

Alliance Finance Co. PLC

Make the world a better place through sustainable finance

ACCOUNTABILITY FOR OUR FUTURE

ALLIANCE FINANCE COMPANY PLC

ANNUAL REPORT 2025/26

ACCOUNTABILITY FOR OUR FUTURE

The future will one day ask what we chose to do today. It will ask how we safeguarded the environment, and how we ensured that progress reached beyond the present moment. Those questions may not come merely from regulators or investors, but from the next generation.

At Alliance Finance, accountability begins with recognising that our decisions travel forward in time. The loans we grant, the businesses we nurture, the resources we use, and the standards we uphold will shape the world these young voices inherit.

This year, we strengthened our commitment to responsible growth, balancing financial resilience with social inclusion and environmental stewardship. We invested in communities, empowered enterprise, and refined governance frameworks to ensure that value created today remains relevant tomorrow.

Because the truest measure of success is not only performance in the present. It is whether we can look to the future and answer its questions with confidence.

Alliance Finance - 70 years of accountability for our future.


SCAN

ABOUT OUR INTEGRATED REPORT

GRI 2-1,2-2,2-3

Welcome to the 70th Integrated Annual Report published by Alliance Finance Company PLC (AFC).

AFC's integrated reporting journey over the past years has been one of continuous evolution and refinement, marked by progressive improvements in the quality, depth, and transparency of disclosures. What began as a tentative reporting initiative has steadily matured into a comprehensive value-reporting framework, more firmly aligned with global best practices in integrated thinking. Accordingly, we have consistently strengthened the linkage between strategy, performance, governance, and sustainability, while enhancing the clarity and relevance of information provided to our stakeholders

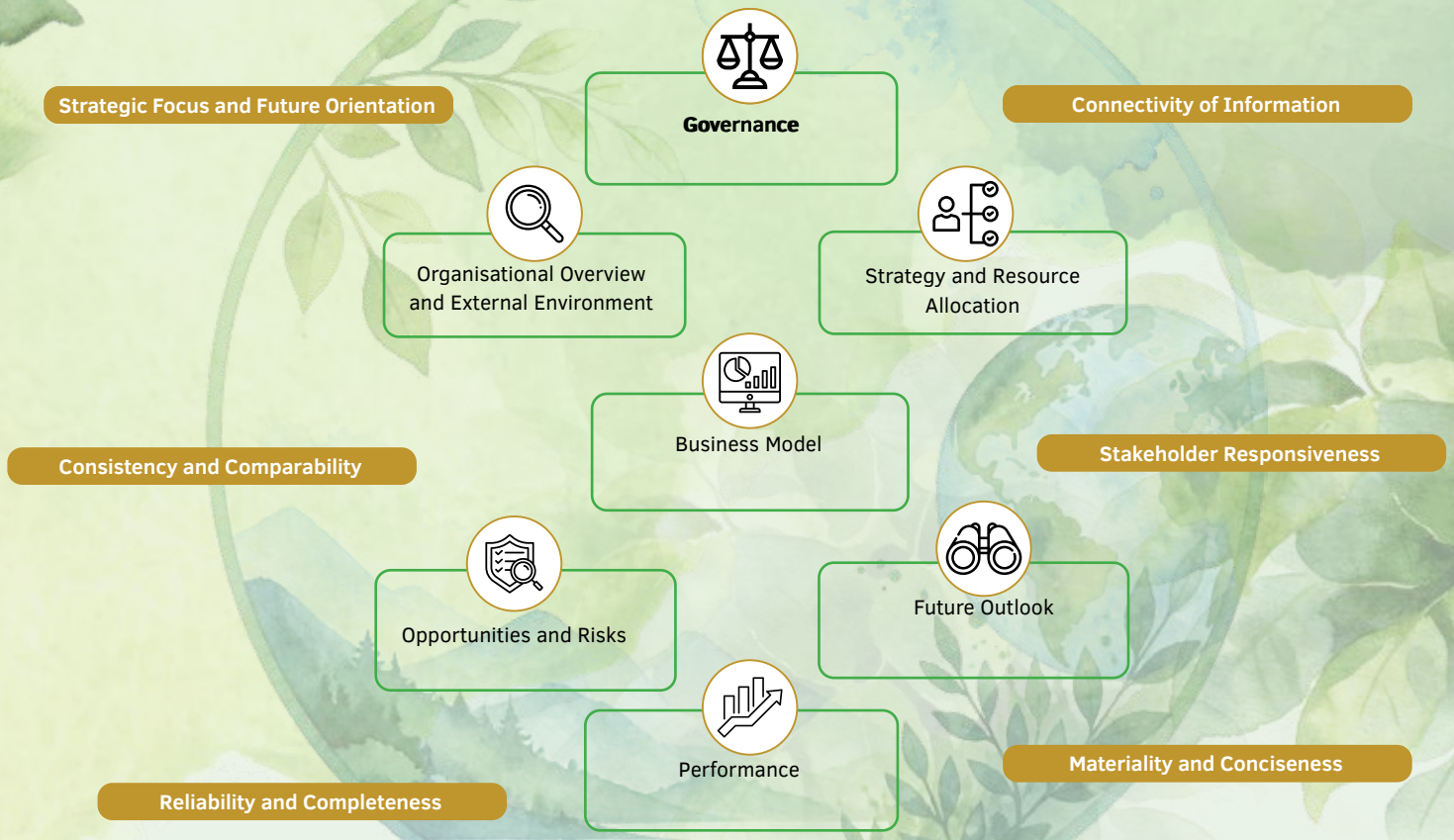
The current report, presented under the theme "Accountability for Our Future," represents a significant milestone in this journey. It reflects a more advanced stage of integrated thinking by illustrating a deeper institutional commitment to accountability across all dimensions of our business model, from disciplined capital allocation and prudent risk management to responsible lending, sustainable finance, and strengthened governance practices. It also highlights how the Company is actively balancing short-term performance with long-term resilience to ensure that today's decisions are consistently evaluated through the lens of future impact. In doing so, this report not only communicates our performance for the year under review, but also reaffirms our commitment to shaping a more resilient, inclusive, and sustainable future.



SCOPE AND BOUNDARY

This report covers the financial year from 1st April 2025 to 31st March 2026, reflecting AFC's financial and operational performance during the period under review. In addition to the results and disclosures for the year, the report also incorporates relevant post balance sheet events and other material developments occurring up to the date of approval of the Financial Statements by the Board on 26 June 2026 aimed at providing stakeholders with a comprehensive and up-to-date understanding of the Company's overall position, including significant events and emerging developments that arose subsequent to the reporting period but prior to formal approval.

All previous reports, including the most recent report for FY 2025/26, are available for viewing and download at :https://www.alliancefinance.lk/investor- relations/#annual-reports



GUIDING PRINCIPLES

Strategic focus and future orientation:
- Description of the strategy of the company and its relation to value creation and capitals.

Connectivity of information:
- Relates to the interrelatedness of the factors that affect the organization's ability to create value over time.

Stakeholder relationships:
- Description of the key stakeholders, including how the stakeholder's interests are taken into account.

Materiality:
- Relates to the number of disclosures about matters that affect the organization's ability to create value.

Conciseness:
- Relates to the concise format of the report.

Reliability and completeness:
- Relates to the balanced, complete character of the report, which should not include any material errors.

Consistency and comparability:
- Relates to the consistency and comparability of the information within the report.

CONTENT ELEMENTS

Organizational overview and external environment:
- Description of the organization and the external environment (e.g. competition).

Governance:
- Description of the governance structure and its relation to value creation.

Business model:
- Description of the business model with input, output and capitals included.

Risks and opportunities:
- Description of the risks and opportunities and the risk mitigation system.

Strategy and resource allocation:
- Description of the concrete strategy of the company,targets, previous years and capitals.

Outlook:
- Description of the future challenges in relation to the company.

Basis of preparation and presentation:
- Description of the materiality determination process, reporting boundaries and frameworks used.



About Our Integrated Report



2021/22



2022/23



2023/24



2024/25



2020/21



2019/20



2018/19



2017/18

Reporting Frameworks

Financial Reporting	Governance and Risk Reporting	Integrated Reporting	Sustainability Reporting
The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 M	The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka V	Integrated Reporting Framework <IR> by the International Integrated Reporting Council (IIRC) V	SLFRS S1 & S2 Sustainability and Climate Related Disclosures M
Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka M	Corporate Governance rules issued by the CSE for listed entities M		Global Reporting Initiative (GRI) Standards "In Accordance" (The GRI Content Index is on page 386) V
The Companies Act no. 7 of 2007 M			United Nations Sustainable Development Goals (UNSDGs) V

M - Mandatory Requirements V - Voluntary Adoption

MATERIALITY APPROACH

In preparing this report, AFC has adopted the principle of materiality as defined by the Global Reporting Initiative (GRI) as the primary basis for determining its content and focus areas. In line with this approach, material matters are those that could reasonably be expected to influence the assessments, decisions, and actions of the Company's stakeholders, or substantively reflect AFC's most significant economic, environmental, and social impacts.

This materiality-driven approach enables stakeholders to clearly understand how AFC identifies, manages, and responds to its most material impacts, and how these, in turn, influence strategy, performance, and future outlook.

COMBINED ASSURANCE GRI 2-4

The information presented in this report has been drawn from a wide range of credible sources including AFC's Chairperson, Managing Director, Corporate Management, and Business Heads.

The entire report has been reviewed by the Board Audit Committee to assess the integrity of both financial and non-financial information and to determine alignment with reporting frameworks standards.

In addition, AFC's external auditors M/S Deloitte Associates have provided independent assurance regarding the Company's Financial Statements for the year ended 31 March 2026. The Independent Assurance Report by M/S Deloitte Associates is on page 284.

FORWARD-LOOKING STATEMENTS GRI 2-5

This Integrated Annual Report may contain forward-looking statements relating to AFC's expected operating performance, business growth trajectory, strategic priorities, and future prospects. These statements are based on assumptions, estimates, and expectations considered reasonable by management at the time of publication.

However, such statements are inherently subject to uncertainties and risks arising from changes in economic conditions, regulatory developments, market dynamics, competitive pressures, and other external factors beyond the Company's control. As a result, actual outcomes and performance may differ materially from those expressed or implied in these forward-looking statements.

While AFC remains committed to maintaining transparency and providing timely disclosures, the Company does not undertake any obligation to revise or update forward-looking statements to reflect future events, developments, or changing circumstances subsequent to the publication of this Report.

Furthermore, the Company confirms that there are no restatements relating to the Annual Report for FY 2024/25 or to any previous reporting periods.

BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Alliance Finance Company PLC (AFC) is responsible for the preparation and presentation of the Integrated Annual Report for the financial year ended 31 March 2026. In fulfilling this responsibility, the Board has exercised due care to ensure appropriate systems, processes, and internal controls have been institutionalised to ensure the information presented is accurate, reliable and complete.

The Board is satisfied that the Integrated Annual Report presents a balanced, transparent, and comprehensive assessment of AFC's strategy, governance, business model, risks and opportunities, performance, and future outlook, together with the Company's ability to create, preserve, and sustain value over the short, medium, and long term and confirms that the Report has been prepared in accordance with the principles and guidance of the Integrated Reporting <IR> Framework issued by the International Integrated Reporting Council (IIRC) and embeds the applicable Global Reporting Initiative (GRI) Standards.

Accordingly, the Board believes that this Integrated Annual Report provides stakeholders with a fair representation of the Company's operating context, strategic priorities, financial and non-financial performance, governance practices, and sustainability-related impacts, risks, and opportunities.

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Uplifting both Humanity and the Earth, our initiatives in finance create a legacy of positive transformation.

Our impactful endeavours not only resonate with the present but also establish a legacy of positive change that will be felt for generations to come.

ALLIANCE FINANCE COMPANY PLC GRI 2-22

Alliance Finance Company PLC (AFC) stands as oldest and most respected financial institutions in Sri Lanka. Since it's incorporation in 1956, the Company has worked with a firm commitment to serve the nation through accessible and responsible financial solutions. Over the past 7 decades, AFC has evolved in step with Sri Lanka's economic progress by working systematically to extend formal financial services to individuals, entrepreneurs, and communities across the country, focusing in particular on driving financial inclusion among rural communities.

By empowering grassroots communities, supporting MSME development, promoting savings and investment culture, and pioneering sustainable finance initiatives, the Company continues to play a catalytic role in strengthening livelihoods and expanding economic opportunity around the country.
Today, Alliance Finance continues to honour its heritage and remains a trusted partner in Sri Lanka's journey toward resilient and inclusive economic development.

OUR PURPOSE

Make the world a better place through sustainable finance

TRUST
Our customers need to TRUST us and be happy

ACCOUNTABILITY
Every one of us is ACCOUNTABLE for our actions

ETHICS
ETHICS and integrity are critical

INNOVATION
We are open, brave and willing to drive INNOVATION and change

RESPECT
We RESPECT each other and the environment we live in

TEAMWORK
TEAMWORK will make us stronger



WE ARE THE **ONE**

SUSTAINABLE DEVELOPMENT
As we journey to becoming more sustainable, we continue to focus on strengthening our commitment to the United Nations Sustainable Development Goals (UNSDGs). Ensuring full integration across the Company from an execution and reporting perspective enables value creation for all our stakeholders. Our Purpose motivates us to deliver against the outcomes of the 5ps-people, prosperity, peace, partnership, planet, with the determination to drive positive change.

PEOPLE
The end use of all energies; must ensure responsible practices

PROSPERITY
Ensure growth and success through sustainable practices

PEACE
Nurture peace consistently by being environment friendly

PARTNERSHIP
Establish harmonious relationship with mother nature

PLANET
Conserver the Planet Earth's natural resources for the future

WHAT WE SUPPORT

- Sustainable development
- Responsible and inclusive finance
- Battle against climate change
- Social entrepreneurship development
- Biodiversity conservation and ecosystem restoration

OUR OWNERSHIP STRUCTURE

88.84%
Individual Shareholders

11.16%
Institutions

Alliance Finance Co. PLC
Make the world a better place through sustainable finance

63.93%
Alliance Finance holding in Alfinco Insurance

22.39%
Group Holding in Macbertan

25.00%
Alliance Finance holding in Helios P2P

OUR PRODUCTS AND SERVICES

LEASING AND LOANS



Gross Portfolio: LKR 56.42 Bn
No of Customers: 115,067

- Vehicle and equipment leasing
- Quick cash
- Speed cash
- Pledge loans
- Term loans

GOLD LOANS



Gross Portfolio: LKR 23.29 Bn
No of Customers: 48,808

- Short term advances collateralized against gold
- Instalment based gold investments

SAVINGS AND DEPOSITS



Portfolio: LKR 37.77 Bn
No of Customers: 33,832

- Fixed deposits
- Savings deposits with special products

COMMERCIAL DIVISION



Hiring Vehicle Fleet: 66

- Operating Lease
- Vehicle trade-in service
- Rental service
- Automotive service centre

WHAT WE OFFER

Inclusive Financial Solutions
Vehicle Leasing, Term Loans, Gold Loans

afc Leasing
afc SPEED CASH
afc REMITTANCE

Innovative Zero Emission Clean Energy Technology
Clean-energy equipment leasing

afc AGRI LOAN
afc SOLAR LOAN

Investment Solutions
Fixed Deposits, Savings, Gold investments

afc FIXED DEPOSITS
afc Hapannu Children's Savings Accounts

Vehicle Trade - In and Hiring Services
Autosure, Ezy Drive

AUTOSURE
EZY DRIVE

BOARD OF DIRECTORS



Mrs. G.S.T. Dharmakirti-Herath
Chairperson



Mr. R. K. E. P. de Silva
Deputy Chairman / Managing Director



Mr. W. P. K. Jayawardana
Deputy Managing Director
(Resigned w.e.f. 31/03/2026)



Mrs. P. de Silva
Independent Non-Executive Director



Dr. D.L.I. Hettiarachchi
Independent Non-Executive Director



Mr. M.J. Benedict
Executive Director



Mr. A.A.P. Rodrigo
Executive Director / COO
(Appointed w.e.f. 01/04/2026)



Mr. L. J. H. de Silva
Non-Independent Non-Executive Director



Mr. D.F.W. Perera
Non-Independent Non-Executive Director



Mrs. D.M.S.D De Z.S. Ellepola
Non-Independent Non-Executive Director
(Appointed w.e.f. 16/01/2026)

Board of Directors

Mrs. G.S.T. Dharmakirti-Herath
Chairperson
Independent Non-Executive Director

(Chairperson of Board Sustainability Committee, and Member of Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resources & Remuneration Committee, Related Party Transaction Review Committee and Board Nomination & Governance Committee)

Mrs. G.S.Tamara Dharmakirti-Herath was appointed to the Board as the Chairperson on 22nd October 2020. She has over 41 years of experience in the financial services sector and has made significant contributions to the industry and was involved in the setting up of two Non-Banking Financial Institutions (NBFI) in the country. In her long professional career, she has been in senior management positions in a few of the premier NBFI's and as a consultant providing technical skills and knowledge to NBFI's and banks engaged in Leasing and Factoring. She has vast knowledge and experience in the multiple aspects of the finance industry. She has facilitated knowledge and skill development to young leasing professionals in Sri Lanka (pro-bono) and advocates best practices and gender equality in the management of the NBFI sector.

Mr. R.K.E.P. De Silva
Deputy Chairman/Managing Director

(Member of Board Sustainability Committee)

Mr. Romani de Silva, a Fellow of the Institute of Credit Management counts over 30 years experience in the finance industry in Sri Lanka. He was appointed to the Board of Alliance Finance Company. PLC, in 1990 and currently holds the position of Deputy Chairman and Managing Director. Under his leadership AFC became the first Financial Institution in South Asia, to be certified at level 4 under the pioneering global sustainability standard SSCI, for value driven Finance Institutions which was developed by the European Organization for Sustainable Development (EOSD) - an EU initiative.

He also serves on the Board of Sanasa Development Bank, a Licensed Specialized Bank, focused on development banking in the co-operative sector of Sri Lanka. He also serves on the Boards of Alfinco Insurance Brokers (Pvt) Ltd and Macbertan (Pvt) Ltd., a pioneering manufacturer of roof insulation products in Sri Lanka. He holds Directorates in many other companies and is a Life member of the Sri Lanka Institute of Directors. He is also a Founder Director of the National Advisory Board for Impact Investing in Sri Lanka and a member of the Chamber of Young Lankan Entrepreneurs. He also serves as the Honorary Treasurer of the SLICM incorporated by an Act of Parliament - an educational institution dedicated to the development of the credit industry of Sri Lanka.

An active promoter of development oriented Sustainable Banking and Finance in Sri Lanka , he serves on the SSCI Council - a Global Council initiated by the European Organization for Sustainable Development (EOSD), headquartered in Karlsruhe Germany and also the Global Finance 4.0 Council which is mandated to drive Finance as a force for good.

Whilst actively contributing to the development of this holistic sustainability standard for the global Banking and Finance industry, locally he also heads the Sub Committee on Sustainability and serves as a Council Member of the Finance Houses Association of Sri Lanka (FHASL), which is an industry representative body for Licensed Financial Institutions in Sri Lanka. He has represented the FHASL on the Steering Committee initiated by the Central Bank of Sri Lanka to develop a Sustainable Finance Road map for Sri Lanka for the Non-Bank Financial Sector and also on the National Financial Inclusion Strategy Project initiated by the World Bank Group, IFC, and the CBSL. He also represents the FHASL on the CBSL, Multi Stakeholder Committee for the Implementation of the Roadmap for Sustainable Finance in Sri Lanka.

Mr. De Silva has also represented Alliance Finance Company PLC as a Founder Investor in the pioneering "Ath Pavura" reality TV Programme and Social Enterprises Funding Platform co-founded by the Lanka Impact Investing Network (LIIN) and Social Enterprise Lanka (SEL) in Sri Lanka which aims to create awareness on social enterprise and develop an impact investing culture in the country.

Mr. W.P.K. Jayawardana
Deputy Managing Director

(Member of Board Sustainability Committee at the end of the financial year)
(Resigned w.e.f. 31/03/2026)

Mr. Kusal Jayawardana was appointed to the Board on 4th April 2017 and served as Deputy Managing Director of AFC till 31.03.2026. Mr. Jayawardana has nearly three decades of experience, including over 17 years at the board level and C suite, managing local and foreign businesses and diversified financial services operations. Has extensive experience at the board level as an executive and independent director in diverse sectors covering investment banking, financial services, venture capital, energy, manufacturing, and ICT.

He was designated as the CEO of NDB Capital Limited, Bangladesh at the age of 32 to set up and head the NDB Group's first foreign subsidiary. Mr.Jayawardana was a part of many landmark capital market transactions executed in Sri Lanka and was involved in introducing a number of innovative capital market products to Sri Lanka and Bangladesh. He played a key role in setting up Emerald Sri Lanka Fund, the first and largest private equity country fund to be set up in Sri Lanka.

Mr.Jayawardana is a Chartered Financial Analyst, Associate Member of The Chartered Institute of Management Accountants, UK and the Chartered Global Management Accountants, USA and was an Associate member of the Association of Chartered Certified Accountants, UK. He also holds an MBA from the Open University of Sri Lanka in collaboration with Commonwealth of Learning, Canada.

He was a Director of National Savings Bank, Resus Energy PLC, PanAsia Power PLC, NDB Capital Limited, Bangladesh and Lanka Communication Services Limited. Mr. Jayawardana was a resource person in finance and capital market related subject areas at the Securities and Exchange Commission, the Colombo Stock Exchange and the Business School of the Institute of Chartered Accountants of Sri Lanka.

Presently, he is the Chairman of Lanka Ventures PLC and LVL Energy Fund PLC and Director/Group CEO of ACL Cables PLC. In addition, he is a Director of Cable Solutions PLC and HNB Securities Limited. He is also a co-founder of Serendib Frontier Capital (Pvt) Limited, a boutique corporate finance advisory firm.

Mr. M.J. Benedict
Executive Director

Mr. Michael Benedict who has more than 35 years of experience in the industry, joined Alliance Finance Company PLC on 1st of February 2002 as Senior Manager Marketing and was appointed as an Executive Director, Recoveries on 1st of September 2023. He is a talented individual who has worked in marketing, risk and recoveries with over 2 decades of dedicated service at Alliance Finance Company PLC. With his extensive experience and expertise, he has contributed significantly to the success and growth of the Company. He is a Non-Executive Director of Alfinco Insurance Brokers (Pvt) Ltd and Richard Peiris Securities (Private) Limited. He holds a Master of Business Administration from Cardiff Metropolitan University, UK also is a Certified Management Accountant of Australia and also a Certified Member of Sri Lanka Institute of Marketing.

Mr. A.A.P. Rodrigo
Executive Director

(Appointed w.e.f. 01/04/2026)

Mr. Aruna Rodrigo is a seasoned banking and finance professional with over 32 years of experience across leading financial institutions in Sri Lanka and the Middle East. His career spans senior roles at Alliance Finance Company PLC, HSBC Bank Middle East, Amlak Finance PJSC (Dubai), Commercial Leasing Company PLC, and Seylan Bank.

Mr. Rodrigo has extensive experience in corporate, business, and SME banking, with strong expertise in credit evaluation and administration, portfolio and risk management, and branch operations. His professional exposure also covers trade finance, leasing, mortgage and development financing, collections, and operational oversight. During his tenure as Chief Credit Officer, he was responsible for credit portfolio management and branch operations and contributed to the strengthening of credit processes and improvements in portfolio quality.

In his current role, Mr. Rodrigo's responsibilities include strategic planning, operational efficiency enhancement, marketing management, portfolio quality oversight, training and development, and compliance management.

Mr. Rodrigo is an Associate Member of the Institute of Bankers of Sri Lanka. He holds a Master of Business Administration from Buckinghamshire New University, United Kingdom, and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, United Kingdom.

Mr. L.J.H. de Silva
Non-Independent Non-Executive Director

(Member of Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resources & Remuneration Committee, Related Party Transaction Review Committee and Board Nomination & Governance Committee)

Mr. Hiran de Silva was appointed to the AFC Board of Directors on 16th October 2019 as an Independent Non-Executive Director. He is presently the Managing Director of Alliance Agencies Ltd., exclusive agents in Sri Lanka for Heidelberger Druckmaschinen AG Germany and Drive One (Pvt) Ltd, sole distributor for Audi AG, Germany, Alliance Graphic Services (Pvt) Ltd and Heshia Shipping (Pvt) Ltd and Chairman of Alliance Autocare (Pvt) Ltd.

Board of Directors

He has over 31 years of management experience. He has acquired significant experience in brand building, strategic planning and key account management. He is a former president of the Association for Print and Design Professionals and is a Former Member of the Board of Governors of the Institute of Printing in Sri Lanka. Mr. de Silva attended Hauchler Studio College and Print Media Academy Heidelberg, Germany and is a fellow of the Sri Lanka Institute of Printing.

Mrs. P. de Silva
Independent Non-Executive Director

(Chairperson of Board Audit Committee and Board Integrated Risk Management Committee)

Mrs. Priyanthi de Silva was appointed to the Board on 8th August 2018 as an Independent Non-Executive Director. She is a Fellow of the Chartered Institute of Management Accountants (FCMA) and the Chartered Global Management Accountants (CGMA) of UK and a Fellow of Certified Practising Accountants, (FCPA) of Australia. She was also an Associate member of the Association of Chartered Certified Accountants of UK (ACCA).

She has over 31 years of experience in the FMCG, Leisure, Healthcare, Travel, and Financial Services sectors in Sri Lanka and Australia. The senior positions held by her in Sri Lanka include Chief Financial Officer at Foundation of Goodness, Manager Compliance at Sri Lankan Airlines and Manager Finance and Systems at SriLankan Catering, Financial Controller of Hemas Holdings PLC, Finance Manager at Arpico Finance PLC, Manager Finance and MIS at Eagle NDB Fund Management and in Australia as a Financial Specialist at Goston Avend Pty Ltd, and as an Accountant at GE Money and Coles Express (Melbourne).

Dr. D.L.I. Hettiarachchi
Independent Non-Executive Director

(Chairman of Board Human Resources & Remuneration Committee, Board Nomination & Governance Committee and Related Party Transaction Review Committee)

Dr. Lasantha Hettiarachchi was appointed to the AFC Board of Directors on 22nd October 2020 as an Independent Non-Executive Director. He is a Non-Executive Director of Cyrus Corporate Services (Pvt) Ltd.

He has over 35 years' experience in management and administration. Since 2002 he owns and manages a private civil law practice and has over 36 years' experience in commercial and civil litigation in original/appellate courts and arbitrations in a range of matters. He possesses in-depth and wide experience in transactional legal services and consultancy, including a wide scope of matters covered in a commercial/ corporate law practice. He is an Attorney at Law of the Supreme Court of Sri Lanka and holds Master of Laws and a Doctor of Civil Law, degrees obtained from McGill University in Montreal, Canada.

Mr. D.F.W. Perera
Non-Independent Non-Executive Director

Mr. Wiyan Perera was educated at Colombo international School, where he served as the Head Prefect of the batch of 2011. Following his schooling, Mr. Perera graduated with First Class Honours in Economics and Statistics from University College London, where he was awarded the R.A Fisher Prize for Academic Excellence.

After his graduation, Mr. Perera was employed in London by Bank of America Merrill Lynch, where he worked as a Vice President in the Global Credit and Special Situations trading team.

Mr. Perera's team specialized in analysing and investing in performing and Non-Performing Loans, High Yield Bond and Distressed Debt. Mr.Perera was involved in analysing, negotiating and executing investment opportunities for the bank and its clients with a specific focus on Real Estate, Hotels/ Tourism and Metals and Mining. His team managed a portfolio with investments across Europe, including the U.K, Germany, France, Spain and Italy.

Mr. Perera returned to Sri Lanka in April 2022 and currently holds management positions in various privately-owned and operated businesses. He is the Managing Director of MSS investments (Private) Limited and Motor Service Station (Pvt) Ltd. He is also an Executive Director of Orient Properties (Pvt) Ltd, and Orient Petroleum (Pvt) Ltd.

Mrs. D.M.S.D De Z.S. Ellepola
Non-Executive Director

(Appointed w.e.f. 16/01/2026)

Mrs. Devika Ellepola holds a Bachelor of Laws (LLB) from the University of Colombo, providing a strong foundation in regulatory frameworks, policy interpretation, and ethical decision-making that complements her extensive commercial expertise.

She is a seasoned commercial leader with over 25 years of experience in the aviation industry. From 1998 to February 2025, she served as Head of Passenger Sales – Sri Lanka at Emirates Airline, where she led market expansion and brand-building initiatives that strengthened the airline's presence in Sri Lanka. Her leadership was marked by a rigorous, data-driven approach to decision-making and the effective application of analytics in pricing and yield management. She also played a key role in advancing the digital transformation of sales and customer engagement programmes.

A committed mentor and people developer, Mrs. Ellepola has built high-performing teams, coached emerging leaders, and enhanced organisational capability through structured performance management and targeted learning initiatives.

Her contributions to business leadership have been recognised through several prestigious accolades, including WIM Top 50 Professional and Career Women (2021) and the CEO Global Businesswomen Award (2025).

Beyond her executive career, she actively contributes to professional development and industry advancement through her involvement with the Chartered Institute of Logistics and Transport (CILT), the Women's Chamber of Industry and Commerce (WCIC), and Women in Logistics and Transport (WiLAT), supporting advocacy, knowledge sharing, and inclusion in logistics and commerce.

CORPORATE MANAGEMENT



Mr. Romani de Silva
Deputy Chairman / Managing Director



Mr. Kusal Jayawardana
Deputy Managing Director
(Resigned w.e.f. 31/03/2026)



Mr. Michael Benedict
Executive Director



Mr. Aurna Rodrigo
Executive Director/COO
(Appointed w.e.f. 01/04/2026)



Mrs. Champa Nakandala
Chief Deposit Officer



Mr. Ajit Subasinghe
Chief People Officer

MANAGEMENT TEAM

ROMANI DE SILVA
Deputy Chairman / Managing Director

KUSAL JAYAWARDANA
Deputy Managing Director
(Resigned w.e.f. 31/03/2026)

MICHAEL BENEDICT
Executive Director

ARUNA RODRIGO
Executive Director / COO

AJIT SUBASINGHE
Cheif People Officer

CHAMPA NAKANDALA
Cheif Deposit Officer

PRIYANGA PEIRIS
Company Secretary

GRAHAM LAWRENCE
General Manager - Operations

NUWAN THILAKAWARDHANA
Deputy General Marketing - Marketing

ROSHAN RATHNAYAKA
Senior Assistant General Manager
- Head of Deposit Marketing

WASANTHA MALDENIYA
Senior Assistant General Manager
- Regional Head

SAMAN MEDAGODA
Senior Assistant General Manager
- Regional Head

UDAYA SURANJITH
Senior Assistant General Manager
- Regional Head

ISANKA GAYAN
Senior Assistant General Manager
- Regional Head

SELVARATHNAM NISHANTH
Senior Assistant General Manager
- Regional Head

SUJITH FERNANDO
Assistant General Manager - Digital Transformation, Collaboration Finance & Deposit Finance

ASANKA ATAPATTU
Assistant General Manager - Treasury

HARSHA WIJESINGHE
Assistant General Manager - Credit

ACHALA WANNIARACHCHI
Assistant General Manager - Legal

NALIN KODAGODA
Assistant General Manager - Regional Head

MALLIKA JAYATHILAKA
Assistant General Manager - Regional Head

ROSHAN CARRIM
Assistant General Manager - Recoveries

VENOTHKUMAR RAJENDRAN
Assistant General Manager
- Head of Internal Audit

DINUK BAIG
Assistant General Manager - Finance

MATHIESWARANN GANESHALINGAM
Assistant General Manager - MIS

NISHANTHA PEIRIS
Chief Manager - Deposits

UDESH HEENATIGALA
Senior Manager - Head of IT

DUSHAN DE SILVA
Senior Manager - Marketing Communications & Branding

CHATURA SENARATHNE
Senior Manager - Administration

LALITH PEIRIS
Senior Manager - Finance Operations

VIJEKUMAR RATHNAM
Senior Manager - Credit & SME

AMAL SOMARATHNE
Senior Manager- Corporate Planning & Sustainability

BASHINI THILAKASIRI
Senior Manager - Compliance Officer

CHRISHANTHI DELISHIYA
Senior Manager - Deposits

MANURA PRASANGA
Senior Manager - Deposits

RAJENDRA REGAN
Senior Manager - Human Resources

ACHINI AMARASEKARA
Senior Manager - Marketing & Customer Care Relationship Management

CHAMINDA THILANKA
Senior Manager - Deposit Operations

PEMISHA JAYATHILAKA
Senior Manager - Finance

ATHULA BANDARA
Senior Manager - Climate Financing

SENANI PERERA
Senior Manager - Commercial Division

DUMINDA NIRANJAN
Senior Manager - Regional Head

UPUL PATHIRANA
Senior Manager - Regional Head

DARSHANA PUSHPAKUMARA
Senior Manager - Acting Regional Head

POORNA POTHUDUWAGE
Senior Manager - Deputy Regional Head

THUSITHA KARUNARATHNA
Senior Manager - Acting Deputy Regional Head

MEGANATHAN THAYAPARAN
Senior Manager - Acting Deputy Regional Head

SELVARATNAM RATNARASA
Senior Manager
- Acting Deputy Regional Head

SAGARIKA FERNANDO
Senior Manager - Recoveries

DINESH SANJEEWA
Senior Manager - Regional Recovery Incharge

RAJAPAKSHA MALALASEKARA
Senior Manager - Regional Recovery Incharge

THARANGA KARUNARATHNE
Senior Manager - Gold Loan

THANUBAALASINGAM KUMARATHAS
Regional Supervisor - Group Loan

DHAMMIKA DAYANANDA
Consultant - Recovery

DARSHANA DE SILVA
Senior Operations Manager

PRADEEP KUMARA
Acting Regional Head

PRIYANTHA GURUGE
Acting Deputy Regional Head

SITHUMINA JAYASUNDARA
Acting Deputy Regional Head

RANIL PALANSURIYA
Acting Deputy Regional Head

CHANAKA DE SILVA
Senior Branch Manager

ACHIRA SENARATHNE
Senior Branch Manager

KASUN GUNASEKARA
Senior Branch Manager

RANGA TENNAKOON
Senior Branch Manager

KAVINDA JAYAWARDHANA
Acting Senior Branch Manager

WIDANAGE RANAWEERA
Acting Senior Branch Manager

SASITH WICKRAMARACHCHI
Acting Senior Branch Manager

ARUNA GUNASEKARA
Acting Senior Branch Manager

SUDEERA FERDINANDO
Manager - Gold Loan

NISHANTHA HIRILIYEDDA
Regional Recovery Incharge

SEEVARATHNAM PRADEEP
Regional Recovery Incharge

AJITH KUMARA
Regional Recovery Incharge

CHINTHAKA DE SILVA
Regional Recovery Incharge

SHASHITHA APPUHAMI
Regional Recovery Incharge

DAYA COLIN RODRIGO
Regional Recovery Incharge

MILESTONES

1956
> Incorporated on 18th July.

1959
> Quoted on the Colombo Brokers Association (prior to the formation of Colombo Stock Exchange)

1995
> Introduced the concept of Collaboration Finance for emerging entrepreneurs.

1998
> Subscribed to the formation of Alfinco Insurance Brokers.

2000
> Became first financial institution to receive ISO 9001:1994 certification from DNV. later upgraded into ISO 9001:2015)

2005
> Launched Savings Accounts.

2008
> Entered the Gold Loan market.

2012
> Adopted Triple Bottom Line philosophy (People, Planet, Profit) across the Group fromally.

2013
> Launched Microfinance Division.

> Won merit award for innovation in Sustainable Financial Services at EOSD Global Sustainable Finance Awards, Germany.

2014
> Received Green Leadership Award at Asia Responsible Entrepreneurship Awards, Singapore.

2015
> Secured first strategic foreign funding line from Triodos Bank (Netherlands).

2016
> Implemented Environmental and Social Management System with Steward Red Queen (Netherlands).

2017
> Managed three corporate actions sub-division of shares, capitalization of reserves and rights issue of shares at CSE – a first in Sri Lanka.

> Secured first USD subordinated debt from Triodos Bank.

> Signed Karlsruhe Resolution supporting UN Agenda 2030.

2018
> Partnered with IFC for USD 5 Mn fund and technical assistance.

> Planted 176,000+ trees on World Environment Day with 990 schools and 371,000+ students.

> Launched “AFC Thuru Mithuru” tree planting initiative.

> MD/Deputy Chairman recei ved Sustainability Leader of the Year merit award (Germany).

> First company in Sri Lanka & SE Asia accepted into Global Sustainability Standards and Certification Initiative

2019
> Introduced new purpose Statement: “Making the world a better place through sustainable finance.”

> Joined ADFIAP, Biodiversity Sri Lanka, and “Ath Pavura” platform.

> Launched “One Million Trees for Unity” project.

2020
> Established AFC Digital Centre.

>Won Karlsruhe Certificate of Merit for sustainability.



2021

> Donated 75,000 plants to RDA for Green Expressway project.

> Joined Financing 4.0 program by European Organisation for Sustainable Development.

> Became first South Asian finance company certified under SSCI.

2022

> Achieved highest-ever profit growth (150%+) and net portfolio growth (50%+).

> Surpassed 360,000 trees under tree planting initiative.

> Completed 55 islandwide mini-community projects.

2023

> Achieved 54.24% YoY gold loan growth.

> Surpassed 500,000 trees in planting initiative.

> Financed over 40,000 MSMEs and self-employment ventures.

> Maintained PAR (90 days) at 12.38% despite economic challenges.

> Continued servicing foreign lenders during currency crisis.

> Recorded 37.82% deposit growth.

> Launched climate finance products (e.g., Tea Growers, Solar, Irrigation, Dairy).

> Partnered with Vmoto to finance zero-emission bikes.



2024

> Planted 141,629 trees on World Environment Day (FHA 65th Anniversary).

> Obtained GHG Verification Certificate under ISO 14064-1:2018.

> Partnered with Forest Department to establish “AFC Happanu Forest.”

> Signed MOU with LIIN to support MSMEs via equity investments.

> Introduced Environment & Climate Action Policy.

> Launched Money Remittance services (7 Feb).

> Set up Digital Marketing Unit and Call Center.

> Migrated core data systems to Dialog’s Local Cloud Data Center.

2025

> Issued Sri Lanka’s first non-bank Green Bond (LKR 1 Bn), aligned with ICMA principles.

> Dual-listed Green Bond on Luxembourg Stock Exchange and Green Exchange.

> Secured USD 5 Mn facility from Enabling Qapital to finance underbanked entrepreneurs.

> Secured USD 7.5 Mn from DWM including LKR-indexed and SME loans.

> Raised LKR 1.449 Bn via Subordinated Trust Certificates to strengthen CAR by 2.5%.

2026

> Awarded the SSCI Version 2.0 level 3 Certification at the Sustainable Finance Awards 2025 in Karlsruhe, Germany — a remarkable recognition of our continued commitment to sustainability.

> Managing Director, Mr. Romani De Silva, was recognized as the Sustainability Leader of the year 2025 at the Sustainable Finance Awards 2025 in Karlsruhe, Germany.

> Issued Sri Lanka’s First Ever Social Bond Listed in the Colombo Stock Exchange (CSE).

> Onboarded the first-ever term social bond on NSE International Exchange (NSEIX) at GIFT City, marking an important step in strengthening sustainable and inclusive finance across the region.

> Successfully achieved our target of planting 1 million trees during the FY 2025/26.

Q

“Are you taking care of our planet?”

A

We are reducing our environmental footprint, promoting responsible investment, and supporting initiatives that protect natural resources for years to come.

Green Savings
Enrich the Hapannu Forest: Your deposit isn’t just money;
It’s a catalysit for the thriving hapannu forest.



FINANCIAL HIGHLIGHTS

Indicator		2025/26	2024/25	Change %	
Operating Results					
Interest Income	LKR Mn	16,611	14,236	16.68	↑
Net Interest Income	LKR Mn	9,031	7,764	16.32	↑
Profit Before Tax	LKR Mn	3,357	3,087	8.74	↑
Profit After Tax	LKR Mn	2,038	1,735	17.50	↑
Financial Position					
Total Assets	LKR Mn	96,356	81,565	18.13	↑
Lending Portfolio	LKR Mn	77,500	62,516	23.97	↑
Due to Depositors	LKR Mn	37,766	36,525	3.40	↑
Due to Banks	LKR Mn	43,395	31,354	38.40	↑
Shareholder's Equity	LKR Mn	10,974	9,350	17.38	↑
Investor Information					
Market Price per Share	LKR	315.00	180.50	74.52	↑
Market Capitalization	LKR Mn	4,200.49	2,148.78	95.48	↑
Net Asset Value per Share	LKR	325.69	277.47	17.38	↑
Earnings per Share	LKR	60.49	51.48	17.49	↑
Dividend per Share	LKR	10.00	17.20	(41.86)	↓
Dividend Yield	%	3.17	9.53	(6.35)	↓
Dividend Payout Ratio	%	16.53	33.41	(16.88)	↓
Statutory Ratios					
Core Capital Ratio (Tier I) - Minimum 8.50%	%	12.35	11.60	0.75	↑
Total Capital Ratio (Tier II) - Minimum 12.50%	%	17.37	16.06	1.31	↑
Equity to Deposits (Minimum 10%)	%	29.06	25.60	3.46	↑
Liquidity Ratio	%	15.44	17.66	(2.22)	↓
Other Ratios					
ROA after tax	%	2.29	2.45	(0.16)	↓
ROE after tax	%	20.06	19.85	0.21	↑
Net Interest Margin	%	10.97	12.10	(1.13)	↓
Efficiency Ratio	%	52.18	53.11	0.93	↑
Borrowings to Deposits	%	106.56	83.07	23.49	↑
Gross NPL	%	5.86	4.70	(1.16)	↓

Profit after Tax
(LKR Mn)

2,038 2026



1,735 2025

Change % 17.50

Total Assets
(LKR Mn)

96,356 2026



81,565 2025

Change % 18.13

Lending Portfolio
(LKR Mn)

77,500 2026



62,516 2025

Change % 23.97

Gross NPL
(%)

5.86 2026



4.70 2025

Change 1.16

ROE After Tax
(%)

20.06 2026



19.85 2025

Change % 1.06

Earnings per Share
(LKR)

60.49 2026



51.48 2025

Change % 17.49

NON FINANCIAL HIGHLIGHTS



Financial Capital

10,974 2026
Equity (LKR Mn)
9,350 2025

43,395 2026
Borrowings (LKR Mn)
31,354 2025

37,766 2026
Deposits (LKR Mn)
36,525 2025



Manufactured Capital

92 2026
Branches (Nos)
90 2025

4 2026
Branch Relocated (Nos)
4 2025

328 2026
Invest in Fixed Assets (LKR Mn)
407 2025



Social & Relationship Capital

148,899 2026
Customer Base (Nos)
142,406 2025

94 2026
Social Sustainability Initiatives (LKR Mn)
73 2025

46,123 2026
Lending to female Customer base
42,290 2025



Human Capital

1,780 2026
Total workforce (Nos)
1,832 2025

353 2026
New Recruitments (Nos)
620 2025

30,675 2026
Employees Trainings (Hrs)
38,463 2025



Natural Capital

171 2026
Total Direct Emissions by AFC (tCO_2e)
106 2025

35 2026
Environmental Sustainability Initiatives (LKR Mn)
23 2025

1,024,377 2026
Total Planted Trees
844,604 2025



Intellectual Capital

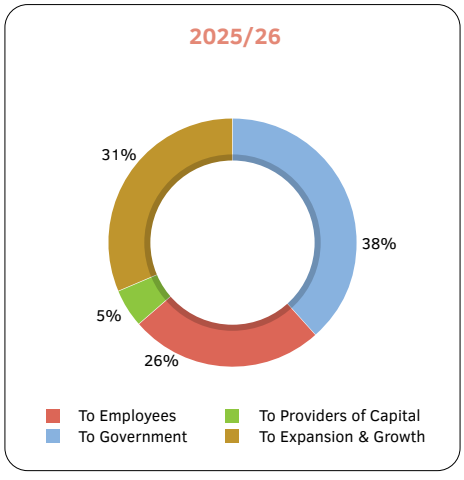
55 2026
Brand Rating
55 2025

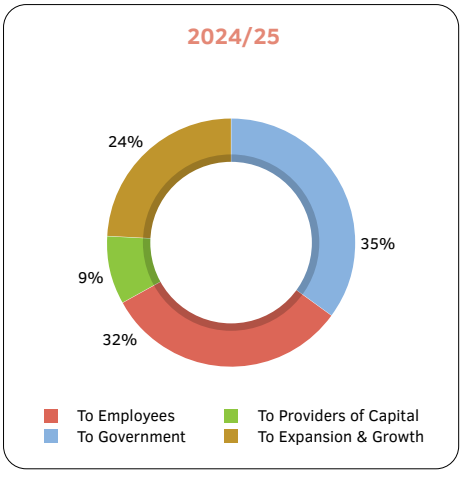
BBB (Stable) 2026
Credit Rating
BBB (Stable) 2025

EMPOWERING THE NATION

VALUE ADDED STATEMENT - COMPANY GRI 201-1

For the year ended 31st March	2026		2025	
	LKR	%	LKR	%
Value Added				
Income	**18,190,987,095**		15,673,118,875	
Interest Expense	**(7,579,964,991)**		(6,472,265,408)	
Cost of External Services	**(4,235,239,077)**		(3,212,026,699)	
	6,375,783,027		5,988,826,768	
Distribution of Value Added				
To Employees				
Salaries & other benefits	**2,447,475,315**	**38%**	2,109,458,450	35%
To Government				
Taxes	**1,630,051,505**	**26%**	1,931,750,937	32%
To Providers of Capital				
Dividend	**310,003,086**	**5%**	552,614,544	9%
To Expansion and Growth				
Depreciation	**259,818,081**	**4%**	212,784,329	4%
Reserves	**1,728,435,040**	**27%**	1,182,218,498	20%
	1,988,253,121	**31%**	1,395,002,827	24%
	6,375,783,027	**100%**	5,988,826,758	100%





FUELLING GDP GROWTH

By broadening access to financial services in both urban and rural areas, AFC aims to foster economic inclusion and empower a wider range of individuals and businesses to participate in economic activities. This expansion includes providing access to finance to women-led and all other micro, small and medium-sized enterprises (MSMEs) via vehicle loans and leases, as well as gold loans. By empowering entrepreneurs and supporting local businesses, AFC is driving economic activity, creating jobs, and enhancing the overall economic stability and growth of Sri Lanka. This inclusive approach not only boosts individual livelihoods but also strengthens the national economy, contributing to a more robust and diversified GDP.

