies Sector as outlined by the Central Bank of Sri Lanka.

The Offeror does not plan to terminate the services of any employees of the Offeree. The Governing Board of the Central Bank of Sri Lanka has approved the Offeror's appointment of an Executive Director, Independent Directors, and a Company Secretary for the Offeree. This approval includes a waiver of the relevant provisions of the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, valid until the merger between the Offeror and Offeree is completed, which is expected to occur on or before March 31, 2027.

Additionally, the Governing Board of the Central Bank of Sri Lanka has granted approval for the Offeror and Offeree to share services, including information technology, compliance, finance, internal audit, risk management, human resources, treasury, administration, legal, and company secretariat functions. This approval includes a waiver of the relevant sections of the Finance Business Act (Outsourcing of Business Operations) Direction No. 7 of 2018, effective until the completion of the merger between the Offeror and Offeree on or before March 31, 2027.

The Executive Directors of the Offeror, who will also be appointed as Executive Directors of the Offeree, will not be entitled to receive any salary or other benefits from the Offeree in connection with their role as Directors performing executive functions.

Source: *Voluntary Offer Document dated 27th October 2025*

4. VALUATION METHODOLOGY

As mentioned earlier, the purpose of this report is to determine the value of the shares of AMF and to make a recommendation on the offer made by the Offeror.

The *Fair Market Value* is the expected price at which the business would be transferred from a willing seller to a willing buyer. This assumes that both parties to the transaction are informed of all relevant factors as at the date of the transaction and are undertaking the transaction without undue pressure.

Valuation Methodologies	
Asset based Approach – Net Asset Value (NAV)	Estimates the intrinsic value of a common share as the value of the total assets of a company minus the value of its total liabilities
Market Approach - Price to Book Value Based Approach (P/BV)	Based on the estimated market value of assets (adjusted for physical, functional and economic depreciation) and the market value of liabilities
Market Approach – Price to Earnings Based Approach (P/E)	Based on the general market indicator of Price/Earnings in the Sri Lankan marketplace
Residual Income based Approach (RI)	The intrinsic or fair value, of a company's stock using the residual income approach is its book value and the present values of its expected future residual incomes.

4.1. Net Asset Value (NAV) Based Valuation

Net Asset based valuation focuses on a company's Net Asset Value (NAV), or the fair-market value of its total assets minus its total liabilities. NAV is also known as the book value of a company. NAV based valuation approach is most suitable when a business is non-operating or has been generating losses, and the company's focus is holding investments or real estate.

4.2. Price to Book Value (P/BV) Based Valuation

The Net Asset Value (NAV) which is the Book Value, involves determining the fair market value of all assets and liabilities of the enterprise. P/BV approach is a multiple based valuation that determines the value of the shares based on its book value.

This approach is generally not favoured in the valuation of an enterprise as a going concern as it is difficult to establish the contribution of individual assets to the business and because it does not reflect the future earnings potential of the assets held. However, in certain exceptional circumstances the NAV method can be used. Namely, when the current returns of the entity do not adequately reflect the FMV (Future Market Value) of an enterprise's net assets or when there is no potential future operational purpose seen in the assets for the company owning them.

4.3. Price to Earnings (P/E) Based Valuation

The P/E ratio (price-to-earnings ratio) of a stock (also called its "P/E", or simply "multiple") is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. The P/E tells you what the market is willing to pay for the company's earnings. If a stock has a P/E of 10(x), it means the market is willing to pay 10 times its earnings for the stock.

The disadvantage of using P/E based valuation is that when earnings are negative P/E valuation does not make economic sense. Also, P/E based valuation approach focuses on the short-term earnings potential and does not take into consideration the long term earnings growth. As such this approach will under value a company where there is significant potential for earnings growth due to capacity expansion, market growth etc.