STRENGTHENING AGGREGATE NATIONAL SAVINGS

As a leading financial institution, AFC plays an important role in strengthening Sri Lanka's aggregate national savings by actively promoting a culture of saving across the country. Through its extensive network of branches, AFC encourages individuals and businesses to engage in disciplined financial practices by offering attractive term deposits and savings schemes. By making these financial products accessible in both urban centers and remote rural areas, AFC is ensuring that a larger segment of the population can benefit from structured saving options. This widespread promotion of savings helps mobilize domestic funds, which are crucial for investment and economic stability. Moreover, the increase in national savings not only provides a buffer against economic uncertainties but also enhances the availability of capital for development projects, thereby supporting the country's overall economic growth and stability.

CREATING EMPLOYMENT OPPORTUNITIES

AFC leverages its extensive island-wide branch network to create employment opportunities for people across Sri Lanka. By establishing branches in all regions, including urban, semi-urban, and rural areas, AFC provides numerous job opportunities, ranging from entry-level positions to managerial roles. This

strategic expansion not only supports local economies by providing stable employment but also enables skill development and professional growth among the country's workforce. Moreover, AFC's commitment to hiring locally helps to reduce regional disparities and promotes economic inclusivity. Furthermore training programmes and career development initiatives aim to develop a competent and competitive workforce that contributes to the broader economic development of the country over the long term.

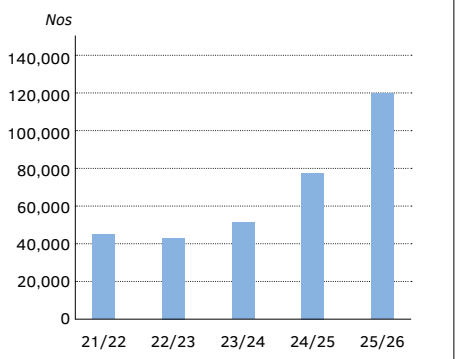
SUPPORTING LIVELIHOODS

AFC's commitment to shared value has been instrumental in supporting the livelihoods of small-scale entrepreneurs in Sri Lanka. Building strong relationships with suppliers to help them to thrive and expand, helps to boost the prospects of local economies, create jobs, and promote economic resilience. By prioritizing shared value, AFC not only enhances its own business ecosystem but also contributes significantly to the prosperity and development of small entrepreneurs throughout Sri Lanka.

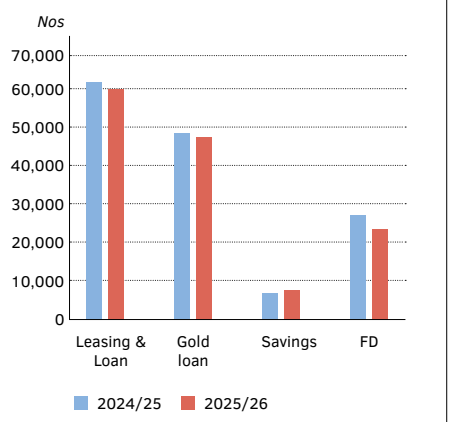
EMPOWERING COMMUNITIES

By focusing on providing financial access to grassroots-level communities, including women often overlooked by formal financing channels, AFC is making a profound impact on the quality of life of these communities. By extending microloans and other financial services to individuals and small businesses in remote and underserved areas, AFC is bridging a critical gap in financial inclusion. This access to capital enables community members to start or expand businesses, invest in education, and improve their living conditions. The resulting economic activities not only enhance individual livelihoods but also stimulate local economies, reduce poverty, and contribute to the overall socio-economic development of the regions.

New Volumes Granted



Customer Outreach

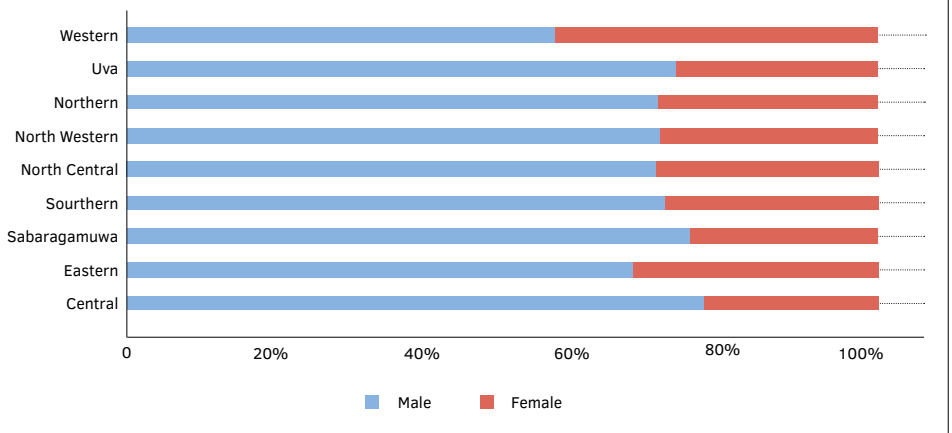


Deposit Base Provinces wise



Province	2024/25	2025/26
Central	827	3,267
Eastern	465	2,241
North Central	402	2,576
North Western	673	3,713
Northern	812	3,822
Sabaragamuwa	1,552	2,954
Southern	377	1,679
Uva	379	1,953
Western	29,977	11,627
Total	**35,463**	**33,832**

Employees by Provinces



AWARDS AND ACCOLADES



2012

- Joint Gold award in NBFI sector category at National Business Excellence Awards 2011, National Chamber of Commerce, Sri Lanka
- Silver award for Best Management Practices in the NBFI sector category, at National Business Excellence Awards, National Chamber of Commerce in Sri Lanka

2013

- Certificate of Recognition in NBFI sector category, ICASL Annual Report awards,
- Sri Lanka Best Innovation in Sustainable Financial Services Merit award, EOSD Global Sustainable Finance Awards, Germany

2014

- Winner of Green Leadership Award, Asia Responsible Entrepreneurship Awards, Singapore

2015

- Certificate of Recognition in NBFI sector category, ICASL Annual report awards, Sri Lanka

2016

- Merit Award in the large scale of the service sector category Social Dialogue and WorkPlace cooperation Awards, organized by the Department of Labour, Ministry of Labour and Trade Union Relations, Sri Lanka
- Certificate of Recognition for a Best employer with outstanding employee culture in Sri Lanka, Employer Brand Awards, organized by Employer Branding Institute, India
- Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka
- Marketing Campaign of the year award for AFC, Motorbike Show 2016, CMO Asia Awards for
- Excellence in Branding and Marketing in Sri Lanka

2017

- Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka

2018

- Sustainability Leader of the Year, Merit Award, Karlsruhe Sustainable Finance Awards, Germany
- Certificate of Merit, in NBFI sector category CMA Annual Report Awards,
- Sri Lanka Certificate of Compliance, in NBFI sector category, ICASL Annual Reports awards, Sri Lanka

2019

- Merit award for Local Economic Development, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines
- Certificate of Merit at CMA Excellence in Integrated Reporting Awards, Sri Lanka

2020

- Certificate of Merit for Outstanding Sustainability achievement for Integrating Sustainability into the Corporate Strategy, Karlsruhe Sustainable Finance Awards, Germany
- Winner, in Insurance and Finance sector category, ACCA Sustainability Reporting Awards, Sri Lanka
- Certificate of Merit, in NBFI sector category, CMA Excellence in Integrated Reporting Awards Sri Lanka
- Certificate as a finalist, Asia Sustainability Reporting Awards, Singapore.

2021

- ADFIAP awards 2021 - Merit award under the Outstanding Development Project - Corporate Social Responsibility category, for the 'One Million Trees for Unity' project
- ADFIAP Awards 2021 -Special award for the Best Sustainability Report
- Karlsruhe Sustainability Awards 2021
- Most Contributing Non-Government Institute of Sri Lanka - awarded by the State Ministry of Rural Roads and Other Infrastructure
- SAFA Awards - Best presented annual report awards, Integrated reporting awards, and SAARC anniversary award for governance disclosure 2020 - Joint second runner up - Finance Service Category
- ACCA Sustainability Reporting Awards - "Winner " in the " Finance Services and Insurance " Category of ACCA Sri Lanka Sustainability Reporting Awards 2021
- Top ten Winner - Best Management Practices Company Awards 2022, awarded by the Institute of Chartered Professional Managers of Sri Lanka
- National Business Excellence Awards 2021 - Runner up of non-banking financial service sector



2022

- Certificate of Compliance at the TAGS Awards 2022.

2023

- Green Brand of the Year - Gold Award at the SLIM Brand Excellence Award 2023.
- CA TAGS Awards 2023 - Bronze award in total group asset above LKR 20 BN category in the NBFI sector with a Bronze Award, by the Institute of Chartered Accountants of Sri Lanka
- Alliance Finance Company PLC has been recognized as a runner-up in the finance services and insurance category at the ACCA Sri Lanka Sustainability Reporting Awards 2023.
- Alliance Finance Company recognized among the TOP 10 Companies at the Best Management Practices Awards 2024 organized by the Institute of Chartered Professional Managers, Sri Lanka
- Best Website Award - Association of Development Finance Institutions in Asia and the Pacific (ADFIAP), Philippines

2024

- CA TAGS Awards 2024 - Silver award in total group asset above LKR 20 BN category in the NBFI sector conducted by the Institute of Chartered Accountants of Sri Lanka
- Special Recognition on Sustainability Reporting at CA TAGS Award 2024
- Runner-up in the Non-Banking and Financial Services Sector at the National Business Excellence Awards 2024.
- Category Award for Finance & Leasing (Private Sector) at the Best Management Practices Company Awards 2025
- Recognized among the Environmental, Social & Governance (ESG) – Twenty Outstanding Companies at the Best Management Practices Company Awards 2025 across all industries
- Merit award at CMA Excellence in Integrated Reporting Awards 2024

2025

- Joint Runner-up Excellence in corporate Governance & strategy in National Business Excellence Awards 2025
- Merit Award in NBFI sector in the National Business Excellence Awards 2025
- Awarded the SSCI Version 2.0 Certification at the Sustainable Finance Awards 2025 in Karlsruhe, Germany — a remarkable recognition of our continued commitment to sustainability
- MD has recognized as the Sustainability Leader of the year 2025 at the Sustainable Finance Awards 2025 in Karlsruhe, Germany
- Gold Award–Joint Winner of the “Ian Dias Abeysinghe Memorial JASTECA CSR / Sustainability Award” at the JASTECA Awards 2025, organized by the Japan Sri Lanka Technical & Cultural Association
- CMA – Excellence in Integrated Reporting Awards 2025 - Merit Award from all cross sectors
- CMA – Excellence in Integrated Reporting Awards 2025 - Best Integrated Report – NBFI Sector 2nd runners up
- Runner Up” of the “Other Financial Services Category at ACCA Sustainability Reporting Awards - 2026
- Sector Awards-Winner-Finance & Leasing (Private Sector) in the Best Management Practices Company Awards 2026
- Forty Outstanding Companies in the Best Management Practices Company Awards 2026
- Sector Awards-Merit-Environmental Governance in the Best Management Practices Company Awards 2026

CHAIRPERSON'S STATEMENT



"FY 2025/26 marked the most profitable year in AFC's 70-year history, with Profit After Tax rising 17.50% to a record LKR 2.04 Bn and Profit Before Tax reaching LKR 3.4 Bn. This exceptional performance reflects disciplined growth, prudent risk management, resilient earnings, and a strong foundation for sustainable long-term value creation."

I am pleased to present the Annual Report and Financial Statements of Alliance Finance Company PLC (AFC) for the financial year ended 31 March 2026. This year holds special significance as AFC, the oldest finance company in Sri Lanka, celebrates its 70th anniversary in July 2026 a remarkable milestone that reflects seven decades of resilience, innovation, and unwavering commitment to serving the nation.

It was an exciting year for AFC, defined by renewed momentum across our core business segments and the continued strengthening of our purpose-driven strategy. As we navigated an improving yet still evolving macroeconomic environment, we remained focused on disciplined growth, service excellence, and deepening our impact across key stakeholder segments.

STRATEGY IN MOTION

AFC remained firmly focused on leveraging its core differentiators to deliver sustainable, risk-adjusted growth. At the heart of our approach lies the commitment to the Triple Bottom Line philosophy, which continues to anchor our purpose-driven business model and define how we create value across economic, social, and environmental dimensions. Within this model, our High Impact Goals form the core of our lending strategy.

Vehicle financing accounts for 69% of our portfolio, we remain acutely aware of the associated carbon footprint and the wider environmental implications of our lending activities and are taking deliberate steps to offset the greenhouse gas emissions linked to our vehicle financing portfolio. Leading this effort is our flagship carbon sequestration initiative, AFC Thuru Mithuru, through which we have planted over one million trees across Sri Lanka under the "One Million Trees for Unity" campaign, one of the most impactful private-sector-led reforestation efforts in Sri Lanka to-date. In parallel, we also maintain a 25-hectare forest restoration project in Kandy, the "AFC Hapannu Forest", marking another first as Sri Lanka's first forest created by children through a public–private partnership.

We have continued to make good progress, centred on advancing financial inclusion by extending responsible financial services to underserved segments of society. It is very rewarding to see our gold-backed financing to basic savings continuing to gain good traction in enabling broader participation in economic activity, especially among rural communities. AFC places a strong emphasis on delivering a service that enhances customer confidence through transaction transparency, with every gold valuation conducted through technology-driven systems and managed by highly trained professionals to ensure accuracy, fairness, and reliability.

AFC is supported by an extensive island-wide branch network, 67% of which is located outside the Western Province, enabling it to provide financial services to underserved, unbanked and marginalised communities. AFC Gold Loans have become a trusted source of financing for small and medium entrepreneurs, farmers, families, and individuals facing short-term liquidity needs, enabling them to monetise the value of their gold articles while retaining their ability to regain ownership.

AFC's risk management framework provides robust oversight of the Gold Loan portfolio, safeguarding the Company against gold price volatility and other product-related risks. The Company maintains prudent impairment provisions, risk-adjusted face value for articles, regular stress testing, daily monitoring of gold prices and a shorter-tenor product portfolio to mitigate imminent product-related risks.

AFC takes a comprehensive approach to fostering the growth of micro, small, and medium enterprises (MSMEs). To date, the Company has financed over 40,000 MSMEs, empowering many first-generation entrepreneurs who would otherwise have limited access to formal capital. Through AFC's Helping Hand initiative, the Company further supports livelihoods by addressing critical social and economic needs within the communities it serves.

Perhaps most notably, AFC's value creation ecosystem is designed to ensure that capital reaches those who need it most. While 87% of the Company's deposit base is mobilised from the relatively prosperous Western Province, 72% of its credit is channelled to borrowers and entrepreneurs outside the Western province. This deliberate redistribution of capital creates opportunities in underserved regions, promotes inclusive economic growth, and contributes meaningfully to the advancement of rural Sri Lanka.

On that note, I am pleased to acknowledge that our integrated financial ecosystem has ensured that 82% of our portfolio contributes towards 13 United Nations Sustainable Development Goals, reflecting our belief that financial success and societal progress are inseparable. Every tree planted is a promise kept to the planet. Every MSME financed is a family empowered. Every rupee channelled beyond the Western Province is a step toward a Sri Lanka where prosperity does not stop at the city limits.

Simultaneously, the growing national focus on sustainable finance created strong institutional support for AFC's strategy. The expansion of Sri Lanka's Green Finance Taxonomy further strengthened the enabling environment for ESG-focused lenders, positioning AFC favourably, given its long-standing commitment to sustainability and climate-conscious financing.

During the year under review, AFC continued to diversify its funding base by securing international impact focused funding lines, strengthening access to long-term capital to support the Company's growth ambitions. These efforts not only enhanced funding stability but also reduced asset-liability tenor mismatches and mitigated exposure to interest rate volatility, thereby reinforcing the resilience of the balance sheet.

Our consolidation and optimisation agenda gained further momentum as AFC strengthened its operational foundations and built a more scalable platform for

Chairperson's Statement

sustainable growth. A key milestone in this journey was the successful implementation of the Company's core banking system in August 2025. This strategic investment has given us the required platform to enable streamlined end-to-end processes, enhanced workflow integration, improved data quality, and strengthened decision-making capabilities across the organisation.

As AFC accelerated its digital transformation journey, the Company remained acutely aware of the evolving operational and cyber risks associated with an increasingly complex technology landscape. Accordingly, AFC committed to enhance its technology risk management framework through targeted investments in cybersecurity infrastructure, system upgrades, employee capability development, and ongoing audit, compliance, and security review processes.

Recognising the importance of maintaining robust controls following the system migration and responding proactively to emerging cyber threats, the Company also commissioned an independent review of its operational processes and technology environment by external consultants. This comprehensive assessment will enable AFC to benchmark its practices against leading industry standards and implement best-in-class risk management and control measures. These initiatives have further strengthened operational resilience, enhanced governance, and positioned the Company to execute its long-term strategic priorities with greater confidence and agility.

SRI LANKA STRENGTHENS ECONOMIC FOUNDATIONS

It was with much eagerness that we watched Sri Lanka enter a phase of continued recovery and cautious normalisation in 2025. The economy moved beyond the most acute effects of the crisis period to record GDP growth of 5% in 2025, supported by a broad-based recovery across key sectors, including tourism, construction, financial services, and domestic consumption. Strong remittance inflows and improving consumer confidence further reinforced economic momentum, contributing to a more balanced and sustained growth trajectory.

Inflation after reaching a low of -4.2% in February 2025 gradually returned to positive territory in August 2025 and closed at 2.1% in December 2025. By April 2026, inflationary pressures had re-emerged, with headline inflation rising to 5.4% from 2.2% in March 2026, largely driven by higher fuel and energy costs linked to geopolitical tensions in the Middle East, which in turn increased domestic transport and utility expenses.

Sri Lanka's macroeconomic fundamentals remained stable. Foreign reserve buffers strengthened, interest rates remained well below crisis-era highs, and fiscal performance continued to improve under the IMF-supported reform programme. Tourism inflows maintained momentum, while the Government's decision to relax restrictions on vehicle imports supported the recovery in credit demand, particularly for vehicle financing. Meanwhile, the Central Bank of Sri Lanka maintained a cautious stance in balancing growth with emerging inflationary and external risks.

However, several key concerns remained. Elevated food prices and slower reserve accumulation meant that the benefits of macroeconomic stabilisation had yet to fully translate into broad-based improvements in household welfare. Real wages remained below 2019 levels, placing continued pressure on repayment capacity within MSME and household borrower segments. At the same time, the 5.6% depreciation of the rupee in 2025 increased import-related costs.

Moreover, the eruption of geopolitical tensions in the Middle East in late February 2026 added to the volatility, primarily through energy price pressures and heightened global market uncertainty. While the immediate domestic impacts have so far remained relatively contained, the crisis has reinforced the presence of persistent medium- to long-term external stressors that will continue to shape Sri Lanka's macroeconomic outlook and external stability considerations.

NBFI SECTOR RECORD BROAD-BASED RECOVERY

Sri Lanka's Non-Bank Financial Institution (NBFI) sector recorded a remarkable turnaround in 2025 to emerge as one of the strongest beneficiaries of the Country's broader economic recovery. Supported by improving macroeconomic stability, accommodative monetary conditions, easing inflationary pressures, and the resurgence in private sector credit demand, the sector experienced rapid balance sheet expansion alongside significant improvements in profitability and asset quality.

Industry assets expanded sharply during the year, reflecting renewed lending momentum across key financing segments. Based on industry estimates, net portfolio growth surged by 57% to LKR 2.4 Tn by March 2026, while total assets increased by 44% to exceed LKR 3 Tn compared to the previous year. The strong recovery in economic activity, combined with the resumption of vehicle imports and increased business confidence, accelerated demand for leasing, MSME financing, gold loans, and other retail credit products across the sector. Despite the moderate interest rate regime, deposits also recorded a healthy growth of 17% in 2025, reflecting the gradual return of depositor confidence and improving liquidity conditions within the financial system.

Another key development during the year was the notable improvement in asset quality after several years of stress following the economic crisis. The reduction in the Stage 3 ratio was primarily driven by strong portfolio growth. Sector-wide Gross Non-Performing Loan (NPL) ratios continued their downward trajectory throughout 2025. While the aftermath of Cyclone Ditwah created a temporary spike in delinquencies, particularly across vulnerable grassroots and MSME segments in the affected regions, the impact was effectively contained

through proactive recovery efforts, targeted borrower support measures, and strengthened portfolio monitoring mechanisms implemented across the sector. As economic activity gradually normalised and repayment capacities stabilised, asset quality indicators recovered steadily, with conditions largely stabilising by end-March 2026.

Notably however, Net Interest Margins (NIMs) moderated from the elevated levels witnessed during the immediate post-crisis period, reflecting heightened asset-liability mismatch pressures amidst the gradual moderation of interest rates alongside increasing competitive pressures within the lending market.

Nonetheless, the sector reported strong improvements in profitability with both Profit before tax and profit after tax expanding by 17% and 18% respectively year on year. Return on Equity (ROE) improved to 15.8%, highlighting the sector's stronger earnings capacity and improved operational performance amidst the recovery cycle. At the same time, the cost to income ratio improved, signaling better cost absorption through scale expansion and operational streamlining initiatives adopted by finance companies.

Meanwhile, the credit expansion saw the sector's Tier 1 Capital Ratio declining from approximately 20% to 17%, although the sector remained comfortably above regulatory minimum requirements, supported by strong capital buffers and retained earnings.

Alongside the strong financial recovery witnessed during the year, Sri Lanka's NBFI sector continued its rapid digital transformation. Encouraged by growing customer preference for faster, more convenient digital financial services, the sector accelerated investments to strengthen both front-end and back-end digital capabilities. However, increasing digitalisation also heightened exposure to cyber threats and technology-related risks, underscoring the need for greater vigilance and stronger cybersecurity measures to safeguard data systems and preserve customer trust.

RECORD FINANCIAL RESULTS

AFC delivered an exceptional financial performance during FY 2025/26, clearly demonstrating that our long-standing commitment to sustainable finance continues to translate into strong financial outcomes even amidst an evolving operating environment.

Interest income increased by 16.68% to LKR 16.6 Bn, reflecting strong lending momentum and portfolio expansion during the year. Despite a moderation in market interest rates, AFC's Net Interest Income increased by 16.32% to LKR 9.03 Bn, underscoring the focus on disciplined portfolio growth, prudent pricing strategies, and effective management of funding costs.

Profit Before Tax increased to LKR 3.4 Bn, while Profit After Tax grew by 17.50% to reach LKR 2.04 Bn during the year, all major achievements considering the heightened competitive pressures within the NBFI sector.

During FY 2025/26, AFC pursued a measured and sustainable growth strategy, building on the strong momentum achieved over the preceding three years. Total assets increased by 18.13% to LKR 96.4 Bn, reflecting the Company's continued commitment to supporting Sri Lanka's MSME sector, widely recognised as the backbone of the national economy.

This growth was underpinned by a strengthened and increasingly diversified funding base. While deposits recorded moderate growth during the year, AFC strategically expanded its funding mix by increasing bank borrowings and institutional liabilities by 32% year-on-year to support accelerated portfolio expansion. Further reinforcing its funding resilience, the Company successfully secured USD 10.78 Mn in foreign funding facilities, reflecting the confidence placed in AFC by international impact funding partners, particularly in recognition of its triple-bottom-line business philosophy. The associated foreign exchange risks were effectively mitigated through carefully structured risk management arrangements. In another significant milestone, AFC raised LKR 2 Bn through Sri Lanka's first Social Bond issuance, further diversifying its sources of capital while strengthening its commitment to sustainable finance.

The Company's strong financial performance during the year also contributed to a solid capital position. Shareholders' equity grew by 17.38% to exceed LKR 10 Bn, driven primarily by higher retained earnings generated through robust profitability.

Importantly, AFC achieved this growth while maintaining a disciplined approach to risk management and portfolio quality. The Company continued to balance growth aspirations with prudent underwriting standards and proactive portfolio monitoring. As a result, the Gross Non-Performing Loan (NPL) ratio stood at 5.86% as at 31 March 2026, remaining broadly in line with the industry average despite the rapid expansion of the loan portfolio. This performance reflects the resilience of AFC's credit risk management framework and its commitment to sustainable long-term value creation.

GOVERNANCE AND COMPLIANCE

In line with evolving regulatory expectations and an increasingly complex operating environment, the AFC Board continued to place strong emphasis on regulatory compliance and governance as a core strategic priority with Board oversight in the current year directed towards strengthening the robustness, responsiveness, and effectiveness of the Company's governance and compliance ecosystem.

The Board together with The Board Integrated Risk Management Committee also undertook a comprehensive programme to further strengthen AFC's

Chairperson's Statement

anti-money laundering and countering the financing of terrorism framework in line with the CBSL AML/CFT Directions.

Similarly, considering new developments under the CBSL Technology Risk Management (TRM) Directions, the Board focused on strengthening the Company's technology governance and cyber resilience posture through independent validation exercises.

The Board Audit Committee ensures the integrity of our financial reporting and drives a culture of transparency and accountability.

The Board Nomination and Governance Committee ensures that the Company maintains the highest standards of good governance and employs a transparent process for the selection and appointment of Key Responsible Persons.

ACCOLADES

The year under review was also marked by exceptional recognition of AFC's commitment to governance, sustainability, strategy, and reporting excellence. Among the highlights were the SSCI Version 2.0 Certification at the Sustainable Finance Awards in Karlsruhe, Germany; the recognition of our Managing Director as Sustainability Leader of the Year 2025; and multiple accolades from ACCA, CMA, JASTECA, the National Business Excellence Awards, and the Best Management Practices Company Awards. These achievements reflect our purpose-driven business model, the dedication of our people, and our commitment to creating lasting, sustainable value for all stakeholders.

BOARD CHANGES

Board refreshment remains an essential element of AFC's governance philosophy, as it supports the infusion of fresh perspectives, complementary skills, and diverse experience to further strengthen Board effectiveness and overall decision-making quality.

In line with the commitment to Board refreshment, we were pleased to welcome Mrs. Devika Ellepola as a Non Independent Non-Executive Director to the AFC Board with effect from 16 January 2026 Mrs. Ellepola brings extensive expertise in sales and marketing, further enhancing the Board's strategic and commercial capabilities.

Subsequent to the year end, we also welcomed Mr. Aruna Rodrigo as an Executive Director with effect from 1st April 2026. With his extensive experience in credit, marketing, and operations, Mr. Rodrigo adds valuable industry knowledge and leadership expertise to the Board.

These appointments further strengthen the Board's collective expertise and reinforce its ability to bring fresh perspectives, diverse skills, and enhanced strategic insight to support AFC's continued growth and governance excellence.

The Board joins me placing on record our sincere appreciation to Mr. Kusal Jayawardana, who resigned from the Board with effect from 31st March 2026. We are deeply grateful for his longstanding commitment, dedicated service, and the invaluable contribution made towards AFC's progress over the years and extend our best wishes for his future endeavours.

We also acknowledge the retirement of Dr. Lasantha Wickremesooriya from the AFC Board on 9th December 2026. We extend our sincere gratitude for his valued contribution to the Board, especially in relation to strategic planning and marketing and wish him continued success in his future corporate engagements.

OUTLOOK AND PROSPECTS

Although Sri Lanka has moved beyond the acute phase of the economic crisis, significant structural vulnerabilities remain. Elevated public debt, limited fiscal space, and continued reliance on external inflows are likely to constrain economic performance in the medium term. Furthermore, heightened geopolitical tensions, energy market volatility, and uncertainty surrounding global trade and capital flows continue to pose risks to inflation, currency stability, foreign reserves, and key foreign exchange earnings such as tourism and remittances.

Within this environment, the NBFI sector has largely stabilised, supported by improving asset quality, lower non-performing loans, and stronger profitability. However, the recent acceleration in credit growth, coupled with inflationary pressures on household incomes and MSME cash flows, may give rise to renewed asset quality challenges if not accompanied by prudent risk management. Certain borrower segments, particularly those exposed to agricultural input costs and external demand fluctuations, remain vulnerable to emerging economic pressures.

The CBSL's recent macroprudential measures, including the reduction of Loan-to-Value (LTV) ratios for motor vehicle financing facilities, are expected to moderate short-term credit growth while strengthening borrower resilience and supporting the long-term stability of the financial system. Looking ahead, sustainable sector growth will depend on maintaining an appropriate balance between expansion, capital adequacy, funding stability, and risk management. At the same time, accelerating digital adoption continues to create opportunities for greater efficiency, scalability, and financial inclusion across the sector.

The Loan-to-Value (LTV) framework introduced by the regulator for Gold Loans attempts to mitigate the emerging risks associated with gold loans, promoting a more consistent and risk based approach across the industry. The risk-weight introduced for credit risks secured by gold, based on a loan-to-value threshold, will help moderate potential credit growth. However, the risk weight applicable to gold loans and the implementation of the revised LTV requirements for gold loans and registered motor vehicles, would reduce the quantum of working capital financing available to MSME as historically these assets have been deployed to finance working capital requirements.

Against this backdrop, AFC's medium-term strategy will remain focused on delivering sustainable, quality-driven growth while preserving capital strength and enhancing operational resilience. Guided by our High Impact Goals, we will pursue disciplined portfolio expansion with a continued emphasis on financial inclusion, MSME development, and climate-conscious financing. By focusing on carefully selected sectors and customer segments, we aim to generate risk-adjusted returns while optimising funding costs and strengthening Net Interest Margins.

While the operating environment is likely to remain challenging, AFC is well positioned to capitalise on opportunities arising from financial inclusion, digital transformation, and the gradual normalisation of economic conditions. Our continued focus on balancing growth with prudence, innovation with discipline and expansion with resilience will remain central to delivering sustainable long-term value to all stakeholders.

APPRECIATIONS

In what has been a year of definitive progress, I would like to express my sincere appreciation to all those who have contributed to AFC's achievements during the year under review.

First and foremost, I extend my heartfelt gratitude to the Board of Directors for their continued commitment and stewardship of the Company. Your collective wisdom and strategic oversight have been instrumental in strengthening AFC's governance and long-term direction.

I am also deeply appreciative of our Deputy Chairman and Managing Director, Mr. Romani de Silva, whose leadership, dedication, and unwavering commitment have been central to driving the Company's performance and strategic execution during the year.

My sincere thanks go to the Management Team for their professionalism, resilience, and focus in executing our strategy with discipline and consistency, ensuring that our objectives were translated effectively into measurable outcomes. Further I wish to recognize with thanks, the independent and dedicated services of all staff in the Risk, Audit and Compliance functions, supporting the Board subcommittees, in their respective areas of governance.

I also wish to recognise and thank all employees of AFC for their continued commitment, hard work, and contribution at every level of the organisation. It is your dedication that enables us to deliver on our purpose and maintain our momentum of growth and transformation.

On behalf of the Board of Directors, I wish to thank all the officials at the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for their guidance and our Auditors "Deloitte Associates" for their valuable professional services extended to us.

Finally, I extend my sincere appreciation to our valued customers for their loyal patronage, to our shareholders, impact investors, bankers, business partners and all other stakeholders, for their continued trust and confidence placed with us.

As we move forward, I warmly invite all stakeholders to continue this journey with AFC as we strive to lead by example in demonstrating our commitment to Sustainable Finance.



Tamara Dharmakirti-Herath
Chairperson
26 June 2026

MANAGING DIRECTOR'S STATEMENT



"AFC made history by issuing **Sri Lanka's first Social Bond,** raising **LKR 2.0 Bn** to support MSME development. The milestone underscores the Company's leadership in sustainable finance, mobilising capital for inclusive economic growth while advancing our triple bottom line philosophy and strengthening Sri Lanka's sustainable capital market."

MACRO-ECONOMIC BACKDROP

The year 2025 marked a clear turning point in Sri Lanka's economic trajectory. Aided by stronger policy discipline, ongoing fiscal consolidation, and the gradual rebuilding of external sector stability, the country moved beyond stabilisation into a phase of early recovery. While episodic disruptions in the aftermath of Cyclone Ditwah in November 2025, created momentary pressure, these uncertainties were effectively contained, ensuring that the broader economic recovery trajectory remained on track.

Led by broad-based momentum across key sectors, Sri Lanka recorded GDP growth of around 5% in 2025, signalling a decisive shift towards renewed economic activity and improving business confidence. Inflationary pressures also eased significantly over the year, reflecting stabilising supply conditions and the gradual normalisation of price dynamics.

The NBFI sector also received a much needed boost in 2025 translating into strong improvements across all key performance indicators. Supported by the resurgence in credit demand on the back of the economic reset, sector assets expanded by approximately 40%, while profitability also improved year on year. Meanwhile underscoring the sector's recovery momentum alongside the broader economy, asset quality strengthened meaningfully, with the Stage 3 loan ratio declining from 8.6% to 6.1%, marking the first significant improvement since 2022.

STRATEGY IN ACTION

While the improving economic environment presented a clear opportunity for growth, we at AFC approached the year with a strong sense of discipline to ensure every decision remained firmly anchored to the foundational principles outlined in our purpose statement. Our intention was not merely to be a participant in Sri Lanka's financial renaissance, but rather to deliberately channel capital where it is needed most - to help individuals and businesses to rebuild, grow, and sustain livelihoods, while laying the foundation for long-term, resilient economic progress.

"FY 2025/26 was a defining milestone in AFC's journey, as our purpose-driven strategy translated into the strongest financial performance in the Company's seven-decade history.
We achieved record Profit Before Tax of LKR 3.36 Bn and Profit After Tax of LKR 2.04 Bn, while expanding our Gross Loan Portfolio by 24% to LKR 79.7 Bn, reflecting disciplined execution, prudent risk management, and sustainable value creation."

With our High Impact Goals serving as a compass, our lending strategies were directed towards MSME financing. Cognizant of the vital role played by MSMEs in revitalising the economy, we prioritised lease and loan products to drive income generation. Initiatives to support structured self-employment, including three-wheeler financing, were further strengthened and scaled to boost income generation at the grassroots level. Further broadening our approach, we moved aggressively to expand into value chain financing to enable small businesses to restore operations, stabilise cash flows, and scale sustainably. Likewise, we continued leveraging rising gold prices to drive capital-efficient products such as gold loans to empower communities to access short-term liquidity.

At the same time, we accelerated the push towards climate finance solutions, such as rooftop solar and energy-efficient financing. I am glad to see these purpose-led approaches translating into strong portfolio growth, with AFC's Gross Loan Portfolio expanding by 24% from LKR 64.4 Bn in FY 2024/25 to LKR 79.7 Bn in FY 2025/26.

Striving to balance portfolio expansion with asset quality management, we prioritised a risk-adjusted growth strategy. We strengthened credit underwriting and migrated to digital loan processing, and portfolio monitoring with a view to improving asset quality. I am indeed pleased to see that these improvements have helped to minimise credit risk and ensure the long-term sustainability of our lending portfolio.

I am also encouraged to note the minimal impact of Cyclone Ditwah on our portfolio quality, despite our customer base being predominantly at the grassroots level. This I believe, stands as a strong testament to the robustness of our credit underwriting standards, as well as the effectiveness of our proactive recovery mechanisms and close customer engagement.

Managing Director's Statement

AFC's funding strategy remained focused on maintaining a diversified, resilient, and sustainable funding base to support long-term growth. Alongside steady deposit mobilisation, the Company strengthened its access to bank and institutional funding, resulting in a 32% year-on-year increase in such borrowings. AFC also secured USD 10.78 Mn in foreign funding facilities, reflecting the confidence of international funding partners in the Company's triple bottom line business philosophy, strong governance standards, and prudent risk management practices.

To strengthen balance sheet resilience, the Company carefully aligned the tenor of its foreign funding facilities with the maturity profile of its lending portfolio, thereby minimising asset-liability mismatches. In addition, a substantial portion of these facilities was secured at fixed interest rates, reducing exposure to interest rate fluctuations and enhancing the predictability of future funding costs.

Collectively, these initiatives underscore AFC's disciplined approach to funding and risk management, ensuring a stable and diversified funding structure that supports sustainable business growth while enhancing the Company's ability to navigate evolving market conditions and create long-term value for all stakeholders.

STRENGTHENING CORE FUNDAMENTALS

AFC has always prided itself in being a sustainability-driven organisation, where our very DNA embeds the deep commitment to building a future that is not only prosperous, but also purposeful.

In demonstrable evidence of this commitment we have continued to ensure that nearly 82% of our core business activities are contributing towards 13 United Nations Sustainable Development Goals (SDGs), with direct alignment to SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation and Infrastructure, and SDG 13: Climate Action.

"Guided by our triple bottom line philosophy, AFC mobilised purpose-driven capital through landmark Green and Social Bonds, while strengthening biodiversity conservation and surpassing one million trees planted, creating measurable impact for communities and the environment."

We continue to build on these strong foundations by actively pursuing new avenues to deepen and expand our social and environmental impact, with some landmark achievements in recent years. In particular, with the expansion of Sri Lanka's Green Finance Taxonomy in 2025 and the launch of the Payment System Roadmap for 2025–2027, both creating strong institutional momentum for sustainability aligned financing, AFC made history with the launch of a LKR 1.0 Bn Green Bond in early-2025, with proceeds dedicated towards climate-smart initiatives, particularly rooftop solar projects. As the first issuance of its kind within Sri Lanka's non-bank financial institution sector, this milestone further reinforced AFC's leadership in integrating sustainability into mainstream financing.

Building on this momentum, AFC issued a LKR 2.0 Bn Social Bond in mid 2025, with proceeds specifically earmarked to support MSME development across the country. Together, these initiatives reflect a deliberate and forward-looking approach to mobilising purpose-driven capital, strengthening AFC's role as a catalyst for sustainable and inclusive economic growth whilst also playing a pioneering role in developing capital markets in Sri Lanka through the timely introduction of such impact based instruments to the Colombo Stock Exchange.

OUTSTANDING FINANCIAL PERFORMANCE

FY 2025/26 was a defining point in AFC's journey. It was a year in which our strategic purpose translated into solid outcomes culminating in the delivery of the strongest-ever financial performance in the Company's seven-decade-long history.

AFC recorded its highest-ever interest income of LKR 16.61 Bn, denoting a 17% expansion year on year from LKR 14.2 Bn in the previous year. Disciplined margin management saw Net interest income rising sharply to LKR 9.03 Bn, in turn contributing towards a noteworthy net interest margin of 10.97%.

Profitability also reached historic highs, with Profit Before Tax increasing significantly to LKR 3.36 Bn, while Profit After Tax rose to LKR 2.04, another historical milestone.

Other key return indicators followed a similar trajectory, with Return on Assets (ROA) improving to 3.77% and Return on Equity (ROE) strengthening to 20.06%.

At the same time, AFC maintained a robust capital and liquidity position, with the Tier I capital ratio at 12.35% and the total capital ratio at 17.37%, both comfortably above regulatory thresholds. Liquidity levels also strengthened to 15.44%, ensuring sufficient headroom to support future growth while maintaining financial resilience.

It is also noteworthy that as a result of our sustainability integrated business philosophy, the value of our balance sheet has almost doubled in value in the last three years.

Whilst this is a phenomenal achievement,we have decided to treat the next twelve to eighteen months as a period of consolidation and focus on putting in place the systems,technology, governance, people and processes that are necessary for the business to operate at its current scale. Most importantly, given the volatile Banking and Finance environment that we operate in,we also feel that it is necessary to relook at the integration of such technology systems and controls with human processes, especially, in the context of the new digital environment that banking and finance has rapidly evolved into.As such, we hope to grow at a conservative 15% to 16% per annum for the next eighteen months or so.

DIGITAL INTEGRATION

Marking a quantum leap in our efforts to redefine AFC's operational architecture, we invested over LKR 208 Mn in the current year to develop a fully integrated technology ecosystem to enable the Company to operate with greater precision, responsiveness, and intelligence in an increasingly dynamic financial services landscape.

In this regard, the live roll out of the Finacle Core Banking System was completed in mid-2025 and signifies a major upgrade from legacy infrastructure. We are already seeing the benefits of this transition. The new system with its enhanced real-time processing capability, stronger internal controls, and improved operational agility has elevated AFC's core capabilities to a new level.

At the same time, our back-end transformation led by the Microsoft Dynamics Enterprise Resource Planning (ERP) system has helped to streamline internal workflows, improve accuracy and transparency of key processes including financial reporting and procurement, as well as allowing for better collaboration amongst the different teams in the Company.

Considering the rapid changes made to our digital architecture, we also established a centralised data warehouse to consolidate information across multiple systems into a unified platform, which now gives us access to data-driven insights and advanced analytics to sharpen portfolio monitoring and risk management processes.

CUSTOMER EXPERIENCE HIGHLIGHTS

At AFC, an excellent customer experience is not just a priority, it is the very reason we exist. To bring this philosophy to life, we have embedded a robust customer feedback ecosystem within our operations. Our Marketing Call Centre conducts regular, branch-level satisfaction surveys with comprehensive coverage across all key customer segments, enabling us to capture real-time insights into customer sentiment. I am happy to report that the results of our latest surveys conducted during the current year indicate a very high level of customer satisfaction at almost every touchpoint.

Our Net Promoter Scores (NPS) remained equally strong across all product categories, with Leasing, Ran Ayojana, Agri, and Solar Loans recording 97.7%, Gold Loans at 97.2%, and Fixed Deposits at 98.2%, while the overall NPS stood at 97.3%, reflecting a consistently high level of customer advocacy and trust, that I believe significantly raises the bar for service excellence within the NBFI sector.

EMPOWERING PEOPLE

We know that empowering people is critical to delivering on our purpose and, as such we have invested heavily on building a high-performance culture where individuals are empowered to realise their full potential, take ownership of outcomes, and contribute meaningfully to the organisation's long-term success.

During the year, several key initiatives were undertaken to strengthen this agenda, key among them was the cadre mapping exercise to streamline external recruitments and promote internal career transition. This was complemented by the expansion of structured career development pathways and succession planning initiatives designed to identify and nurture future leaders while providing employees with greater clarity on growth opportunities within the organisation.

Performance-based incentive schemes and employee recognition programmes were also revamped to better align rewards with individual and organisational performance outcomes, thereby reinforcing the results-driven culture and motivating employees to consistently deliver at higher levels. Simultaneously, we also invested significant resources on overseas training to enable our employees to gain broader perspectives, enhance technical expertise, and bring back best practices that strengthen AFC's operational and strategic capabilities.

SUSTAINABILITY LEADERSHIP

The AFC brand has, over time, become synonymous with sustainability, and for good reason. Over the years, AFC has continued to translate its sustainability driven purpose of existence into tangible outcomes that deliver measurable environmental and social value.

At the grassroots level, sustainability is primarily driven through most of our products and services whilst 97 branch-led CSR initiatives contributed to building strong relationships with local communities during the financial year. In parallel, AFC responded swiftly to national needs during times of crisis, allocating nearly LKR 5 Mn to undertake a series of flood relief projects to support communities affected by cyclone Ditwah.

Managing Director's Statement

Our environmental sustainability initiatives also continued to gain further traction in the current year. Our flagship reforestation drive, now in its 7th consecutive year, crossed the 1 Mn trees planted mark in the current year. The initiative forms part of a long-term effort to restore ecosystems, enhance carbon sequestration, and contribute meaningfully to Sri Lanka's environmental conservation agenda. Further advancing efforts to improve Sri Lanka's forest cover, AFC pledged the distribution of 25,000 plants to Sri Lanka's tri-forces in celebration of World Environment Day 2025.

AFC's biodiversity conservation efforts also gathered momentum through a series of strategic partnerships, most notably the re-initiation of the collaboration with the Wilderness & Wildlife Conservation Trust (WWCT) under the "Corridors for Conservation" initiative which reflects a renewed commitment to protecting Sri Lanka's critical watershed forests and promoting sustainable human-wildlife coexistence, particularly in safeguarding leopard habitats. This includes a commitment to plant 100,000 native highland forest species over the next 36 months.

AFC also partnered with the Federation of Environmental Organizations Sri Lanka (FEO) to undertake ecological restoration and biodiversity enhancement across 15 hectares of land at Galge National Park. This initiative is aimed at preserving natural grazing grounds for wildlife such as elephants, and supporting local livelihoods by engaging communities in conservation activities.

Another significant initiative was the collaboration with Preserving Land and Nature (PLANT) to reforest the riverbanks of the Radella Estate, with AFC committing to plant 105,000 trees over five years. This project is deeply personal for the Company as it links tree planting efforts with AFC's unique Hapannu Minor Savings Scheme.

Additionally, AFC remains a key stakeholder in the Knuckles range Manigala Conservation Project, a multi-party collaboration involving government and local authorities to conserve biodiversity, regulate responsible tourism, and empower local communities, aligning closely with national sustainability priorities.

AWARDS AND ACCOLADES

AFC's ever-growing portfolio of awards and recognitions stands as a strong affirmation of our commitment to excellence across all facets of our operations. AFC's performance and strategic execution were recognised at the National Business Excellence Awards 2025, where the Company was named Joint Runner-up for Excellence in Corporate Governance and Strategy and also secured a Merit Award in the NBFI sector. Further reinforcing our standing as a well-managed institution, AFC was also recognised among the Forty Outstanding Companies at the Best Management Practices Company Awards 2026, in addition to securing the Sector Award – Winner (Finance & Leasing, Private Sector).

The Company's dedication to transparency and reporting integrity was recognised at the CMA Excellence in Integrated Reporting Awards 2025, where AFC secured a Merit Award across all sectors, as well as being named 2nd Runner-up for Best Integrated Report in the NBFI sector.