4.4. Residual Income Valuation

The residual income model attempts to adjust a firm's future earnings estimates, to compensate for the equity cost and place a more accurate value to a firm. Although the return to equity holders is not a legal requirement like the return to bondholders, in order to attract investors firms must compensate them for the investment risk exposure.

When calculating a firm's residual income, the key calculation is to determine its equity charge. Equity charge is simply a firm's total equity capital multiplied by the required rate of return of that equity, can be estimated using the Capital Asset Pricing Model. The equity charge (which is the Equity Capital X Cost of Equity) is deducted from the Profit After Tax in each of the future years to arrive at the residual income which is then discounted to the present value.

The reason for calculating residual income is that in a scenario where a company is profitable on an accounting basis, it may still not be a profitable venture from a shareholder's perspective if it cannot generate residual income. The residual income approach offers both positives and negatives when compared to the more often used Dividend Growth model and Discounted Cashflow methods.

Residual income models make use of data readily available from a firm's financial statements and can be used well with firms who do not pay dividends or do not generate positive free cash flow. Most importantly residual income models look at the economic profitability of a firm rather than just its accounting profitability. The biggest drawback of the RI method is the fact that it relies so heavily on forward looking estimates of a firm's financial statements, leaving forecasts vulnerable to psychological biases or historic misrepresentation of a firms financial statements. When used alongside the other valuation approaches, RI valuation can give you a clearer estimate of the true intrinsic value.

RI based valuation model is more suited to a financial institution since their assets and liabilities are marked to market and therefore the equity value for a bank/finance company is much closer to market value than that of a manufacturing company.

4.5. Volume Weighted Average Price (VWAP) Analysis

The Volume Weighted Average Price (VWAP) is a widely recognized trading benchmark that represents the average price at which a security has traded throughout a specified period, weighted by trading volume. VWAP is calculated by dividing the total LKR value of all trades by the total trading volume for the period under consideration.

5. FINANCIAL FORECAST

Management's financial projections provided are based on AMF's standalone (pre-merger) operations, which are detailed below.

5.1 Key Assumptions for the Financial Forecast – Associated Motor Finance Company PLC

Lending Portfolio Expansion

Lending portfolio stood at LKR13,608Mn in FY25 and is expected to reach LKR17,303Mn (+27%YoY) in FY26 underpinned to an expanding economy, aggressive product launches, effective risk management, and favorable interest rate conditions. The increased loan volume and the ability to attract and retain customers will propel the interest income, which, combined with controlled funding costs would lead to higher Net Interest Margin (NIM) for the projected period. Management strongly believes that the lending portfolio will grow at a 5-year CAGR of 8.9% over the projected period FY26-FY30. This growth is expected to be driven by an initial 27%YoY increase in FY2025/26, supported by a continued focus on high-margin motorcycle leasing and targeting a diverse customer base. The company aims to maintain a 10% market share in the two-wheeler segment throughout this period.

RATIO ANALYSIS	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30
PROFITABILITY RATIOS									
NIM %	4.7%	10.8%	12.2%	16.2%	19.5%	19.7%	19.4%	19.4%	19.8%
ROA % (Before VAT & IT)	3.7%	3.3%	4.4%	8.8%	10.5%	9.8%	9.8%	9.8%	9.8%
ROE %	13.1%	7.1%	10.3%	20.8%	21.2%	18.8%	17.9%	16.2%	14.2%
Efficiency Ratio %	78.6%	48.6%	44.2%	36.7%	35.3%	40.9%	41.2%	42.0%	43.4%
Efficiency Ratio % (Impairment adjusted)	59.5%	63.2%	55.4%	40.8%	41.1%	46.8%	46.5%	47.0%	48.2%
ASSET QUALITY RATIOS									
Gross 3+ NPL Ratio	22.0%	28.2%	24.1%	15.9%	22.3%	23.7%	22.8%	22.3%	20.7%
Net 3+ NPL Ratio	13.6%	18.7%	14.8%	9.5%	14.8%	15.7%	14.5%	13.3%	11.6%
Provision Coverage	38.1%	33.9%	38.4%	40.3%	33.7%	33.6%	36.7%	40.4%	44.1%
Cost of Risk	-4.4%	3.6%	3.7%	2.5%	3.8%	3.2%	2.8%	2.5%	2.4%
CAPITAL ADEQUACY RATIOS									
Tier I %	14.9%	16.3%	17.4%	19.0%	17.9%	17.5%	18.5%	21.2%	23.3%
Tier II %	15.8%	17.2%	17.3%	19.2%	23.0%	20.9%	20.9%	22.7%	24.0%
LIQUIDITY									
Liquid Assets to Deposits (%)	40.6%	32.8%	44.4%	36.9%	29.2%	25.6%	27.3%	28.5%	24.5%

6. VALUE RECOMMENDATIONS

6.1. NAV Based Valuation

Based on the interim financials reported by the company, the Net Asset Value per share of AMF as at 30th September 2025 is valued at LKR39.91 per share.

AMF's NAV per share is valued at LKR39.91 based on the latest interim NAV as at 30th September 2025, as such the Mandatory Offer price of LKR 50.00 per share is at a 25.3% premium to the NAV based valuation.

6.2. P/BV Based Valuation

Based on AMF's latest unaudited NAV as of September 30th, 2025:
Market P/BV Analysis: Using the market P/BV ratio of all CSE-listed companies as of October 22, 2025, and a market multiple of **1.5x,** AMF shares are valued at LKR59.87 per share.

GICS Diversified Financials P/BV Analysis: Using the GICS Industry P/BV ratio as of October 22, 2025, and a sector multiple of **1.2x,** AMF shares are valued at LKR46.30 per share.

Peer P/BV Analysis: PMF Finance (PMB) represents the closest comparable peer (based on the asset base) within the GICS Diversified Financials sector. Using the peer company P/BV multiple as of October 22, 2025, and a peer multiple of **2.2x**, AMF shares are valued at LKR89.14 per share. The peer multiple is calculated using the most recent quarterly financial results and share price as at October 22, 2025.

Offer Assessment
The mandatory offer price of LKR 50.00 represents:

- A 16.5**% discount** to the market P/BV valuation of LKR59.87 per share.
- A 8.0**% premium** to the GICS Industry P/BV valuation of LKR46.30 per share.
- A 43.9**% discount** to the peer P/BV valuation of LKR89.14 per share.

Associated Motor Finance PLC	Peer Multiple	GICS Multiple	Market Multiple
PBV (x)	*2.2*	*1.2*	*1.5*
NBV - as at 30 Sep 2025	4,523,406,196	4,523,406,196	4,523,406,196
Equity Value	10,101,634,370	5,247,151,187	6,785,109,294
Number of shares	113,327,268	113,327,268	113,327,268
Value per Share	89.14	46.30	59.87

6.3. P/E Based Valuation

Market P/E Analysis: Using the market P/E ratio of all CSE-listed companies as of October 22, 2025, and a market multiple of **10.1x,** AMF shares are valued at LKR83.68 per share.

GICS Diversified Financials P/E Analysis: Using the GICS Industry P/E ratio as of October 22, 2025, and a sector multiple of **7.7x,** AMF shares are valued at LKR63.80 per share.

Peer P/E Analysis: PMF Finance (PMB) represents the closest comparable peer (based on the asset base) within the GICS Diversified Financials sector. Using the peer company P/E as of October 22, 2025, and a peer multiple of **19.2x** (Market Capitalization as at October 22, 2025, of LKR6,971.19million over the trailing 12months profit after tax of LKR363.09 million), AMF shares are valued at LKR159.71 per share. The peer multiple is calculated using the trailing four quarter profit after tax and share price as at October 22 2025.