It is also deeply gratifying to see our leadership in sustainability continuing to be recognised both locally and internationally. AFC was awarded the SSCI Version 2.0 Certification at the Sustainable Finance Awards 2025 in Karlsruhe, Germany, marking a significant milestone in aligning its operations with globally recognised sustainable finance standards. Additionally, AFC clinched the Gold Award as the Joint Winner of the "Ian Dias Abeysinghe Memorial JASTECA CSR / Sustainability Award" at the JASTECA Awards 2025, and was named Runner-Up in the "Other Financial Services" category at the ACCA Sustainability Reporting Awards 2026.

OUTLOOK AND PROSPECTS

Looking ahead, Sri Lanka's recovery is expected to continue in the coming year, albeit at a moderate pace with the World Bank projecting economic growth easing to 3.5% in 2026. Structural constraints, including the elevated public debt burden is projected to remain above 95% of GDP until 2032, which will likely limit fiscal flexibility and limit the pace of economic expansion. In addition, emerging global risks, including geopolitical tensions in the Middle East and potential oil price volatility, could exert inflationary pressure and dampen external sector stability, with downstream implications for credit quality within Sri Lanka's NBFI sector.

Against this backdrop, AFC will remain mindful of potential risks, specifically the possibility of higher non-performing loans

(NPLs) as global and domestic conditions evolve. As such, the Company's strategic focus will be to balance growth ambitions with prudence.

In line with this approach, we expect more measured growth in the near term. Given our strong expansion this past year, the immediate priority going forward, will be to consolidate these gains. I believe this phase of consolidation is necessary for the Company to enhance efficiencies and build buffers to strengthen its readiness to navigate potential external shocks. Accordingly, we will work towards a moderate portfolio expansion of approximately 15% in the year ahead. Our lending strategy will remain firmly anchored on asset-backed and capital-efficient products. Equally importantly, we expect to ramp up the use of technology to strengthen credit underwriting standards, maintain disciplined risk controls and enhance portfolio monitoring in order to maintain NPL's in line with expectations.

Seeing the incremental benefits from our technology investments, we are keen to further expand our digital core. Capitalising on the new core banking platform, AFC will continue to enhance system capabilities through the use of AI-driven tools to systematically improve service delivery and sustain long-term value creation.

APPRECIATIONS

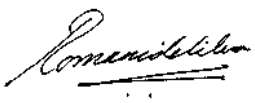
Reflecting on what has been AFC's best year to-date, I believe our achievements serve as a testament to the collective trust and commitment of all our stakeholders. This record breaking performance in our 70th year of business operations would not have been possible if not for the sheer dedication and deep commitment of the 1,780 members of the Alliance Family that I am truly humbled to lead.

I also wish to take this opportunity to extend my heartfelt appreciation to our customers and depositors for the continued confidence in AFC. To our shareholders, suppliers, and business partners, I sincerely thank you for your unwavering support and collaboration. Your belief in our long-term vision has been instrumental in enabling AFC to deliver consistent performance while advancing sustainable value creation.

My deepest appreciation also to the Chairperson and the Board of Directors for their leadership and guidance in steering AFC forward while keeping the organisation firmly anchored to its purpose and strategic direction.

I am also very grateful to our development finance partners and banking partners for their steadfast support.
A special thank you to the officials at the Central Bank of Sri Lanka, the Finance Houses Association, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange, the Asian Development Bank, and Deloitte Sri Lanka for their guidance and support.

As I look ahead, I wish to assure all stakeholders that AFC will continue to grow responsibly and remain true to its purpose of making the world a better place through sustainable finance.



R.K.E.P. De Silva
Deputy Chairman / Managing Director
26 June 2026

Q

“Can we trust you with our future?”

A

We ensure that our communities are strong and supported, ensuring that families experience development and a high quality of life every day.

Green Savings
Enrich the Hapannu Forest: Your deposit isn’t just money;
It’s a catalysit for the thriving hapannu forest.



VALUE CREATION MODEL GRI 2-6

CAPITAL INPUTS

FINANCIAL CAPITAL
- Equity : LKR 10,974 Mn
- Borrowings : LKR 43,395 Mn
- Deposits : LKR 37,766 Mn

MANUFACTURED CAPITAL
- 92 branches
- IT capabilities and digital channels

HUMAN CAPITAL
- Diverse team of 1,767 employees
- Remuneration and performance-based rewards
- Learning and Development

SOCIAL AND RELATIONSHIP CAPITAL
- 305 suppliers
- Social Sustainability Initiatives

INTELLECTUAL CAPITAL
- Brand strength
- Expertise in SME and MSME financing

NATURAL CAPITAL
- Environmental and Social Management System
- Energy
- Water
- Materials
- Environmental conservation efforts

PROCESS

OUR PURPOSE **"MAKE THE WORLD A BETTER PLACE THROUGH SUSTAINABLE FINANCE"**

PILLARS

- Business growth through digitization
- Corporate stewardship
- Improve brand visibility
- Social and environmental best practices
- Increase employee producitity
- Improving profitability

OUR BUSINESS ACTIVITIES

FINANCIAL SERVICES

We provide financial services to individuals and businesses including leasing, gold loans, term loans, gold investment solutions, savings and deposits. We also carry out vehicle trade-in services and Ezy drive vehicle hiring services under our Commercial Division.

INTEREST, FEES AND COMMISSIONS

We fund our loans through deposits, borrowings, savings and other investments and actively manage the risks associated with them. In return for our services we receive interest fees and commissions.

RE-INVEST AND PAY OUT RETURNS

With our revenue we meet our operating costs, reinvest in our business and payout returns to our investors.

OUR STRATEGY

GOAL

Goal 1

Goal 2

Goal 3

OUTPUTS

FINANCIAL CAPITAL
- PAT: LKR 2,038 Mn
- ROE: 20.06%
- EPS: LKR 60.49

MANUFACTURED CAPITAL
- Touchpoints: 92

HUMAN CAPITAL
- Investment in training: LKR 8.4 Mn
- Training hours: 38,463 hrs
- Staff promotions: 317

SOCIAL AND RELATIONSHIP CAPITAL
- Customer base: 148,899
- Investment in social sustainability: LKR 73 Mn

INTELLECTUAL CAPITAL
- Brand Rating: 55
- Credit Rating: BBB (Stable)

NATURAL CAPITAL
- Green lending portfolio: LKR 571 Mn
- Trees planted: 1,024,377
- Carbon sequestration: 44,180 $MtCO_2e$



VALUE CREATED

SHAREHOLDERS
- Sustainable growth
- NAV per share
- Gross dividend

CUSTOMERS
- Operational efficiency
- Customer satisfaction

EMPLOYEES
- Diverse and inclusive organizational culture
- Safe working environment
- Career progression
- Empowerment
- Equal opportunity

REGULATORS
- Taxes paid: LKR 1.6 Bn
- Compliance with regulatory requirements

SUPPLIERS
- Long term relationships
- Transparency

COMMUNITY
- Long term relationships
- Communities
- Building sustainable livelihoods
- Greater community reach and Inclusive financing
- Contribution to SDGs
- Resource stewardship
- Mitigating global warming

STAKEHOLDER ENGAGEMENT GRI 205-3, 2-25,2-29

As a financial institution deeply rooted in empowering grassroots communities, MSMEs, and underserved segments for sustainable business practices, stakeholder engagement is viewed as a strategic enabler of long-term value creation and sustainable impact.

Premises on this, the Board of Directors assumed the ultimate responsibility for stakeholder engagement. Operating under the delegated authority of the Board, functional heads across the organisation are responsible for conducting stakeholder engagements in alignment with the established Stakeholder Engagement Process flow.

STAKEHOLDER ENGAGEMENT OBJECTIVES

BUILD meaningful and transparent relationships with key stakeholders across AFC's operating ecosystem
ENSURE alignment between stakeholder expectations and AFC's business strategy, policies, and operational practices
USE stakeholder insights to inform strategic planning, risk management, and decision-making processes

1. **Define engagement objectives** Clarify the level of engagement based on the power / interest grid
2. **Select engagement methods** Choose appropriate methods based on stakeholder type and priority.
3. **Develop engagement plan** Create a structured plan detailing timelines, responsible teams, resources, and communication channels.
4. **Engage stakeholders** Carry out the planned activities, ensuring open, transparent, and respectful two-way communication.
5. **Document feedback and outcomes** Record insights, concerns, and suggestions gathered through engagement activities.
6. **Integrate into decision-making** Use stakeholder input to inform materiality assessments, strategy, policies, or project designs.
7. **Report back and close the loop** Communicate back to stakeholders on how their input was considered and what actions were taken.
8. **Review and improve the process** Regularly assess the effectiveness of stakeholder engagement efforts and refine the process for continuous improvement

Actively Consult Shareholders Funding and Network Partners	**Regularly Engage** Customers Employees
Keep Informed Community	**Maintain Interest** Suppliers and Business Partners Regulators

SHAREHOLDERS

Responsibility for Engagement

Importance to AFC- HIGH

Strength of Relationship



Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Annual General Meeting Annual Report Extraordinary General Meetings (as needed) Interim Financial Statements (quarterly) CSE Announcements (as needed) Press Conferences / Press Releases (as needed) Corporate Website (continuous and ongoing) Social Media Platforms (continuous and ongoing)	Sustainable growth Adequate risk return balance Corporate governance and risk management framework Ethical business practices Corporate reputation and brand Transparency and credibility of disclosures Share price appreciation	Sustainable development - Economic growth Innovation and digitisation Sustainable development - environmental wellbeing Battling climate change and environmental protection Sustainable business practices Business ethics Sustainable development - Community empowerment Reputation and brand value Stakeholder satisfaction and transparency

Value Creation Scorecard	Further Information	SDG's
LKR 60.49 EPS LKR 326 NAV per share	Financial Capital - page 120 Risk Management Report - page 90 Corporate Governance Report - page 182 Intellectual Capital - page 60	

CUSTOMERS

Responsibility for Engagement

Importance to AFC- CRITICAL

Strength of Relationship



Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Sales Teams / Branch Managers / Relationship Managers (continuous and ongoing) Call Center (continuous and ongoing) Promotional Activities (continuous and ongoing) Press Conferences / Press Releases (as needed) Customer satisfaction survey (as needed) Customer exit surveys (as needed) Customer hotline (continuous and ongoing) Customer education programmes (continuous and ongoing) Corporate Website (continuous and ongoing) Social Media Platforms (continuous and ongoing) Customer Surveys (as needed) Complaint Handling Framework (as needed)	Value for money Convenience and accessibility Innovative product offerings Security of deposits and favourable returns Ease of transacting Sustainable business growth and stability High quality of service Corporate reputation and brand Access to transparent and credible information Digital convenience	Innovation and digitization Sustainable development - environmental wellbeing Battling climate change and environmental protection Sustainable business practices Business ethics Reputation and brand value Stakeholder satisfaction and transparency Customer attraction and retention

Stakeholder Engagement

Value Creation Scorecard	Further Information	SDG's
97% customer satisfaction rating	Social and Relationship Capital - page 134 Manufactured Capital - page 128 Intellectual Capital - page 60	

EMPLOYEES

Responsibility for Engagement

Importance to AFC- HIGH

Strength of Relationship



Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Sales Briefings / Team Meetings (continuous and ongoing) Management Meetings (as scheduled) Performance Appraisals (bi-annual) Internal Communications (continuous and ongoing) Employee Notice Board (as needed) Employee feedback survey (as needed) Open-door policy (continuous and ongoing) Training needs assessment (annual) Work-life balance initiatives (continuous and ongoing Other events (as scheduled)	Equal opportunity and non-discriminatory employment Competitive remuneration Opportunities for skill development and career progression Work-life balance Rewards and recognition Safety and wellbeing	Sustainable business practices Business ethics Talent attraction and retention People development Non-discrimination Reputation and brand value Stakeholder satisfaction and transparency

Value Creation Scorecard	Further Information	SDG's
317 employees promoted 30,675 hours of training 13 : 2 Gender Balance	Human Capital - page GRI 207-3	

REGULATORS

Responsibility for Engagement

Importance to AFC- HIGH

Strength of Relationship

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Directives and circulars (continuous and ongoing) Regulatory reporting CBSL Audit (annual) Interim Financials (quarterly) Annual Report (annual) CSE / SEC filings (as mandated) Other regulatory submissions Other meetings (as mandated)	Compliance with the Corporate Governance rules issued by the CSE Sustainable business practices Ethical business Routine compliance and mandatory filings AML / FT disclosures	Sustainable development - Economic growth Innovation and digitisation Sustainable development - environmental wellbeing Energy efficiency Battling climate change and environmental protection Sustainable business practices Business ethics Non-discrimination Sustainable development - Community empowerment Reputation and brand value

Value Creation Scorecard	Further Information	SDG's
LKR 1.6 Bn paid as taxes ZERO incidents of regulatory non-compliance ZERO incidents of bribery and corruption	Corporate Governance Report - page 182 Intellectual Capital - page 60	

SUPPLIERS AND BUSINESS PARTNERS

Responsibility for Engagement

Importance to AFC- MODERATE

Strength of Relationship

Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Supplier on-boarding (annually) Direct dialogue (as needed) Service quality survey (as needed) Stakeholder feedback survey (as needed) Corporate Website (continuous and ongoing) Social Media Platforms (continuous and ongoing)	Ease of transactions Business expansion Capacity building and financial support Equitable and on-time payments	Sustainable development - Economic growth Innovation and digitisation Supply chain development Sustainable development - environmental wellbeing Sustainable business practices Business ethics Non-discrimination Reputation and brand value Stakeholder satisfaction and transparency

Value Creation Scorecard	Further Information	SDG's
LKR 3,710 Mn paid to suppliers 49 new suppliers on-boarded	Social and Relationship Capital - page 134	

Stakeholder Engagement

FUNDING & NETWORK PARTNERS

Responsibility for Engagement

Importance to AFC- HIGH

Strength of Relationship



Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Annual Report Extraordinary General Meetings (as needed) Interim Financial Statements (quarterly) CSE Announcements (as needed) Press Conferences / Press Releases (as needed) Corporate Website (continuous and ongoing) Social Media Platforms (continuous and ongoing)	Favourable business performance Submission of timely and credible progress information Transparency Sustainable performance	Sustainable development - Economic growth Sustainable development - Environmental Wellbeing Energy efficiency Battling climate change and environmental protection Sustainable business practices Business ethics Non-discrimination Sustainable development - Community empowerment Reputation and brand value Stakeholder satisfaction and transparency Customer attraction and retention

Value Creation Scorecard	Further Information	SDG's
32% growth in bank and institutional fund USD 10.78 Mn raised new foreign funding LKR 2 Bn Social Bond Issuance	Financial Capital page no 120 Social & Relationship Capital page no 134 Intellectual Capital page no 60 Human Capital page no 148	

COMMUNITY

Responsibility for Engagement

Importance to AFC- HIGH

Strength of Relationship



Method and Frequency of Engagement	Stakeholder Concerns and Expectations	Material Topics
Press Conferences / Press Releases (as needed) Corporate Website (continuous and ongoing) Social Media Platforms (continuous and ongoing) Annual Report (annual) CSR initiatives (as needed)	MSME development initiatives Philanthropic activities for livelihood development and community wellbeing	Sustainable development - environmental wellbeing Sustainable business practices Business ethics Sustainable development - Community empowerment Reputation and brand value Stakeholder satisfaction and transparency

Value Creation Scorecard	Further Information	SDG's
LKR 22.7 Bn new lending under HIG 1 LKR 75.7 Bn new lending under HIG 2 LKR 21.4 Bn new lending under HIG 3 94 CSR projects benefiting community members	Social and Relationship Capital - page 134	

MATERIALITY ASSESSMENT

GRI 3-1,3 - 2,3-3

At AFC, the materiality assessment process serves as a critical strategic tool that enables the Company to identify, evaluate, and prioritise the economic, environmental, social, and governance matters that are most significant to both the organisation and its stakeholders. As a purpose-driven financial institution with a strong focus on sustainable value creation, the outcomes of the materiality assessment directly support strategic planning, policy formulation, resource allocation, and the refinement of AFC's High Impact Goals, thereby strengthening the Company's ability to create long-term financial and non-financial value.

Further enhancing the robustness and integrity of the process, AFC adopts a double materiality perspective in evaluating material matters. This approach considers not only how external economic, environmental, and social developments may impact AFC's financial performance, operational resilience, and long-term sustainability ("outside-in" perspective), but also how AFC's operations, financing activities, and strategic decisions impact society, communities, and the environment ("inside-out" perspective).

By integrating both dimensions, AFC is able to develop a more balanced, comprehensive, and forward-looking understanding of material issues, enabling stronger stakeholder responsiveness, improved risk identification, and more informed decision-making. The double materiality approach also reinforces the credibility, transparency, and relevance of AFC's integrated reporting and sustainability disclosures, while ensuring closer alignment with evolving global reporting expectations and sustainable finance principles.

IDENTIFYING

Assess the context related to the finance industry, sustainable finance and stakeholder value creation to identify the potential Material Topics

PRIORITISING

Use the Materiality Matrix to prioritise selected Material Topics based on the impact to AFC vs. significance to stakeholders

APPROVAL

Obtain formal approval of the Board of Directors for the list of Material Topics

INTEGRATION

Integrate Material Topics into AFC's Strategy

REVIEW AND UPDATE

Assess actual performance against strategy to review the relevance of Material Topics and update as needed

ECONOMIC

1 Sustainable development - Economic growth

2 Innovation and digitization

3 Supply chain development

ENVIRONMENTAL

4 Sustainable development - Environmental Wellbeing

5 Energy efficiency

6 Battling climate change and environmental protection

SOCIAL

7 Customer attraction and retention

8 Talent Attraction & Retention

9 People Development

GOVERNANCE

10 Sustainable development - Community empowerment

11 Sustainable business practices

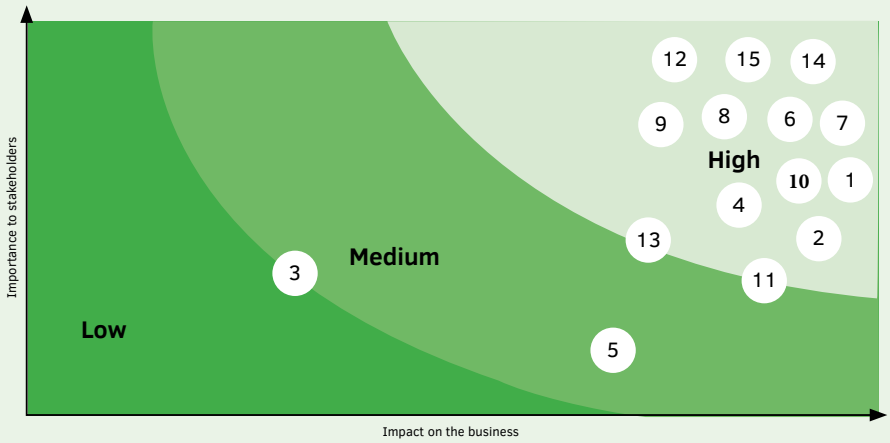
12 Business Ethics

13 Non-Discrimination

14 Reputation and brand value

15 Stakeholder satisfaction and transparency

MATERIALITY MARTIX



Materiality Assessment

	Material Topics	Topic Boundary	GRI Relevance	Risk	Opportunities
1	Sustainable development - Economic growth	Internal and External - impacting all stakeholders of AFC	GRI 201 GRI 207 SASB FN-CB-410a.2	Economic uncertainties and emerging developments complicate strategic planning and budgeting Cost pressures owing to rising interest rates and inflationary conditions	Use of data modelling and predictive AI-based data analytics to improve accuracy of budgeting and planning processes Product and market diversification to gain first mover advantage in emerging segments Gradually moving towards economic and financial stability
2	Innovation and digitization	Internal and External - Impacting AFC's operations as well as customers, business partners, society and the environment	SASB FN-CB-230a.2	Adverse impact on competitive position due to the slow technology adoption rate High cost of keeping up with the latest tech-trends System failures associated with the high dependence on technology	Explore technology partnerships to achieve fin-tech leadership in the NBFI sector
3	Supply chain development	Internal and External - Impacting AFC's operations and suppliers	GRI 204 GRI 308 GRI 414	Business disruptions due to unreliable supply chains	Pursue long term partnerships for all key procurement areas
4	Sustainable development - environmental wellbeing	Internal and External - Impacting AFC"s operations as well as society and the environment	GRI 301 GRI 303 GRI 304 GRI 306	Environmental and social degradation due to irresponsible investments by customers	Adopt globally accredited benchmarks to create a structured framework to assess environmental and social alignment of customers
5	Energy efficiency	Internal and External - Impacting AFC's operations as well as suppliers, business partners, society and the environment	GRI 302 GRI 305	Adverse impact on profitability due to rising energy costs across the value chain	Progressively increase the investment in renewable energy sources, while encouraging value chain part
6	Battling climate change and environmental protection	Internal and External - Impacting AFC's operations as well as suppliers, business partners, society and the environment		Increase in loan default rates due to customers' lack of resilience to climate change as well as their failure to comply with labour and other best practices	Adopt globally accredited benchmarks to create a structured framework to assess creditworthiness of customers
7	Customer attraction and retention	Internal and External - Impacting AFC's operations as well as customers and regulators	GRI 416 GRI 417 SASB FN-CB-000.A	High degree of competition within the NBFI sector	Build and maintain customer loyalty through tailored solutions to address evolving needs of diverse customer segments

Double Materiality Assessment		AFC's Management Approach	Link to Strategy			Resource Allocation
Financial Materiality	Impact Materiality (ESG Context)		Growth	Profitability	Sustainability	
HIGH	HIGH	Focus on lending activities to projects that align with sustainable initiatives, thereby stimulating economic activity and fostering long-term prosperity	X	X	X	
HIGH	MODERATE	Strategic investment in technology, based on careful evaluation of the potential to add value to the company and its stakeholders	X	X	X	
LOW	LOW	Cultivate supplier relations on the principle of mutual trust and shared growth	X	X	X	
MODERATE	HIGH	Focus on offering sustainable financing solutions to all key markets underpinned by AFC's High Impact Goals	X	X	X	
LOW	MODERATE	Comprehensive efforts to drive resource efficiency at all levels of the business	X	X	X	
MODERATE	HIGH	Prioritising investments in projects that adhere to strict sustainability standards, thereby mitigating environmental risks and fostering the development of eco-friendly infrastructure and initiatives	X	X	X	
HIGH	MODERATE	Offering tailored financial solutions coupled with financial advisory services	X	X	X	

Financial Capital | **Manufactured Capital** | **Human Capital** | **Social and Relationship Capital** | **Intellectual Capital** | **Natural Capital**

Materiality Assessment

	Material Topics	Topic Boundary	GRI Relevance	Risk	Opportunities
8	Talent Attraction & Retention	Internal Impacting AFC's operations as well as employees	GRI 202 GRI 401 GRI 402 GRI 403 GRI 404	Disruption to operational continuity owing to talent attrition	Tap into a wider talent pool from across the Country through systematic employer branding
9	People Development			Financial loss and market share erosion as well as reputational damage owing to employee	Pursue locally and globally recognised leadership development programmes
10	Sustainable development - Community empowerment	Internal and External - Impacting AFC's operations as well as employees, business partners, society and environment	GRI 203 GRI 413	Reputational damage due to inadequate support for the benefit of community	Foster partnerships with community stakeholders to drive long term value creation
11	Sustainable business practices	Internal and External Impacting AFC's operations as well as employees, suppliers and business partners	SASB FN-CB-410b.1	Financial loss and reputational damage due to weak sustainable business practices across the value chain	Holistically transform all aspects of the business to support sustainability
12	Business Ethics	Internal and External - Impacting AFC's operations employees and suppliers	GRI 205	Financial loss and reputational damage due to fines and litigation arising from non-compliance of regulations and ethics by employees	Early adoption of regulations and voluntary compliance with global best practices
13	Non-Discrimination	Internal Impacting AFC's operations as well as employees	GRI 405 GRI 406	Financial and reputational damage due to litigation	Lead by example by creating a diverse and inclusive workplace
14	Reputation and brand value	Impacting AFC's operations as well as employees, customers and business partners		Loss of investor confidence due to the inability to honour the Company's core purpose	Improve brand visibility among stakeholders
15	Stakeholder satisfaction and transparency	Internal and External - Impacting AFC's operations as well as employees and regulators		Lack of a clear stakeholder engagement framework to promote two-way communication on a regular basis	Leverage digital technology and social media to enhance communication and interaction with stakeholders

Double Materiality Assessment		AFC's Management Approach	Link to Strategy			Resource Allocation
Financial Materiality	Impact Materiality (ESG Context)		Growth	Profitability	Sustainability	
HIGH	LOW	Robust employee value proposition to attract and retain the best in-class talent	X	X		
HIGH	MODERATE	Structured succession planning to develop a reliable talent pool to support the future requirements of the Company	X	X	X	
LOW	HIGH	Focus on meaningful community projects on community empowerment and social upliftment			X	
HIGH	HIGH	Comprehensive sustainability targets and KPI, along with a fully fledged oversight structure, led by the Board and Board level sustainability committees	X	X	X	
HIGH	MODERATE	ZERO tolerance of non-compliance of regulations as well as proactive adoption of global best practices	X		X	
HIGH	HIGH	Equal opportunity employment at every stage of the employment lifecycle			X	
HIGH	MODERATE	Commitment to excellence across all facets of business and operations	X	X		
HIGH	HIGH	Comprehensive stakeholder engagement mechanism ensuring targeted engagement with all key stakeholders	X		**X**	

Financial Capital | **Manufactured Capital** | **Human Capital** | **Social and Relationship Capital** | **Intellectual Capital** | **Natural Capital**

STRATEGIC PRIORITIES



AFC's strategy is anchored in a clear and coherent purpose "Make the world a better place through sustainable finance". This fundamental purpose is translated into action through four interlinked strategic priorities that collectively define how the Company creates value for its stakeholders while contributing to broader national development outcomes.

CREATING SHARED VALUE THROUGH PURPOSE-DRIVEN CUSTOMER FINANCING

AFC's customer strategy is anchored on the belief that long-term business success and national progress are intrinsically linked. Accordingly, the Company has adopted a holistic and purpose-driven approach to customer engagement that aligns its products, services, and investments with Sri Lanka's most pressing development priorities. Through its three High Impact Goals (HIGs), AFC seeks to create shared value by addressing critical economic, social, and environmental challenges while strengthening the resilience, prosperity, and sustainability of the communities and sectors it serves. In doing so, the Company positions customer growth, national development, and long-term value creation as mutually reinforcing outcomes of a single, integrated strategy.

HIG 1: LEADING THE TRANSITION TOWARDS SUSTAINABLE MOBILITY SOLUTIONS

The transition towards sustainable mobility represents one of Sri Lanka's most important national priorities as the Country seeks to

strengthen energy security, reduce its dependence on imported fossil fuels, lower carbon emissions, and build a more sustainable and resilient economy. As a financial institution with a longstanding commitment to creating positive environmental and social impact, AFC is committed to playing a catalytic role in supporting this transition.

Through HIG 1, AFC seeks to accelerate the adoption of sustainable transport solutions by improving access to financing for energy-efficient and low-emission mobility options, with a particular focus on electric two-wheelers and four-wheelers which improves the affordability of transportation for households and businesses, and in doing so contributes towards broader national objectives to reduce fuel import expenditure, lower greenhouse gas emissions, enhance urban air quality.

Recognising that the transition to sustainable mobility requires more than financing alone, AFC is pursuing a holistic ecosystem-based approach which involves forging strategic partnerships with electric vehicle importers, renewable energy providers, charging infrastructure developers, and other key stakeholders to help address adoption barriers and create a more enabling environment for sustainable transportation.

By FY 2027/28, we target to grow our electric mobility financing portfolio to LKR 5.2 Bn, supported by an overall sustainable mobility portfolio of LKR 32.8 Bn.

HIG 2: DRIVING FINANCIAL INCLUSION

Financial inclusion remains a critical national priority in Sri Lanka's economic development agenda, particularly as the country seeks to strengthen economic participation, improve financial resilience, and promote more equitable access to opportunities across all segments of society. Despite significant progress in financial sector development, persistent gaps in access to formal financial services continue to exist, particularly among rural communities, low-income households, micro-entrepreneurs, and underserved customer segments.

Recognising the important role that inclusive finance plays in fostering economic empowerment and long-term prosperity, AFC remains firmly committed to expanding access to responsible, ethical, and customer-centric financial solutions across the country. Through its HIG 2, the Company seeks to bridge financial access gaps by delivering trusted financial services that enable individuals, families, and businesses to participate more fully in the formal economy and build greater financial security.

A key pillar of this strategy is the continued expansion of gold-backed financing solutions. Given the deep cultural significance of gold and its status as one of the most widely held and trusted household assets in Sri Lanka, gold-backed lending provides an effective mechanism for extending timely and accessible credit to customers who may otherwise face barriers to formal financing. By unlocking the economic value of existing assets, these solutions help households and entrepreneurs address short-term liquidity needs, manage financial shocks, and pursue income-generating opportunities.

In parallel, AFC remains focused on strengthening savings mobilisation by offering minor savings schemes, accessible deposit products, and community-focused financial solutions to encourage asset accumulation, improve household financial resilience, and support intergenerational wealth creation.

Beyond providing access to financial products, AFC's financial literacy and advisory services seek to empower individuals and communities with the tools required to improve their economic well-being and participate meaningfully in national development.

Strategic Priorities

By FY 2027/28, AFC aims to expand its gold-backed financing portfolio to LKR 33.9 Bn, comprising LKR 32.7 Bn in gold loans and LKR 1.2 Bn in gold investments, while growing deposits and savings mobilisation to LKR 57.2 Bn.

HIG 3: PROMOTING MSME DEVELOPMENT

Micro, Small, and Medium Enterprises (MSMEs) account for the vast majority of businesses in the country and provide livelihoods for millions of Sri Lankans, making their success intrinsically linked to the nation's broader economic progress and social well-being. As Sri Lanka continues its journey towards economic recovery and sustainable growth, strengthening the MSME sector remains a national imperative.

Understanding this reality, AFC's HIG 3 aims to empower entrepreneurs, strengthen local industries, and create opportunities that generate lasting economic and social value across communities throughout the country. In particular, AFC remains committed to expanding access to finance for underserved entrepreneurs operating across key sectors of the economy, including agriculture, food systems, manufacturing, and services. Supporting women-led and youth-led enterprises are also key priorities.

AFC's approach extends beyond the provision of financial solutions, through the Company's "Savi Mithuru" social entrepreneurship initiative that provides mentorship, capacity-building programmes, business training, and ecosystem support designed to Meanwhile, recognising the increasing importance of climate resilience in enterprise development, AFC is also leveraging its Climate Finance Unit to expand access to green financing solutions. This includes supporting investments in solar-powered businesses, climate-smart agriculture, and other environmentally sustainable enterprises that contribute to both economic growth and environmental stewardship.

By FY 2027/28, AFC aims to grow its MSME lending portfolio to LKR 13.8 Bn, reinforcing its position as a leading financier of entrepreneurial growth. Of this, LKR 1 Bn has been specifically earmarked to support women-led MSMEs in the Northern and rural provinces, while the Climate Finance Unit targets a dedicated green financing portfolio of LKR 4.16 Bn.

DIGITAL TRANSFORMATION AS A GROWTH CATALYST

Digital transformation has emerged as a key strategic enabler of AFC's long-term growth, operational resilience, and customer value creation agenda. Given the rapid evolution of customer expectations and the increasing digitisation of financial services, the Company marked a significant milestone in advancing its digital journey in the current year with the implementation and stabilisation of the new core platform, which has provided a stronger technological foundation for process integration, data management, and operational control. Building on this foundation, AFC continued to streamline workflows, reduce manual interventions, strengthen management information systems, and improve the quality and timeliness of decision-making across the organisation, which have collectively contributed to improved operational efficiency while enhancing the Company's ability to respond to evolving customer and market requirements.

Beyond internal efficiencies, digitalisation has also supported AFC's broader strategic objectives of financial inclusion, sustainable finance, and MSME development. By leveraging technology to simplify access to financial services, improve customer engagement, and enhance service delivery, the Company has strengthened its ability to reach underserved communities and support customers more effectively throughout their financial journeys.

Looking ahead, AFC will continue to invest in automation, data analytics, digital channels, cybersecurity, and customer-facing technologies to create a more agile, responsive, and customer-centric organisation. As Sri Lanka's financial services landscape becomes increasingly technology-driven, AFC's continued digital evolution will play a critical role in enabling scalable growth. Particular emphasis will be placed on leveraging data-driven insights to strengthen risk management, improve portfolio quality, enhance productivity, and support faster and more informed decision-making.

RESOURCE ALLOCATION TO DRIVE IMPACT

AFC has long recognised that creating meaningful and lasting impact requires the deliberate allocation of capital towards activities that generate measurable economic, social, and environmental outcomes. As a pioneer of sustainable finance in Sri Lanka, AFC has consistently sought to demonstrate leadership in directing financial resources towards sectors and initiatives that contribute to national development priorities. This commitment has been reflected in the Company's groundbreaking efforts to mobilise capital through innovative sustainable finance instruments, including the issuance of a LKR 1 Bn Green Bond and a LKR 2 Bn Social Bond, both landmark initiatives that have helped expand the market for purpose-driven investments within Sri Lanka's financial sector. These pioneering transactions not only reinforced AFC's leadership in sustainable finance but also demonstrated the ability of capital markets to channel funding towards activities that generate meaningful environmental and social impact while delivering sustainable economic value.

Looking ahead, AFC will continue to refine its capital allocation framework to ensure that financial resources are increasingly directed towards activities that generate both commercial returns and positive societal outcomes. As sustainability considerations become more deeply embedded within financial markets, the Company remains committed to leveraging its pioneering experience and leadership position to mobilise capital towards transformative opportunities that contribute to a more inclusive, resilient, and sustainable future for Sri Lanka.

PRIORITISING ESG AND BUILDING A SUSTAINABLE FUTURE

For AFC, sustainability is not a parallel agenda but a fundamental component of its business model and long-term value creation strategy. As a recognised pioneer in sustainable finance, AFC has continued to demonstrate leadership in advancing Environmental, Social, and Governance (ESG) principles within Sri Lanka's financial services sector. A significant milestone in this journey was the Company's achievement of the globally recognised Sustainability Standards and Certification Initiative (SSCI) certification in 2019, becoming the first financial institution in South Asia and one of only four institutions worldwide to receive this distinction. The certification, which represents one of the world's first measurable and holistic sustainability standards for financial institutions, reflects AFC's commitment to embed sustainability considerations into decision-making, resource allocation, risk management, and stakeholder engagement.

This commitment is further evidenced by the Company's deliberate allocation of resources towards sustainability and climate-related initiatives. AFC continues to contribute 8% of its annual profits towards the implementation of a range of high-impact initiatives, including ecosystem restoration projects, biodiversity conservation efforts, native tree planting programmes, and other interventions designed to strengthen environmental stewardship while creating sustainable livelihoods for local communities.

Equally important is AFC's commitment to transparency and accountability in sustainability reporting. By aligning with internationally recognised frameworks and standards, including the Global Reporting Initiative (GRI), ICMA Green Bond Principles, the Sri Lanka Green Finance Taxonomy, the Sustainable Finance Roadmap, and the SLFRS Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2), AFC seeks to provide stakeholders with a clear and credible account of its sustainability performance, while reinforcing investor confidence and demonstrating measurable progress towards its long-term environmental, social, and governance objectives.

Looking ahead, AFC remains committed to strengthening the integration of ESG considerations across its business activities, through continued innovation, disciplined execution, and leadership in sustainable finance.

CONTRIBUTION TO SDG'S

As a responsible financial institution, AFC is deeply committed to advancing the United Nations Sustainable Development Goals (UNSDGs). The Company's sustainability agenda is guided by globally recognised frameworks, including the IFC Performance Standards and the Sustainability Standards and Certification Initiative (SSCI), ensuring alignment with international best practices. Based on these principles, the Company's Environmental and Social Management System (ESMS) ensures that all lending decisions align with global environmental and social norms.

AFC's strategic focus areas include climate finance, sustainable mobility, resource efficiency, and inclusive growth reflect its dedication to supporting the transition to a greener, low-carbon economy. Partnerships with stakeholders such as the UNDP and alignment with the national sustainability agenda further reinforce AFC's commitment to delivering meaningful impact by catalysing positive environmental and social outcomes across sectors.

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 1: No Poverty 	Target 1.1: Eradicate extreme poverty Target 1.5: Build resilience to environmental, economic, and social disasters	• AFC's Financial Inclusion through products such as Micro MSME, MSME, Gold Loans, Savings Deposits, and Gold Investments targets underserved and self-employed individuals, improving access to financial resources for vulnerable populations • Scaled climate Smart Financing (Agri, Irrigation, Dairy, Solar loans) supports MSMEs to adopt sustainable and resilient practices, helping customers mitigate climate and environmental risks

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 3: Good Health and Well-being 	Target 3.8: Achieve universal health coverage and access to quality essential health services	• Comprehensive medical and hospitalisation insurance for employees • Workplace safety adherence to national and global standards • First Aid training and emergency preparedness • Comprehensive maternity benefits • Promoted mental well-being via flexible work arrangements, awareness programmes, and structured employee engagement initiatives

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 4: Quality Education 	Target 4.3: Equal access to affordable and quality technical, vocational and higher education Target 4.4: Increase skills relevant to employment, decent jobs and entrepreneurship Target 4.5: Eliminate gender disparities and ensure equal access to education and training Target 4.7: Education for sustainable development and global citizenship	• Structured on-the-job and classroom training programs • Support for participation in external seminars, workshops, and certification programs • Career development via succession planning and leadership initiatives • Equal opportunity for all employees regardless of background • Financial Literacy Programmes under MSME development enhance customers' financial knowledge and skills • Training frontline sales teams and customer education efforts

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 5: Gender Equality 	Target 5.1: End all forms of discrimination against women and girls Target 5.5: Ensure women's full participation and equal opportunities for leadership	• Implementation of a formal Gender Equity and Equality Policy • Equal pay commitment for men and women in comparable roles • Inclusive workplace with zero incidents of discrimination • Opportunities for women's leadership development

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 6: Clean Water and Sanitation 	Target 6.4: Increase water-use efficiency across all sectors Target 6.6: Protect and restore water-related ecosystems	• Implementation of advanced irrigation loan products enabling drip/sprinkler adoption • ESMS screening prevents harm to freshwater ecosystems • Soil protection with climate smart Agriculture

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 7: Affordable and Clean Energy 	Target 7.2: Increase the share of renewable energy Target 7.a: Enhance international cooperation to facilitate clean energy research and technology	• Dedicated clean energy loan products (Solar Rooftop, Solar Pump, EV financing) • UNDP-linked Climate Finance Strategy aligned to Sri Lanka's Green Finance Taxonomy • Branch-wide solar installations • Green energy promotions

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 8: Decent Work and Economic Growth 	Target 8.1: Sustain per capita economic growth, especially in developing countries Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation Target 8.10: Strengthen the capacity of domestic financial institutions	• AFC's range of sustainable financial products contributes to economic growth by supporting individuals and MSMEs in improving income generation, savings, and investment, particularly targeting sectors with growth potential like green transport and renewable energy adoption • A disciplined recruitment approach aligned with business needs, supported by annually benchmarked competitive remuneration and a robust performance management system, ensures workforce alignment with strategic goals • Extensive branch network expanding access to formal financial services across rural Sri Lanka • Development of innovative financial products for underserved sectors, e.g., agricultural loans through MoUs with Agstar PLC and LOAM • Digitization and automation enhancing operational efficiency and service delivery • Expanding virtual banking units

Contribution to SDG's

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 9: Industry, Innovation and Infrastructure 	Target 9.3: Increase access to financial services and markets for small-scale enterprises Target 9.4: Upgrade all industries and infrastructures for sustainability	• Digital integration enables agile workflows and improved customer access • Partnerships to diversify product offerings tailored to small and micro enterprises • Continuous innovation driven by IT and knowledge-sharing collaborations • Development of a cloud-based, ISO 27001-compliant IT infrastructure enabling real-time transactions and secure data management

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 10: Reduced Inequalities 	Target 10.2: Empower and promote social, economic and political inclusion of all	• AFC's rural branch network is reducing geographic barriers to formal finance • Disciplined recruitment, market-benchmarked pay, transparent pay equity and grievance procedures, and strong performance management align the workforce with strategic goals • Zero tolerance on child labor and forced labor. • Open communication channels and inclusive engagement forums • Equal access to growth and development opportunities

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 12: Responsible Consumption and Production 	Target 12.2: Sustainable management and efficient use of natural resources Target 12.7: Promote public procurement practices that are sustainable, in accordance with national policies and priorities Target 12.6: Encourage companies to adopt sustainable practices and integrate sustainability information into reporting cycle	• First NBFI in South Asia certified under SSCI for sustainability • Implementation of sustainability-linked lending products aligned with the SSCI v2 Octagon model • Transparent sustainability reporting through global standards adoption • Enhanced resource efficiency via digitalisation and reduced material consumption • AFC's supplier management framework enforces strict sustainability and ethical criteria, including environmental responsibility, fair labour practices, and anti-corruption, ensuring procurement practices align with sustainable development principles

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 13: Climate Action 	Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards Target 13.2: Integrate climate change measures into policies and planning	• Climate-smart financing solutions for MSMEs vulnerable to climate risks, technical guidance on sustainable agriculture and renewable energy • Embedding IFC Performance Standards and SSCI into credit evaluation; alignment with Central Bank's Sustainability Roadmap and Green Finance Taxonomy • Biodiversity and ecosystem restoration programs • One million Tree planting program

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 15: Life on Land 	Target 15.1: Ensure conservation and restoration of terrestrial and freshwater ecosystems	• ESMS exclusion list preventing harm to terrestrial ecosystems/biodiversity per IFC PS6 • Biodiversity safeguards in agricultural lending to prevent deforestation and habitat destruction

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 16: Peace, Justice and Strong Institutions 	Target 16.5: Substantially reduce corruption and bribery Target 16.6: Develop effective, accountable and transparent institutions	• Board-led governance emphasizing integrity, fairness, and zero tolerance for bribery • Board-approved Code of Conduct and Anti-Money Laundering policies • Transparent KYC processes enhancing financial security and compliance • Anti-Corruption policy

Sustainable Development Goal (SDG)	Relevant Targets	AFC's Contribution
SDG 17: Partnerships for the Goals 	Target 17.6: Enhance cooperation and knowledge sharing to support technology access and capacity-building	• Strategic partnerships with financial institutions, development agencies, and private sector players • Capacity-building through strategic MoUs and collaborative platforms • Knowledge-sharing alliances boosting innovation and organizational capacity

SLFRS S1 & S2 CONFORMITY GRI 201-2

STATEMENT OF COMPLIANCE

The sustainability and climate-related disclosures of AFC contained in this report have been prepared in accordance with Sri Lanka Financial Reporting Standards 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 (CA Sri Lanka). These represent localised adoptions of the IFRS S1 and S2 Sustainability Reporting Standards issued by the International Sustainability Standards Board (ISSB). AFC is progressively strengthening its disclosures in line with permitted transitional relief for first-time adopters, with a roadmap to achieve full compliance as set out below.

REPORTING SCOPE AND BOUNDARY

This disclosure covers the operations of Alliance Finance Company PLC including its 90-branch network across Sri Lanka for the financial year ended 31 March 2026. The reporting boundary encompasses AFC's Scope 1, Scope 2, and Scope 3 (Categories 1–14 and Category 15 financed emissions) greenhouse gas emissions, and all sustainability-related risks and opportunities (SRROs) and climate-related risks and opportunities (CRROs) reasonably expected to affect AFC's cash flows, access to finance, or cost of capital over the short, medium, and long term. Subsidiaries and associates are included in the investment book in proportion to AFC's ownership stake.

ROADMAP FOR FULL SLFRS S1 AND S2 IMPLEMENTATION

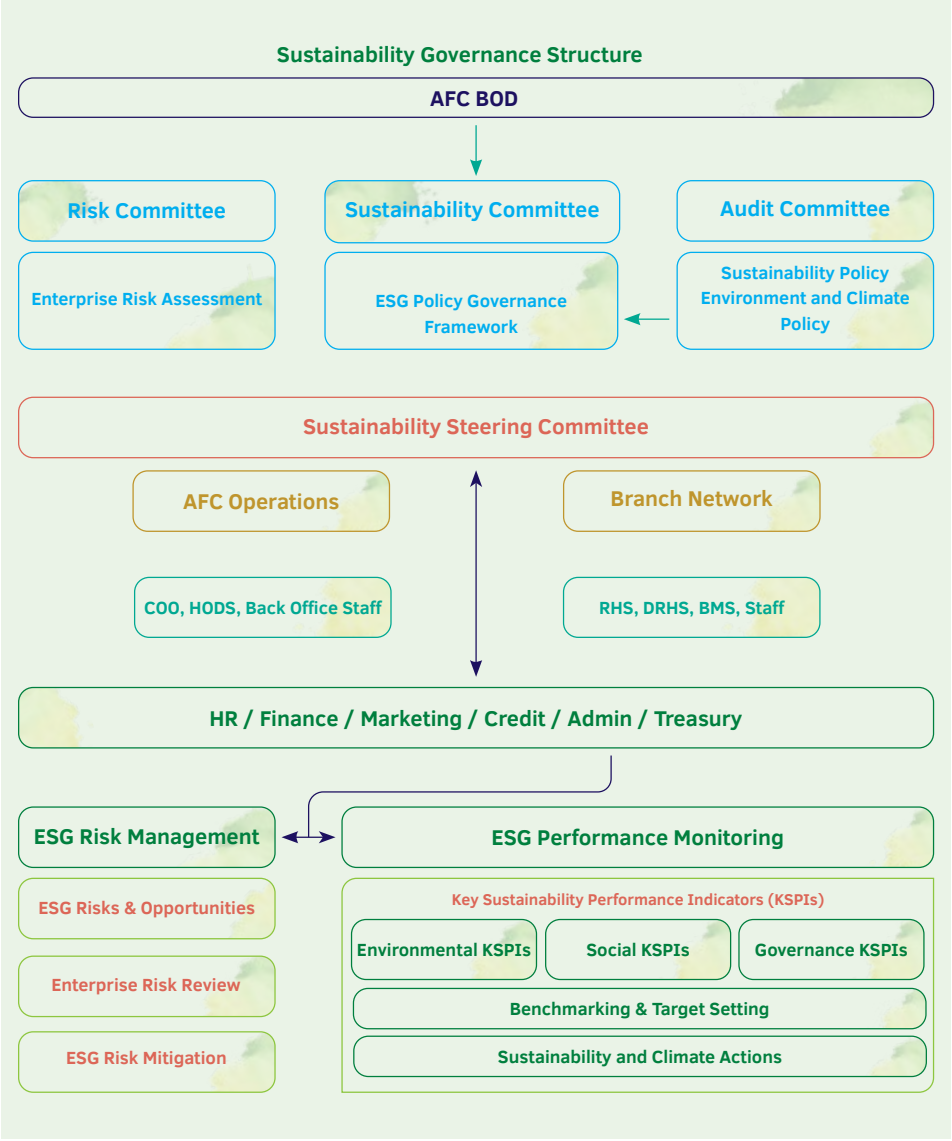
AFC is following a phased approach to full SLFRS S1 and S2 compliance under permitted transitional relief: Year 1 (2024/25) – Completed – Governance, strategy, risk management, and qualitative scenario analysis with partial quantitative SRRO/CRRO disclosures were disclosed in the 2024/25 Annual Report; Year 2 (2025/26) – Current year – Widened quantitative scenario analysis disclosures, improved Scope 3 Category 15 financed emission measurement, formal double materiality assessment, and strengthened reporting across all material sustainability topics as contained herein; Year 3 (2026/27) – Full implementation including quantitative financial impact disclosures on SRROs and CRROs to the Income Statement, Statement of Financial Position, and Statement of Cash Flows, together with Independent External Assurance of Sustainability Disclosures.