Associated Motor Finance PLC	Peer Multiple*	GICS Multiple	Market Multiple
PER (x)	19.2	7.7	10.1
Net Profit - FY25/26	942,704,020	942,704,020	942,704,020
Equity Value	18,099,459,457	7,230,539,835	9,483,602,444
Number of shares	113,327,268	113,327,268	113,327,268
Value per Share	159.71	63.80	83.68

*Since the sector multiple and the market multiple are significantly lower than the peer multiple the peer-based valuation is excluded.

6.4. Residual Income (RI) Valuation

The valuation of AMF was carried out using the Residual Income (RI) model, which is more suitable for financial institutions. The model incorporates the company's forecasted book value, profitability, and cost of equity to estimate shareholder value creation above the required return. The cost of equity was 14.32%, derived using the 5-year Treasury bond rate as at 22nd October 2025 of 9.76% plus an equity risk premium of 8%, adjusted with a beta factor of 0.57x based on the company beta values against ASPI (as of second quarter of 2025).

The residual income generated over the explicit forecast period resulted in a present value of **LKR. 598 Mn**, while the discounted terminal value, estimated using a **3% terminal growth rate**, amounted to **LKR.1,284 Mn**. Together with the current book value of **LKR.4,910 Mn**, this produced an **equity value of LKR.6,792 Mn**, translating to an **equity value per share of LKR.59.93** based on 113,327,268 shares in issue.

6.5. Volume Weighted Average Price (VWAP) Analysis

The VWAP of AMF as of 22nd October 2025 is provided below:

	VWAP (LKR)
1M VWAP (Sept-Oct)	78.57
3M VWAP (July-Oct)	83.78
6M VWAP (Apr – Oct)	73.79
12 VWAP	60.09

Source: CSE

Offer Assessment:

The mandatory offer price of LKR 50.00 represents:

- A 36**% discount** to the One-Month VWAP price of 78.57
- A 40**% discount** to the Three-Month Month VWAP price of 83.78.
- A 32**% discount** to the Six-Month Month VWAP price of 73.79.
- A 17**% discount** to the Twelve-Month Month VWAP price of 60.09.

6.6. Valuation Summary

Methodologies	Equity Value per share (LKR)	Offer Price at a Premium/ (Discount)
Net Asset Value – 30th September 2025	39.91	Premium
Market P/BV based valuation – 30th September 2025	59.87	Discount
GICS Industry P/BV based valuation – 30th September 2025	46.30	Premium
Peer P/BV based valuation – 30th September 2025	89.14	Discount
Market PE based valuation – FY25/26 projected net earnings	83.68	Discount
GICS Industry PE based valuation – FY25/26 projected net earnings	63.80	Discount
Peer PE based valuation – FY25/26 projected net earnings	159.71	Discount
Residual Income Valuation	59.93	Discount
One Month VWAP	78.57	Discount
Three Month VWAP	83.78	Discount
Six Month VWAP	73.79	Discount
Twelve Month VWAP	60.09	Discount
Last Traded Market Price (22nd October 2025)	77.50	Discount
Offer Price	50.00	

6.7. Independent Advisor's Recommendation

As independent advisors on the valuation, we have not considered the valuation derived from the Residual Income Valuation Method. This is because the offeror intends to merge AMF with LB Finance, while the management projections provided are based on AMF's standalone (pre-merger) operations. Consequently, the residual income method does not reflect the potential synergies or combined performance of the merged entity. For this reason, we have excluded this method from our overall valuation of AMF.

Our recommendation is based on the intrinsic value derived using the following methodologies: NAV-based valuation, PBV-based valuation, PE-based valuation (excluding peer-based valuation), and VWAP valuation. Based on our analysis, the offer price represents a discount to the values indicated by most of these methods. Therefore, we are of the view that shareholders should not accept the offer.

It should be noted that the financial forecasts are mainly based on the assumptions used and explained in detail in Section 5 of this report. Therefore, the shareholders should refer to Section 7 of this report related to risks of accepting or rejecting the Offer.

HNB Investment Bank (Pvt) Ltd is not in the same group and does not have a significant interest in or financial connection with either offeror or offeree and the Company, its Board of Directors, senior management, employees or agents do not have any arrangements which would compromise its independence. Therefore, it is able to form an independent opinion and valuation of the Mandatory offer of Associated Motor Finance Company PLC.

7. RISK FACTORS TO THE EXISTING SHAREHOLDERS

7.1. If Shareholders Accept the Offer

The valuations carried out in this report are based on reported audited and interim financials of the Company, which is publicly available and information obtained from the management on financial forecasts. Future business plans of the Company and Offeror can have a significant effect on the performance and position of AMF in the future. Therefore, market prices can move favourably or unfavourably due to this. Shareholders who accept the Offer may also lose out on investment gains, if AMF' financial performance improves subsequent to changes in business plans of the acquirer and related parties.

7.2. If Shareholders Reject the Offer

By not accepting the Offer shareholders may face the risk of low liquidity of AMF shares. The Public float immediately prior to the Mandatory Offer was 31% as at 30th September 2025. Subsequent to the Mandatory Offer if the majority of the remaining shareholders accept the offer, it will lead to low liquidity.

Information asymmetry is another risk facing the existing shareholders when deciding whether to accept the offer or not.

8. LIMITATIONS

All assumptions made in order to appraise this entity were based on information obtained from the audited and interim financials of AMF reported on the CSE as well as from the AMF board of directors/ management. Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are incorrect. However, no responsibility is assumed for technical information furnished by the organization and these are believed to be reliable. Neither HNB Investment Bank (Private) Limited nor any of its employees has a financial interest in the entity being appraised. The fee for the preparation of this report is not contingent upon results reported. No investigations of the titles of the properties have been made and the directorate's claims to the properties have been assumed to be valid. No consideration has been given to liens or encumbrances, which may be against the properties.

This report is for the use of the Board of Directors and Shareholders of AMF for the purpose set out in Section 1.0 of this report and should not be used for any other purpose. Neither all nor part of the contents of this report shall be disseminated to the public, through advertising, public relation, news, sales or any other public media without prior approval of HNB Investment Bank (Private) Limited.

The estimates of future operations herein were prepared by the company's management. The value recommendations made herein are valid as of the valuation date and a reasonable period of time thereafter, subject to there being no material changes to the operating environment of the Company. The information that was available was adequate to facilitate an informed view of the Offer and to form a reasonable basis for the opinion. **The use of the value recommendations in this report after the passage of six months from the valuation date is not recommended.**

9. INDIVIDUALS MATERIALLY PARTICIPATING IN THE VALUATION ASSIGNMENT

- **Madhusha Alwis –** *Senior Associate*

Madhusha is a capital markets professional with over a decade of experience in institutional equities within Sri Lanka's stockbroking and investment research landscape. She served as a lead analyst at India Infoline Group (IIFL), a diversified financial services conglomerate listed on the BSE, where she spearheaded coverage of strategically significant sectors and index-heavy counters. She transitioned into transaction advisory, with a focus on M & A, corporate debt restructuring, and governance reform mandates and has also held business development and strategic marketing roles across the EduTech, construction, and real estate sectors, as well as diplomatic coordination at the Sri Lanka National Commission for UNESCO. Madhusha is an Associate Member of the Chartered Institute of Management Accountants (ACMA – UK) and holds a B.Sc. in Business Administration (Special) with Second Class Upper Honours from the University of Sri Jayewardenepura. She is also a recipient of the CFA Sri Lanka Award for Best Equity Research Report.

10. DISCLAIMER

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. This report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. **The recipients of this report must make their own independent decision regarding any securities, investments or financial instruments mentioned herein**. This report is for the use of the intended recipient only. Access, disclosure, copying, distribution or reliance on any of it by anyone else is prohibited and may be a criminal offence.