GOVERNANCE

The Governance body responsible for oversight of sustainability and climate-related risks and opportunities

The Board of Directors plays a leading role in steering AFC's sustainability direction. Actively endorsing the Company's sustainability philosophy, the Board has been instrumental in redefining AFC's growth trajectory by revising the corporate strategy, risk management framework, and relevant policies and procedures.

The Board has established a clearly defined governance structure to ensure responsibilities cascade to all levels of the organisation, with every employee expected to contribute to the Company's sustainability agenda.



SKILLS AND COMPETENCIES FOR OVERSIGHT

To ensure effective governance of sustainability and climate-related matters, Board and management members are equipped with the necessary expertise through ongoing engagement, knowledge sharing, and training on emerging ESG trends, sustainable finance practices, and climate-related risk management. This ensures informed decision-making and strategic alignment across all levels.

INFORMATION FLOW AND ENGAGEMENT FREQUENCY

The Board receives quarterly reports from the Board Sustainability Sub-Committee and the ESG Steering Committee, ensuring timely access to information regarding material sustainability-related risks and opportunities (SRROs), ESG performance data, and climate risk assessments to facilitate proactive governance and responsive adjustments to sustainability strategies. In addition, climate-related risk information is escalated to the Board through the monthly Enterprise Risk Management Committee (ERMC) reporting cycle. The Board reviews and approves sustainability targets annually and monitors progress against key performance indicators quarterly, in line with SLFRS S1 governance disclosure requirements.
Additionally, sustainability and climate-related information is systematically shared across the organisation through structured reporting lines and regular updates.

INTEGRATION OF SUSTAINABILITY INTO STRATEGY AND DECISION-MAKING

AFC embeds sustainability risks and opportunities into every aspect of its business model through its Risk and Opportunity Management System (ROMS). This system addresses both physical and transition risks associated with climate change and uses scenario analysis to assess potential impacts and identify opportunities presented by the shift toward a low-carbon economy.

In line with global best practices, AFC has developed systems to measure and report on all 15 categories of Scope 3 emissions, including Category 15 financed and investment emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard,ISSB and SBTi standards.
This enables AFC to better understand its full carbon footprint and strengthen accountability in climate-related decision-making.

During the year 2025/26 AFC commenced adopting Universal Standards for Social and Environment performance Management (SEPM) including Client protection pathways. This has further enhanced the Financial Consumer Protection Regulation already in place.

In compliance with SLFRS S2, AFC has assessed the low, medium, and high financial impacts of identified CRROs across short-term, medium-term, and long-term time horizons, and has quantified material impacts on its income statement and financial position as detailed in the Risk Quantification section.

TARGET SETTING AND PERFORMANCE MONITORING

AFC has instituted both a Board-Level Sustainability Committee and an ESG Steering Committee to support the integration of ESG factors across the organisation. These bodies are responsible for policy alignment, ensuring adherence to international guidelines (such as HIGs), and enhancing accountability, particularly in sustainable finance.

SLFRS S1 & S2 Conformity

The Strategic Planning Unit, led by the Senior Manager of Sustainability and Strategic Planning, coordinates the implementation and monitoring of sustainability targets and initiatives across the Company.

Heads of Line Departments are accountable for ensuring the achievement, maintenance, and accuracy of quantitative data submitted for verification. The Sustainability department is responsible for collecting and submitting data to relevant third-party agencies in a timely manner, as well as for reporting.

Data verification and certification adhere to ISO 14064-1:2018 standards by the Sri Lanka Climate Fund of the Ministry of Environment, along with compliance with the SLFRS S1 and SLFRS S2 standard Management's Role in Oversight and Execution Delegation of Oversight to Specific Management-Level Positions or Committees Day to day implementation of the sustainability agenda is led by the Managing Director, with oversight support from the Lead Facilitator – Sustainability and Climate Finance, and other Executive Directors.

MANAGEMENT CONTROLS AND PROCEDURES INTEGRATED WITH OTHER INTERNAL FUNCTIONS

The ESG Steering Committee ensures cross-functional coordination and drives implementation of the sustainability strategy. Departmental roles and team level responsibilities are aligned with AFC's sustainability goals, ensuring operational execution supports the company's overarching ESG commitments.

STRATEGY INTRODUCTION

AFC's sustainability strategy reflects a deep commitment to responsible and impactful business practices. Aligned with the latest SSCI V2.0 standards, SLFRS S1 & S2 and Sustainable Finance Roadmap by CBSL. Moreover, the Company strives to support sustainable development by contributing to the United Nations Sustainable Development Goals (SDGs) and national sustainability priorities.

REDUCING AFC'S CARBON FOOTPRINT AND STRENGTHENING CLIMATE RESILIENCE

AFC has incorporated climate-related risks and opportunities into its risk management framework and business model underpinned by the following commitments.

1. Emission reduction annual targets for minimum five years for scope 1, scope 2 and scope 3 emission targets and set company Scope 1 & 2 carbon neutrality by 2030.
2. Commit to planting 150,000 trees annually aiming to offset scope 1 to 3 emissions
3. Invest in renewable green energy initiatives, electric vehicles, low-emission machinery, and climate-smart agriculture to reduce AFC's environmental footprint and support green industries.
4. Obtain carbon footprint verification and publish GHG emission statements, enhancing transparency and accountability in our environmental impact.
5. Transition energy usage towards lower emission alternatives, adapting energy efficient practices throughout AFC's facilities.
6. Integrate internal carbon pricing into investment decisions to support green projects, considering emissions costs to prioritize sustainable investments.
7. Fifty percent of AFC locations will produce their own renewable energy.

Expanding Environmentally Conscious Financial Solutions and Inclusive Growth AFC's High Impact Goals (HIG's) - HIG 1 – Lead the transition towards Sustainable Mobility Solutions | HIG 2 - Drive Financial Inclusion | HIG 3 - Promote MSME Development, collectively represents the Company's intention to focus on lending activities that support environmental and social sustainability by;

1. Screening all lending applications through ESMS (SPMS) screening process.
2. Prioritising funding for projects that support climate-resilient agriculture, renewable energy (e.g., solar), and sustainable practices in key industries like Tea, Cinnamon, and Dairy.
3. Assigning responsibility to branches to identify rural and marginalised Geographic for expansion, with hiring practices to reflect the local workforce, thereby strengthening AFC's commitment to regional economic growth.
4. Deploying virtual branches in remote areas enhancing financial inclusion and service reach to unbanked and underbanked communities.
5. Developing and promoting financial products that support climate resilience, contributing to the national agenda of enhancing sustainable agricultural and energy sectors.

BUILDING AN ORGANISATION-WIDE CULTURE OF SUSTAINABILITY

AFC believes that sustainability must be embedded in the company culture and its DNA, where every employee commits and champions our environmental and social mission. To foster a culture of sustainability, the Company;

1. Regularly provides internal training on sustainability principles, including workshops and seminars that highlight AFC's sustainability objectives and global ESG standards.
2. Encourages staff to attend external conferences and events to stay informed of sustainability trends, enhancing their expertise and fostering innovation within the company.
3. Organises events that encourage staff volunteerism in community projects, leveraging branch locations to engage employees in sustainability-driven activities.
4. Designates sustainability ambassadors for each branch tasked with implementing sustainability initiatives at the branch level.

ENHANCING SOCIAL AND ENVIRONMENTAL WELL- BEING WITH EXPANDED PROFIT ALLOCATION

AFC has doubled its profit allocation to 8% towards social and environmental wellbeing since 2022/23, underscoring the commitment to positive societal impact. This increase aims to broaden the scope and depth of the Company's initiatives, including;

1. Dedicated branches to support the AFC Social Entrepreneur Development Initiative, facilitating investment in MSMEs that drive social and environmental benefits.
2. Cultivating partnerships with local and international organisations to support new environmental projects, aligning with UN SDGs and reinforcing AFC's role as an industry leader in sustainable finance.
3. Exploring additional social and environmental projects including Biodiversity and Ecosystem Restoration projects based on emerging sustainability needs, with a particular focus on marginalised communities.

WHISTLE-BLOWER POLICY

AFC's Whistle-blower Policy provides a clear and confidential channel for employees to report, in good faith, any improper, illegal, unethical, or unsustainable practices observed within the organisation. The policy establishes clear guidelines for managing whistleblower complaints. Accordingly, a Non-Executive Director has been designated as the designated authority for receiving and addressing these concerns. Upon receiving a report, the appointed.

Non-Executive Director is responsible for carrying out a fair and thorough investigation. Once concluded, the findings and written recommendations are submitted to the Board of Directors for appropriate action, further reinforcing AFC's commitment to ethical conduct, transparency, and good governance.

AFC'S APPROACH TO INCORPORATING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS IN CREDIT ANALYSIS

Underpinned by the longstanding commitment to sustainable finance, AFC adopts a structured and principled approach to embedding environmental, social, and governance (ESG) considerations into its credit assessment framework. Central to this approach is the implementation of the Sustainability Performance Management System (SPMS), a proprietary framework developed to ensure that the sustainability issues associated with clients' activities are effectively identified, assessed, and managed throughout the credit lifecycle.

The SPMS is built on the integration of two core concepts: sustainability and performance management. In this context, sustainability is defined as "creating an economic system that ensures quality of life for beneficiaries while preserving the environment and its resources." Performance management refers to "activities that ensure organisational goals are consistently met in an effective and efficient manner."

Together, these principles form the foundation of sustainability performance management, which AFC defines as "activities that ensure its sustainability objectives are achieved effectively and efficiently."

The main purpose of the SPMS, is to ensure AFC credit decision-making processes operates in alignment with national development priorities and global sustainability goals.

SCOPE OF APPLICATION

The SPMS applies to AFC's leasing, SME finance, and microfinance operations, but does not extend to savings and deposit products or gold-backed lending. However, the guiding principles of responsible finance remain consistent across the organisation.

AFC recognises that long-term profitability is intrinsically linked to the sustainability of the communities and environments in which it operates. This belief underpins the Company's commitment to four core sustainability principles in its financing operations:

1. **Mitigating Sustainability Risk Within the Portfolio**

   AFC acknowledges that certain business activities may negatively impact the environment or surrounding communities. These impacts can pose material risks to both the client's repayment capacity and AFC's reputation. To safeguard the quality of its loan book, AFC conducts rigorous ESG assessments to evaluate the sustainability performance of clients and projects prior to financing.

2. **Supporting Clients in Enhancing Sustainability Performance**

   Beyond risk mitigation, AFC actively engages with clients to promote improved sustainability practices. Through structured dialogue and advisory support, the Company helps clients address environmental and social concerns, seize green growth opportunities, such as renewable energy adoption or organic certification and access targeted financing to support these transitions.

3. **Advocating for Sustainability Among Stakeholders**

   AFC aspires to play a catalytic role in advancing Sri Lanka's sustainable development agenda. To this end, it engages collaboratively with key stakeholders, including regulatory authorities, industry peers, clients, and non-governmental organisations, to foster shared learning, influence policy, and build a collective roadmap towards inclusive and responsible finance.

SLFRS S1 & S2 Conformity

4. **Enforcing Sustainability Standards in Financing Decisions**

   AFC's financing activities are strictly aligned to the regulatory frameworks applicable to licensed finance companies, as well as AFC's purpose and core values. Clients whose activities are misaligned with AFC's these mandates, or who are unwilling to meet these standards within an acceptable timeframe, will not be eligible for financing.

AFC Scope 3, Category 15 GHG Emission reporting Methodology

AFC LOAN BOOK

AFC loan book includes Vehicle loans, Gold Loans, Gold investment loans, Micro Loans, and Climate loan. Loan portfolio composition is as follows;

- Vehicle leases and loans 63%
- Gold Loans 29.2%
- Other Loans 4.8% (include Gold investment loan, solar and Climate smart Agri, Electric Vehicles)

AFC has accurate details of it Vehicle loans including vehicle type, models, and year of Manufacture etc. AFC estimate the average fuel efficiency of its vehicle portfolio at each geographic region. AFC also estimate the average running of each category of vehicle through a sample survey. Using above data and GHG emission protocol related to fossil fuel emission, AFC will more accurately measure its Vehicle related GHG emission.

AFC will analyze the specific industrial sector exposure to other two categories as per the purpose-based system classification of sectors and sub sectors of Gold loans and other loans. Fifty percent of the Gold loans are taken for consumption purpose. Based on the proportionate exposure to each industry sector, AFC will use industry specific GHG emission estimates to determine the potential emission. AFC will undertake field surveys to determine the proportionate investment exposure to each sector by using AFC average funding ratio to specific businesses. AFC will use SBTi finance sector near term minimum measurement requirements to decide the goal loan and other loan emission reporting.

Portfolio excluded for Financed emission:
Fifty percent of Gold Loan portfolio (consumption) =14.6%

No emission portfolio of Gold investment, Electric Vehicles and Solar = 4.8%

Portfolio not covered in 25/26 = 14.6%
50% of Gold Loan portfolio = 14.6%

ASSETS UNDER MANAGEMENT (AUM)

Scope 1, 2, and 3 emissions of AFC Vehicle yards will be measured by using the standard emission measurement tools. No other AUM by AFC.

However, Vehicles at the yards are not running and therefore no emissions reported under AUM

AFC INVESTMENT BOOK

1. AFC subsidiaries & Associates – AFC will use the Disclosed total Emissions (Scope1,2,3) of its subsidiaries in proportion to its investment stake.
2. AFC strategic Investment in Sanasa Development Bank- AFC will use the Disclosed total Emissions (Scope1,2,3) of SDB in proportion to its investment stake.
3. AFC investments in the Stock Market - AFC will use the Disclosed total Emissions (Scope1,2,3) of invested stocks in proportion to its investment stake.
4. AFC investment in T bills, Bonds and Unit Trusts and Banks – if significant, AFC will use the Disclosed total Emissions (Scope1,2,3) of invested entities in proportion to its investment stake.

Investments in Government T-bills and bonds and all investments less than one-year maturity are excluded.
Note : No published data is available on the total emissions of the aforementioned investee Companies.

INDUSTRY BASED SUSTAINABILITY DISCLOSURE TOPICS & METRICS GRI 206-1

Topic	Metric	Category	Unit of Measure
Data Security	(1) Number of data breaches, (2) Percentage that are personal data breaches, (3) Number of account holders affected	Quantitative Number, Percentage (%) Zero	Number, Percentage (%) Zero
	Description of approach to identifying and addressing data security risks discussion	Discussion and Analysis	N/A
	The organization carries a risk assessment on each information systems asset to identify the criticality of the asset based on the Technology Risk Management Framework. After the analysis is completed there will be a score that is arrived at, which will define the controls and procedures that will apply to the asset. Ie, Hard ening, Vulnerability assessment frequency, Patch management priority, DR Plans etc. This will be on top of the standard controls applied to the asset as part of organizational policies.		
	The operational procedures are specified in the information systems security policy and acceptable usage policies, DR procedure manuals, along with the internal procedure manuals of the department. These procedures and policies are periodically reviewed to align with changes in the technology and regulations landscape.		
	The selection of business partners is conducted through evaluations of organizational requirements against readily available products and gap assessment on the scope of customizations, vendor evaluations etc,, aligning with the procurement procedures of the organization. (link IT risk Management Framework)		
Financial Inclusion & Capacity Building	(1) Number and (2) Amount of loans outstanding that qualify for programs designed to promote small business and community development (HIG 3)	No of facilities 21,044 Facility amount LKR 19,446 Mn (2024/25 - DPD over 180)	Number, Presentation currency
	(1) Number and (2) Amount of past due and nonaccrual loans or loans subject to forbearance that qualify for programs designed to promote small business and community development HIG 3 portfolio past due loans restructured or rescheduled or recovered through alternate actions without going through a legal action process	No of facilities 5,754 Facility amount LKR 4,045 Mn (2025/26 - DPD over 90)	Number, Presentation currency
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	Not applicable
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers 50% of Micro MSME customers	1,919	Number
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis Given below (ESMS)	N/A

SLFRS S1 & S2 Conformity

Topic	Metric	Category	Unit of Measure
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2	Quantitative (Given below) link	Metric tons (t) CO2-e
	Gross exposure for each industry by asset class	Quantitative (Given below) link	Presentation currency
	Percentage of gross exposure included in the financed emissions calculation	Quantitative 69.5%	Percentage 69.5%
	Description of the methodology used to calculate financed emissions	Discussion and Analysis (Included below) link	N/A
Business Ethics	Total Amount of Monetary Losses As A Result of Legal Proceedings Associated With Fraud, Insider Trading, Antitrust, Anti-Competitive Behaviour, Market Manipulation, Malpractice, Or Other Related Financial Industry Laws Or Regulations	Quantitative None	Presentation Currency
	Description Of Whistleblower Policies And Procedures	Discussion And Analysis Given Below	N/A
Systemic Risk Management	Description Of Approach To Integrate Results Of Mandatory And Voluntary Stress Tests Into Capital Adequacy Planning, Long-Term Corporate Strategy, And Other Business Activities	The company performed a stress test on capital for a 3 to 5-year period, focusing on variables such as new lease/ loan executions, gold loan growth, AWPLR movements, and credit cost (impairment).	N/A

EMISSION MANAGEMENT

Measurement, Verification, and Monitoring

Heads of Line Departments are accountable for ensuring the achievement, maintenance, and accuracy of quantitative data submitted for verification. The Sustainability department is responsible for collecting and submitting data to relevant third-party agencies in a timely manner, as well as for reporting.

Targets and Metrics GRI 302-5,305-1,305-2,305-3,305-4,305-7

ANNUAL TARGETS IN TCO2E

Data verification and certification adhere to ISO 14064-1:2018 standards by the Sri Lanka Climate Fund of the Ministry of Environment, along with compliance with the SLFRS S1 and SLFRS S2 standard

	Goal level Targets	24/25 Actuals	25/26 Actuals	26/27	27/28	28/29	Risk Reference
1.	Attain Scope 1 carbon neutrality by 2030. Baseline 115 23/24	109	171 (Target-104)	99	94	89	High Emission cost
2.	Attain Scope 2 carbon neutrality by 2030. Baseline 532 23/24	505	590 (Target-480)	456	433	412	High Emission cost High Energy cost
a.	Scope 1 and 2 emission target Baseline 23/23 647	614	761 (Target-584)	555	527	501	
b.	Offset through sequestration target	500	500	500	500	500	
c.	Scope 3 , C 1 to 14 – 23/24 2544	2,544	2,882 (Target-2,544)	2,544	2,544	2,544	High Emission cost
d.	Scope 3 , 15 Financed emissions – 23/24- 153556	168,358	179,327 (Target- 176,894)				High Emission cost

	Goal level Targets	24/25 Actuals	25/26 Actuals	26/27	27/28	28/29	Risk Reference
e.	Total Scope 3 -156,100	170,902	182,971 (Target- 179,894)				
f.	Scope 3 reduction through sequestration	10,246	12,863	16,049	18,689	20,933	
	Scope 3 reduction %	-2.9%	3%	3%	3%	3%	
g.	Specific emission target (Scope 1 &2) 23/24, MT Scope 1&2 Scope 3 CH4- 0.49 , 1,550 N20 – 0.58. 1,991	Scope 3 1,643 2,156	Scope 1&2 (CH4 - 0.83, N_2O - 1.16) Scope 3 (CH4 - 462.88, N2O - 583.54)				
h.	Specific Emission target , Scope 3 23/24 CH4 -30.15 N20 – 29.19		CH4 - 35.76 N2O - 31.77				
3.	Achieve 120,000 MT of CO2 equivalent sequestration by 2030. Base line 20252 MT 23/24	30,998	44,180 (Target - 44,665)	61,215	80,404	101,838	High Emission cost
4.	Plant 1.33 Mn trees by 2027/2028. Baseline 733,000 23/24	883,000	1,024,377 (Target 1,033,000)	1,183,000	1,333,000		
5.	Annual eCo2t sequestration at 80% efficiency	10,746	13,363 (Target 13,667)	16,649	19,189	21,433	
6.	Enhance energy efficiency by 5% annually. Base line 420 MT Co2	505	597 (Target 489)	456	433	412	
7.	Decrease direct greenhouse gas emissions by 5% annually.	109	171 (Target 104)	99		89	
8.	Attain a climate finance target of LKR 1 Bn by 2026.	400	700	1,000			
	Annual planting of 150,000 trees	150,000	180,323 (Target - 150,000)	150,000	150,000		
	Allocating a minimum of 50% of the annual 8% Profit towards sustainability actions for climate and environment. LKR Mn	32	35.6				
	Converting 50% of AFC buildings and branches to solar energy by 2027.	07	14 (Target - 20)	15			
	Setting energy-saving targets to enhance energy efficiency. KWH	5,000	5,000	5,000	5,000	5,000	
	Implementing at least five actions annually for biodiversity conservation, ecosystem restoration, and protection of fauna and flora.	5	5	5	5	5	
	Decreasing water and paper consumption by 5% each year.	1	1	1	2	2	
	Advocating for efficient solid waste management practices No of actions	5	5	5	5	5	

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	Goal level Targets	24/25 Actuals	25/26 Actuals	26/27	27/28	28/29	Risk Reference
9.	Minimizing the usage of non-degradable plastics. Number of Actions	1	1	1	2	2	
	Offsetting indirect greenhouse gas (GHG) emissions by customers through tree planting initiatives. Base line 2023/ 5,674 tCo2e	10,246	12,863 (Target - 13,167)	16,049	18,689	20,933	
	Advocating for the reduction of indirect GHG emissions from suppliers. No of actions	3	3	3	3	3	

1. CLIMATE RISKS SCENARIO ANALYSIS

Climate Related Risks and Opportunities Management (CRRO)

AFC Risk and Opportunities Management System (ROMS) cover the sustainability related general risks management framework of the company and briefly describe the climate related risk management. The CRRO provides a more comprehensive management and reporting framework on Climate Related Risks and Opportunities.

RISK MANAGEMENT PROCESS

The AFC risk department is primarily responsible for identifying, analysing and dissemination of risk related information through the Enterprise Risk Management Committee (ERMC) to the board, management and operational departments for risk mitigation actions. The Risk department presents a monthly risk report to the ERMC and monitors the actions. The Loan portfolio related risks are managed through the ESMS process.

Risk Channel	Risk Type	Credit risk	Market Risk	Operational risk	Other Risks
Physical	Chronic Acute	Severe weather events and long-term changing weather patterns may reduce collateral values which increases credit risk via a high loss given default	Severe weather events may result in loss of assets values and increase volatility on commodity and forex markets	Severe weather may damage the branches, data centers and operations	Severe weather events leading to macro-economic shocks may increase liquidity risks
Transition	Policy Technology Market sentiment	New climate policies, technologies and market sentiment may generate stranded assets for CO2 intensive industries which increase probability of default	New climate policies, technologies and market sentiment may generate stranded assets for CO2 intensive industries which trigger an abrupt repricing on equity and/ or bond markets	New climate policies may lead to higher liability risks of operational activities such as outsourcing	New climate policies, technologies and market sentiment may increase reputation and/or liability risk related to green washing

Table 1: An overview of how climate change can be a driver of conventional risk types

1. CLIMATE RELATED RISKS AND OPPORTUNITIES SCENARIO ANALYSIS

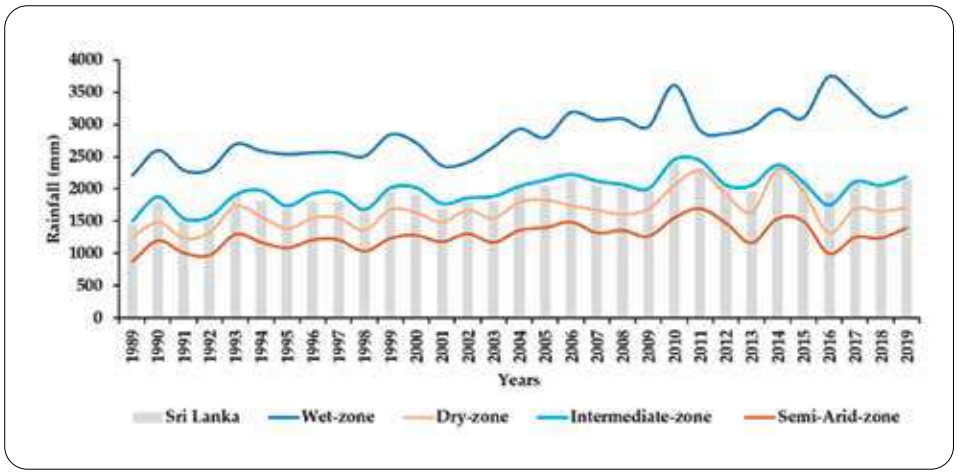
Sri Lanka Climate Vulnerability

As per UN, Sri Lanka is consistently among the top ten climate vulnerable Countries. As per World Bank/ADB Country Climate Risk profile of Sri Lanka 2021, Sri Lanka ranked 103rd position among the 181 countries in terms of its climate readiness or resilience.

TEMPERATURE

Rising temperature and extreme weather are the key climate vulnerabilities affecting the country. During the last century, mean temperature has increased by 0.8°C while in recent history the temperature is rising at the rate of 0.16°C per decade. This will give us a probable scenario of Sri Lanka mean temperature rising by 2.5°C at the turn of the century.

PRECIPITATION



As per the above metrological data, there has been no reduction of rainfall during the last 3 decades. However, the frequency of extreme weather situations with frequent flash floods and change of weather patterns has been witnessed in the recent past. Extreme weather disrupts day to day activities of the customers and staff and therefore likely to affect business operations. Similarly, floods and droughts also affect the business operations.

RISING SEA LEVELS

As per WB/ADB Country Risk Profile, Sri Lanka population vulnerability to rising Sea level is relatively low. The estimated number of People directly affected by 2070/2100 would be around 66,000. However, there could be significant increases in public expenditure on coastal conservation.

As AFC is solely operated in Sri Lanka, its operations are vulnerable to climate risks of the Country.

AFC considers Temperature rise of 2°C and 3°C as its major climate risk scenarios.

For Climate considerations, AFC will use the following timelines.

Short Term – One to Five years
Medium Term- Five to Ten years
Long Term – More than 10 years
AFC considers that warming above 2°C can only be possible in the long term. Therefore, the 3°C scenario is not considered for short-term (less than 1 year) or medium-term (1–5 years) risk scenarios. In accordance with SLFRS S2, AFC has assessed the low, medium, and high impacts of identified CRROs across all three time horizons and, where material, quantified the potential financial impact on its income statement, financial position, and cash flows as set out in the Risk Quantification section.

	Short term and Medium term Scenario Analysis	Short Term Potential Financial Impact	Medium Term Potential Financial Impact
Type	**Climate-Related Risks**	**Warming at 2°C level**	**Warming at 2°C level**
Transition Risks	◉ Increased pricing of GHG emissions	Increased cost of compliance	Increased cost of Compliance
	◉ Mandates on and regulation of existing products and services	No risk as AFC will comply Increased cost of compliance	No risk as AFC will comply Increased cost of compliance
	◉ Exposure to litigation		
	◉ Costs to transition to lower emissions technology	Increase R&D expenditure	Increase R&D expenditure
		Increased software cost and staff cost	Increased software cost and staff cost
	◉ Uncertainty in market signals	Cost increase	Cost increase
	◉ Increased cost of raw materials	Cost increase	Cost increase
		No short term material impact	
Physical Risk			Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk location. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected
	◉ Increased severity of extreme weather events such as cyclones and floods	Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk locations. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected	There is a risk of damage to furniture and equipment of Kaduwela location. Will be relocated to a higher elevation
		No material impact	
		There is a risk of damage to furniture and equipment of Kaduwela location	

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	Short term and Medium term Scenario Analysis	Short Term Potential Financial Impact	Medium Term Potential Financial Impact
Type	**Climate-Related Risks**	**Warming at 2°C level**	**Warming at 2°C level**
Resource Efficiency	Use of more efficient modes of transport	Cost saving due to targeted monitoring and moving to electric	Cost saving due to targeted monitoring and moving to electric
	Reduced water usage and consumption	Water Cost saving	Increased revenue and improved cost efficiency with digitized green products and virtual branches
Energy Source	Use of lower-emission sources of energy	Energy cost saving	Water Cost saving
	Use of supportive policy incentives	Fuel cost saving	Energy cost saving
	Shift toward decentralized energy generation	Increased access to DFI funding	Fuel cost saving
		Increased business volumes	Increased access to DFI funding
Products and Services	Development and/or expansion of low emission goods and services	Increased demand for renewable energy financing	Increased business volumes
	Development of climate adaptation and insurance risk solutions	Increased revenue from climate adaptation loan products	Increased demand for renewable energy financing
	Development of new products or services through R&D and innovation	Increased revenue from climate adaptive new products	Increased revenue from climate adaptation loan products
	Ability to diversify business activities	Increased revenue prom new green financing	Increased revenue from climate adaptive new products
	Shift in consumer preferences	Increased revenue due to consumer preference for green brands	Increased revenue from new green financing
Markets	Access to new markets	Increased revenue due to increased funding availability for portfolio	Increased revenue due to consumer preference for green brands
	Access to new assets and locations needing insurance coverage	No short term material impact	Increased revenue due to increased funding availability for portfolio
Resilience	Participation in renewable energy programs and adoption of energy - efficiency measures	Cost reduction due to energy saving measures and shifting to renewable energy	Access to low cost funding
		Increased revenue	Cost reduction due to energy saving measures and shifting to renewable energy

	Long Term Scenario Analysis	Potential Financial Impact	Potential Financial Impact
Type	**Climate-Related Opportunities**	**Warming at 2°C level**	**Warming at 3°C level**
Resource Efficiency	Use of more efficient modes of transport	Cost saving due to targeted monitoring and moving to electric	Cost saving due to targeted monitoring and moving to electric
	Use of more efficient production and distribution processes	Increased revenue and improved cost efficiency with digitized green products and virtual branches	Increased revenue and improved cost efficiency with digitized green products and virtual branches
	Use of recycling	Energy efficient buildings	Energy efficient buildings
	Move to more efficient buildings	Improved health and employee satisfaction	Improved health and employee satisfaction
	Reduced water usage and consumption	Water Cost saving	Water cost saving
Energy Source	Use of lower-emission sources of energy	Energy cost saving	Energy cost savings
	Use of supportive policy incentives	Fuel cost saving	Fuel cost saving
	Use of new technologies	Less sensitivity to cost of Carbon	Less sensitivity to cost of carbon
	Participation in carbon market	Revenue from Carbon offsets	Revenue from Carbon offsets
	Shift toward decentralized energy generation	Increased access to DFI funding	Revenue from Carbon offsets
		Increased business volumes	Increased business volumes

	Long Term Scenario Analysis	Potential Financial Impact	Potential Financial Impact
Type	**Climate-Related Opportunities**	**Warming at 2°C level**	**Warming at 3°C level**
Products and Services	Development and/or expansion of low emission goods and services	Increased demand for renewable energy financing	Increased demand for renewable energy financing
	Development of climate adaptation and insurance risk solutions	Increased revenue from climate adaptation loan products	Increased revenue from climate adaptation loan products
	Development of new products or services through R&D and innovation	Increased revenue from climate adaptive new products	Increased revenue from climate adaptive new products
	Ability to diversify business activities	Increased revenue from new green financing	Increased revenue from new green financing
	Shift in consumer preferences	Increased revenue due to consumer preference for green brands	Increased revenue due to consumer preference for green brands
Markets	Access to new markets	Increased revenue due to increased funding availability for portfolio	Increased revenue due to increased funding availability for portfolio
	Use of public-sector incentives	Access to low cost funding	Access to low cost funding
Resilience	Participation in renewable energy programs and adoption of energy-efficiency measures	Cost reduction due to energy saving measures and shifting to renewable energy.	Cost reduction due to energy saving measures and shifting to renewable energy
		Increased revenue	Increased revenue

SUSTAINABILITY RISKS INTEGRATION

A) AFC needs to timely anticipate, identify, prioritize, manage, and closely monitor sustainability-related risks across the risk universe and capitalize on opportunities associated with each risk type.

Conventional Risk Types

1. Credit Risk
2. Market Risk
3. Foreign Exchange (FX) Risk
4. Country or Sovereign Risk
5. Insolvency Risk
6. Operational Risk
7. Legal Risk
8. Concentration Risk
9. Reputational Risk
10. Off-balance-sheet Risk

RISK SCREENING OF SUSTAINABLE LENDING AND INVESTING

1.0	Credit risk Included individual ESMS risk sheets and applied to risk sheet relevant to each material risk credit application	2.0	Lending Investment and transaction title: Apply to environment risk lending transactions
3.0	Name of the borrower/Investee Given in the risk sheet	4.0	Other relevant information about borrower/investee (maximum 150 words) Given in the risk sheet
5.0	Lending/Investment amount Given in the individual risk sheets	6.0	Loan/Investment features (maximum 150 words) As per individual risk sheets
7.0	Rate the Probability of Risk Occurrence According to Risk Type on 1 to 10 scale (1 = Lowest, 10 = Highest)	8.0	Rate the Severity of Risk Impact According to Risk Type on 1 to 10 scale (1 = Lowest, 10 = Highest)
	1. Physical Risk **4**		**1. Physical Risk** **3**
	Physical Risk could arise from flood, drought, or Tsunami events. Since Sri Lanka is a country with a tropical climate, rainfalls are basically from monsoons and inter-monsoons. Due to the heavy rain situation, river banks will be flooded and customers in those areas will be affected. On the other hand, due to drought Agriculture areas will be affected and impact crop harvesting, which is the main income of the rural areas in Sri Lanka.		AFC uses a comprehensive ISO-certified business continuity management system (BCMS) for all its physical location management. AFC also ensures that all its buildings are located in flood-free zones. Our agriculture-related portfolio can be affected due to climate risk. However, this risk is minimized through adaptation actions. Livelihood activities including fruit and vegetable transport activities are affected by extreme weather.

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2.	**Non-Physical Risk**	**2**	**2. Non-Physical Risk**	**3**
	Non-physical risks affecting the banking industry encompass a wide range of potential threats that are primarily financial or operational in nature, rather than stemming from physical events		Robust policies and procedures have been put in place to mitigate the risk of occurrence and impact on non physical risk. In the mean time, regular monitoring and reporting are performed to ensure that risk remained within the appetite level of the company	
	Credit risk: This is the risk of financial loss arising from a borrower's failure to repay a loan or meet contractual obligations			
	Market risk: Market risk arises from fluctuations in financial markets, including changes in interest rates, exchange rates, equity prices, and commodity prices			
	Liquidity risk: Liquidity risk is the risk that a bank may be unable to meet its short-term obligations due to an inability to sell assets or obtain funding at reasonable terms			
	Interest rate risk: Interest rate risk arises from changes in interest rates affecting the value of a bank's assets, liabilities, and net interest income			
	Operational risk: Operational risk arises from failures in internal processes, systems, people, or external events. It includes risks related to fraud, errors, technology failures, cyberattacks, compliance failures, and legal disputes			
	Compliance and regulatory risk: Compliance risk refers to the risk of legal or regulatory sanctions, financial loss, or reputational damage resulting from violations of laws, regulations, or internal policies			
	Reputational risk: Reputational risk arises from negative public perception, loss of trust, or damage to a bank's brand and goodwill			
	Due to the nature of the business in which AFC operates, AFC is vulnerable to the risk of occurring non-physical risks.			
3.	**Social Risk**	**3**	**3. Social Risk**	**4**
	Social risks are those related to interactions with society, including customers, communities, employees, and broader societal issues. These risks can have implications for AFC''s reputation, customer relationships, and regulatory environment Due to the nature of the business model, there is a probability of occurring social risk		Society is the one who borrows from us and members of the society are the key stakeholders in the business model anything badly affecting them will have a high impact on the AFC. Our social protection framework and community engagement mechanisms mitigate the risks arising from the society.	
4.	**Transitional Risk**	**3**	**4. Transitional Risk**	**1**
	AFC is less vulnerable to climate related transitional risk due to the following reasons. a) AFC high impact goal 1 and 2 are mobility and inclusive finance related services and therefore have no material impact on climate risk b) The high impact goal 3 is related to MSME lending including climate related Agri - financing. The Agri finance lending already have climate adaptation and mitigation measures and therefore the transitional risk is low, As such, AFC is less exposed to transition risk		AFC has identified the sources through which transitional risks are emanated. AFC has implemented strategies to mitigate the risk associated with transition to a low carbon economy. Our high impact Goal 1 of Transition towards sustainable mobility solution will manage the potential portfolio risk associated with fossil fuel based vehicle financing. Similarly, AFC will address the financed emissions related issues with High Impact Goal 2 and 3 that cover the rest of the portfolio and future portfolio.	

	5. AML Risk	**3**	**5. AML Risk**	**3**
	AML regulations are updated routinely, and the company implemented required policies and procedures to mitigate the possible risk. However, the completeness of collecting CDD information is not sufficient for certain facilities. Therefore, regulators may impose penalties for noncompliance. On the other hand, the Company assesses the risks, based on the products, customers, and geographical location the company serves. As per our assessment, the probability of occurring a risk is minimum.		Due to the limitations of the system support, there is a possibility of onboarding a blacklisted customer to the system. Certain customer screenings are done manually. Therefore, if a risk arises the impact is high as it impacts the reputation of the company.	

9.0	**Sustainability-related risk scoring:**	
a)	Sustainability-related risk score = Probability risk occurrence x Severity of risk impact	= 41

RISK SCREENING FOR INSTITUTIONAL SUSTAINABILITY

1.0	Rate the Probability of Risk Occurrence According to Risk Type on a 1 to 10 scale (1 = Lowest, 10 = Highest)		2.0 Rate the Probability of Risk Impact According to Risk Type on 1 to 10 scale (1 = Lowest, 10 = Highest)	
	1. Governance Risks:	**1**	**1. Governance Risks:**	**1**
	The Board of the Alliance Finance Co. Plc. is dedicated and has a passion for the implementation of sustainability standards In addition, BODs of AFC have required competencies to carry out their duties and the board consists of members who have vast industry experience and knowledge. Hence, the probability of occurring governance risk is minimal. AFC Sustainability Governance Structure ensure that ESG related matters of the Company is adequately addressed. For this purpose Board sustainability sub committee play the oversight of ESG matters and reports to the board. Sustainability steering committee ensues the full implementation of the Company sustainability mandate and monitor and reports to the board subcommittee,		Corporate objectives and high-impact goals are aligned with the sustainability mandate	
	2. Management Risk:	**1**	**2. Management Risk:**	**1**
	Respective HODs are accountable for achieving the sustainability related targets AFC Sustainability and strategic planning department is responsible for monitoring the progress on the targets and discuss the achievements and shortfalls at the steering committee.		The probability of risk is minimal as the structure is in place to implement the set targets	
	3. Technology Risk:	**2**	**3. Technology Risk:**	**2**
	The company is in the process of implementing a new core banking solution. We expect to improve productivity through the system as well as reduce the usage of papers by 50% in the attached processes as approval will be provided through the system. Documents will be stored in the cloud-based platform. The company is invested in a technology-based P2P platform that performs the role of a financial facilitator.		The score provided to the Severity of Risk Impact: At present, the Company has the risk arising from new technologies as the current system is a legacy. However, the probable impact will be minimal with the implementation of the new system.	
	4. Business Model Risk:	**2**	**4. Business Model Risk:**	**2**
	AFC's business model is to provide financing facilities to prospective customers. Traditionally AFC was focused on providing transportation solutions and now it is converted to sustainability financing and introducing climate-smart impact financing products to support financial inclusion to the SME and SMSE sectors in Sri Lanka. Sustainable financing is a requirement imposed by the Central Bank of Sri Lanka; therefore, the AFC business model is in line with the regulatory perspective.		The company has taken initiatives to plant one million trees to absorb carbon generated by the vehicles financing the company. Therefore, the probability of rising risk is low	

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	Operations Risk:	**2**	**5. Operations Risk:**	**1**
	AFC currently operate within the country with a network of 90 branches with a well-structured operational and governance structure Its operations are regulated by the Central Bank of Sri Lanka (CBSL) and Securities Exchange Commission. Its internal Audit department is responsible to ensure periodic review of all operations and provide recommendations to Management and Board Audit committee AFC risk department analyze the company risks related to its operations and provide recommendations to the Management and Board risk Committee. AFC external Auditors, CBSL Audits, FIU of CBSL ensures that company operations are carried out in accordance with its mandate and regulations		Probability Operational Risk is low as the company is operating with a well-structured operational structure and compliance framework	
	6. Product Risk:	**3**	**6. Product Risk:**	**2**
	AFC's core business is providing financing facilities and mainly for vehicles. Indirect CO2 generated from vehicles increases the GHG emissions. To mitigate the impact on the environment, the AFC implemented a tree-planting project. In addition, diversifying the portfolio to climate-smart Agri based on products that generate food and nutrition needs for society. In addition, we are focusing on financing solar loans which it will reduce the burden on the national grid and finally save the extraction of resources from the environment to some extent.		The probability of Scope 1 risk is low, and we are a financial service provider However, our operations increase scope 2 and 3 level emissions. Our tree-planting initiatives help offset the Customer's carbon footprint	
	7. Stakeholder Relations:	**3**	**7. Stakeholder Relations:**	**2**
	Stakeholders provide AFC with critical resources that enable the company to generate competitive sustainable value in the short, medium and long term. Engaging with the key stakeholders allows us to understand their viewpoints and expectations and needs. The feedback generated enables us to develop effective strategies for value creation through the refinement of our service offering. We engage with our stakeholders via multiple channels on a periodic basis and have formulated a Stakeholder Management Plan (SMP) for stakeholder engagement monitoring and evaluation purposes. The Customer Care Unit holds responsibility towards monitoring and producing an annual report based on the Board approved SMP report format.		Failure to address the stakeholders' expectation will result in creating dissatisfaction among the stakeholders and which will have a negative outcome on the company.	
	Stakeholder engagement entails five phases including identify and assess, plan, engage, review and report. Upon identifying our main stakeholders and based on the respective stakeholder group's importance and impact on AFC, we carry out our assessment and planning to determine the scope and objectives as well as the resources to be allocated to address their needs. The mode of engagement is a vital factor that enables us to effectively evaluate their concerns and formulate our strategies. Monitoring and review is continuously carried out and findings are duly reported.			
	With the above initiatives, there is a low probability of occurring stakeholders being dissatisfied due to failure to address the interests of the stakeholders.			
	8. Human Capital Risk:	**2**	**8. Human Capital Risk:**	**2**
	Our team of skilled, committed individuals who execute their roles in a highly professional manner, creating value for all stakeholders and a lack of the right talents, skills and competencies will result in failure to deliver the agreed deliverables to customers and other stakeholders. However, in order to recruit the right human capital, we have put in place a robust recruitment process		Human capital is the one who delivers the services to customers, a lack of talents, competencies and skillful staff will hamper the delivery of the customer service.	
	In addition, the following engagements are being made to retain the existing talents			
	Competitive remuneration			
	Equal opportunity			
	Opportunities for skill development and career progression			
	Work-life balance			
3.0	**Sustainability-Related Risk Scoring: Institutional Sustainability**			
a)	Sustainability Related score = Probability of Risk Occurrence X Severity of Risk Impact = 34			

Note: *"AFC has elected to utilize the transition relief under SLFRS S1 paragraph E5, which permits disclosure of climate-related risks and opportunities only during the initial year of application. In parallel, AFC has commenced the identification and prioritization of broader sustainability-related risks and opportunities. Comprehensive disclosures addressing these topics will be progressively incorporated in future reporting cycles."*

RISK REGISTER

Risk title	Risk Category	Risk Description in Brief	Risk Impact (Low/ Medium/ High/ Catastrophic)	Risk Trigger	Action Needed (Immediate/ 1-3 Months/ After 3 months)	Risk-taking Business Unit/ Department	Risk Leader
Credit Risk – Flood	Physical Risk	Floods could arise on river banks and could affect sources of income of our customer base due to heavy rains.	Medium	Weather forecasts	Identify alternative locations to operate the business	Credit Marketing	Head of Credit Operations
Credit Risk – Droughts	Physical Risk	Droughts in agriculture regions, directly affect Agri harvesting and impact on repayment capacity of our customers	Medium	Weather forecasts	Select Sessional crops and focus on irrigation channels to use water in droughts	Impact financing	Manager Impact finance, Regional head
Operational Risk - Pandemic diseases	Non Physical Risk	Viruses like Covid 19, largely impact the society	Low	Announcements from the health ministry, media publications	Public awareness, take prescribed precautions	All	Human Resources Dept.
Operational Risk - Civil Unrest	Non Physical Risk	Civil unrest could occur due to geopolitical issues and it will impact on continuity of business	Low	Social media	Moratorium concessions to repayment of loans	All	Human Resources Dept.
Operational Risk - Cyber attacks	Non Physical Risk	Cyber-attacks could impact the databases	Low	Alerts generated from virus guards	Update virus guards routinely. Enhance knowledge of employees about harmful viruses	IT	CIO
Operational Risk - New Technologies	Transition Risk	Competitors are using new technologies to capture the market	Medium	Advertisements, social media messages	Enhance technology usage and improve productivity	IT	CIO
Legal and compliance Risk - Regulatory Penalties	Compliance Risk	Regulatory penalties for lapses in implementing legal provisions to prevent AML/CFT practices	Low	Incomplete KYC's, system limitations in implementing regulatory requirements	Enhance awareness on implementing KYC/CDD requirements	Compliance, Credit Operations, Deposit marketing	Compliance officer

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OPPORTUNITIES REGISTER

Opportunity Title	Under risk Category	Opportunity Description in brief	Potential impact of exploiting the opportunity	Opportunity Trigger	Action Needed (Immediate/ 1-3 Months/ After 3 months)	Opportunity Exploitation Business Unit/ Department	Opportunity Leader
Climate smart new products	Physical Risk	During the droughts period, it is directly impact on Agri culture production. However, polytunnel will provide a solution and make business opportunities	Availability of material, technical Knowledge	Customer inquiries	Introduce product to AFC branches at dry zone, Identify potential customers,	Providing required training at ground level	Branch Managers
					Evaluate the loan product to assess the effectiveness, based on that introduced to other branches		
		Financing for Solar panels	Completion in the market	Increasing cost of electricity	Advertising, partnership with solar panel suppliers	Applicable interest rate and ensure the break-even point for the investment	Branch Managers
Climate smart new products	Physical Risk	Financing for Solar panels	Completion in the market	Increasing cost of electricity	Advertising, partnership with solar panel suppliers	Applicable interest rate and ensure the break-even point for the investment	Branch Managers
Climate smart new products	Physical Risk	Financing for Solar panels	Completion in the market	Increasing cost of electricity	Advertising, partnership with solar panel suppliers	Applicable interest rate and ensure the break-even point for the investment	Branch Managers
Investment in Technology base products	Transition Risk	New generation is searching for user friendly products to meet financial needs. Therefore, partnering with Helios provides a platform to support user-friendly financial products to prospective customers	Reputational Risk, system capability to manage large customer base	Customer inquiries, no of visits to the website	Follow up ROI, Analyze the portfolio, monthly meetings to discuss budgets and achievements	Capital infusion for business expansion	Helios Team
Gathering customers information	AML Risk	To mitigate AML Risk CDD rules introduced. As a result, customers' income patterns, sources of information gathered, this information can be used to analyze customer behavior.	Customers awareness about AML/CFT requirements	Information availability in the databases	Assess the completion of the KYC, Gather additional details from High risk customers	Incomplete information	Head of Credit Operations
Accessing Green Bond funding opportunities	Investment	AFC will have access to Green fund and Green bond funding windows	AFC will be able to address the asset and liability maturity mismatch through loang term funding available under green Bond and Green funds of DFIs, Pension funds and Insurance funds.	Opportunity search	Immediate	Treasury / finance	Head of Treasury

2. RISK QUANTIFICATION FOR FINANCIAL DISCLOSURES

Following assumptions have been used in determining the materiality of financial quantification of climate related risk and opportunities.

a. AFC has a robust GHG reduction plan for its scope one and scope two emissions.

b. Its physical assets are adequately covered on climate related physical risks through insurance and no additional disclose is necessary.

c. Government of Sri Lanka has not announced it desires to enforce emission regulations in its Green Taxonomy for the next five years. Therefore, emission cost allowance is not considered.

d. **Transitional risks:** AFC movable assets comprised of ICE vehicles to the value of LKR 343 Mn. In an event of any new regulations forcing a phase out of ICE vehicle usage in a less than five-year framework, its Vehicle assets value will be affected.

e. **Transitional Credit risk:** AFC credit portfolio comprised of 63% ICE vehicles to the value of LKR 50 Bn. In an event of any new regulations forcing a phase out of ICE vehicle usage in a less than five-year framework, its Vehicle assets value will be affected and that may affect the credit recoverability. However, this has not been proposed in the government 5-year plan. Therefore such risk is not foreseen.

f. **Physical Credit Risk:** Agriculture portfolio - current and planned Agriculture portfolio is less than 0.01 of the total portfolio. The portfolio is entirely adapted to the climate risk. Therefore, no material impact is anticipated.

g. **Physical Credit Risk:** Agriculture value chain portfolio- The risk department has done an assessment of physical risk on the value chain using historical data and no material impact has been found for loss given default or expected credit loss.

h. **Materiality of other Transition risk and opportunities has been assessed based on the scenario analysis and financial disclosure requirements have been determined as follows:** Anticipated cost of Transition risk 9 Mn. Anticipated Transition Opportunities revenue LKR 97 Mn.