Ray Abeywardena
Managing Director
HNB Investment Bank (Pvt) Ltd.

ANNEXURE I – FORECASTED FINANCIALS (2026F TO 2030F) – ASSOCIATED MOTOR FINANCE COMPANY PLC

Income Statements

STATEMENT OF COMPREHENSIVE INCOME	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30
Gross income	**6,459,966,246**	**7,298,948,629**	**8,003,223,913**	**8,377,505,196**	**8,615,623,226**
Interest income	6,237,519,327	6,990,514,971	7,664,841,147	8,019,093,842	8,238,345,073
Interest expenses	(1,852,965,388)	(2,018,398,605)	(2,263,949,884)	(2,289,282,327)	(2,227,092,311)
Net interest income	**4,384,553,939**	**4,972,116,366**	**5,400,891,264**	**5,729,811,514**	**6,011,252,762**
Fee and commission income	85,231,084	103,346,508	118,333,880	125,934,289	131,953,542
Net trading income/(expense)	-	-	-	-	-
Other operating income (net)	137,215,835	205,087,150	220,048,885	232,477,065	245,324,611
Total operating income	**4,607,000,858**	**5,280,550,024**	**5,739,274,029**	**6,088,222,869**	**6,388,530,915**
Impairment on financial assets and other losses	(650,326,220)	(663,277,297)	(662,521,099)	(640,711,759)	(636,165,511)
Net operating income	**3,956,674,638**	**4,617,272,727**	**5,076,752,930**	**5,447,511,110**	**5,752,365,403**
Operating expenses					
Personnel costs	(1,131,779,531)	(1,559,359,542)	(1,715,295,496)	(1,863,440,738)	(2,024,062,073)
Depreciation of property & equipment	(76,090,766)	(80,421,486)	(85,964,198)	(91,922,614)	(98,327,911)
Amortisation of intangible assets	(2,196,472)	(3,506,876)	(6,077,717)	(8,649,061)	(11,236,972)
Other operating expenses	(417,228,411)	(516,079,013)	(554,996,814)	(595,905,808)	(639,342,736)
Profit before value added tax on financial services	**2,329,379,458**	**2,457,905,810**	**2,714,418,705**	**2,887,592,888**	**2,979,395,711**
Tax on financial services	(602,419,263)	(653,953,860)	(721,080,572)	(772,967,325)	(813,152,536)
Profit before Tax and Extra-ordinary items	**1,726,960,195**	**1,803,951,950**	**1,993,338,133**	**2,114,625,563**	**2,166,243,175**
Amortization of goodwill	-	-	-	-	-
Profit before income tax	**1,726,960,195**	**1,803,951,950**	**1,993,338,133**	**2,114,625,563**	**2,166,243,175**
Income tax (expense)/ income	(784,256,175)	(799,470,770)	(874,970,133)	(925,888,748)	(952,670,128)
Profit for the year	**942,704,020**	**1,004,481,180**	**1,118,368,000**	**1,188,736,815**	**1,213,573,046**
Other comprehensive income / (expense), net of tax					
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:	-	-	-	-	-
Net change in fair value during the period	-	-	-	-	-
Gain on -revaluation of land & building	-	-	-	-	-
Retirement benefit obligations - actuarial gain/ (loss)	-	-	-	-	-
Total other comprehensive income for the period, net of taxes	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**942,704,020**	**1,004,481,180**	**1,118,368,000**	**1,188,736,815**	**1,213,573,046**