Approach to Risk Assessment

Scenario Analysis

Type	Long Term Scenario Analysis Climate-Related Risks	Potential Financial Impact Warming at 2°C level	Potential Financial Impact Warming at 3°C level
Transition Risks	Increased pricing of GHG emissions	Increased cost of Compliance	Increased cost of Compliance
	Enhanced emissions-reporting obligations	Not material	Increased cost of asset replacement
	Mandates on and regulation of existing products and services Exposure to litigation	No risk as AFC will comply Increased cost of compliance	No risk as AFC will comply Increased cost of compliance
	Substitution of existing products and services with lower emissions options	Long term material effect	Long term material effect
	Unsuccessful investment in new technologies	Long term material effect	Long term material effect
	Costs to transition to lower emissions technology	Increase R&D expenditure	Increase R&D expenditure
		Increased software cost and staff cost	Increased software cost and staff cost
	Uncertainty in market signals	Cost increase	Cost increase
	Increased cost of raw materials	Cost increase	Cost increase
Physical Risk	Increased severity of extreme weather events such as cyclones and floods	Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk location. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected.	Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk location. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected.
		No material impact	There will be material negative health effects at 3c level warming.
		There is a risk of damage to furniture and equipment of Kaduwela location. Will be relocated to a higher elevation	There is a risk of damage to furniture and equipment of Kaduwela location. Will be relocated to a higher elevation

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Type	Long Term Scenario Analysis Climate-Related Risks	Potential Financial Impact Warming at 2°C level	Potential Financial Impact Warming at 3°C level
Chronic Risk	Changes in precipitation patterns and extreme variability in weather patterns	No long term material effect	Shortage of water due to higher evaporation and higher evapotranspiration
	Rising mean temperatures	Increased capital cost and energy cost of air-conditioning	Increased capital cost and energy cost of air-conditioning
Resource Efficiency	Use of more efficient modes of transport	Cost saving due to targeted monitoring and moving to electric	Cost saving due to targeted monitoring and moving to electric
	Use of more efficient production and distribution processes	Increased revenue and improved cost efficiency with digitized green products and virtual branches	Increased revenue and improved cost efficiency with digitized green products and virtual branches
	Use of recycling	Energy efficient buildings	Energy efficient buildings
	Move to more efficient buildings	Improved health and employee satisfaction	Improved health and employee satisfaction
	Reduced water usage and consumption	Water Cost saving	Water cost saving
Energy Source	Use of lower-emission sources of energy	Energy cost saving	Energy cost savings
	Use of supportive policy incentives	Fuel cost saving	Fuel cost saving
	Use of new technologies	Less sensitivity to cost of Carbon	Less sensitivity to cost of carbon
	Participation in carbon market	Revenue from Carbon offsets	Revenue from Carbon offsets
	Shift toward decentralized energy generation	Increased access to DFI funding	Revenue from Carbon offsets
		Increased business volumes	Increased business volumes
Products and Services	Development and/or expansion of low emission goods and services	Increased demand for renewable energy financing	Increased demand for renewable energy financing
	Development of climate adaptation and insurance risk solutions	Increased revenue from climate adaptation loan products	Increased revenue from climate adaptation loan products
	Development of new products or services through R&D and innovation	Increased revenue from climate adaptive new products	Increased revenue from climate adaptive new products
	Ability to diversify business activities	Increased revenue from new green financing	Increased revenue from new green financing
	Shift in consumer preferences	Increased revenue due to consumer preference for green brands	Increased revenue due to consumer preference for green brands
Markets	Access to new markets	Increased revenue due to increased funding availability for portfolio	Increased revenue due to increased funding availability for portfolio
	Use of public-sector incentives	Access to low cost funding	Access to low cost funding
Resilience	Participation in renewable energy programs and adoption of energy-efficiency measures	Cost reduction due to energy saving measures and shifting to renewable energy.	Cost reduction due to energy saving measures and shifting to renewable energy
		Increased revenue	Increased revenue

KEY ASSUMPTIONS

Temperature rise of 2°C and 3°C as its major climate risk scenarios.

Timelines

- Short Term – One to Five years
- Medium Term - Five to Ten years
- Long Term – More than 10 years

Note: AFC considers that warming above 2°C level can only be possible in the long term. Therefore, 3°C level is not considered for short term and Medium term risk scenarios.

Assumptions for Quantification for Financial Disclosures

Following assumptions have been used in determining the materiality of financial quantification of climate related risk and opportunities.

a. AFC has a robust GHG reduction plan for its scope one and scope two emissions.
b. Its physical assets are adequately covered on climate related physical risks through insurance and no additional disclosure is necessary.
c. The Government of Sri Lanka has not announced its desire to enforce emission regulations in its Green Taxonomy for the next five years. Therefore, emission cost allowance is not considered.
d. Transitional risks: AFC movable assets consisted of ICE vehicles to the value of LKR 343 Mn. In the event of any new regulations forcing a phase out of ICE vehicle usage in a less than five-year framework, its Vehicle assets value will be affected.
e. Transitional Credit risk: AFC credit portfolio consisted of 63% ICE vehicles to the value of LKR 50 Bn. In the event of any new regulations forcing a phase out of ICE vehicle usage in a less than five-year framework, its Vehicle assets value will be affected and that may affect the credit recoverability. However, this has not been proposed in the government 5-year plan. Therefore suck risk is not foreseen.
f. Physical Credit Risk: Agriculture portfolio current and planned Agriculture portfolio is less than 0.01 of the total portfolio. The portfolio is entirely adapted to climate risk. Therefore, no material impact is anticipated.
g. Physical Credit Risk: Agriculture value chain portfolio - The risk department has done an assessment of physical risk on the value chain using historical data and no material impact has been found for loss given default or expected credit loss.
h. Materiality of other Transition risk and opportunities has been assessed based on the scenario analysis and financial disclosure requirements have been determined as follows: Anticipated cost of Short annual Transition risk LKR 9 Mn and Physical Risk is LKR 3.8 Mn. Anticipated short term annual Transition Opportunities revenue is LKR 97 Mn. The net short term annual impact would be a positive LKR 62 Mn. Anticipated cost of Medium annual Transition risk LKR 15.29 Mn and Physical Risk is LKR 4.6 Mn. Anticipated medium term annual Transition Opportunities revenue is LKR 130 Mn. The net medium term annual impact would be a positive LKR 33 Mn.

RISK MANAGEMENT GRI 201-2

AFC has established a comprehensive framework to identify, assess, and manage climate and sustainability-related risks and opportunities, ensuring alignment with international standards and national directives. This framework is built on three key pillars:

1 Environmental and Social Management System (ESMS)

Developed in collaboration with an independent consultancy, the ESMS provides a structured approach to evaluating Environmental, Social, and Governance (ESG) risks associated with lending activities. It complements AFC's adherence to the IFC Exclusion List and is reinforced by 15 sector-specific fact sheets. These fact sheets offer detailed guidance to ensure that credit decisions are made with a thorough understanding of sector-specific environmental and social risks, supporting environmentally responsible financing.

2 Climate Finance Product Strategy

In response to the Central Bank of Sri Lanka's Sustainability Finance Roadmap and Green Finance Taxonomy, AFC has introduced a dedicated Climate Finance Product Strategy. This strategy integrates climate risk and opportunity considerations into loan evaluations and offers targeted financing solutions for renewable energy, climate-smart agriculture, and waste management. These offerings enable AFC to support low-carbon and climate-resilient development across sectors, while embedding climate considerations into its core business operations.

3 Environmental & Climate Action Policy and Sustainability Policy

These policies reflect AFC's strengthened commitment to sustainable finance by aligning all lending practices with its internal High Impact Goals (HIGs). The policies ensure that ESG considerations are integrated into every stage of the credit process, from screening to monitoring, thereby fostering a culture of sustainability and climate consciousness across the organisation.

CURRENT COMMITMENTS

AFC is committed to advancing its sustainability journey through a holistic, inclusive approach that aligns with organisational, national, and global priorities. By focusing on carbon footprint reduction, expanding inclusive financial products, fostering a sustainability-centred culture, and solidifying our governance structures, we are determined to make a lasting impact on the environment, society, and the economy. Through these efforts, AFC stands as a committed partner to sustainable development, driving progress in line with the UN SDGs and ensuring a resilient future for generations to come. Successfully issuing the first NBFI sector Green Bond is convincing evidence of our sustainability commitment.

SLFRS S1 & S2 Conformity

COMBINED ASSURANCE AND DATA INTEGRITY

AFC ensures the integrity of its sustainability and climate-related disclosures through a combined assurance model comprising three lines of defence: (1) First Line – Management Controls: Heads of Line Departments are accountable for the accuracy of quantitative sustainability and GHG data; (2) Second Line – Sustainability and Risk Functions: The Sustainability Department verifies and consolidates data before submission; the Risk Department integrates climate risks into the ERMC monthly reporting cycle; (3) Third Line – External Verification: GHG emissions data is independently verified by the Sri Lanka Climate Fund (Ministry of Environment) under ISO 14064-1:2018. AFC will progressively extend external assurance to all material SLFRS S1 and S2 disclosures as part of its implementation roadmap, with Internal Audit oversight of sustainability data processes to be strengthened from in 2025/26.

MATERIALITY ASSESSMENT AND SRRO IDENTIFICATION

In compliance with SLFRS S1, AFC has conducted a structured materiality assessment to identify sustainability-related risks and opportunities (SRROs) reasonably expected to affect its financial performance, position, and cash flows. The assessment considered: (a) the nature of AFC's activities and value chain including 90 branches and a lending portfolio of vehicle leasing 63%, gold loans 29.2%, and MSME/climate loans 4.8%; (b) engagement with key stakeholders including customers, investors, CBSL, employees, and communities; (c) climate scenario analysis under 2°C and 3°C warming pathways; and (d) applicable SASB Consumer Finance industry-specific sustainability topics. Material SRROs are integrated into AFC's enterprise risk management framework and reported to the Board Sustainability Sub-Committee quarterly.

AFC completed its formal double materiality assessment in 2025/26, further aligning with evolving SLFRS S1 disclosure requirements.

Quantitative Financial Impact Summary – Climate-Related Risks and Opportunities (SLFRS S2 para. 64)
In line with SLFRS S2, AFC has quantified the short-term annual financial impacts of material CRROs as follows: Anticipated annual cost of Transition Risk – LKR 9 Mn; Anticipated annual cost of Physical Risk – LKR 3.8 Mn; Anticipated annual Transition Opportunity revenue – LKR 97 Mn; Net short-term annual positive impact – LKR 62 Mn. These estimates are based on the assumptions set out in the Risk Quantification section. Quantification of medium-term and long-term financial impacts will be progressively developed and disclosed in accordance with AFC's SLFRS implementation roadmap.

AFC Scope 3, Category 15 GHG Emission Reporting Methodology

AFC maintains accurate and up-to-date records of its vehicle loan portfolio, including details such as vehicle type, model, and year of manufacture. This data forms the foundation for estimating the average fuel efficiency of the vehicle portfolio across different geographic regions. AFC also conducts sample surveys to estimate the average usage for each vehicle category. Using this information and the GHG Protocol for fossil fuel emissions, AFC is able to more accurately measure the greenhouse gas emissions associated with its vehicle loans.

In addition, industrial sector exposure of the gold loan portfolio and other lending products are also analysed. Based on the proportional exposure to each industry sector, AFC applies industry-specific GHG emission estimates to determine potential emissions. Field surveys are conducted to assess the actual sectoral allocation of loan usage, using AFC's average funding ratio as a benchmark for specific business activities.

Findings indicate that approximately 50% of gold loans are used for consumption purposes To ensure alignment with international best practices, AFC adopts the Science Based Targets initiative (SBTi) near-term measurement requirements for the finance sector. These standards guide the emission reporting related to its gold loan portfolio and other loan products. AFC loan book includes Vehicle loans, Gold Loans, Gold investment loans, Micro Loans, and Climate loans. Loan portfolio composition is as follows;

- Vehicle leases and loans 63%
- Gold Loans 29.2%
- Other Loans 4.8% (include Gold investment loan, solar and Climate smart Agri, Electric Vehicles)
- Portfolio excluded for Financed emission: 50% of Gold Loan portfolio (consumption) =14.6%
- No emission portfolio of Gold investment and Solar =1.8%
- Portfolio not covered in 25/26 =14.6%



Biodiversity & Ecosystems Restoration GRI 304-3

Increasing Sri Lanka's Forest Cover

In early 2025, AFC launched an important environmental initiative focused on tree planting at two significant locations: the Piduruthalagala (the highest peak in Sri Lanka) Reservation Forest and the newly opened Shanthipura Viewpoint in Nuwara Eliya. This project aligns with our commitment to enhancing biodiversity, addressing soil erosion, and mitigating climate change.

- Location 1: Piduruthalagala Reservation Forest – Focus on planting native species to preserve the local ecosystem.
- Location 2: Shanthipura Viewpoint, Nuwara Eliya – Tree planting to enhance the landscape, prevent erosion, and improve the environmental aesthetics of the viewpoint.

The project involves planting native tree species to restore the forest ecosystem and improve soil health, with a focus on sustainable tourism and environmental aesthetics. Over 1,600 trees, including species like Alubombu, Ankenda, and Walarina, have been planted. The project is expected to create a positive environmental impact while supporting local tourism, making Nuwara Eliya a greener, more attractive destination.

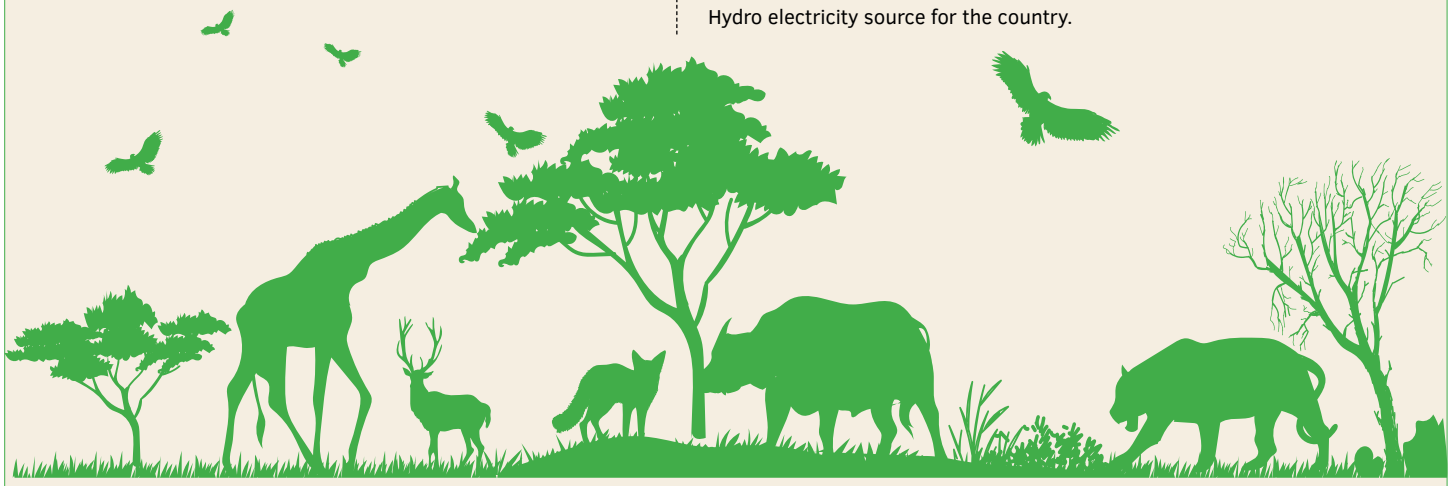
HAPANNU Forest

AFC has announced the launch of a pioneering new sustainability initiative in 2023 that is aimed at promoting environmental conservation in Sri Lanka. The project named "Hapannu Forest" is a forest created by the child savers of the Company and dedicated to the future generations of children. The "AFC Hapannu Forest" is being created close to the Mailapitiya Ranaviru Memorial Tower at Mailapitiya South, Kandy District. The project site is a denuded land of 60 acres owned by the Forest Department of Sri Lanka.

The project's main aim is to teach youngsters about the benefits of forest trees and ecosystems while also encouraging them to save for the future. AFC hopes that school children and youth will visit the site in Mailapitiya, Dulgolla and benefit from the educational opportunities provided by the forest. The forest will be a unique way for children to connect with nature and learn about the responsibility and value of protecting the environment.

As of to date planting of **over 7,000** plants covering **11.5** hectares has been completed.

As part of the initiative, the Company plans to organise educational tours and events for children to help them understand the vital role forests play in the ecosystem. The implementation of this project will have a positive impact on reducing the national carbon footprint will also contribute to improving the flora and fauna in these areas while supporting efforts to conserve water and protect the natural habitats of the region as the reserve is located in the Victoria-Randenigala reservoir catchment area, which is a critical water and Hydro electricity source for the country.



Central Ridge Forest restoration project.

As a follow-up to the Hill country Leopard conservation project of Andrew and Angela Watson Trust, AFC commenced a new phase of providing Native plant species to their Central Ridge forest corridor restoration project. As part of the initiative, AFC has committed to sourcing 100,000 native highland forest plants. As of the end of March 2026, over 5,000 plants had already been planted as part of the initiative.

AFC also supported creation of a biodiversity site at Ceylon Biscuit Limited Pannala Coconut estate site.

Project Impact

- Conservation of Natural Resources: Piduruthalagala Reservation Forest is a unique and ecologically significant area that requires continued protection. This project will focus on planting native tree species to help restore and sustain the forest ecosystem, supporting biodiversity and wildlife habitats.
- Erosion Control and Climate Change Mitigation: The newly opened viewpoint in Shanthipura offers a prime location to address soil erosion and environmental degradation in the region. The tree planting initiative will improve soil health, prevent erosion, and support the fight against climate change by increasing carbon sequestration.
- Ecotourism and Sustainable Development: With the viewpoint attracting tourists, the tree planting project will not only enhance the natural beauty of the area but also contribute to sustainable tourism practices. It will create a green, attractive environment, supporting long-term eco-friendly tourism in Nuwara Eliya.

Q

“How will you safeguard biodiversity?”

A

We have several programmes that are supported by our organisation, which safeguard the unique flora and fauna across the island.

Green Savings
Enrich the Hapannu Forest: Your deposit isn’t just money;
It’s a catalysit for the thriving hapannu forest.



OPERATING ENVIRONMENT



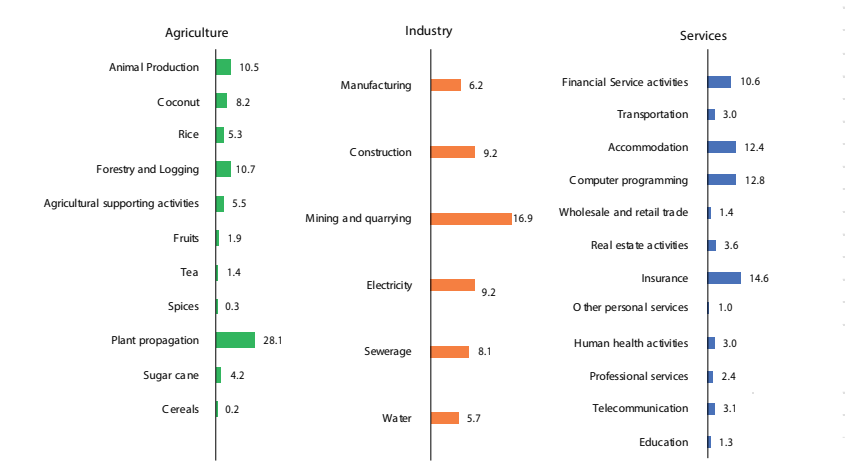
SRI LANKA'S ECONOMIC RECOVERY IN 2025

Despite global uncertainties, including geopolitical developments and adverse weather conditions during the latter part of the year, domestic conditions remained resilient. Sri Lanka sustained its economic recovery in 2025. Building on the stabilisation achieved in the previous year, the Country recorded 5% GDP growth, marking the second consecutive year of growth.

Economic recovery was underpinned by greater macroeconomic stabilisation and structural reforms, including the ongoing implementation of the IMF supported programme and the debt restructuring process that reinforced fiscal discipline, strengthened public financial management and restored investor confidence, creating a more stable foundation for growth.

Growth was led primarily by the services sector, supported by the recovery in tourism and expansion in trade, transport and port-related activities, while the agricultural sector demonstrated gradual recovery despite continued exposure to adverse weather conditions and climate-related risks. The industrial sector also recovered during the year, driven by better energy availability, increased domestic demand and the normalisation of business operations. The relaxation of vehicle import restrictions further increased import activity and supported demand across related industries.

Growth in Economic Activities at Constant Prices in 2025



(a) Base year 2015

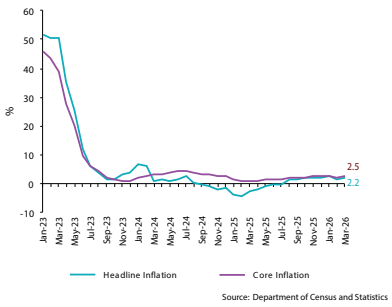
Source: Department of Census and Statistics

INFLATION

Inflation was subdued during much of 2025 with headline inflation as measured by the Colombo Consumer Price Index hovering in negative territory in the early months of the year before turning positive in August 2025 and increasing gradually thereafter.

Year on year headline inflation increased to 2.1% by end 2025 from negative 1.7% at end 2024.

Movements in Headline and Core Inflation (CCPI, 2021=100, y-o-y)

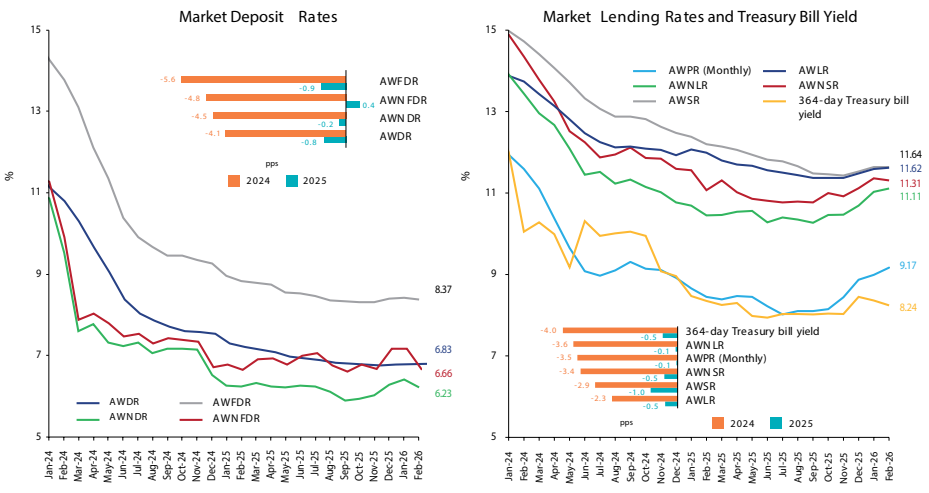


INTEREST RATES

The moderate interest rate environment in 2025 was reflective of the accommodative monetary policy stance maintained by the Central Bank of Sri Lanka (CBSL) as part of its strategy to manage inflation and fuel economic activity. The CBSL eased policy rates during the year, with the Overnight Policy Rate reduced to 7.75% by end 2025. The lower interest rate environment supported a notable expansion in private sector credit, facilitating increased consumption and investment and contributing to the recovery in economic activity.

Notably, some upward pressure on interest rates was observed towards the latter part of the year, driven by increased competition for deposits and a significant expansion in private sector credit, together triggering a slight increase in short term rates in the latter part of the year.

Growth in Economic Activities at Constant Prices in 2025



EXCHANGE RATE

Following two consecutive years of appreciation, the Sri Lankan rupee recorded a depreciation against the United States dollar. The rupee depreciated to LKR 309.99 per US dollar by end 2025 compared to LKR 292.58 at end 2024.

The depreciation was primarily driven by increased demand for foreign exchange, particularly in the second half of the year, owing to higher import expenditure following the relaxation of vehicle import restrictions.

Despite this, external sector conditions remained stable, amidst strong inflows from workers' remittances, tourism earnings and services exports which strengthened domestic foreign exchange liquidity and enabled the Central Bank to continue building foreign reserves through net foreign exchange purchases.

OUTLOOK FOR THE SRI LANKAN ECONOMY IN 2026

Sri Lanka's economic outlook for 2026 remains positive, marked by improved macroeconomic stability, although global conditions continue to be uncertain. Economic activity is likely to stay robust with accommodative monetary policy of the CBSL continuing to drive demand for credit.

Growth prospects across key sectors are likely to remain favourable. The services sector is projected to continue as the primary driver, while the industrial sector is poised to benefit from improved domestic conditions, reconstruction activity and ongoing infrastructure development. The agricultural sector is also projected to recover gradually, supported by improvements in key sub-sectors despite continued exposure to climate-related risks. The continuation of structural reforms, including those implemented under the IMF supported programme, alongside measures to improve the ease of doing business is also expected attract foreign direct investment.

Operating Environment

However, the near term outlook is subject to downside risks arising from global uncertainties, particularly geopolitical tensions and trade disruptions. The trajectory of the Middle East war and its potential impact on energy markets, trade flows and financial conditions remains a key external risk. In this context, continued emphasis on fiscal consolidation, the preservation of macroeconomic buffers, and the advancement of structural reforms will be critical to strengthening resilience and sustaining Sri Lanka's economic stability in the period ahead.

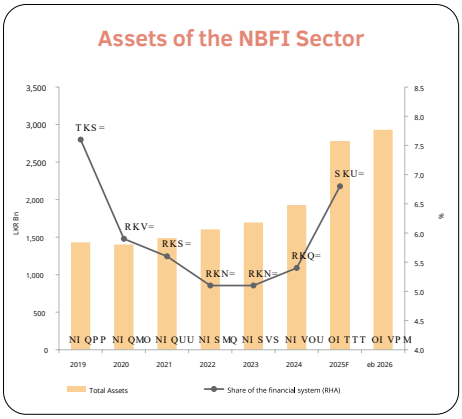
NBFI SECTOR PERFORMANCE

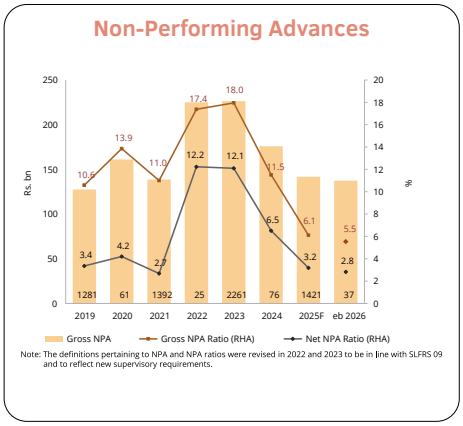
The NBFI sector recorded strong growth in 2025. The broad-based expansion across key sectors fuelling a robust demand for financing, the NBFI sector recorded strong credit expansion during the year. The sector also demonstrated increased resilience, with notable improvements in profitability alongside strengthening of liquidity and capital buffers.

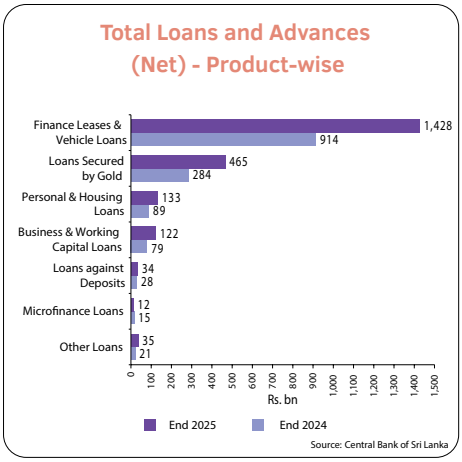
ASSET BASE

The asset base of the NBFI sector expanded to record growth of 46.4% year on year at end of FY 2025/26, compared to a growth of 13.7% in the previous year. Growth was driven primarily by the expansion in the loans and advances, which increased by 56.0% and accounted for 80.2% of total assets, respectively.

Growth in lending was attributed to the surge in demand for financing, particularly in finance leases and vehicle loans following the relaxation of vehicle import restrictions. The demand for Gold Loans also continued to grow steadily during the year. Finance leases and vehicle loans accounted for 68.5% of total loans and advances for 2025/26, while Gold Loans represented 21.7%.







ASSET QUALITY

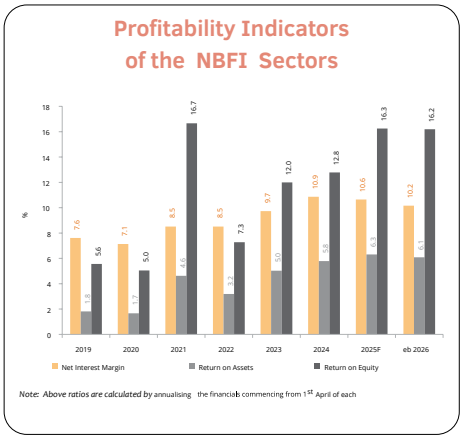
The asset quality of the NBFI sector reported a strong improvement as demonstrated by the notable reduction in non-performing loans. The gross stage 3 loans ratio declined to 4.4%% from 8.6%% in 31.03.2025, while the net stage 3 loans ratio decreased to 2.4% from 4.5%.

The impairment coverage ratio stood at 45.1% as at 31 March 2026.

PROFITABILITY

The NBFI sector recorded a notable improvement in profitability in 2025/26, with Profit After Tax increasing by 28.16% to LKR 91.08 Bn, driven primarily by higher net interest income on the back of improved lending activity. Significant reversals in impairment provisions further contributed towards boosting sector profitably.

The improvement in profitability was reflected in enhanced returns, with Return on Assets increasing to 6.7% and Return on Equity to 17.5% in 2025, while overall sector Cost-to-Income Ratio improved to 46.3% from 49.9% in the previous year.



LIQUIDITY

The sector maintained sound liquidity with regulatory liquid assets remaining above the minimum requirement. Total regulatory liquid assets stood at LKR 270.8 Bn, exceeding the minimum requirement of LKR 163.0 Bn and resulting in a liquidity surplus of LKR 107.8 Bn at end 2025/26.

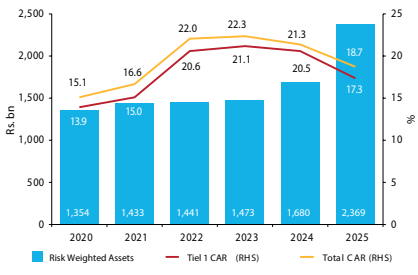
Although the liquidity surplus declined compared to the previous year, the sector maintained adequate buffers to meet regulatory requirements and support ongoing financing activity.

While customer deposits continued to be the main source of funding for the NBFI sector, a notable increase in borrowings was observed during the year to support continued credit expansion.

CAPITAL ADEQUACY

The total capital base of NBFI sector increased by 23.4% to LKR 470.7 Bn in 2025/26. Tier 1 Capital Adequacy Ratio and Total Capital Adequacy Ratio of the sector stood at 16.6% and 18.4%, respectively, indicating a decline compared to the previous year, largely due to the increase in risk weighted assets associated with credit expansion. However, both remained above the minimum regulatory requirements.

Capital Adequacy of the NBFI Sector



Source: Central Bank of Sri Lanka

NBFI SECTOR OUTLOOK FOR 2026

The NBFI sector is likely to continue benefiting from improving macroeconomic conditions and the resultant demand for credit during 2026. Driven by the strong demand for finance leases, vehicle loans and secured lending products, including gold-backed loans, the sector asset base is expected to expand further in 2026.

Asset quality is also expected to further strengthen as customer repayment capacity improves amidst the normalisation of economic conditions. Similarly, sector profitability is also likely to remain stable.

However, sector performance remains subject to potential risks arising from global and domestic uncertainties, including geopolitical developments, changes in macroeconomic conditions and their impact on borrower repayment capacity. In this context, maintaining prudent risk management practices, adequate liquidity and capital buffers will be critical to sustaining growth and resilience of the NBFI sector in the period ahead.

MANAGING RISKS AND OPPORTUNITIES GRI 205-1

OVERVIEW

As a licensed finance Company governed by the Central Bank of Sri Lanka (CBSL), AFC operates within a highly regulated and inherently dynamic financial services environment, which highlights the importance of proactive risk management in safeguarding financial stability, protecting stakeholder interests, and sustaining long-term value creation. At AFC, risk management is a strategic enabler that supports informed decision-making, strengthens organisational resilience, and enhances the Company's ability to pursue sustainable growth opportunities within acceptable risk parameters.

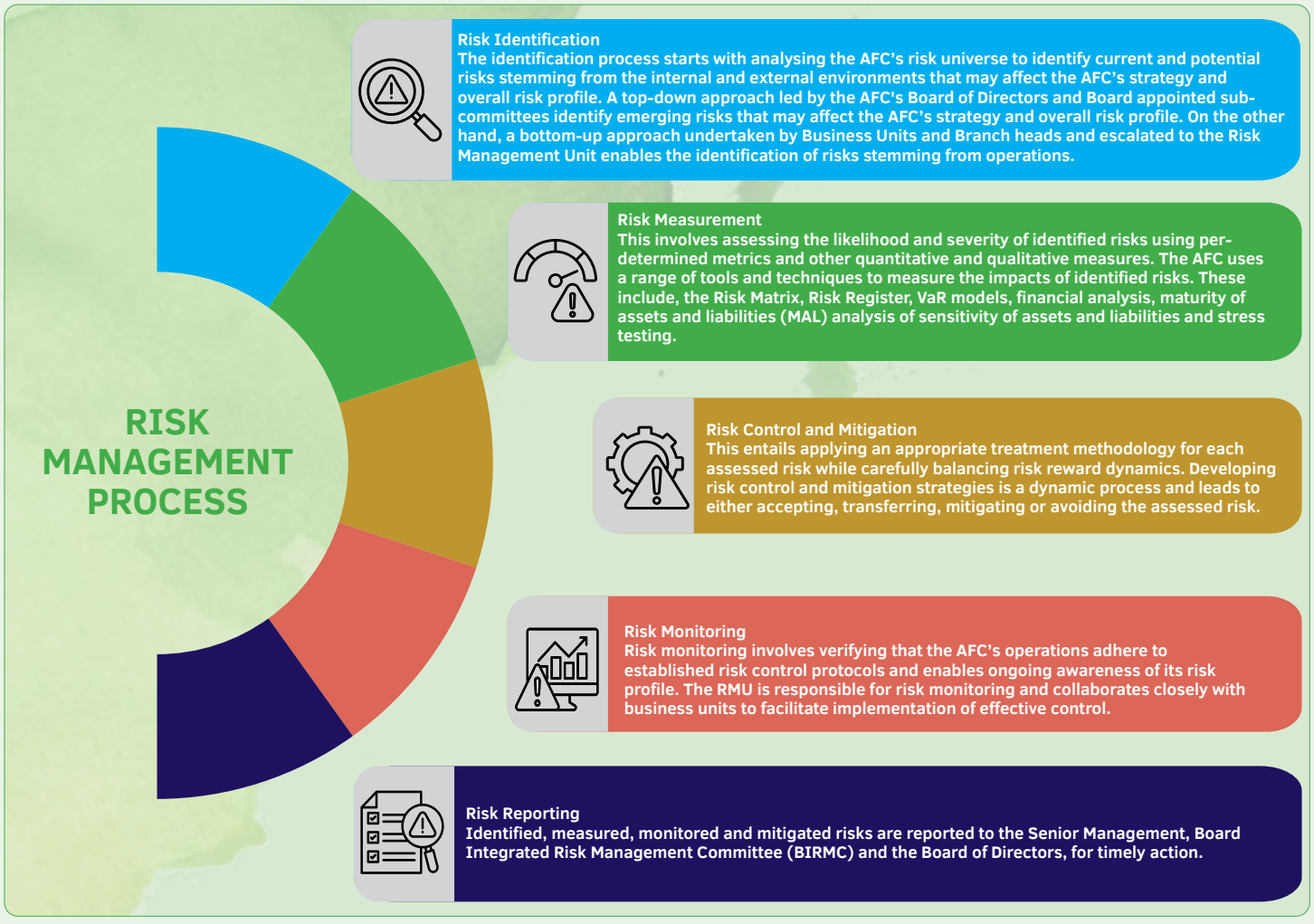
INTEGRATED RISK MANAGEMENT FRAMEWORK (IRMF)

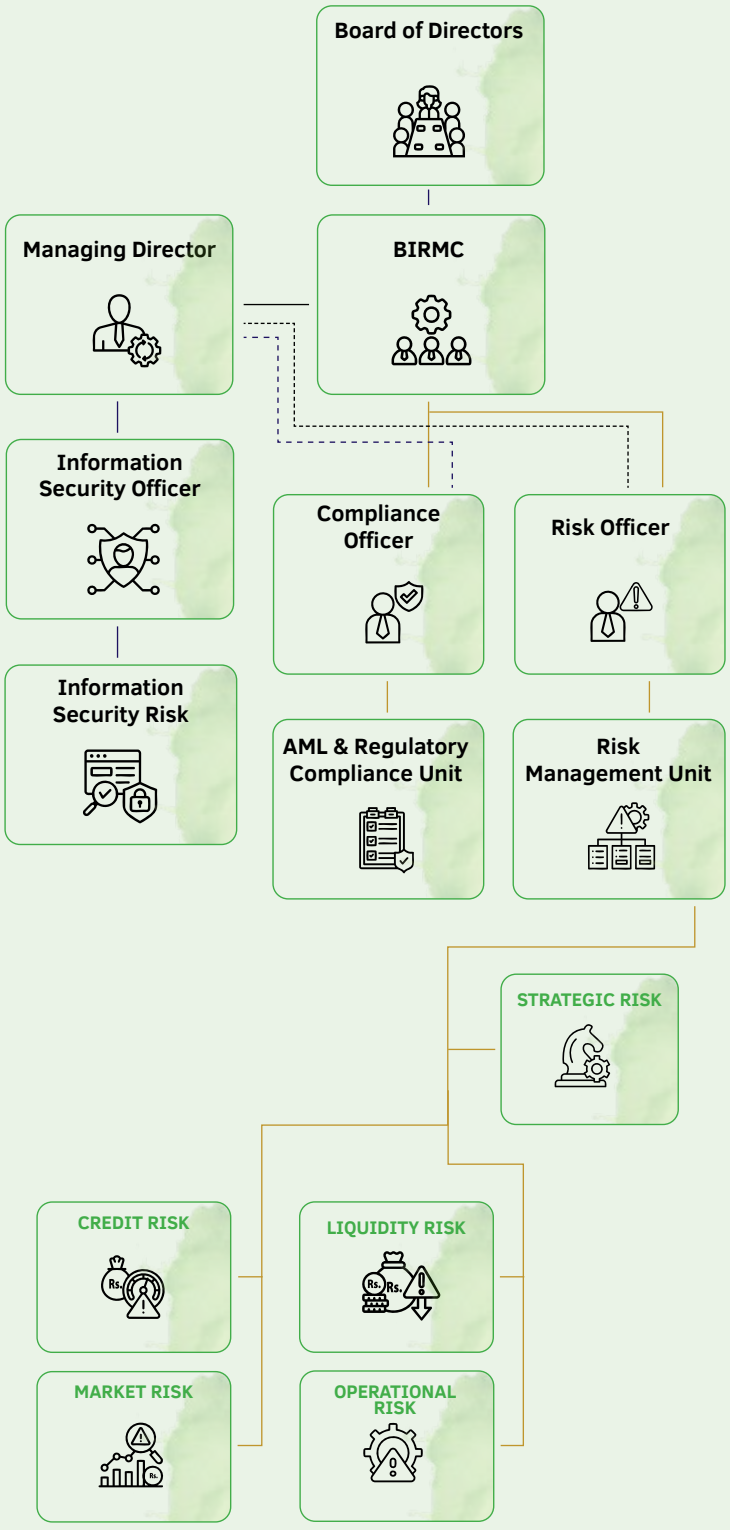
AFC has established an Integrated Risk Management Framework (IRMF), which serves as the overarching structure governing the identification, assessment, measurement, monitoring, and management of risks across the organisation. The IRMF is designed to provide a consistent and enterprise-wide approach to ensure that all material risks are managed in an integrated and coordinated manner in line with the Company's strategic objectives, capital management priorities, and sustainability commitments.

The framework is constructed around a comprehensive risk management process for identifying, assessing, monitoring, and mitigating risks in a timely and effective manner. The risk management process is supported by a framework of policies, risk appetite thresholds, internal controls, reporting mechanisms, and escalation protocols.

Governance of the IRMF is anchored at Board level, with the Board of Directors retaining ultimate responsibility for overseeing the effectiveness of the Company's risk management and internal control environment. Assisting the Board in its risk management oversight are the Board Sub Committees as well as several Management-level Committees with designated authority over specific risk areas.

RISK GOVERNANCE STRUCTURE





Roles and Responsibilities for Risk Management

Board of Directors (BOD)
As the apex body responsible for risk oversight, the Board provides strategic direction for the Company's overall risk management framework. The Board is responsible for approving the risk strategy, defining the Company's risk appetite and target risk profile, and ensuring that appropriate risk management policies, procedures, and internal control mechanisms are in place to effectively manage material risks across the organization.

Board Integrated Risk Management Committee (BIRMC)
The BIRMC supports the Board in overseeing the effectiveness of AFC's risk management framework. The Committee reviews material risk exposures, monitors compliance with approved risk appetite thresholds, and makes recommendations to the Board on risk management policies and practices. The Head of Risk Compliance Officer maintain a direct technical reporting line to the BIRMC, strengthening independent oversight and governance.

Board Audit Committee (BAC)
The BAC plays a critical role in strengthening the integrity and effectiveness of AFC's internal control environment. The Committee oversees financial reporting processes, internal audit functions, and compliance mechanisms, while supporting the effective management of operational risks and ensuring the reliability and accuracy of financial information.

Board Sustainability Committee (BSC)
The BSC oversees the integration of sustainability considerations into AFC's strategic and risk management processes. This includes monitoring Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs), while ensuring alignment between the Company's sustainability agenda and broader business objectives.

Executive Risk Management Committee (ERMC)
Chaired by the Managing Director and comprising heads of key business functions, the ERMC serves as the apex management-level risk committee. The Committee supports the implementation of the Board-approved risk framework and policies, while facilitating ongoing monitoring and management of enterprise-wide risks across the organization.

Credit Committee (CC)
The Credit Committee is responsible for the day-to-day management of credit risk. The Committee oversees lending portfolio performance, monitors asset quality, reviews recovery actions, and periodically evaluates credit policies and lending guidelines to ensure prudent and disciplined lending practices.

Assets and Liabilities Committee (ALCO)
The ALCO is responsible for overseeing liquidity risk management and maintaining the Company's financial stability. The Committee reviews liquidity gaps, cash flow forecasts, funding plans, contingency arrangements, and stress testing outcomes to ensure adequate liquidity buffers are maintained. In addition, ALCO evaluates the optimal balance sheet structure to support profitability while minimizing exposure to financial and liquidity-related risks.

Technology Risk and Information Security Committee (TRISC)
Periodically review the Company's plans to ensure there is well-defined operational governance in place to deliver required services and ensure there is a comprehensive information security program that has appropriate administrative, technical and physical safeguards and meets applicable regulatory requirements and industry standards.

Sustainability Steering Committee (SSC)
This ensures the AFC integrates sustainability into its strategy by formulating and implement ESG policies, monitoring compliance with regulatory norms, and guiding departments on sustainability decisions.

Corporate Management Meeting (CMM)
The Committee is responsible for assessing operational processes and internal controls to minimize operational losses and to instill a compliance culture among staff.

Managing Risks and Opportunities

AFC ADOPTS THE THREE-LINES-OF-DEFENCE APPROACH TO MANAGE RISK WITHIN THE COMPANY IN LINE WITH BEST PRACTICES.

FIRST LINE OF DEFENCE

Business lines

- Ownership for the day-to-day management of risk.
- Ensure that risks accepted are within the AFC's risk appetite and risk management policies

SECOND LINE OF DEFENCE

Risk and Compliance department

- Direction for Risk Management and Compliance
- Independent monitoring of the effective implementation of Risk Management Framework

THIRD LINE OF DEFENCE

Internal and External audit function

- Providing independent and objective assurance on the Risk Management processes and practices by first line and second line

RISK APPETITE

Risk Appetite defines the nature and level of risk the Company is willing to assume in pursuit of its strategic, financial, and sustainability objectives. Serving as a key pillar of the IRMF, the Risk Appetite is structured to balance growth opportunities against the need to preserve financial stability, protect stakeholder interests, and maintain regulatory compliance.

Approved by the Board of Directors, the Risk Appetite Framework establishes clearly defined tolerance thresholds across all major risk categories to provide guidance to management and operational teams in making informed and disciplined business decisions.
Oversight of the Risk Appetite Framework is maintained through regular monitoring and reporting processes, enabling timely identification and escalation of any deviations from approved limits. The Board Integrated Risk Management Committee (BIRMC) reviews the Risk Appetite Statement and associated tolerance limits at least annually, or more frequently where warranted by changes in the operating environment, regulatory landscape, or business strategy. Any recommended revisions are subject to Board approval prior to being formally incorporated into the Risk Appetite Limit Framework.

The AFC's key risk appetite parameters and Board approved tolerance limits as at 31st March 2026 are given below.

Risk Tolerance Limits			
Type of risk	**Metric**	**Limit**	**Actual FY 2025/26**
Credit risk	Gross NPL Ratio- Excluding Gold loan and Three Wheelers	7.5%	**6.31%**
	Gross NPL ratio Gold loan	2.0%	**0.19%**
	Single borrowing	850 Mn	**66 Mn**
	Group borrowing	1,300 Mn	**66 Mn**
	Unsecured borrowing group of borrowers	1,000 Mn	**183.48 Mn**
Liquidity risk	Statutory reserve ratio	>12%	**18%**
	Deposit renewal ratio	>75%	**56%**
	Minimum holding of government securities	> 9%	**15%**
Interest rate risk	% Impact on Net Interest Income from 100 bps shock	5% of the equity	**0.85%**
Foreign Exchange Rate risk	Net open position for FX exposure	<= 7. 5 % to capital funds	**4.81%**
Equity risk	Stop loss limit	<= 10% for a month	**Nil**
Capital risk	Core capital ratio	> =10.00%	**12.35%**
	Total capital ratio	> =13.50%	**17.37%**

POLICIES AND PROCEDURES

AFC's Integrated Risk Management Framework is supported by a comprehensive system of policies, procedures, and operational guidelines designed to ensure the consistent and effective management of risks across the organization. These policies provide the foundation for translating the Company's risk appetite into clearly defined processes, controls, and accountability mechanisms at both strategic and operational levels.

Board-approved risk management policies cover all key risk categories. Each policy outlines the objectives, governance structures, authority limits, control requirements, escalation protocols, and monitoring mechanisms applicable to the respective risk area.

Supporting procedures and standard operating guidelines further establish the day-to-day processes required for identifying, assessing, mitigating, monitoring, and reporting risks in a structured and consistent manner.

To maintain relevance and effectiveness, all risk-related policies and procedures are subject to periodic review and enhancement in response to changes in the regulatory landscape, business environment, emerging risks, and evolving industry best practices. Oversight of this process is maintained through the Board Integrated Risk Management Committee (BIRMC) and relevant management committees.

Stress Testing and Scenario Analysis
AFC utilises stress testing and scenario analysis as key tools to assess the potential impact of severe yet plausible adverse events on the Company's financial position, liquidity, capital adequacy, and overall operational resilience. These assessments support the proactive identification of vulnerabilities, evaluation of control effectiveness, and strengthening of preparedness for emerging risks and external shocks.

Stress testing is conducted across individual risk categories as well as through integrated enterprise-wide assessments to evaluate the combined effect of multiple risk events occurring simultaneously. In parallel, scenario analysis is used to evaluate the potential implications of evolving macroeconomic, regulatory, environmental, and market conditions over different time horizons, enabling the Company to better understand how changing external dynamics may influence business performance, portfolio quality, funding stability, and strategic objectives.

The scenarios assessed encompass a broad range of potential disruptions, including adverse economic conditions, market volatility, liquidity constraints, deterioration in asset quality, operational disruptions, and climate-related events.

The outcomes of stress testing and scenario analysis are utilized to review and recalibrate risk appetite thresholds, strengthen contingency planning frameworks, support capital and liquidity management processes, and enhance the Company's overall resilience in navigating an increasingly uncertain operating environment.

RISK REGISTER

Risk Register serves as a centralized repository for documenting and tracking material risks across the organization. Risk Register captures key details relating to identified risks, including the nature and source of the risk, potential impact, likelihood of occurrence, existing control measures, risk ownership, mitigation actions, and residual risk exposure.

The Risk Register is maintained by the Risk Department and is regularly reviewed by relevant management committees and the Board Integrated Risk Management Committee (BIRMC) as part of the ongoing monitoring of material risk exposures, assessment of control effectiveness, and timely escalation of significant risks requiring Board attention.

CAPITAL PLANNING PROCESS

The primary objective of AFC's capital planning process is to ensure that the Company maintains adequate capital base to meet regulatory requirements, support strategic growth objectives, and preserve financial stability under both normal and stressed operating conditions.

The process incorporates a range of forward-looking assessments, including scenario analysis, sensitivity testing, and contingency planning, to evaluate the Company's ability to withstand potential adverse events and absorb unexpected losses arising from various risk exposures. These exercises provide valuable insights into AFC's financial resilience, capital adequacy, and capacity to continue supporting business growth while meeting stakeholder and regulatory obligations during periods of stress.

AFC primarily utilizes the Capital Adequacy Ratio (CAR) as the key indicator for assessing the sufficiency of its capital buffers. Continuous monitoring of CAR levels enables the Company to ensure that adequate capital is maintained to absorb potential losses, support risk-weighted asset growth, and sustain confidence among regulators, depositors, investors, and other stakeholders.

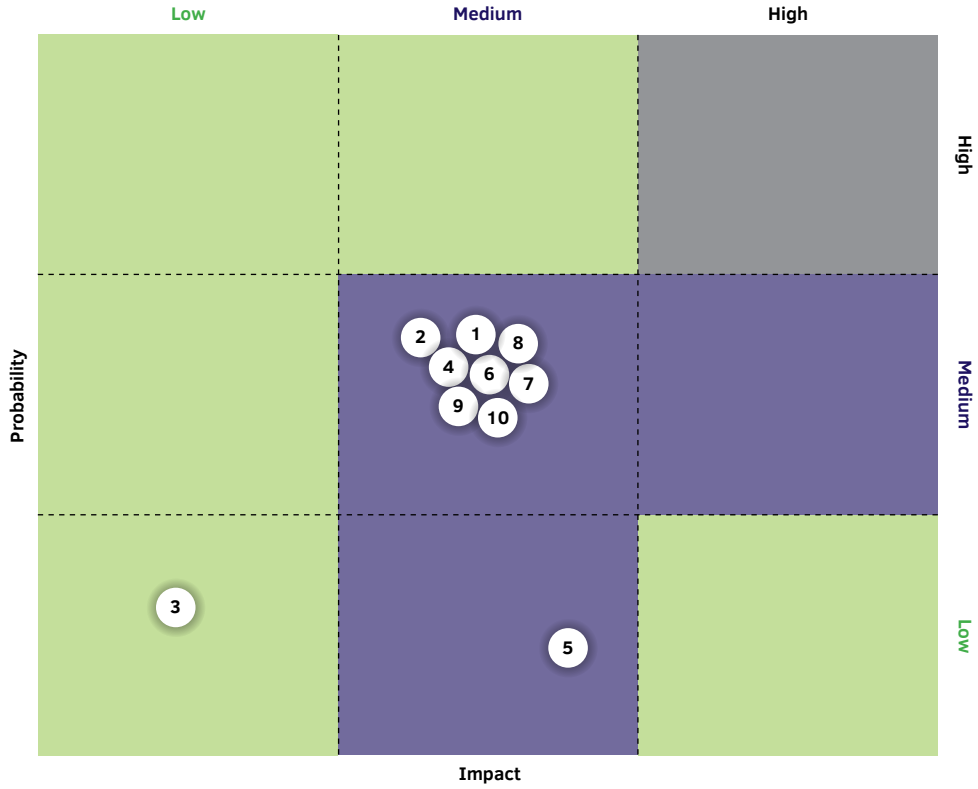
RISK AWARENESS CULTURE

The Board and senior management play a critical role in setting the tone at the top by promoting the culture of risk awareness and disciplined risk-taking across the organization, which is further reinforced through clearly defined governance structures, policies, communication channels, and continuous engagement on risk-related matters.

Managing Risks and Opportunities

Regular training programmes, awareness sessions, and policy communication initiatives are conducted to enhance employees' understanding of the Company's risk management expectations. As part of the overall approach to building the risk awareness culture, employees are encouraged to promptly report emerging concerns, control weaknesses, or potential incidents to drive timely intervention, as needed.

RISK HEAT MAP



No.	Type of risk	Probability	Impact
1	Credit risk	Medium	Medium
2	Interest rate risk	Medium	Medium
3	Foreign currency risk	Low	Low
4	Commodity risk	Medium	Medium
5	Liquidity risk	Low	Medium
6	Operational risk	Medium	Medium
7	Information security risk	Medium	Medium
8	Strategic risk	Medium	Medium
9	Compliance risk	Medium	Medium
10	Climate risk	Medium	Medium

Credit Risk

Credit Risk refers to the potential for loss arising from a borrower's or counterparty's failure to meet their contractual obligations. AFC assesses credit risk using an expected loss framework, which considers the probability of default, exposure at default, loss given default, and relevant macroeconomic and portfolio-specific factors that may influence repayment capacity.

As a non-banking financial institution with a core focus on lending to individuals and SMEs, credit risk represents the most significant risk exposure for AFC. The Company recognises two key dimensions of credit risk: default risk, which relates to the inability of borrowers to meet repayment obligations, and credit concentration risk, which arises from overexposure to specific sectors, customer segments, or geographic regions



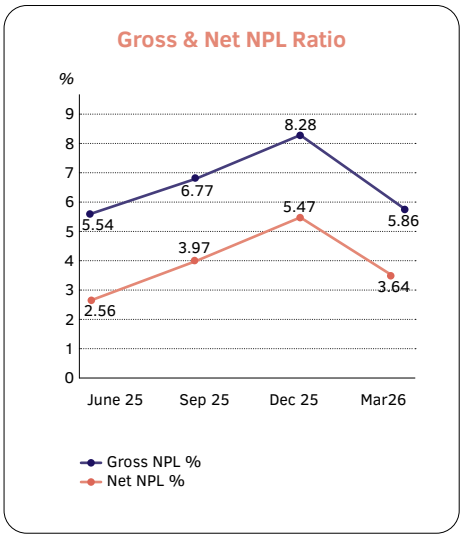
Managing Credit Risk

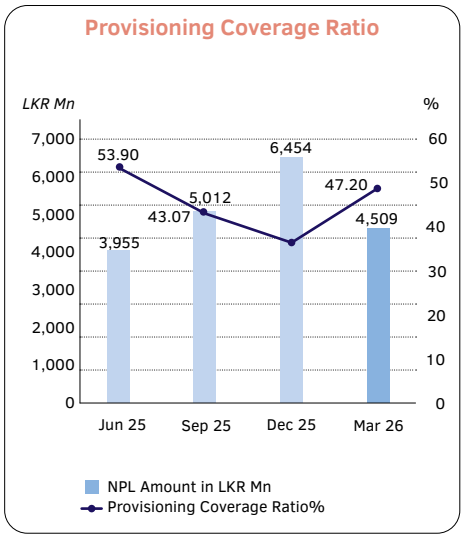
Policies and Procedures	Monitoring and Reporting	Responsible Authorities
The Credit Risk Management Policy Credit Operations Manual Internal procedures and product-specific guidelines	The Risk Department closely monitors NPL ratios across products, sectors, and regions to identify emerging credit risk trends early. Credit quality indicators are reported to the Board Integrated Risk Management Committee (BIRMC) on a monthly basis NPL performance is benchmarked against peers and industry norms to support timely and proactive portfolio management actions. The Credit Committee regularly reviews and updates Credit Policies and lending guidelines to align with changing market conditions and customer needs	Board of Directors Board Integrated Risk Management Committee (BIRMC) Credit Committee Risk Department Business Heads (Risk Owners)

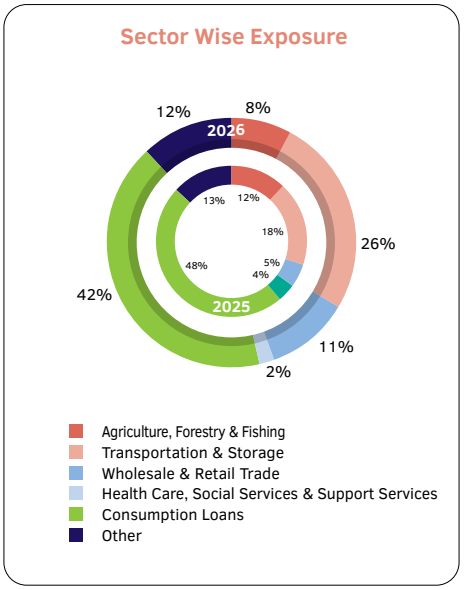
Risk Context, Strategy and Metrics for FY 2025/26

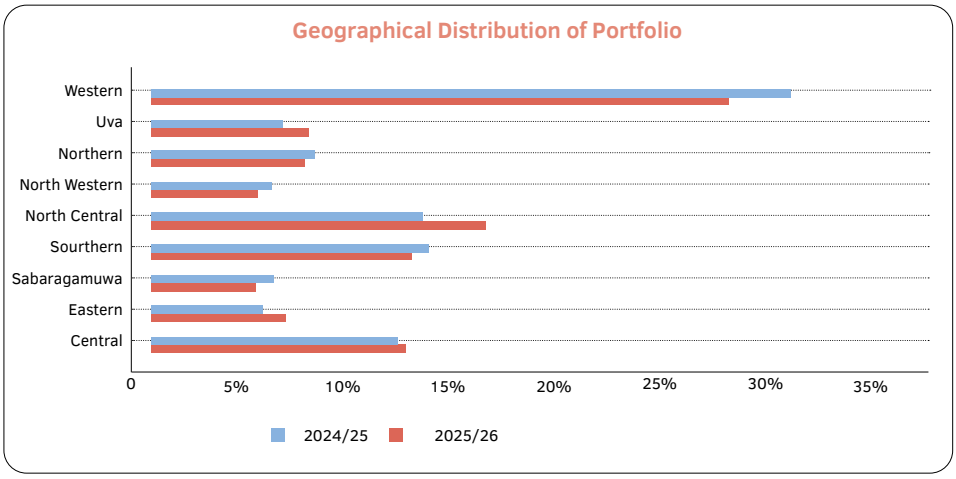
Context	Risk Management Strategies	Metrics
During the year, several external developments influenced portfolio performance and borrower behavior. The resumption of vehicle imports, created pressure on residual values and exposed certain vulnerabilities within second-hand vehicle financing portfolios. In addition, adverse weather conditions associated with Cyclone Ditwah impacted selected geographic regions and economic sectors, resulting in temporary stress on affected borrower segments and a deterioration in credit quality within those areas. Operationally, the migration to a new core banking system in August 2025 introduced transitional challenges, including parallel processing of legacy and new systems. This required additional resource deployment and temporarily impacted the pace of recovery activities in certain cases.	Revised Credit Risk Appetite limits covering both default risk and concentration risk thresholds. Strategies to strengthen credit resilience: • Adoption of cash flow-based lending as the primary credit assessment approach to ensure repayment capacity-driven lending decisions. • Strengthening of collateral management practices, with enhanced security requirements applied where potential credit risks were identified. • Continued use of early delinquency management systems to ensure timely intervention and recovery actions within defined risk thresholds. Key Risk Indicators Monitored: • Gross Non-Performing Loan (NPL) ratio • Net NPL ratio • Provision coverage ratio • Single borrower exposure limits • Group exposure limits • Sector-wise concentration limits • Stress testing outcomes across key portfolios All credit risk indicators were regularly reported to both the Executive Risk Management Committee (ERMC) and the Board Integrated Risk Management Committee (BIRMC). Consolidated credit risk reports were circulated to relevant credit and business teams to support informed lending decisions, proactive portfolio management, and effective risk control across the organization.	

Managing Risks and Opportunities









Outlook for 2026/27

The credit risk environment is expected to remain dynamic in the near term, owing to a combination of market-driven and climate-related developments. The resumption of vehicle imports has already triggered a sharp correction in second-hand vehicle prices, which may exert downward pressure on collateral values and, in turn, negatively influence credit quality within vehicle-backed lending portfolios. Given the inherent inverse relationship between vehicle prices and credit performance, this trend requires close monitoring, particularly in segments with high exposure to used vehicle financing.

In addition, the impact of Cyclone Ditwah has created localized economic disruption across affected regions, with potential implications for borrower repayment capacity, particularly among grassroots and SME customers. While these impacts are expected to be transitional in nature, they may contribute to a temporary increase in credit risk in the short term.

Looking ahead, key priorities for AFC would be to:

- Strengthen collateral valuation and monitoring mechanisms, particularly for vehicle-backed portfolios, to reflect rapidly changing market prices.
- Enhance early warning systems and proactive delinquency management to identify and address stress signals at an early stage.
- Maintain disciplined, risk-adjusted lending with a continued focus on cash flow-based credit assessments.
- Intensify portfolio monitoring in climate-affected regions to support timely restructuring and recovery actions where required.
- Preserve portfolio quality through prudent growth, with continued emphasis on diversification and concentration risk management.

Market Risk

Market Risk refers to the potential for financial losses arising from changes in external factors such as interest rates, exchange rates, equity market movements, and commodity price fluctuations. Associated Market Risks for AFC are: Interest Rate Risk, Foreign Exchange Risk, Commodity Price Risk and Equity Risk.



Managing Market Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
◉ Assets and Liabilities Management Policy ◉ Liquidity Management Policy	◉ The Risk Department carries out internal stress tests and conducts duration analysis to assess the sensitivity of assets and liabilities to interest rate fluctuations with findings reported to the BIRMC. ◉ Monitoring of the Re-pricing gap limits and interest rate sensitivity limits are in place	Board of Directors Asset and Liability Committee (ALCO)

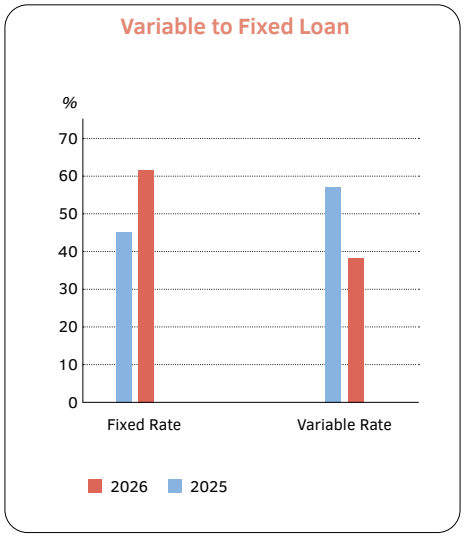
Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
The interest rate environment in the current year was shaped by a broadly accommodative monetary stance adopted by the Central Bank of Sri Lanka, supported by inflation remaining within the targeted range. In addition, excess liquidity within the banking system helped sustain relatively lower interest rate levels for a significant part of the period. However, towards the latter part of the year, excess credit expansion led to increased demand for funding, contributing to an upward pressure on interest rates. This evolving interest rate cycle required AFC to remain agile in managing repricing risk and funding costs.	To manage exposure to interest rate volatility, AFC implemented the following key mitigation strategies during the year: ◉ Increased focus on fixed-rate borrowing to reduce sensitivity to market interest rate fluctuations. ◉ Promoting short-term, high-yield lending products to better align asset repricing with funding structures and reduce duration mismatch. ◉ Active product pricing adjustments in response to prevailing market interest rate movements to ensure portfolio yields remain competitive and risk-adjusted. Key Risk Indicators Monitored: ◉ Repricing gap analysis across assets and liabilities ◉ Variable-to-fixed rate exposure mix ◉ Duration analysis of key portfolios ◉ Sensitivity assessments of balance sheet positions to interest rate movements The Liquidity Risk Management Policy, Investment Policy, and Asset and Liability Management (ALM) Policy, were reviewed by the ALCO and updated to ensure continued relevance in the evolving market environment.	

Outlook for 2026/27

In the near term, the interest rate environment is expected to reflect the lingering economic effects of Cyclone Ditwah, which may contribute to temporary inflationary pressures and, in turn, create conditions for potential upward adjustments in policy and market interest rates. This could lead to a period of short-term rate volatility as the economy absorbs the impact of weather-related disruptions and associated supply-side constraints.
However, in the medium to long term, interest rates are expected to stabilize and remain broadly within single-digit levels, supported by improved macroeconomic fundamentals, sustained fiscal consolidation, and the gradual normalization of inflationary pressures. This outlook suggests a more stable interest rate environment beyond the short-term adjustment phase.
In this context, AFC's key priorities will include:

- Actively managing repricing risk through continued alignment of asset and liability maturities and interest rate structures.
- Maintaining a balanced funding mix with a focus on cost-effective and fixed-rate sources where appropriate.
- Ensuring agile and responsive product pricing in line with market rate movements to protect margins.
- Strengthening gap and duration management to reduce exposure to interest rate mismatches.
- Continuously monitoring macroeconomic indicators to enable timely strategic and treasury responses to changing rate conditions.



Managing Risks and Opportunities

Foreign Exchange Risk

This pertains to potential losses within a foreign currency- denominated investment portfolio and borrowing due to fluctuations in the relative values of the currencies involved.



Managing Foreign Exchange Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
◉ Assets and Liabilities Management Policy ◉ Liquidity Management Policy	◉ The Risk Department monitors the NOP supported by stress tests using multiple exchange rate scenarios to assess the potential impact on AFC's balance sheet and profitability ◉ Findings are reported to the BIRMC	Board of Directors Asset and Liability Committee (ALCO)

Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
The combined impact of external demand and supply-side pressures on the Sri Lankan Rupee impacted foreign exchange risk in the current year. Key factors contributing to currency depreciation included increased FX loan repayments, the resumption of vehicle imports, rising crude oil prices, and higher import-related expenditure, all of which heightened demand for foreign currency. In addition, Cyclone Ditwah adversely impacted key export-oriented sectors, particularly tea, thereby weakening one of the country's important foreign currency inflow sources. However, these pressures were partially offset by favourable inflows from increased worker remittances, a recovery in tourism earnings, and external financial support through IMF programmes, World Bank assistance, and grant inflows.	AFC adopted a range of risk mitigation measures to manage exposure to foreign exchange volatility, including: ◉ Strict monitoring of Net Open Position (NOP) limits to ensure compliance with regulatory thresholds and internal risk appetite. ◉ Alignment of FX-linked exposures with underlying cash flows to minimize currency mismatch risk. ◉ Prudent pricing of FX-sensitive lending products to reflect currency volatility and protect margins. ◉ Ongoing review of foreign currency exposure across the lending portfolio to ensure diversification and avoid excessive concentration risk. **Monitoring Priorities:** ◉ Daily monitoring of Net Open Positions (NOP) to track currency exposure levels. ◉ Periodic stress testing to assess the impact of adverse currency movements on profitability, capital adequacy, and portfolio quality. ◉ Scenario analysis to evaluate the effects of macroeconomic shocks, including import demand fluctuations and external inflow volatility. ◉ Continuous tracking of key FX drivers such as remittances, tourism inflows, commodity prices, and external financing developments.	Net open position

Outlook for 2026/27

The foreign exchange outlook is expected to remain broadly stable supported by continued external inflows. The IMF-EFF programme, along with disbursements from multilateral lending institutions, ongoing grant inflows, and improving foreign worker remittances, are expected to provide important buffers to external sector stability. In addition, the continued recovery in tourism earnings is likely to further strengthen the country's foreign currency inflow position over the medium term.

While demand for foreign exchange is expected to remain elevated due to import requirements and external debt-related obligations, the combined effect of these inflows is anticipated to provide resilience to the exchange rate, supporting a more stable FX environment compared to previous periods of heightened volatility.

Key Priorities for AFC:

- Maintaining strict compliance with Net Open Position limits and strengthening real-time monitoring of FX exposures.
- Ensuring strong alignment between FX assets and liabilities to minimise currency mismatches.
- Continuing prudent pricing of FX-sensitive products to reflect underlying currency risk.
- Enhancing portfolio diversification to reduce concentration in FX-exposed segments.
- Strengthening stress testing and scenario analysis to assess potential impacts of currency volatility on capital, liquidity, and asset quality.
- Continuously monitoring macroeconomic indicators to enable timely strategic and treasury responses to changing rate conditions.

Commodity Price Risk

This refers to the potential for financial risk due to the fluctuation in the prices of commodities.



Managing Commodity Price Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• Gold Loan Policy and Procedure Manual	• The Gold Loan Committee is tasked with continuously monitoring gold price risk and making necessary rate revisions guided by the ALCO	Board of Directors Gold Loan Committee Gold Loan business unit

Managing Risks and Opportunities

Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
Heightened geopolitical tensions, revisions in US tariff structures, and broader global economic instability contributed to increased volatility in international commodity markets. In parallel, domestic currency depreciation further amplified local commodity price movements, resulting in heightened uncertainty in collateral values and repayment capacity for commodity-backed lending exposures. However, these pressures were partially offset by favourable inflows from increased worker remittances, a recovery in tourism earnings, and external financial support through IMF programmes, World Bank assistance, and grant inflows.	AFC adopted several targeted strategies to manage commodity price risk effectively, including: • Focus on short-term commodity-backed lending to reduce exposure duration and volatility risk • Strict adherence to conservative loan-to-value ratios to ensure adequate collateral buffers • Building internal reserve buffers to absorb potential losses arising from adverse price movements • Continuous monitoring of commodity price trends to enable timely portfolio actions and risk adjustments • Monitoring Focus • Regular stress testing of both new lending exposures and the existing commodity-backed portfolio • Scenario analysis to assess the impact of adverse commodity price movements on collateral values and repayment capacity • Ongoing monitoring of price volatility and market trends across relevant commodity categories	Loan to Value Ratio Matured stock to portfolio

Outlook for 2026/27

Commodity markets are expected to remain volatile in the near term, driven primarily by heightened geopolitical tensions and ongoing global economic instability. In particular, gold prices are anticipated to remain on an upward trajectory as investors continue to seek safe-haven assets amid uncertainty in global financial and political conditions. This trend may also be reinforced by currency fluctuations and broader inflationary pressures across major economies.

In the medium term, commodity prices are likely to remain sensitive to shifts in global trade policies, interest rate movements, and geopolitical developments, requiring continued vigilance in managing collateral-backed exposures.

Key Priorities for AFC:

- Maintaining conservative loan-to-value (LTV) ratios to ensure adequate collateral coverage, particularly for gold-backed lending
- Strengthening real-time monitoring of commodity price movements to enable timely portfolio adjustments
- Enhancing stress testing and scenario analysis to assess the impact of sharp price corrections on asset quality
- Continuing a focus on short-tenor, asset-backed lending structures to limit exposure duration
- Preserving adequate provisioning buffers to absorb potential volatility in collateral values

Liquidity Risk

Arises due to the non - availability of adequate liquid funds for institutions to honour its contractual and contingent financial obligations as and when they fall due without incurring unacceptable losses.



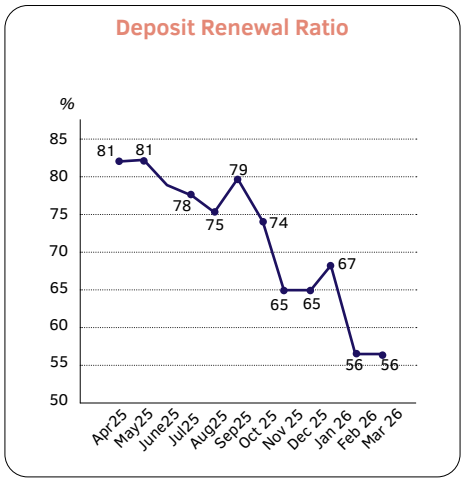
Managing Liquidity Risk

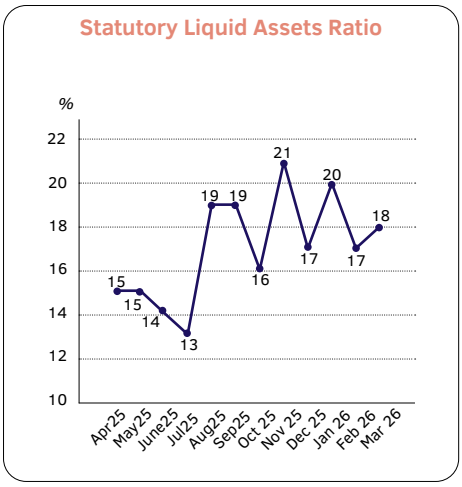
Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• Assets and Liability Management Policy • Liquidity Management Policy	• The Treasury Department prepares forecasted cash flow statements and gap analyses to assess future funding requirements, with results presented to ALCO meetings. • The Treasury Department monitors key liquidity indicators, including the liquid asset ratio, contingency funding arrangements, and investments in government securities to ensure adequate liquidity levels. • The Risk Department provides independent oversight by conducting liquidity stress testing to assess resilience under adverse conditions.	Board of Directors Assets and Liability Committee (ALCO) Treasury Department Risk Department

Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
Overall, the banking system experienced surplus liquidity, primarily driven by net liquidity injections arising from the Central Bank's foreign exchange purchases and foreign exchange buy/sell swap arrangements during the period. At the same time, several counteracting factors contributed to periodic tightening of rupee liquidity. These included government foreign exchange purchases from the Central Bank for external debt servicing, currency withdrawals by licensed commercial banks, maturities of Treasury bond holdings held by the Central Bank, and coupon payments on those securities. Collectively, these movements created fluctuations in short-term liquidity conditions, requiring active balance sheet and liquidity management.	AFC implemented a disciplined set of liquidity management strategies, through: • Continuous monitoring of liquidity positions through detailed cash flow forecasting and gap analysis, with proactive actions taken in anticipation of potential funding shortfalls. • Maintenance of unused funding lines to provide immediate access to liquidity in the event of sudden requirements. • Strict monitoring of deposit renewal ratios and premature withdrawal trends, maintained within approved risk appetite levels. • Active management of concentration risk, ensuring top 20 deposit exposures remained within expected thresholds. • Maintenance of liquidity buffers through liquid asset holdings and government securities well above statutory minimum requirements. Monitoring Focus: • Deposit renewal ratios • Statutory liquid asset ratios • Minimum holding requirements for government securities • Contractual and behavioral gap analysis • Stress testing and sensitivity analysis • Cash flow forecasting The Terms of Reference of the ALCO was strengthened to ensure clear accountability, while key policies including the Liquidity Risk Management Policy, Asset and Liability Management (ALM) Policy, and Investment Policy, were reviewed and updated during the year to reflect evolving market conditions and ensure continued alignment with best practices and regulatory expectations.	

Managing Risks and Opportunities





Outlook for 2026/27

Looking ahead, the liquidity environment is expected to remain broadly stable, although closely linked to the trajectory of credit expansion within the financial system. If current trends of elevated credit growth persist, there is a potential risk of liquidity tightening as funding demand increases. However, this is expected to be moderated by the Central Bank of Sri Lanka, which is likely to actively deploy its monetary and liquidity management tools to ensure orderly market conditions and maintain system stability.

As a result, no significant structural change is anticipated in the overall liquidity risk profile in the near term, with system-wide liquidity conditions expected to remain manageable under prudent regulatory oversight.

In the medium term, commodity prices are likely to remain sensitive to shifts in global trade policies, interest rate movements, and geopolitical developments, requiring continued vigilance in managing collateral-backed exposures.

Key Priorities for AFC:

- Maintaining a strong and stable liquidity buffer well above regulatory minimum requirements
- Closely monitoring credit growth trends and their impact on funding requirements
- Strengthening proactive cash flow forecasting and liquidity gap management
- Ensuring diversification of funding sources to reduce reliance on any single deposit segment
- Enhancing early warning indicators and stress testing to detect potential liquidity pressures in advance

Operational Risk

Refers to potential losses arising from inadequate or failed internal processes, personnel, and systems, as well as external events like natural disasters or social and political occurrences. Operational risk also includes legal risk but excludes strategic and reputational risk.



Managing Operational Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• Operational Risk Management Policy • ISO 9001: 2015 Quality Management Standard • ISO 22301:2019 certified Business Continuity Management System (BCMS)	• Strict adherence to all applicable laws, regulations, and guidelines issued by the Central Bank of Sri Lanka and other regulatory authorities • Prompt recording and reporting of operational risk events through a structured loss event database • Root cause analysis of incidents and trend identification to strengthen processes and prevent recurrence • Use of Key Risk Indicators (KRIs) to monitor potential risk exposures in real time and enable early warning and proactive intervention • Regular Business Continuity Management System (BCMS) testing, including scheduled Business Continuity Plan (BCP) exercises and Disaster Recovery testing of core systems • Independent internal audits to assess the effectiveness of operational controls across business units • Annual BCMS certification audits to provide independent assurance on business continuity and disaster recovery readiness • Ongoing regulatory compliance reviews and operational audits to ensure full compliance with statutory and regulatory requirements	Board of Directors Board Integrated Risk Management Committee (BIRMC) Risk Department

Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
The migration to a new core system introduced temporary operational challenges, with system availability and transition-related issues impacting certain business processes during the implementation phase. In addition, Cyclone Ditwah created multiple operational disruptions, including restricted branch access, system downtime, power outages, and logistical constraints. These events collectively heightened operational risk exposure and underscored the importance of resilience, business continuity readiness, and robust infrastructure support.	AFC implemented a range of measures to strengthen operational resilience, including: • Regular internal and external audits to assess control effectiveness and identify process improvements. • Scheduled Business Continuity Plan (BCP) testing to validate operational resilience and disaster recovery readiness. • Procurement of insurance coverage to mitigate potential financial impacts from operational disruptions. • Conducting IT vulnerability assessments and penetration testing to strengthen cybersecurity and system resilience. • Review and update of the Operational Risk Management Policy in line with regulatory and industry best practices **Monitoring Focus:** • System downtime • Staff turnover ratio • Number of non-compliance incidents • Number of cybersecurity breaches • Number of internal fraud incidents Operational risk was regularly reported to both the Executive Risk Management Committee (ERMC) and the Board Integrated Risk Management Committee (BIRMC). The Risk Appetite for Operational Risk was updated with a new set of operational risk indicators that was introduced in line with evolving business and regulatory expectations.	• Key Risk Indicators for Operational Risk • Incident Reporting

Managing Risks and Opportunities

Outlook for 2026/27

The operational risk environment is expected to remain increasingly complex, driven by accelerating digital transformation across the financial services sector. As institutions continue to shift towards digital platforms and technology-enabled service delivery, the likelihood and impact of cyber security-related incidents are expected to increase, making cyber resilience a key area of focus.

In parallel, the growing frequency and severity of climate-related events present a heightened risk of operational disruption, including infrastructure damage, business interruption, and constraints on service continuity. These events are expected to place additional pressure on business continuity and disaster recovery capabilities.

Furthermore, the evolving regulatory landscape is likely to introduce new directives aimed at strengthening financial system stability and consumer protection. While beneficial from a systemic perspective, these developments may increase compliance-related operational risk and require enhanced governance, controls, and reporting capabilities.

Key Priorities for AFC:

- Enhancing business continuity and disaster recovery capabilities to ensure resilience against climate-related and environmental disruptions.
- Reinforcing compliance management systems to ensure timely adaptation to evolving regulatory requirements and guidelines.
- Advancing automation and system controls to reduce manual processes and minimize operational vulnerabilities.
- Strengthening risk awareness culture and staff training to improve early identification and escalation of operational risks.
- Enhancing real-time risk monitoring through expanded use of Key Risk Indicators (KRIs) and integrated risk dashboards.

Information Security Risk

Arises as a consequence of inadequate or inappropriate investment in technology systems resulting in loss of competitive position and thereby lower market share. Similarly Cybersecurity risks which could include system failures, software vulnerabilities, and data breaches can also have profound implications on the Company's operations.



Managing Information Security Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• Information Systems Security Policy • Acceptable Usage Policy • Non Disclosure Agreements	• Regular assessments conducted by the Information Security Steering Committee to monitor and strengthen cybersecurity posture. • Annual independent third-party audits of IT General Controls (ITGC) and information security operations. • Vulnerability assessments and penetration testing performed by TechCERT to identify and address system weaknesses. • Periodic Disaster Recovery (DR) testing to validate system resilience and recovery readiness. • IT security vulnerability assessments carried out by external professional specialists.	Board of Directors Board Integrated Risk Management Committee (BIRMC) IT Steering Committee Information Security Steering Committee

Risk Context, Strategy and Metrics for FY 2025/26

Context

The financial services sector continued to be a primary target for cybercriminal activity, with a notable rise in phishing attacks, ransomware incidents, and credential theft attempts, significantly increasing the threat exposure landscape.

At the same time, AFC's ongoing digital transformation, including expanded digital channels and system integration, increased the overall attack surface, creating additional vulnerabilities across infrastructure and applications. The implementation of the Sri Lanka Data Protection Act further heightened compliance obligations, increasing regulatory scrutiny over data handling, privacy controls, and breach accountability.

In addition, growing reliance on third-party service providers introduced supply chain risks, while climate-related disruptions reinforced the importance of robust business continuity and disaster recovery capabilities. Collectively, these factors contributed to a more dynamic and demanding IS risk environment throughout the year.

Risk Management Strategies

AFC implemented a comprehensive set of mitigation strategies to strengthen its security posture, including:

- Deployment of advanced cybersecurity solutions such as Endpoint Detection and Response (EDR), Security Information and Event Management (SIEM), and Data Loss Prevention (DLP) systems
- Continuous threat monitoring and real-time security alerting through Security Operations Centre capabilities
- Accelerated patch management cycles and stricter vulnerability remediation timelines
- Expanded penetration testing and regular vulnerability assessments
- Strengthened third-party risk management through enhanced vendor due diligence and ongoing performance reviews
- Implementation of stronger encryption protocols and tightened access controls to safeguard sensitive data
- Enhanced Business Continuity and Disaster Recovery (BCP/DR) frameworks, including more frequent testing and improved RTO/RPO targets
- Mandatory cybersecurity awareness programmes, phishing simulations, and reinforced privileged access management controls

Monitoring Focus:

- Continuous security event monitoring via SIEM platforms within the Security Operations Centre
- Real-time threat intelligence feeds and automated anomaly detection alerts
- Regular vulnerability scanning and patch compliance dashboards
- Penetration testing results and remediation tracking
- Third-party risk monitoring through SLA performance reviews and security attestations
- Data protection oversight through DLP reports and access log analysis
- Business continuity monitoring through DR test outcomes, system uptime metrics, and incident response performance

In response to the heightened risk landscape, risk appetite limits were tightened across key dimensions, including:

- Reduced tolerance for cybersecurity incidents and breaches
- Shortened vulnerability patching and remediation timelines
- Increased system availability and uptime expectations
- Stricter thresholds for third-party and cloud-related risks
- Enhanced controls for insider threats and privileged access
- Strengthened data privacy and protection standards aligned with the Data Protection Act
- Expanded focus on business continuity and emerging AI-related risks

Metrics

- Incident Reporting
- Number of network Down
- Critical vulnerabilities
- Cyber security breaches
- Pending critical vulnerabilities
- RTO Breaches
- RPO Breaches
- Phishing attack

Managing Risks and Opportunities

Outlook for 2026/27

The information security risk landscape is expected to become increasingly complex and high-risk, driven by rapid technological advancement and evolving threat actor capabilities. Cyberattacks are likely to increase in both frequency and sophistication, with artificial intelligence enabling more targeted and adaptive attack methods. In parallel, the continued growth of ransomware-as-a-service models is expected to lower the barrier to entry for cybercriminals, resulting in a broader and more aggressive threat ecosystem. Geopolitical tensions are also likely to contribute to an increase in state-linked or politically motivated cyber activity, further elevating systemic risk exposure.

From a regulatory perspective, the focus is shifting decisively from prevention alone towards resilience, response, and rapid recovery. As a result, expectations around operational continuity are tightening significantly, with near-zero tolerance emerging for downtime across critical services such as payments, trading, and digital customer channels.

In addition, increasing dependency on a limited number of cloud service providers, SaaS platforms, and fintech partners is expected to concentrate risk within the digital ecosystem. This growing concentration heightens exposure to third-party failures, cyber incidents, and systemic disruptions originating outside the organization's direct control;

Key Priorities for AFC

- Strengthening cyber resilience through advanced threat detection, prevention, and response capabilities
- Enhancing recovery readiness with improved disaster recovery and business continuity frameworks aligned to stricter downtime expectations
- Deepening third-party risk governance across cloud, SaaS, and fintech ecosystems
- Increasing real-time monitoring and automation in cyber threat detection and response
- Strengthening incident response capabilities, including simulation exercises and crisis readiness testing
- Embedding resilience-focused governance aligned with emerging regulatory expectations and industry best practices

Strategic Risk

This pertains to the challenges arising from ineffective strategic decisions, misalignment with market dynamics, or the inability to adapt to rapidly changing competitive and economic environments. Such risks can lead to erosion of market share, compromised financial performance, and failure to achieve long- term strategic goals.



Managing Strategic Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• Strategic Plan • Annual Business Plan • Annual Budget	• The Board of Directors is responsible for overseeing and managing AFC's strategic risk. • The Board defines the Company's annual strategy, including short, medium, and long-term objectives aligned with its vision, High Impact Goals, and core values. • The strategic plan is translated into operational targets through the Board-approved annual budget. • Budget targets are communicated to senior management, who develop aligned business unit objectives and cascade them across the organization. • Actual performance is reviewed against budget on a monthly basis, with results reported to the Board. • Where variances are identified, corrective actions are recommended to realign performance with strategic objectives. • Ongoing monitoring of the external environment is conducted to identify emerging opportunities and risks. • Insights from external monitoring are used to support timely strategic adjustments and refinement of the Company's strategic direction	Board of Directors Board Integrated Risk Management Committee (BIRMC) Risk Department Head of Business Units

Risk Context, Strategy and Metrics for FY 2025/26		
Context	**Risk Management Strategies**	**Metrics**
AFC operated in a macroeconomic environment shaped by a stronger-than-expected recovery trajectory. The resumption of vehicle imports, combined with improving macroeconomic indicators, contributed to renewed market activity and shifting demand patterns across key lending segments. In parallel, rising foreign remittances and strengthening tourism earnings supported external sector stability and improved overall economic sentiment. While these developments created favourable growth opportunities, they also introduced strategic risk considerations linked to demand volatility, sectoral shifts, and changing customer behaviour, particularly within asset-backed lending portfolios.	AFC managed these evolving dynamics through a disciplined and adaptive strategic approach, including: • Alignment of strategic planning with updated macroeconomic assumptions and sector outlooks • Focus on diversified lending across MSME, value-chain, and asset-backed segments to reduce concentration risk • Emphasis on risk-adjusted growth, particularly in sectors sensitive to import and currency cycles • Continuous recalibration of product mix to align with shifting demand patterns • Strengthening of credit underwriting standards to support sustainable growth during recovery cycles Monitoring Focus • Continuous assessment of macroeconomic indicators such as GDP growth, inflation, and external sector performance • Monitoring of sector-specific trends, particularly vehicle financing and import-dependent industries • Tracking of foreign remittance inflows and tourism earnings as key drivers of liquidity and demand • Monthly performance reviews against strategic and budgeted targets • Environmental scanning to assess shifts in consumer behaviour and credit demand patterns • Board-level oversight of portfolio composition and growth concentration trends	Key performance Indicator

Outlook for 2026/27

The strategic risk landscape is expected to remain fluid, shaped by an evolving macroeconomic recovery and increasing external sector sensitivity. While the resumption of vehicle imports, improving economic conditions, and stronger foreign remittances and tourism inflows support overall growth prospects, these same factors introduce periods of cyclical volatility that will require careful strategic calibration.