Balance Sheets

STATEMENT OF FINANCIAL POSITION

AS AT	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30
Assets					
Cash in hand and at bank	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Financial assets - amortised cost	4,395,223,256	3,909,724,992	4,262,019,792	4,551,442,035	3,960,161,808
Loans and advances	17,302,785,478	20,525,686,175	22,426,670,909	22,945,391,990	24,299,770,019
Financial assets - measured at fair value through P&L	-	-	-	-	-
Financial assets - measured at fair value through OCI	11,046,206	11,046,206	11,046,206	11,046,206	11,046,206
Inventories	404,893	404,893	404,893	404,893	404,893
Investment properties	173,100,000	173,100,000	173,100,000	173,100,000	173,100,000
Property & equipment	1,182,264,215	1,224,682,448	1,270,770,948	1,320,804,984	1,375,080,472
Intangible assets	23,971,954	53,465,077	82,862,360	112,348,924	142,107,748
Current tax asset	-	-	-	-	-
Deferred tax assets	-	63,940,898	139,197,572	201,174,690	273,288,204
Other assets	68,016,024	63,078,771	62,231,160	61,444,797	60,759,381
Goodwill	385,244,360	385,244,360	385,244,360	385,244,360	385,244,360
Total assets	**23,742,056,385**	**26,610,373,819**	**29,013,548,200**	**29,962,402,878**	**30,880,963,092**
	-	-	-	-	-
Liabilities					
Due to banks and financial institutions	-	1,630,038,776	2,644,239,593	1,984,717,032	1,229,519,726
Deposits from customers	15,762,655,326	16,056,376,203	16,365,838,899	16,664,202,086	16,971,534,210
Debentures/Preference shares	1,292,187,500	1,292,187,500	1,292,187,500	1,292,187,500	1,292,187,500
Other liabilities	1,030,878,105	1,081,047,004	1,116,128,919	1,169,663,698	1,224,984,530
Retirement benefit obligation	178,715,985	224,255,985	274,349,985	329,453,385	390,067,125
Current tax liability	559,617,715	564,833,605	593,792,369	606,431,428	643,349,205
Deferred tax liability	7,856,375	-	-	-	-
Total liabilities	**18,831,911,007**	**20,848,739,073**	**22,286,537,265**	**22,046,655,129**	**21,751,642,297**
Equity					
Stated capital	611,273,941	611,273,941	611,273,941	611,273,941	611,273,941
Retained Earnings	4,065,028,917	4,916,518,285	5,881,894,473	7,070,631,288	8,284,204,334
Other reserves	233,842,521	233,842,521	233,842,521	233,842,521	233,842,521
Total equity attributable to equity holders of the company	4,910,145,378	5,761,634,746	6,727,010,934	7,915,747,749	9,129,320,795
NCI	-	-	-	-	-
Total Equity	**4,910,145,378**	**5,761,634,746**	**6,727,010,934**	**7,915,747,749**	**9,129,320,795**

ANNEXURE II – RESIDUAL INCOME (RI) VALUATION

FYE Mar – Rs.	FY26/27	FY27/28	FY28/29	FY29/30…
Book Value-at the beginning	4,910,145,378	5,761,634,746	6,727,010,934	
PAT	1,004,481,180	1,118,368,000	1,188,736,815	
(-) Dividends	152,991,812	152,991,812	-	
Forecast Book Value	**5,761,634,746**	**6,727,010,934**	**7,915,747,749**	
Cost of equity (Ke)	**14.32%**			
Equity charge (Beginning BV*Ke)	703,132,818	825,066,096	963,307,966	
Residual Income	**301,348,362**	**293,301,904**	**225,428,849**	**2,051,163,559**
Discounted Present Value	246,538,933	209,898,504	141,117,781	1,284,022,213
Discount RI PV	**597,555,217**			

Terminal Value	
PAT (3rd year)	1,188,736,815
Equity Charge (5th year)	-963,307,966
Terminal Year RI	**225,428,849**
Terminal Growth Rate	3%
Terminal Period RI	**2,051,163,559**
Discounted Terminal RI	1,284,022,213

Equity Value	
Current BV	4,910,145,378
Explicit Period PV	597,555,217
Terminal Period PV	1,284,022,213
	6,791,722,809
No of shares	113,327,268
Equity Value Per Share	**59.93**