Going forward, strategic risk will be increasingly influenced by the pace and sustainability of Sri Lanka's economic recovery, particularly as consumption patterns, import dynamics, and credit demand continue to adjust to post-crisis normalisation. External sector performance will remain a key determinant of market liquidity and sectoral growth opportunities, with foreign inflows playing a stabilising yet variable role.

At the same time, heightened global uncertainty, including geopolitical developments and potential external shocks, may impact domestic economic stability and medium-term growth trajectories. This reinforces the need for agility in strategic planning and the ability to recalibrate priorities in response to changing conditions.

Key Priorities for AFC

- Maintaining a balanced growth strategy aligned with evolving macroeconomic conditions
- Strengthening portfolio diversification to reduce exposure to cyclical sectors
- Enhancing responsiveness to external sector fluctuations, particularly currency and import-related dynamics
- Deepening data-driven strategic planning to anticipate demand shifts early
- Ensuring continued alignment between growth ambitions and long-term risk sustainability

Managing Risks and Opportunities

Managing Compliance Risk

This encompasses the potential exposure of the AFC to adverse outcomes resulting from non - compliance with applicable laws, rules, regulations, and codes of conduct. Such non-compliance could result in regulatory penalties, financial losses, business disruptions, and reputational damage.



Managing Information Security Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• AML & CFT Policy and procedure • Compliance charter • Compliance policy • Facilitation of investigation procedure manual • Anti corruption policy • Related party transaction policy	• The Board of Directors sets the tone for compliance by approving policies and overseeing overall compliance performance. • The Compliance Officer leads a dedicated compliance department responsible for identifying, monitoring, and reporting compliance risks. • The compliance function ensures effective implementation of policies, delivers training programmes, and drives corrective actions where required. • Regular compliance reports are submitted to the Board, with material breaches and risks promptly escalated through defined channels for timely resolution. • AFC is firmly committed to full and timely compliance with all applicable laws and regulations issued by regulatory authorities. • The Board and Board Committees actively monitor the regulatory landscape to ensure early identification and adoption of new requirements. • The Compliance Department conducts routine due diligence to ensure ongoing adherence to prevailing legal and regulatory obligations. • Proactive monitoring of emerging regulatory changes is undertaken to support continuous compliance readiness. • Regular training programmes are conducted to enhance awareness and understanding of regulatory requirements across the organisation.	Board of Directors Board Integrated Risk Management Committee (BIRMC) Compliance Department

Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
In line with the CBSL's heightened focus on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), operational resilience, and liquidity management standards, a key development was the explicit inclusion of Proliferation Financing (PF) risk within institutional AML/CFT frameworks, requiring enhanced risk assessments, strengthened monitoring, and greater governance oversight.	AFC implemented a range of targeted mitigation measures, including: • Integration of Proliferation Financing risk into AML/CFT risk assessments and compliance frameworks • Explicit inclusion of PF controls within AML/CFT policies and procedures • Ongoing monitoring of PF-related suspicious transactions • Deployment of transaction monitoring systems with predefined risk scenarios • Screening of UNSCR-designated persons and entities • Regular compliance training for branch networks and functional departments • Staff participation in Central Bank of Sri Lanka-led training programmes	

Risk Context, Strategy and Metrics for FY 2025/26		
Context	**Risk Management Strategies**	**Metrics**
In addition, several new regulatory directions introduced significant compliance implications for the sector. These included liquidity risk management directions (effective from 2026/27 depending on asset size), operational risk management directives aimed at strengthening resilience, and new requirements on display of membership and deposit protection awareness. Further, updated regulations on maximum interest rates for deposits and debt instruments added pricing and compliance constraints. Non-compliance with these requirements carries material consequences, including regulatory warnings, restrictions on lending and deposit taking activities, potential downgrades in credit ratings, loss of depositor confidence, and in severe cases, inability to meet liquidity obligations or maintain business continuity under stress conditions.	• ML/TF risk assessments for new branches and new products • Verification of compliance adherence across operational units Monitoring Focus: • Automated transaction monitoring systems based on predefined risk scenarios • Periodic compliance reviews and control testing across business functions • Continuous dissemination and interpretation of new regulatory requirements to relevant stakeholders • Monitoring of regulatory developments across AML/CFT, liquidity, operational risk, and consumer protection domains • Tracking of compliance breaches, warnings, and regulatory feedback for timely remediation New Policies: • AML/CFT Policy and Procedures • Compliance Policy • Compliance Charter Reporting Mechanism: • Periodic compliance reports submitted to the Board Integrated Risk Management Committee (BIRMC) • Escalation of material breaches and regulatory risks through defined governance channels • Continuous communication of regulatory updates to relevant stakeholders to ensure organisation-wide awareness and compliance readiness	Number of non compliances

Outlook for 2026/27

The compliance risk environment is expected to remain increasingly stringent and dynamic, driven by continuous regulatory evolution from the Central Bank of Sri Lanka (CBSL) and the Financial Intelligence Unit (FIU), particularly across AML/CFT, operational resilience, and prudential requirements for non-bank financial institutions.

Greater supervisory scrutiny, faster regulatory change cycles, and increased expectations around data accuracy, reporting timeliness, and customer due diligence will require stronger governance, enhanced systems, and continuous process refinement. At the same time, rising complexity in financial crimes and sanctions regimes will place additional emphasis on real-time monitoring, enhanced KYC standards, and robust transaction surveillance mechanisms.

In this context, AFC will need to maintain a proactive and forward-looking compliance posture to ensure full alignment with regulatory expectations while supporting sustainable business growth.

Key Priorities for AFC:

- Ensuring full compliance with CBSL directions, circulars, and all regulatory requirements applicable to non-bank financial institutions and FIU guidelines
- Timely and accurate submission of all regulatory returns, reports, and remediation updates
- Strengthening the AML/CFT framework in line with evolving FIU and CBSL expectations, including Proliferation Financing controls
- Periodic testing and validation of sanctions screening and transaction monitoring systems to ensure effectiveness
- Conducting risk-based compliance verifications across branches and business units
- Enhancing KYC standards, customer risk classification, and periodic customer review processes
- Ensuring robust customer onboarding, documentation, verification, and ongoing monitoring, particularly for high-risk relationships
- Conducting continuous compliance awareness and training programmes across all staff levels
- Strengthening compliance governance through regular reporting to Senior Management, Board Committees, and the Board
- Enhancing policies, procedures, and internal controls to ensure alignment with evolving regulatory requirements and best practices

Managing Risks and Opportunities

Sustainability Risk

Relates to potential financial losses and or reputational damage arising from the mismanagement of Environmental, Social and Governance (ESG) factors. The company has categorised sustainability and climate-related risks into three primary domains, namely:



ENVIRONMENTAL RISKS

- Physical risks: Acute events such as floods, hurricanes, and droughts and Chronic changes such as rising sea levels, temperature variations, and shifting rainfall patterns
- Transition risks: Policy changes such as carbon taxes, emission reduction targets, and environmental regulations Market dynamics, including shifts in consumer preferences towards sustainable products and technologies

SOCIAL RISKS

- Unfair labour practices, including forced and child labour occupational health and safety hazards community displacement and cultural heritage loss due to project financing
- Governance risks
- Bribery and corruption, unethical business conduct, and financial crimes Information security breaches and inadequate IT governance

Managing Sustainability Risk

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
• High Impact Goals • Standards and Certification Initiative (SSCI) • Environmental and Social Management System (ESMS) • Credit Risk Management Policy • Sustainability Policy • Environment and Climate Action Policy • Risk and Opportunity Management Systems (ROMs) • Annual CSR Budget • Code of Conduct • Policy on Anti Bribery and Corruption • Whistleblower Policy	• The Sustainability Steering Committee conducts regular meetings to monitor ESG-related risks and sustainability performance. • Progress on implementation of agreed actions is continuously monitored by the Committee. • Sustainability and ESG-related matters are periodically reported to the Board Sustainability Committee for oversight and strategic guidance.	Board of Directors Board Integrated Risk Management Committee Board Sustainability Committee Sustainability Steering Committee

Risk Context, Strategy and Metrics for FY 2025/26

Context	Risk Management Strategies	Metrics
The impact of Cyclone Ditwah, which created both physical and portfolio-related risks for the Company. The adverse weather conditions resulted in operational disruptions, including temporary branch closures and accessibility constraints in affected regions.	AFC implemented a range of targeted mitigation measures, including: • AFC's financing approach aims to extend climate and sustainability opportunities to grassroots-level communities and underserved segments • Under HIG 1 – Lead the Transition Towards Sustainable Mobility Solutions, AFC promotes fuel-efficient vehicle leasing to support lower carbon emissions and sustainable transport adoption. • Under HIG 2 - Promote Financial Inclusion to bridge financial access gaps by delivering trusted, ethical, and need-based financial services across every province	

Risk Context, Strategy and Metrics for FY 2025/26		
Context	**Risk Management Strategies**	**Metrics**
In addition, the economic impact on communities and businesses located within impacted areas contributed to deterioration in borrower repayment capacity, thereby increasing credit quality pressures within certain segments of the portfolio. These developments reinforced the growing importance of integrating climate-related and sustainability considerations into business strategy, lending decisions, and risk management frameworks.	• Under HIG 3 – Promote MSME Development, AFC has launched a climate financing portfolio in partnership with USAID to encourage environmentally responsible MSME practices. • Diversification of the lending portfolio across geographical regions to reduce concentration exposure to climate-related disruptions • Providing concessions and support mechanisms to affected borrowers to facilitate recovery and repayment continuity • Restricting financing for environmentally and socially harmful activities through the Credit Risk Policy and exclusion frameworks • Introduction of enhanced exclusion lists to strengthen sustainability-related screening processes • Regular training to raise awareness on ethics practices Monitoring Focus • Climate-related portfolio exposures • Geographic concentration risk in vulnerable regions • Sustainability-linked lending activities • Compliance with exclusion criteria and responsible financing standards • Operational resilience against climate-related disruptions • Progress against sustainability KPIs and High Impact Goals (HIGs) The Sustainability Policy was reviewed and updated during the year to take cognisance of evolving environmental, social, and governance regualtions.	Key performance Indicator

Outlook for 2026/27

The sustainability risk landscape is expected to become increasingly significant as the frequency and severity of climate-related events continue to rise. Physical risks arising from extreme weather conditions, environmental disruptions, and climate volatility are likely to place increasing pressure on operational continuity, portfolio quality, and customer resilience, particularly within vulnerable communities and sectors.

At the same time, transition risks are also expected to intensify amidst rapid shift towards more sustainable and low-carbon business models. Evolving environmental regulations, changing stakeholder expectations, emerging carbon-related policies, technological shifts, and increasing demand for sustainable financing solutions may significantly influence lending practices, portfolio composition, funding access, and long-term business competitiveness.

Accordingly, AFC will need to continuously strengthen its ability to identify, assess, and manage both physical and transition-related sustainability risks while ensuring alignment with evolving ESG expectations and sustainable development priorities.

Key Priorities for AFC

- Strengthening integration of sustainability and climate-related risks into enterprise-wide risk management processes
- Enhancing portfolio diversification to reduce exposure to climate-vulnerable sectors and regions
- Expanding sustainable and climate-resilient financing solutions across key business segments
- Strengthening ESG screening and exclusion frameworks within lending operations
- Enhancing climate-related scenario analysis and sustainability risk monitoring mechanisms
- Deepening governance oversight and accountability for sustainability-related risks
- Increasing focus on social impact, responsible financing, and stakeholder engagement initiatives
- Strengthening operational resilience and business continuity preparedness against climate-related disruptions

Business
Segment Reviews

Lending



AFC BRANCH SOLAR CONVERSION PROGRAMME

With improved macroeconomic conditions throughout 2025 fuelling the recovery in consumer confidence and strengthening household disposable incomes, the broad-based revival in credit demand was evident across key segments. The resurgence was further reinforced by the accommodative monetary policy stance adopted by the Central Bank of Sri Lanka (CBSL), which enabled the transition to single-digit lending rates. Lower interest rates significantly enhanced borrowing affordability, reduced financing costs, and improved repayment capacity across both retail and MSME sectors, with the resulting momentum translating into stronger uptake of lease and loan facilities, particularly among individuals and MSMEs seeking to reinvest, scale operations, and capitalise on expanding economic opportunities.

Credit momentum further supported by the reopening of the vehicle market after nearly five years of import restrictions, with the fresh demand for vehicle leasing from individuals and businesses across the Country.

AFC'S STRATEGY AND FOCUS

Within a progressively stabilised macroeconomic environment, AFC strategically pursued portfolio expansion by capitalising on renewed credit appetite while remaining aligned with its mandate of delivering sustainable and inclusive finance.

While supporting its core customer segments to revive and expand, the Company recalibrated its lending approach in line with broader national priorities and emerging market shifts.

PRIORITISING ENVIRONMENTAL-FRIENDLY MOBILITY SOLUTIONS

Aiming to position as an enabler of Sri Lanka's transition towards environmentally friendly mobility solutions, AFC made a conscious strategic pivot towards electric vehicle (EV) leasing. Special EV leasing schemes coupled with competitive pricing and flexible repayment plans were offered to encourage customers transitioning from conventional vehicles to electric alternatives. At the same time, customised structures were introduced across other leasing products targeting MSMEs navigating post-recovery expansion.

SUPPORTING MSME-SECTOR GROWTH

As a strong advocate of MSME sector growth, AFC strengthened its agri-financing portfolio by offering targeted solutions including loans for cash crops and dairy sector financing to uplift rural productivity. At the same time, AFC's strong presence in gold loan operations across its 90+ branch network proved instrumental in channeling both term loans and short-term liquidity towards the MSME sector, underscoring the Company's commitment to inclusive regional development. Similarly, efforts to empower small-scale female entrepreneurs across the country also gathered momentum with specialised solutions combining both financial assistance and advisory services to enable women-led enterprises to secure working capital, expand operations, and strengthen financial independence.

STRENGTHENING CUSTOMERS' CLIMATE RESILIENCE

AFC's long standing commitment to strengthen climate resilience also gained good traction in the current year as the demand for climate-smart irrigation financing and rooftop solar solutions accelerated sharply amidst improving economic conditions and the low interest rate regime.

FOCUS ON ASSET QUALITY

Maintaining asset quality remained a core strategic priority. With volatility in vehicle market prices directly influencing collateral valuations within the leasing portfolio, credit appraisal and portfolio vigilance as well as recovery mechanisms were tightened to mitigate potential recovery risks arising from market volatility.

Additionally, periodic revisions to Loan-to-Value (LTV) ratios and other directives issued by the Central Bank of Sri Lanka (CBSL) also required continuous recalibration of underwriting standards and credit evaluation processes. Meanwhile, given the heightened risk of climate-related events and natural disruptions, impacting borrowers engaged in agriculture and climate-sensitive sectors, risk management practices were strengthened to ensure resilience against external shocks while sustaining portfolio stability.

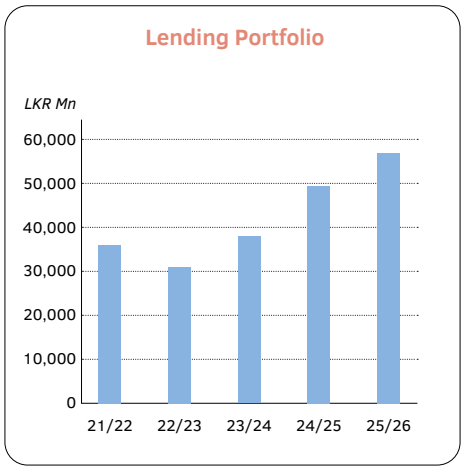
Another notable development was the integration with the LankaPay platform which has further strengthened payment connectivity and enhanced customer convenience to support collection efficiency.

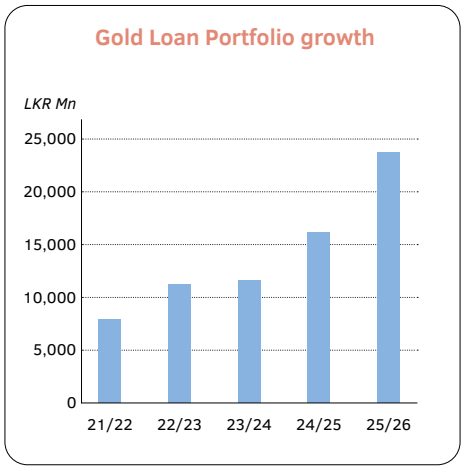
ADVANCING SUSTAINABLE FINANCE

The year saw AFC mobilising dedicated funding to support environmental and social initiatives, marking a major milestone in advancing the Company's sustainable finance agenda. The successful issuance of the LKR 1.0 Bn Green Bond in February 2025 which is earmarked exclusively for funding of climate-smart initiatives, particularly rooftop solar projects. The initiative, which represents the first of its kind within Sri Lanka's non-bank financial institution sector, further solidifies AFC's position as a pioneer in integrating sustainability into core financing operations. Building on this achievement, a LKR 2.0 Bn Social Bond was issued in August 2025, with proceeds specifically earmarked to support MSME development across the Country. These landmark issuances underscored the Company's ability to mobilise purpose-driven capital, channel investments into environmentally sustainable and socially inclusive projects.

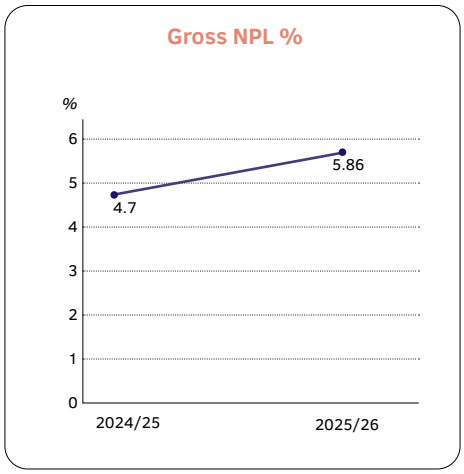
DIGITAL TRANSFORMATION TO DRIVE OPERATIONAL EXCELLENCE

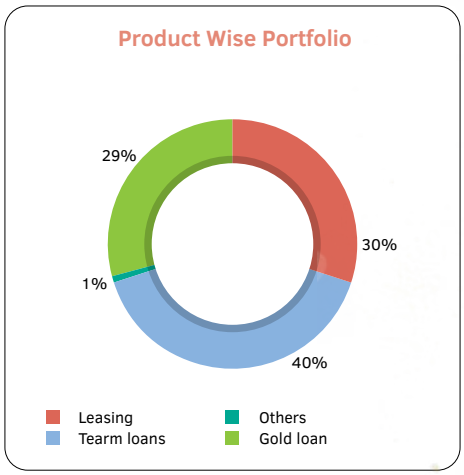
AFC made good headway in its digital transformation agenda in the current year with the live roll out of the state-of-the-art new core system marking a major milestone in modernising AFC's operational framework. By streamlining workflows to reduce the physical movement of files, the core system migration has enabled the branch network to deliver significantly faster and more responsive customer service. The transition has also led to substantial progress towards a paperless operating environment.





Business Segment Reviews





making, and ensure risk-adjusted portfolio growth. Concurrently, AFC will work to strengthen its gold loan operations by strengthening branch outreach to capitalise on demand for short-term liquidity solutions across the Country.

Over the medium term, AFC plans to expand its microloan operations across all Northern region branches with a view to promoting self-employment through targeted three-wheeler financing solutions that will empower small businesses and entrepreneurs to contribute meaningfully to local economic development.

WAY FORWARD - SHORT- MEDIUM-TERM INITIATIVES

In the short term, AFC will aim to accelerate its sustainable finance agenda by increasing green mobility financing to support the national transition to low-emission transportation while meeting growing customer demand for environmentally responsible mobility solutions. These efforts will be underpinned by a strong focus on stringent credit underwriting and evaluation standards, with the Company exploring the adoption of Artificial Intelligence. (AI)-integrated credit evaluation systems to enhance accuracy, streamline decision-

Deposits



OPERATING CONTEXT

The accommodative monetary policy implemented by the Central Bank of Sri Lanka (CBSL) through successive rate cuts lowered borrowing costs and provided a strong stimulus to economic activity in 2025. While this environment supported credit growth and encouraged investment and consumer spending, it also placed downward pressure on deposit rates, presenting a challenge for attracting and retaining traditional deposit balances.

At the same time, with the recovery in overall economic activity fuelling higher demand for liquidity, competitive pressures within the non-bank financial institution (NBFI) sector also intensified significantly, with institutions facing the challenge of attracting and retaining deposits in a low-interest-rate environment to meet growing funding requirements.

AFC'S STRATEGY AND FOCUS

AFC adopted a multi-pronged strategy, with a clear focus on driving term deposit growth while simultaneously expanding its savings base, to support the Company's lending operations and maintain a stable, cost-effective funding mix.

PRIORITISING TERM DEPOSIT GROWTH

AFC leveraged its 90+ branch network to enable the broad based acceleration of term deposit growth. Recognising heightened competition from peers owing to low interest rates, AFC focused on expanding its offerings through the introduction of

Business Segment Reviews

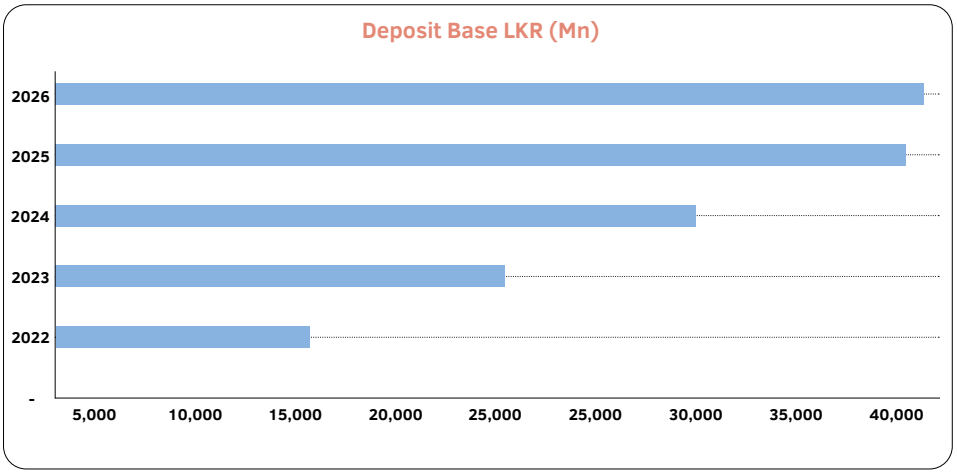
innovative deposit propositions tailored to diverse customer needs. In this regard, the seven-series premium Fixed Deposit product line was launched offering flexible tenures ranging from monthly to multi-year maturities accompanied with competitive interest rates designed for both senior and non-senior segments. Customer experience was also strengthened, with the implementation of a new core banking system in August 2025 enabling faster transaction processing, improved operational efficiency, and end-to-end digital delivery for fixed deposits and savings accounts.

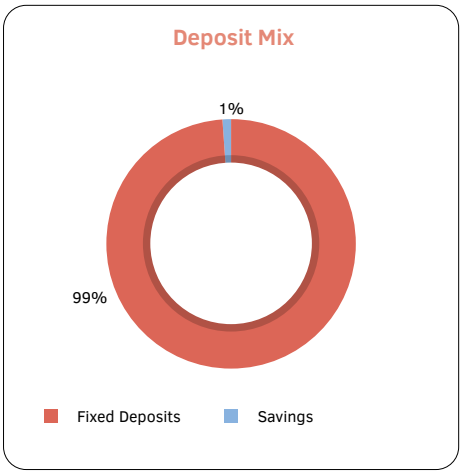
Product strategies were further refined to cater to specific demographics, including urban and rural customers across different age groups, ensuring that deposit offerings aligned with varying savings behaviours. These efforts were accompanied with a series of visibility campaigns run across both traditional and non-traditional channels. Meanwhile, recognising customer attrition to alternative investment options, AFC also forged strategic partnerships with unit trusts and mutual funds, providing additional channels for large investments and further diversifying its funding base.

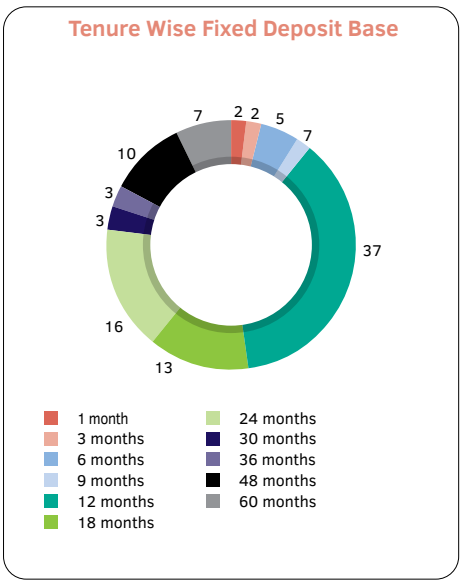
EXPANDING THE SAVINGS BASE

Apart from term deposit growth, efforts to expand regular savings were intensified to build a stable, low-cost funding base through the branch network. A key initiative in this regard was the relaunch of the AFC Hapannu tailored savings account for minors. Under this programme, every child maintaining a minimum savings balance of LKR 25,000 would become a tree planted in their name at the AFC Hapannu Forest in Dulgolla, Kandy, which aligns directly with AFC's sustainability goals. Beyond its sustainability impact, the initiative was linked to the AFC Hapannu Mobile App, enabling parents and children to track the growth of their tree digitally.

Meanwhile in keeping with AFC's commitment to promote financial inclusion, special emphasis was placed on increasing the share of small savings among communities across the Country. In this regard, targeted efforts focused on enabling underserved and rural communities to access AFC's savings and flexible term deposit propositions.







WAY FORWARD - SHORT- MEDIUM-TERM INITIATIVES

In the short term, AFC will focus on strengthening branch-level deposit mobilisation to mitigate overall concentration risk and ensure a well-diversified funding base. By deepening engagement with customers at the branch level, the Company aims to reinforce loyalty, enhance retention, and sustain a stable and predictable deposit inflow to support lending growth and operational requirements. Maintaining a healthy renewal ratio across the deposit portfolio will also be a key priority, going forward.

Over the medium to long term, the Company expects to leverage digital channels to enable faster, more seamless transaction experiences that will allow AFC to capture a share of small savings among communities across the Country.

Commercial



OPERATING CONTEXT

While the easing of vehicle import restrictions initially generated optimism in the market, this was subsequently tempered by the introduction of VAT on the resale of used vehicles, which adversely impacted the viability of the traditional trade-in businesses.

In addition, market distortions arising from certain dealers importing vehicles at undervalued declarations and benefiting from lower tax outlays made it increasingly challenging to compete on a level playing field. This resulted in higher cost structures for compliant importers, ultimately translating into higher end-market prices and weakening competitiveness at the point of sale.

AFC'S STRATEGY AND FOCUS

Considering the rapidly evolving environment during the year, Autosure strategically reoriented its business model towards a more asset-light and intermediary-driven approach.

The Company partnered with an indenting agent to facilitate customer vehicle imports, thereby enabling customers to directly import vehicles while leveraging Autosure's facilitation and expertise. In addition, the used vehicle segment was repositioned into a sales agency model, allowing the business

Business Segment Reviews

to continue participating in the market while reducing balance sheet exposure and improving agility in a distorted pricing environment. This strategic pivot ensured continued relevance while preserving operational viability under challenging market conditions.

In contrast, the Rent-a-Car business under EzyDrive delivered strong performance during the year, supported by robust demand growth and a fleet expansion of nearly 20% over the previous year. The segment benefited significantly from increased corporate leasing contracts, amidst improving business confidence and a growing preference for outsourced mobility solutions. Demand trends also indicated a clear structural shift towards hybrid and electric vehicles, reinforcing the long-term sustainability direction of the fleet strategy.

BUSINESS DIVERSIFICATION

A significant strategic milestone during the year was AFC's entry into the logistics sector through a partnership with UPAYA City Cargo (Pvt) Limited of Nepal, facilitated by the International Finance Corporation (IFC). UPAYA, a leading logistics technology Company, has developed an integrated end-to-end e-logistics platform based on load-sharing efficiency, which forms the backbone of the new joint venture, "DELIVERED". AFC's collaboration has positioned DELIVERED as Sri Lanka's first truly Triple Bottom Line logistics provider, combining commercial viability with social and environmental impact.

The platform's advanced technology-enabled tracking and end-to-end visibility has been well received by corporate clients seeking efficient and transparent logistics solutions with strong adoption evident by the growing number of leading corporates on-boarded to the DELIVERED platform within the first few months of its launch. This strong initial traction reflects both the scalability of the model and the market's readiness for technology-led logistics solutions.

WAY FORWARD

Going forward, EzyDrive will continue to strengthen its strategic focus on deepening relationships with large corporate clients through long-term contractual arrangements. This approach is aimed at enhancing return on investment while improving fleet efficiency through higher utilisation levels, reduced vehicle idle time, and optimised maintenance costs.

In parallel, DELIVERED stands well positioned for significant growth in the coming years, supported by its differentiated value proposition, strong strategic partnership ecosystem, and alignment with the evolving demand for efficient, technology-enabled supply chain solutions. As market adoption of outsourced logistics continues to expand, the platform is expected to further strengthen its footprint and scale its operations by leveraging its end-to-end digital capabilities and growing corporate client base.



Creating long-term value through responsible growth, innovation, and meaningful impact for stakeholders.

Financial
Capital

Management Approach

AFC manages its financial capital with a focus on maintaining long-term financial resilience, supporting sustainable growth, and delivering enduring value to stakeholders. Through disciplined capital planning, proactive liquidity management, and a diversified funding strategy, the Company has strengthened its financial foundation while preserving flexibility to respond to changing economic conditions. This approach enables AFC to responsibly expand its lending portfolio, enhance profitability, and sustain stakeholder value creation over the long term.

Material Matters

- Capital Strength
- Asset Quality Management
- Funding & Liquidity Resilience
- Responsible Growth

SDGs





Value Creation Summary – FY 2025/26

Challenges

- Intense competition for deposits and lending opportunities
- Volatility in interest rates and funding costs
- Regulatory capital and liquidity requirements
- Credit risk arising from changing economic conditions

Opportunities

- Expansion of lending opportunities following economic recovery
- Increased demand for financial services across customer segments
- Access to diversified funding sources and capital markets
- Technology-driven enhancements in financial service delivery

Strategic Responses

- Maintain strong capital adequacy and liquidity buffers
- Diversify funding sources through deposits, borrowings and capital instruments
- Strengthen credit underwriting and portfolio monitoring
- Optimize balance sheet and funding mix to enhance profitability
- Deploy capital towards high-yielding and sustainable business segments

Outputs for AFC

- 24% Sustainable growth in lending portfolio and earning assets
- Maintained liquid assets at 154% of the required minimum level
- Recorded the highest-ever profitability, exceeding LKR 2 Bn
- Enhanced funding resilience and financial stability
- Long-term value creation for shareholders, customers and other stakeholders

Impact on other Capitals

Manufactured Capital
Investment in infrastructure and technology

Human Capital
Employee development and well-being

Intellectual Capital
Innovation, digitalisation and process enhancement

Social & Relationship Capital
Customer, investor and community engagement

Natural Capital
Sustainability and environmental initiatives

Stakeholder Outcomes

Shareholders
Sustainable returns and long-term value creation

Customers
Accessible, reliable, and innovative financial solutions

Depositors & Funding Partners
Financial security and confidence in the Company's resilience

Employees
Growth opportunities and a stable work environment

Regulators
Strong governance and regulatory compliance

Communities
Economic empowerment and inclusive growth

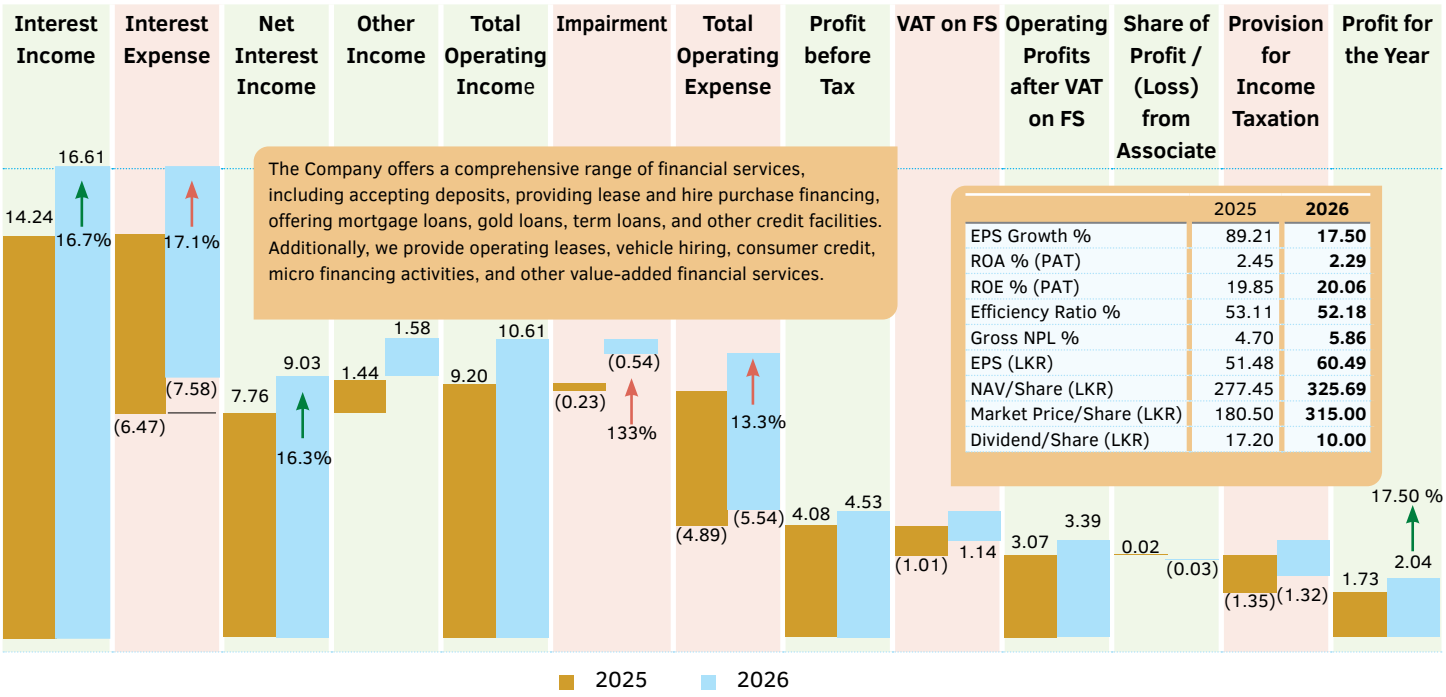
Financial Capital

Financial Capital reflects the Company's capacity to secure, allocate, and manage funds to sustain operations and support future growth. Our funding base comprises equity, customer deposits, external borrowings, and internally generated cash flows, providing a balanced and resilient financial foundation. A disciplined approach to capital allocation ensures resources are directed towards opportunities that enhance returns, strengthen operations, and deliver value to customers, while maintaining prudent liquidity and capital buffers.

During the year ended 31 March 2026, Financial Capital continued to underpin business stability and strategic execution amid a dynamic environment. This Financial Review outlines key developments in profitability, funding mix, asset quality, and capital adequacy, while highlighting how financial resources were managed to support performance and reinforce long-term value creation.

COMPANY PERFORMANCE

Alliance Finance Company PLC delivered a record financial performance during the year, reporting the highest profit in our history, with Profit After Tax exceeding LKR 2 Bn. This outcome was supported by improving economic conditions and the effective execution of the Company's strategic priorities. Business momentum remained strong, with total assets expanding by 18% and the loan portfolio growing by 24%, reflecting healthy credit demand and improved market activity. Despite this rapid expansion, the Company preserved its financial strength and resilience, reinforcing a sustainable platform for future growth.

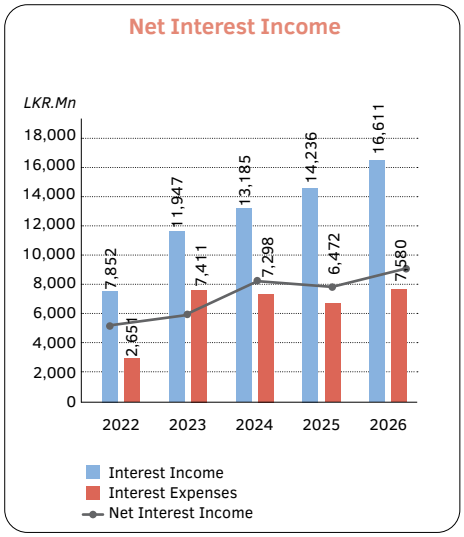


The Company offers a comprehensive range of financial services, including accepting deposits, providing lease and hire purchase financing, offering mortgage loans, gold loans, term loans, and other credit facilities. Additionally, we provide operating leases, vehicle hiring, consumer credit, micro financing activities, and other value-added financial services.

	2025	2026
EPS Growth %	89.21	**17.50**
ROA % (PAT)	2.45	**2.29**
ROE % (PAT)	19.85	**20.06**
Efficiency Ratio %	53.11	**52.18**
Gross NPL %	4.70	**5.86**
EPS (LKR)	51.48	**60.49**
NAV/Share (LKR)	277.45	**325.69**
Market Price/Share (LKR)	180.50	**315.00**
Dividend/Share (LKR)	17.20	**10.00**

NET INTEREST INCOME

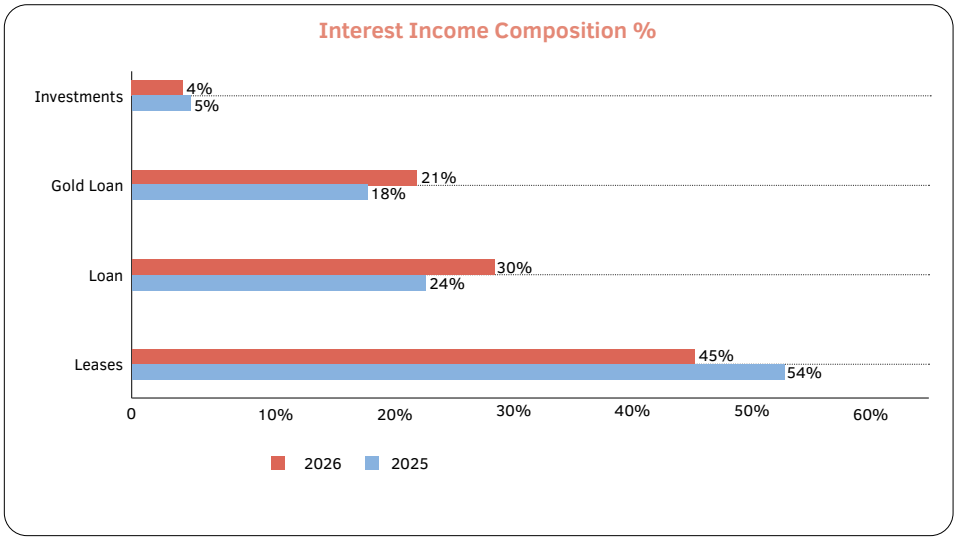
During the year, the Company recorded continued growth in its core interest-based operations, with Net Interest Income (NII) increasing by 16.32% over the previous year. This performance was driven by a 16.68% increase in interest income, reflecting the expansion of the earning asset base and improved yield contribution. Interest expenses, however, increased by 17.11% during the same period, mainly due to a higher cost of funds in a changing rate environment and increased funding requirements. Notwithstanding the relatively faster growth in funding costs, the Company sustained positive momentum in net interest earnings, reflecting continued scale expansion and disciplined balance sheet management.



INTEREST INCOME

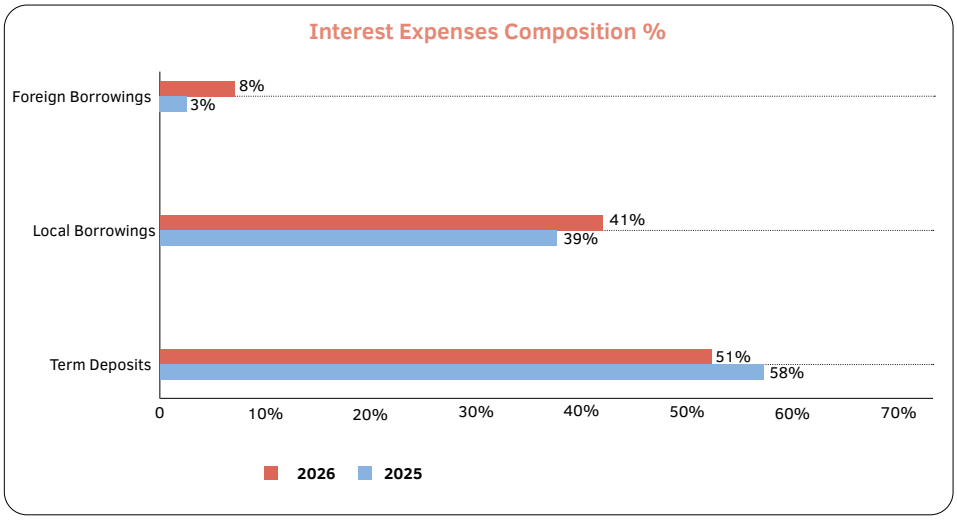
The Company recorded a 16.68% increase in total interest income, supported by the continued expansion of its interest-earning asset base and improved performance across key lending segments. This growth reflects stronger deployment of funds and a more balanced income mix across the portfolio.

Growth was led by loans and advances, which increased by 43.55%, supported by sustained portfolio expansion and higher lending activity. Gold loans also made a strong contribution, recording growth of 36.70% amid steady demand in the segment. Interest income from investments increased marginally by 1.32%, indicating stable returns from the investment portfolio. Although lease-related income declined slightly by 2.57%, it remained a meaningful contributor to the overall interest income base. Overall, the composition of interest income remained diversified, with lending-led segments continuing to underpin growth momentum.



INTEREST EXPENSES

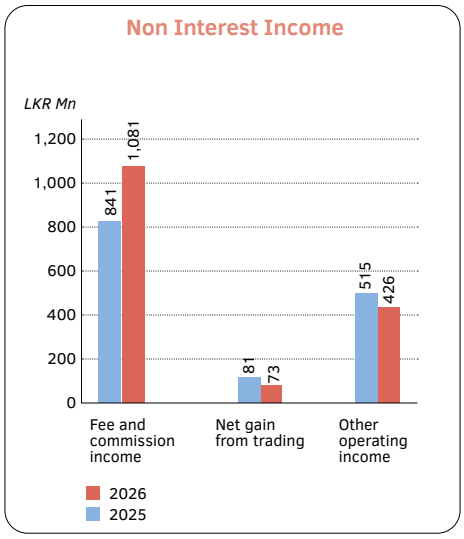
Interest expenses increased by 17.11%, reflecting the combined effect of a higher funding cost environment and changes in the composition of interest-bearing liabilities.
The increase was primarily driven by the expansion of the funding base, with term deposits rising by 3%, local borrowings by 12%, and foreign borrowings by 178%. The greater reliance on borrowings, particularly foreign currency funding increased during the year.



NON-INTEREST INCOME

Total non-interest income increased to LKR 1,580 Mn in 2025/26 from LKR 1,437 Mn in the previous year, driven primarily by strong growth in fee and commission income. While net gains from trading and other operating income declined modestly by 9% and 17%, respectively, the 29% increase in fee and commission income remained the principal driver of overall growth.

Financial Capital



IMPAIRMENT CHARGES

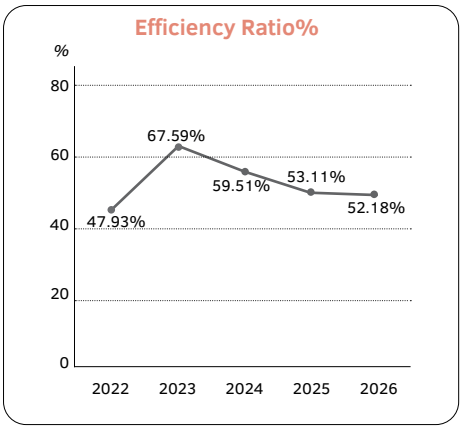
During the year, the Company adopted a prudent approach to safeguarding its financial capital amid evolving market conditions. While core revenues remained stable, overall financial performance was affected by a 133% increase in impairment charges, equivalent to a year-on-year increase of LKR 311 Mn. This reflects a cautious and forward-looking approach to credit risk management. By recognising these higher charges, the Company strengthened its provisioning buffers and reinforced its long-term financial resilience.

Estimated impairment charges were determined using Probability of Default (PD), Loss Given Default (LGD), and Economic Factor Adjustment (EFA) assumptions, based on forecasts and projections obtained from the Central Bank of Sri Lanka and the International Monetary Fund (IMF).

COST MANAGEMENT

Total operating expenses increased by 13% during the year, reflecting a broad-based rise across key cost components. This upward movement was supported by an increase in personnel expenses, which grew by 16% in line with ongoing investments in human capital and business expansion. Other operating expenses also recorded a moderate increase of 10%, driven by day-to-day operational requirements. Meanwhile, depreciation and amortisation registered the highest growth rate of 22%, primarily due to recent capital investments, although its overall impact remains limited given its smaller share in the total cost structure.

Operational efficiency improved during the year, with the efficiency ratio declining from 53.11% in 2025 to 52.18% in 2026. This indicates more effective management of operating costs relative to revenue growth. By containing the level of expenses required to generate income, the Company enhanced profitability while preserving financial capital to support future strategic initiatives.



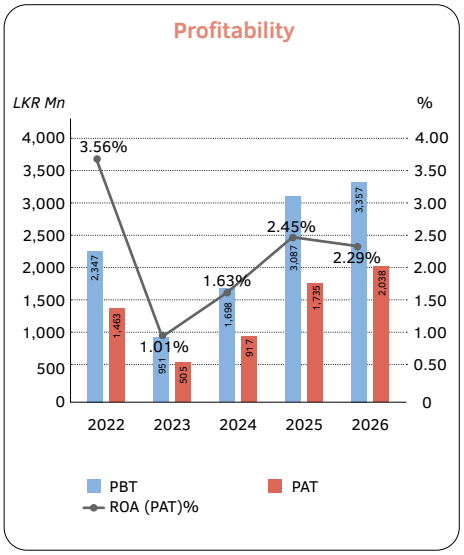
TAXATION

The Company recorded total income tax expenses of LKR 1,318 Mn during the year. In addition, taxes on financial services rose by 12.5% to LKR 1,139 Mn, broadly in line with the improvement in operating profitability and reflecting the higher tax incidence associated with increased earnings during the period.

The reported Effective Income Tax Rate (ETR) for the financial year 2025/26 stood at 39%, compared with 44% in the previous year, reflecting a moderation in the overall tax burden during the period.

PROFITABILITY

The Company delivered a strong profitability performance during the financial year, achieving the highest profit in its history. Profit Before Tax (PBT) increased by 8.7% year-on-year to LKR 3,357 Mn, reflecting sustained business growth and improved operating performance. Profit After Tax (PAT) rose by a stronger 18% to LKR 2,038 Mn, demonstrating the Company's ability to translate earnings into bottom-line growth. This record performance underscores the continued momentum in profitability and the resilience of the Company's overall financial position.



SHAREHOLDER VALUE

The key performance indicators reflected an overall improvement in profitability and net asset value during the period, while maintaining a stable dividend payout.

Earnings per Share (EPS) increased from LKR 51.48 to LKR 60.49, reflecting stronger earnings generation per share, supported by improved operational performance. Net Asset Value per Share (NAV) also increased significantly from LKR 277 to LKR 326, indicating growth in the Company's underlying equity base and stronger retained earnings accumulation.

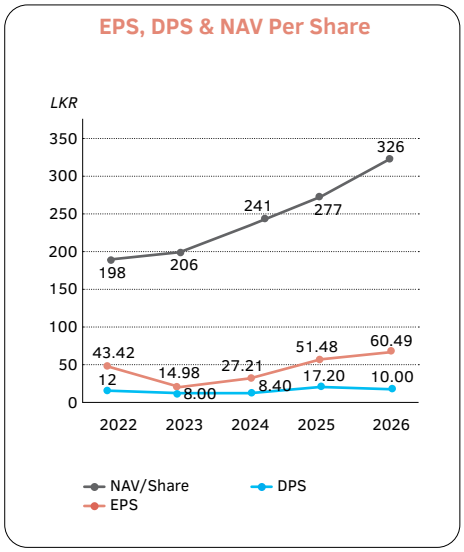
Dividend per Share (DPS) was maintained at LKR 10 during the year, reflecting a prudent dividend policy despite improved earnings, while supporting internal capital retention for future growth.

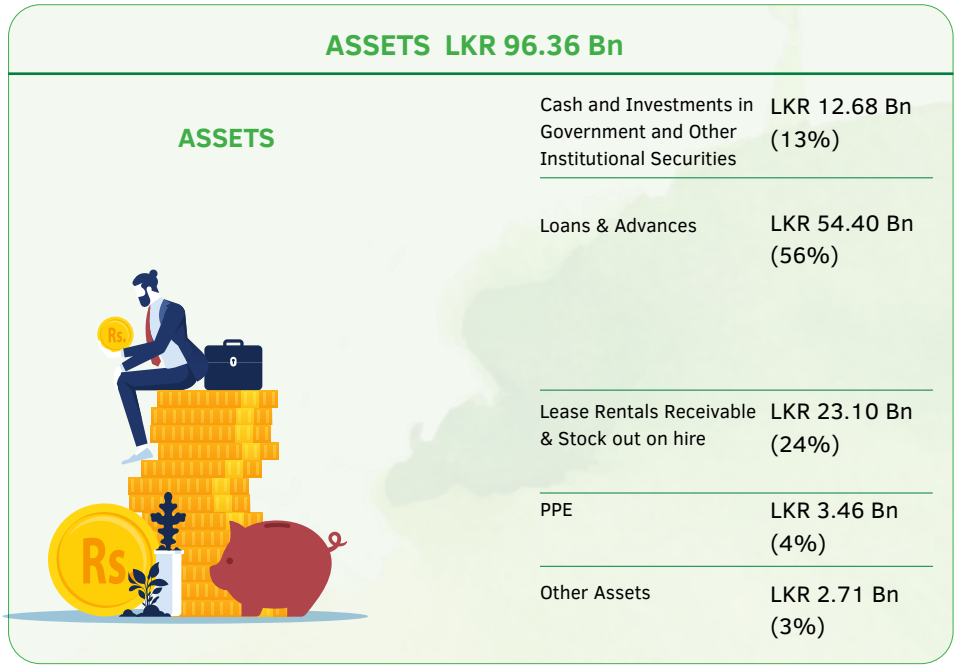
Overall, the movement in these indicators reflects strengthened profitability and improved shareholder value creation during the period.

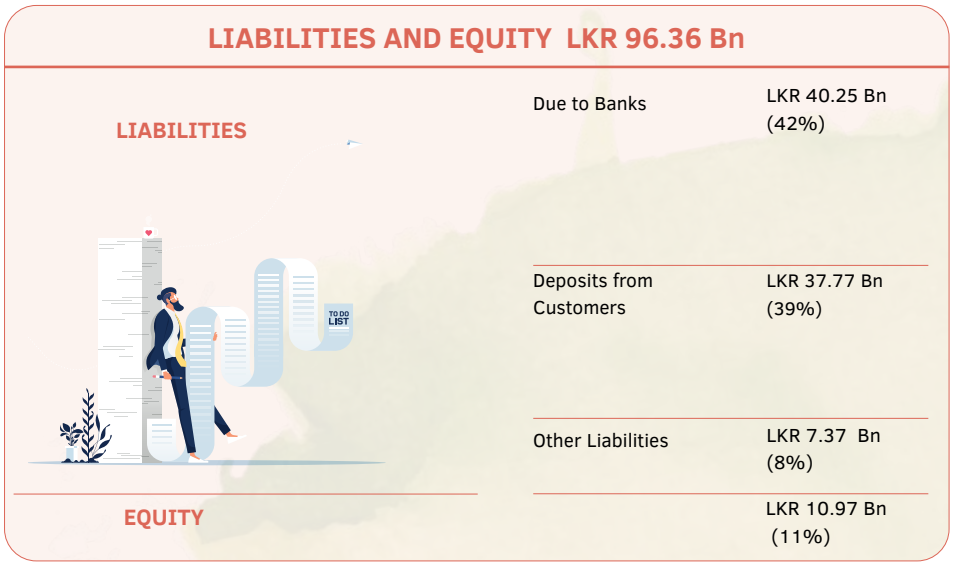
FINANCIAL POSITION

Total Assets & Liabilities

The Company's total asset base recorded strong year-on-year growth of 18%, surpassing LKR 96 Bn. This reflects sustained expansion in business activity and overall balance sheet strength. The lending portfolio continued to account for approximately 80% of total assets, highlighting the Company's core focus on credit-driven income generation and the importance of loan book performance in driving asset growth and profitability. Overall, the expansion in assets demonstrates the effective deployment of resources into income-generating assets and continued growth in core operations.

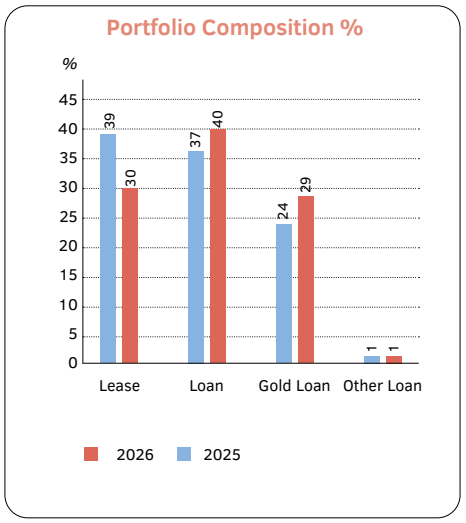






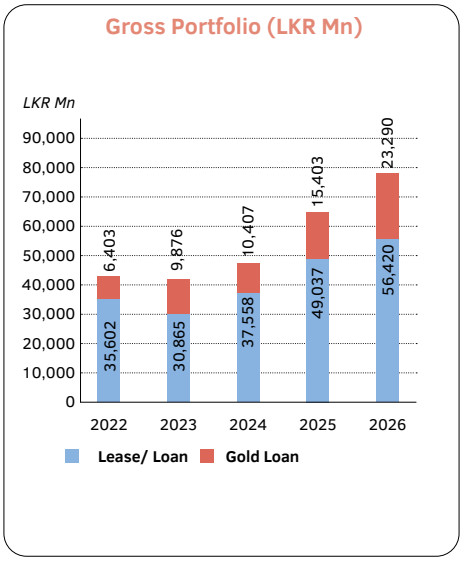
PORTFOLIO GROWTH AND ASSET QUALITY

The total portfolio recorded strong year-on-year growth of 24%, reflecting sustained expansion in the Company's lending activities. This was primarily driven by a significant 42% increase in the Loans & Advances portfolio, which remained the principal engine of growth. In contrast, the Lease portfolio declined by 4%, indicating a contraction in that segment during the year.

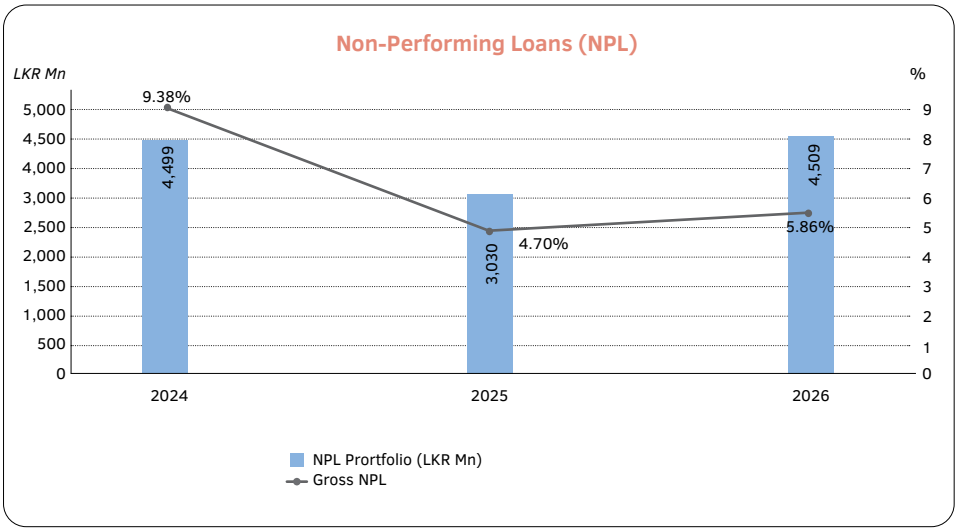


Financial Capital

The Gold Loan portfolio recorded strong year-on-year growth of 51%, reflecting robust demand for gold-backed lending products and continued customer preference for quick, secured financing solutions. This performance was supported by the Company's strengthened market presence in the segment and effective portfolio expansion strategies, positioning Gold Loans as a key contributor to the overall growth in Loans & Advances during the year.



The Gross Non-Performing Loan (NPL) ratio stood at 4.70% as at 31 March 2025 under the previous CBSL Direction. Following the implementation of the new CBSL Direction, the Gross NPL ratio increased to 5.86% as at 31 March 2026, reflecting the revised regulatory classification framework. However, on a comparable basis under the previous direction, the ratio stood at 3.17% as at 31 March 2026, indicating an improvement in underlying asset quality. Similarly, the Net NPL ratio increased to 3.18% as at 31 March 2026, compared with 1.71% in the corresponding period of the previous year.



As at 31 March 2025

LKR Mn	Portfolio Outstanding	Individual Impairment	Collective Impairment	Total Impairment	Provision Cover
Stage 1	49,037	-	133	133	0.3%
Stage 2	12,374	-	210	210	1.7%
Stage 3	3,030	1,102	330	1,432	47.3%
	64,441	1,102	673	1,775	2.8%

As at 31 March 2026

LKR Mn	Portfolio Outstanding	Individual Impairment	Collective Impairment	Total Impairment	Provision Cover
Stage 1	63,981	-	194	194	0.3%
Stage 2	11,055	-	241	241	2.2%
Stage 3	4,673	1,043	733	1,775	38.0%
	79,709	**1,043**	**1,167**	**2,210**	**2.8%**

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

A significant portion of the Company's Property, Plant and Equipment (PPE), amounting to 76%, is represented by freehold land and buildings. During the financial year, the Company invested LKR 328 Mn in PPE and LKR 208 Mn in intangible assets, reflecting its continued focus on infrastructure and system enhancement.

The Company's technology ecosystem is anchored by the Infosys Finacle core banking platform, which supports leasing, loan, gold loan, and funding operations. Key enterprise systems include Microsoft Dynamics 365 for general ledger and procurement management, Affinity CRM for customer engagement and complaint handling, and Sage for Autosure operations. In addition, specialised platforms such as Collect 121 support recovery and field operations.

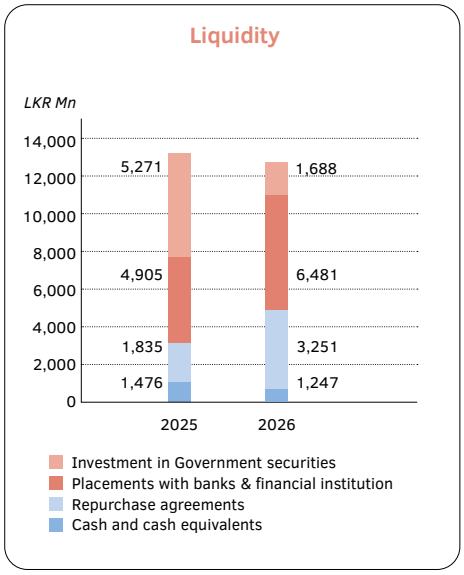
During the year, the core banking and general ledger systems were upgraded to align with industry-leading standards adopted by leading financial institutions locally and internationally. All systems are maintained under annual vendor support agreements, ensuring continued compliance with evolving business and regulatory requirements, while auxiliary monitoring tools support system security and uptime.

The Company also made notable progress in its digital transformation agenda by migrating more than 20 paper-intensive processes to digital platforms since 2024, thereby reducing paper usage and improving operational efficiency.

On the infrastructure front, systems hosted at Dialog Axiata PLC data centres were upgraded with advanced virtualisation technologies across both primary and secondary sites, enhancing performance and security. The Company continues to evaluate emerging technologies, including Zero Trust Network Access (ZTNA) solutions, and digital banking platforms to support future expansion into digital financial services.

LIQUIDITY POSITION

The Company places strong emphasis on maintaining a sound liquidity position. The Treasury team actively manages liquidity through regular cash flow forecasting and by securing adequate credit facilities, ensuring sufficient funding is available to meet obligations arising from the growth in public deposits and business operations.



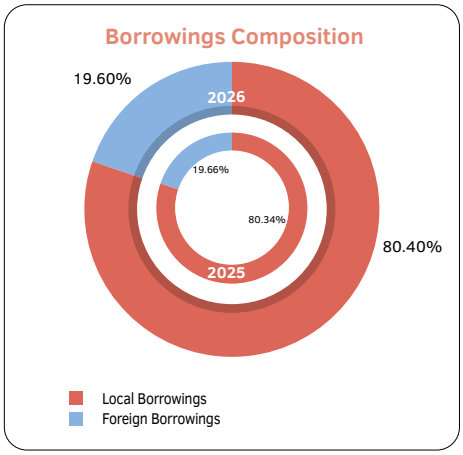
BORROWINGS

Total borrowings, excluding time deposits, comprised both local and foreign funding sources. The Company's borrowing base expanded significantly during the year, increasing from LKR 31.35 Bn in 2025 to LKR 43.39 Bn in 2026, reflecting growth of approximately 38%.

Local borrowings remained the dominant source of funding, increasing from LKR 21.50 Bn to LKR 32.10 Bn, representing growth of around 49%, while maintaining a stable share of total borrowings at approximately 80%. This indicates continued reliance on domestic funding channels to support portfolio expansion.

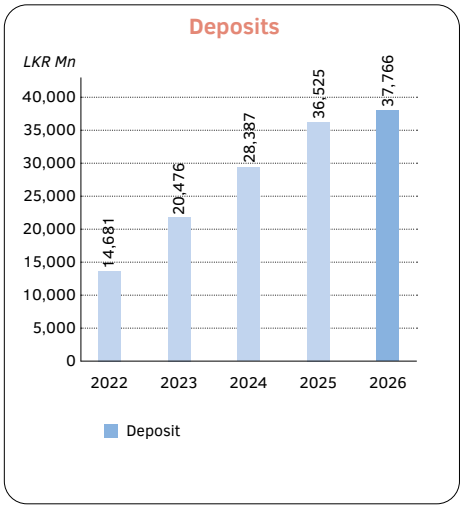
Foreign borrowings increased from LKR 5.26 Bn to LKR 7.83 Bn, reflecting a similar growth trajectory of nearly 49%, while their share of total borrowings remained broadly unchanged at around 20%.

Overall, the funding structure remained well balanced, with a consistent mix of local and foreign borrowings, even as the Company significantly expanded its total funding base to support business growth.



DEPOSITS

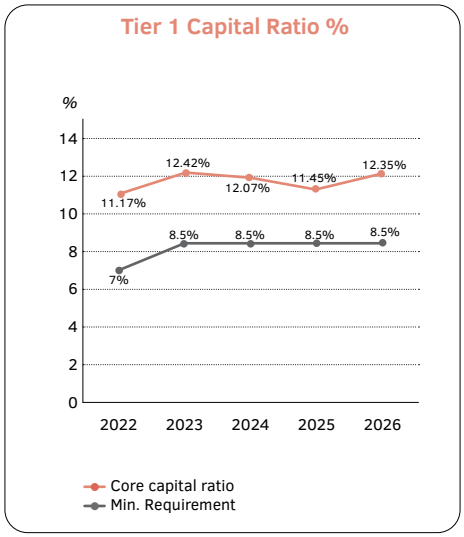
The Company's deposit base grew by 3%, increasing by LKR 1.2 Bn year-on-year to LKR 37.8 Bn. Despite intense market competition, the Company maintained a strong deposit renewal ratio of 78%. This performance reflects continued customer confidence in AFC's sustainable business model.

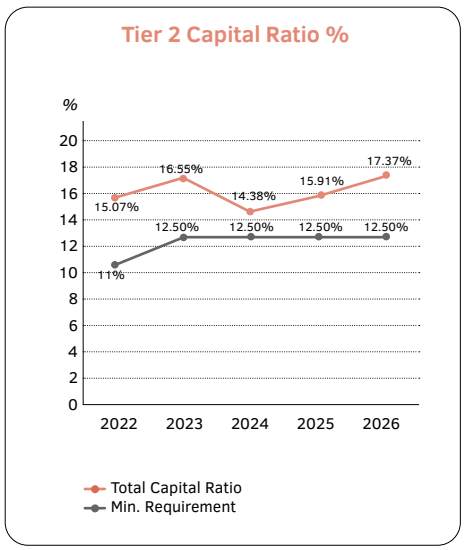


CAPITAL

Total equity, comprising stated capital, retained earnings, and other reserves, grew to LKR 10,974 Mn, reflecting a solid 17% increase over the previous year.

The Company maintained strong capital adequacy levels, with the Tier 1 Capital Ratio and Total Capital Ratio standing at 12.35% and 17.37%, respectively, at the end of the financial year. Both ratios remained well above the regulatory minimum requirements, highlighting the Company's robust capital position and its sustained capacity to absorb unexpected losses while supporting future growth.





Manufactured Capital

Management Approach

AFC's approach to strengthening Manufactured Capital focuses on the optimisation of the branch network and supporting infrastructure, alongside a strategic investments in digital technology systems to building the foundational infrastructure to drive financial inclusion, improve service delivery and enable sustainable growth across its operations.

SDGs



Material Matters

- Economic Performance
- Operational Efficiency and Productivity
- Market Presence
- Customer Satisfaction
- Product Quality
- Regulations and Compliance



Value Creation Summary – FY 2025/26

Challenges

- Growing demand for a formal financial services beyond the western province
- Increased information and cybersecurity risks impacting financial institutions
- Disruptions to branch operations owing to cyclone Ditwah

Opportunities

- Leverage technology systems to streamline workflows and optimise efficiency
- Invest in renewable energy solutions to enhance asset efficiency

Strategic Responses

- Added two new branches and relocated four branches to strengthen network reach and customer experience
- Live roll out of the new Core Banking System (Finacle platform) to replace legacy systems
- Launched the AFC Branch Solar Conversion programme, targeting 50% of branches generating their own renewable energy

Outputs for AFC

- 24% year on year portfolio expansion
- 3% year on year growth in deposits and savings
- 5% year on year growth in the overall customer base
- ZERO data breaches

Impact on other Capitals

Financial Capital

Expansion of the customer base and increased uptake of financial solutions support revenue growth, portfolio diversification and overall financial performance

Social & Relationship Capital

Expanded access to financial services and improved service delivery strengthen customer relationships and community engagement

Manufactured Capital

Digital systems and platforms support improved customer engagement and operational efficiency

Stakeholder Outcomes

Customers

Access to sustainable financial solutions supported by consistent and responsive service delivery

Shareholders

Sustainable value creation supported by operational efficiency and disciplined growth

Communities

Improved quality of life and reduced inequalities through targeted community investment initiatives

Manufactured Capital

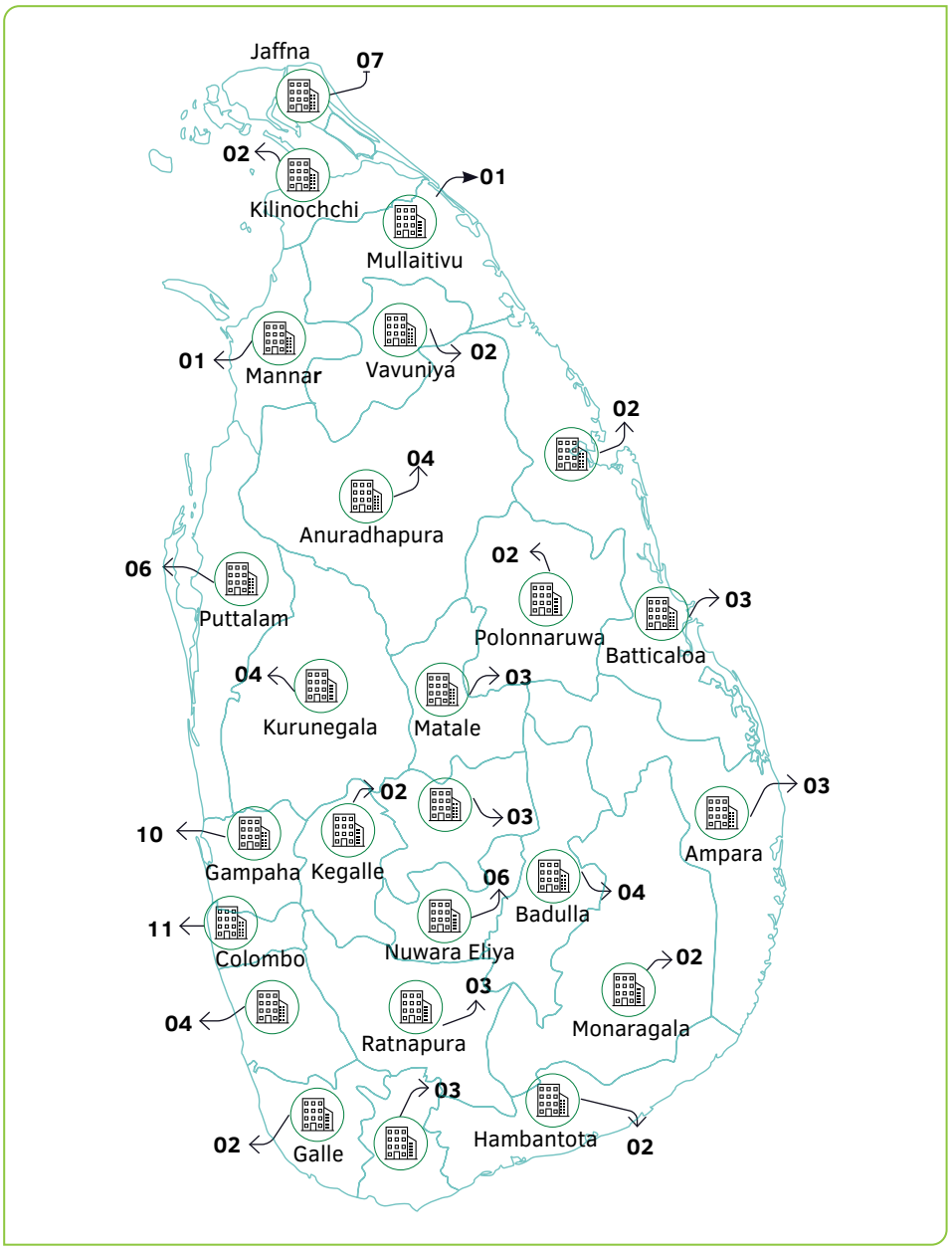
BRANCH NETWORK

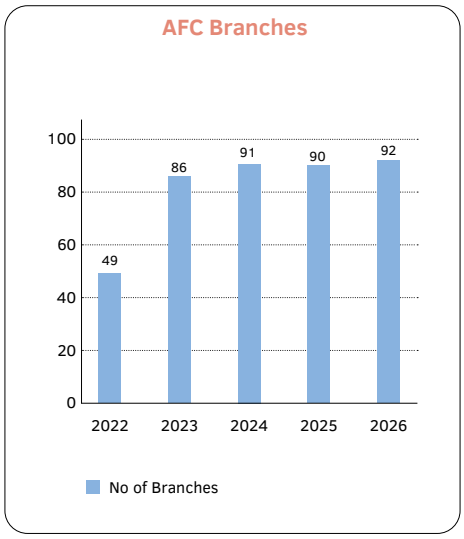
Alliance Finance Company PLC's (AFC's) branch network represents the Company's primary physical infrastructure and the principal channel through which financial products and services are delivered to customers across Sri Lanka. What began as a network concentrated in urban centres has, over successive years, evolved into an island-wide presence spanning all 25 districts, a testament to AFC's deliberate commitment to extend access to formal financial services across urban, semi-urban and rural communities nationwide.

During 2025/26, the Company's approach to the branch network reflected a combination of selective expansion and optimisation to ensure the network remains well-positioned to support evolving customer needs while reinforcing AFC's commitment to serving underbanked and underserved segments outside the Western Province.

In line with this approach, new branches were opened in Mawanella and Chenkalady while the Medawachchiya, Homagama, Ambalantota and Thissamaharama were relocated to enhance customer experience and service delivery.

Service delivery across the network was also further enhanced through the live roll out of a new Core Banking System in August 2025, which has helped improved turnaround times and elevated the consistency and quality of customer service at branch level.





Year	2026	2025	2024	2023	2022
No of Branches	92	90	91	86	49

	FY 2025/26	FY 2024/25	FY 2023/24	FY 2022/23	FY 2021/22
Investment in the Branch Network (LKR Mn)	197	124	112	175	108

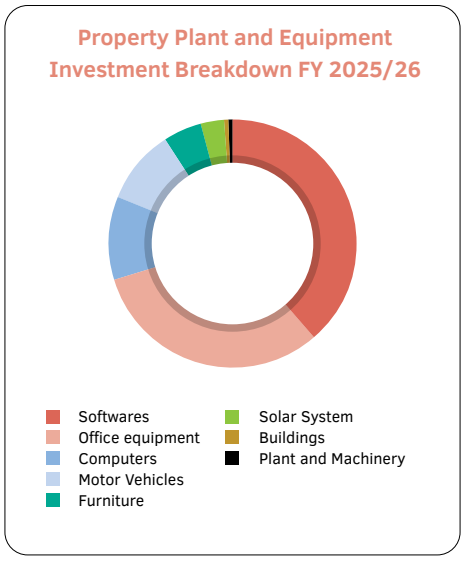
	FY 2025/26	FY 2024/25	FY 2023/24	FY 2022/23	FY 2021/22
Investment IT System (LKR Mn)	208	19	18	24	80

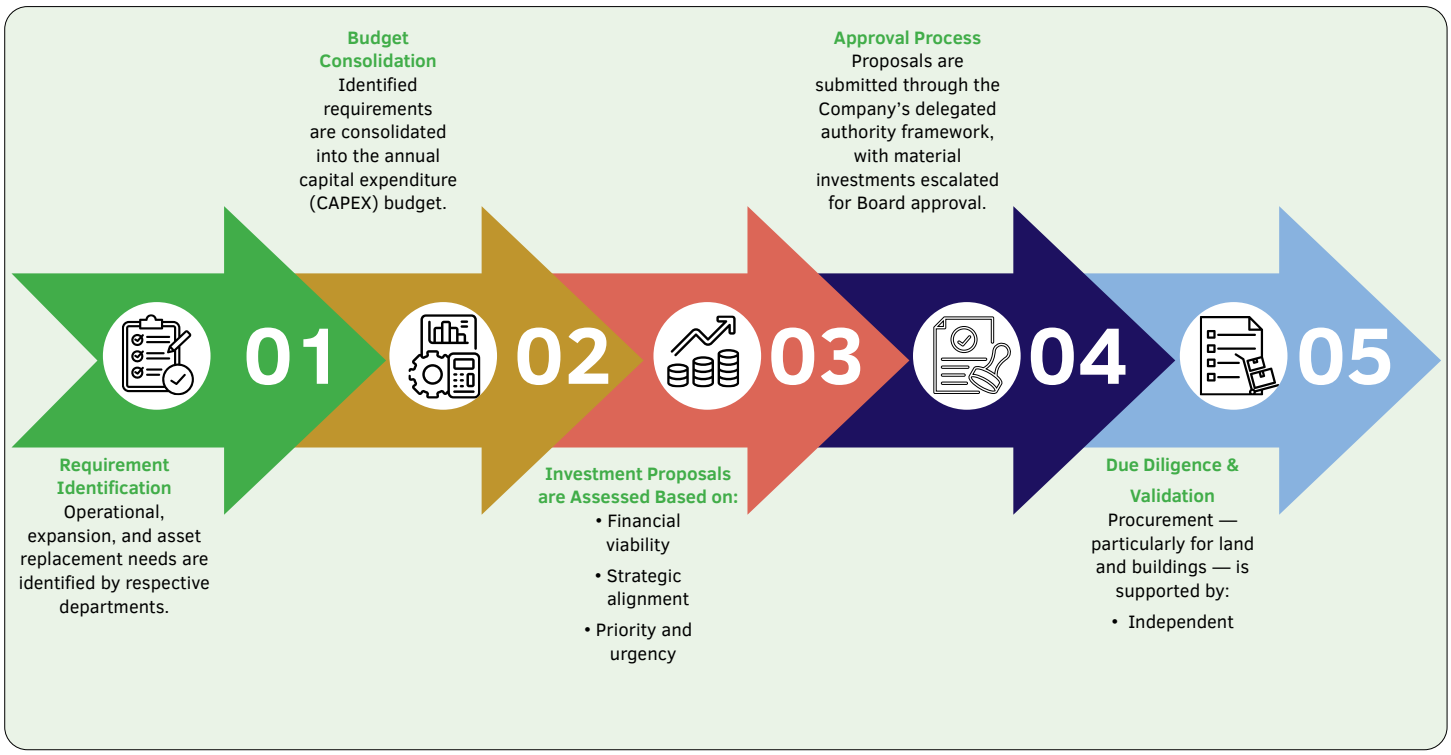
PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PPE) represents the physical asset base that underpins AFC's operations. Comprising land and buildings together with furniture, fittings and related equipment, PPE provide the infrastructure required to sustain operational effectiveness across the Company's 90+ branch network.

At AFC, investments in PPE is guided by a comprehensive CAPEX planning, evaluation and approval, procurement and acquisition process managed under the stewardship of the Procurement and Administration team.

During 2025/26, investment in PPE during the year amounted to 328 Mn, with the allocation of investments across asset categories.





OPTIMISING ASSET PERFORMANCE

To optimising the performance of its physical asset base, AFC maintains a disciplined approach based on ongoing asset rationalisation, maintenance activities and the integration of energy-efficient solutions, collectively contributing to enhancing asset longevity, operational efficiency and sustainability.
Periodic evaluations are carried to identify the need to phase out or dispose of underutilised and obsolete assets, in line with established asset management policies, thereby ensuring the Company's physical asset base remains appropriately sized and aligned with operational requirements.

Likewise, maintenance activities across branches and operational locations, including servicing of air conditioning systems, upkeep of office premises, inspection of electrical installations and maintenance of IT hardware and related infrastructure aim to ensure assets remain in optimal working condition and continue to support uninterrupted service delivery. In addition, timely repairs and replacement of worn-out components are undertaken as needed to improve asset performance and integrity.

Manufactured Capital

In recent years, efforts to improve asset efficiency have focused on integrating green and energy-efficient solutions including solar installations, LED lighting, inverter air conditioning systems and the use of natural lighting at workstations to reduced energy consumption and a lower environmental footprint.

AFC BRANCH SOLAR CONVERSION PROGRAMME

Investment of **LKR 100 Mn** in solar energy solutions across the branch network Focused on reducing dependence on grid electricity and lowering emissions Target of **50% of branches generating their own renewable energy** Planned expansion of off-grid solar installations across branches in the Northern and Eastern regions

IT INFRASTRUCTURE

Recognising IT infrastructure as a key catalyst for organisational growth, AFC embarked on a broad-based IT transformation in the current year to strengthen its technology backbone in line with evolving business and operational requirements as well as position the Company for its next phase of digital development.

The most significant system-level transformation undertaken was the upgrade of the Core Banking System. Built on the globally recognised Finacle platform and supported by a web-based workflow management system, the new implementation replaced three legacy platforms that relied on manual workflows and approval systems. Following the live roll out of the new system, the Company's AML transaction monitoring platform was fully integrated with the Core Banking System to enable real time data validation in line with GoAML standards.

A new web-based information portal was also rolled out to consolidate information across multiple systems into a single unified platform for easy access by employees.

INFORMATION SECURITY SYSTEMS

The expansion of AFC's digital platforms and technology systems have increased the Organisation's exposure to cybersecurity risks, reinforcing the importance of a resilient and well-governed information security environment.

AFC's approach to information security is underpinned by a comprehensive cybersecurity strategy developed in alignment with regulatory requirements, and best practices including ISO 27001 Information Security Standard.

The control environment is further supported by an established suite of policies and frameworks that guide the management of information systems and associated risks across the Company, comprising the Information Systems Security Policy, Acceptable Usage Policy, IT Risk Management Framework and IT Operations Manual.

Oversight of information security is exercised through a governance framework with accountability at the highest levels of the organisation, supported by dedicated management and operational functions responsible for implementation and monitoring.

The effectiveness of the information security environment is validated through ongoing assurance activities, including routine internal reviews and independent assessments conducted through TechCert.

In response to escalating cybersecurity risks, including heightened phishing attempts and targeted attacks on financial institutions a 24/7 Security Operations Centre was established in 2025, in line with requirements under the Central Bank of Sri Lanka's Technology Risk Management Framework. The SOC provides the organisation with a dedicated hub for detecting, analysing and responding to cybersecurity threats, supporting the identification and management of security incidents.

BUSINESS CONTINUITY AND DISASTER RECOVERY

Ensuring the continuity of operations during unexpected disruptions remains a key priority for AFC. To that end, the Company's business continuity programme is designed to minimise operational downtime, protect people and assets, and enable the recovery of business activities with business continuity plans established for Company-wide operations under identified critical scenarios to ensure continuity of operations.

Disaster recovery capabilities are supported through dedicated infrastructure maintained at a Tier 3 data centre maintained by an independent third party specialist, enabling system availability and accessibility in the event of a disruption to primary systems. During the year, disaster recovery testing and department-level simulation exercises were conducted to assess readiness and response capabilities. Testing was carried out on 28 March 2025 at the disaster recovery site in Piliyandala, with participation from the Company's IT team and external technical partners. Procedures included the establishment of IPVPN connectivity to the disaster recovery site, verification of server and system availability, testing of applications within the business continuity scope and the re-establishment of primary site replication following the completion of testing.

Future Plans	Short Term	Medium to Long Term
Branch Network	Continue investments in selective branch expansion and relocation to improve accessibility and customer experience	
Optimising Asset Performance	Expand the adoption of energy-efficient solutions and renewable energy across operational locations	
IT Infrastructure		Initiate digitisation of customer-facing services, including online service platforms, digital customer onboarding and digital payment enablement in line with national payment system developments
Information Security Systems	Strengthen cybersecurity resilience through continued development of risk management frameworks and advanced security capabilities	
Business Continuity and Disaster Recovery		Implement the Business Continuity Management System (BCMS) aligned with ISO 22301:2023 standards

NEW BRANCH OPENING







Social and Relationship Capital

Management Approach

AFC manages Social and Relationship Capital by working to ear the trust of customers, suppliers and communities, whose continued support is vital to sustain the Company's growth trajectory. In building trust-based relationships, the focus remains on stakeholder centric strategies that consistently exceed the expectations of each stakeholder group.

Material Matters

- Sustainable Financial Solutions
- Responsible Marketing
- Customer Engagement
- Complaint Handling
- Data Privacy
- Supplier Management Framework
- Business Ethics
- Community Investment

SDGs



Value Creation Summary – FY 2025/26

Challenges

- Growing competitive pressure within the industry
- Heightened risk of cyber threats directed towards the financial service industry

Opportunities

- Growing demand for formal financial solutions from rural and grassroots level communities

Strategic Responses

- Launch of a LKR 2.0 Bn Social Bond with proceeds specifically earmarked to support MSME development across the country
- Launch of the automation of the loan approval workflow to expedite turnaround times
- Targeted marketing to maximise reach across core customer segments
- Aligning with data privacy regulations, including the Consumer Protection Act and then Personal Data Protection Act

Outputs for AFC

- 5% year on year growth in the customer base
- 97% overall customer satisfaction
- 38% women customers

Impact on other Capitals

Financial Capital

Expansion of the customer base and increased uptake of financial solutions support revenue growth, portfolio diversification and overall financial performance

Social & Relationship Capital

Expanded access to financial services and improved service delivery strengthen customer relationships and community engagement

Manufactured Capital

Digital systems and platforms support improved customer engagement and operational efficiency

Stakeholder Outcomes

Customers

Access to sustainable financial solutions supported by consistent and responsive service delivery

Suppliers

Fair and transparent procurement processes supporting equal opportunities and long-term collaboration

Communities

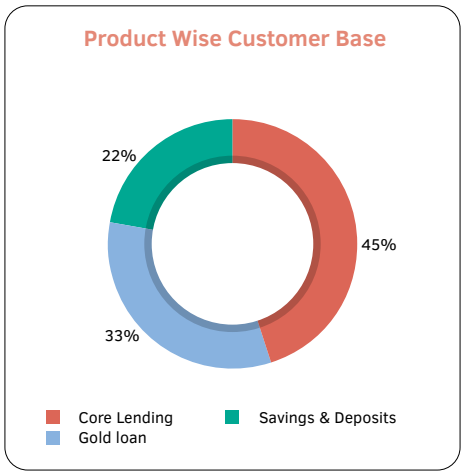
Improved quality of life and reduced inequalities through targeted community investment initiatives

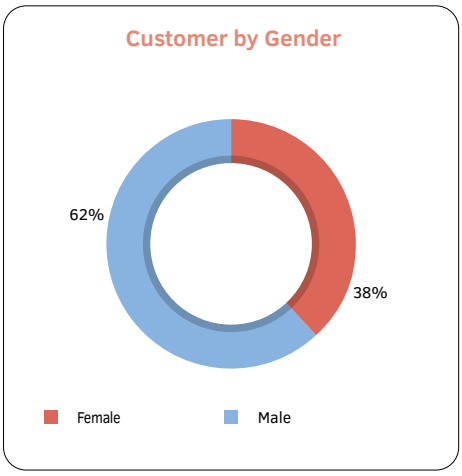
Social and Relationship Capital

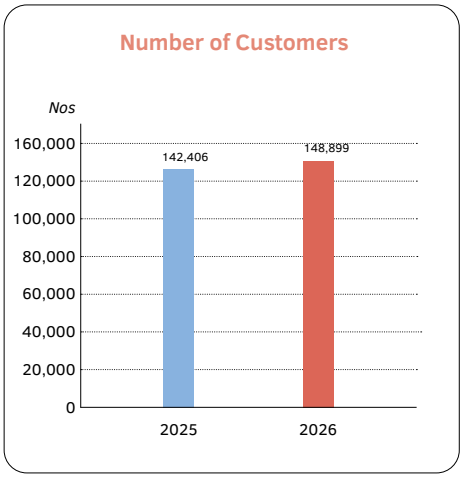
GRI 2 -6, 416 - 1, 416 - 2

CUSTOMERS

AFC's customer base represents a diverse cross-section of individuals and enterprises across Sri Lanka, which stands as a testament to the Company's continued efforts to expand access to financial services in line with evolving customer needs.







RESPONSIBLE PRODUCTS

AFC's commitment to product responsibility is derived from the focus on addressing key national priorities, including financial inclusion, sustainable mobility, MSME development, and climate-focused financing.

While staying firmly within the HIG framework, the Company focuses on refining and expanding its product portfolio to capture the evolving needs of customers. A clear understanding of target customer segments coupled with a comprehensive New Product Development process enables AFC to deliver fully compliant, solution-oriented products that correspond to the needs of each customer segment.

HIGH IMPACT GOAL 1

Lead the transition towards Sustainable Mobility Solutions

Products and Services

- Vehicle leasing solutions for fuel efficient and hybrid vehicles to meet the growing demand for efficient, green transportation options.
- Solar leasing solutions to encourage the migration to renewable energy

Target Customers

- Individuals and MSMEs

HIGH IMPACT GOAL 2

Drive Financial Inclusion

Products and Services

- Gold Loans
- Saving Deposits
- Gold Investments

Target Customers

- Underserved population
- Self-employed women and men

HIGH IMPACT GOAL 3

Promote MSME development

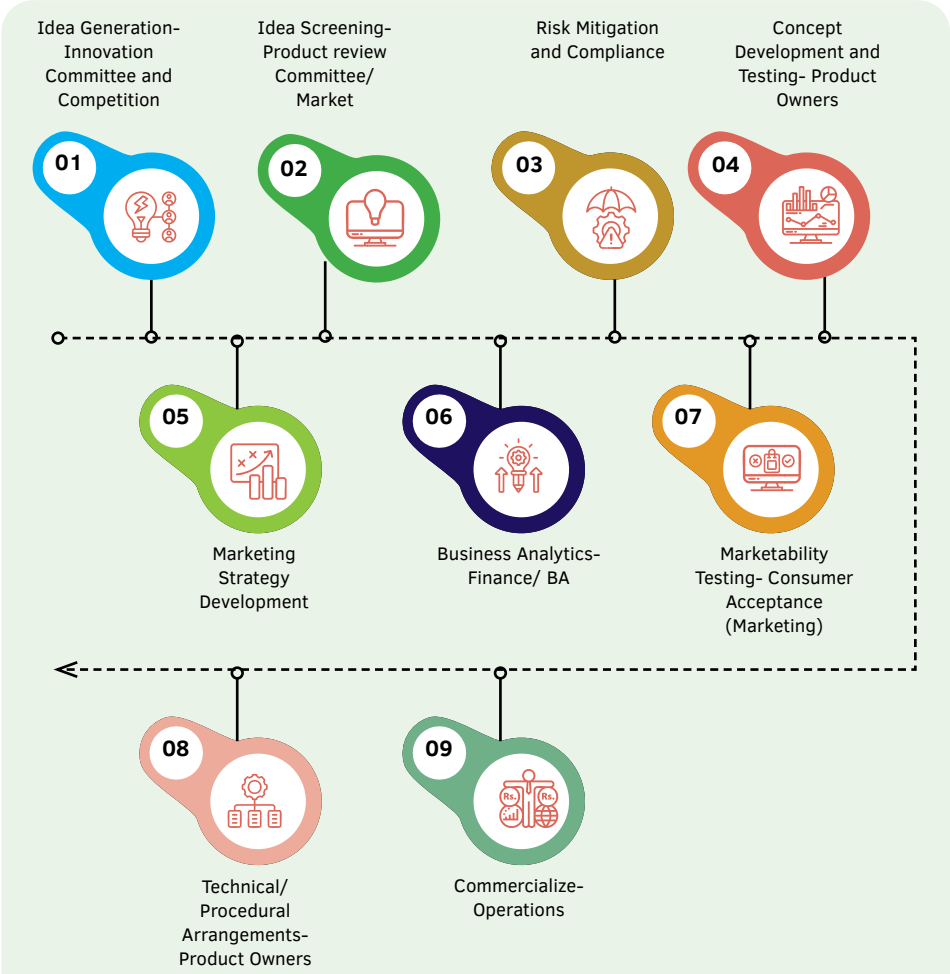
Products and Services

- Climate smart financing solutions - Agri Loans, Irrigation System Loans, Dairy Loans and Solar Loans
- Value chain financing
- Technical support
- Financial Literacy Programmes
- Micro MSME financing for Women

Target Customers

- MSME sector

NEW PRODUCT DEVELOPMENT PROCESS



PRODUCT DEVELOPMENT HIGHLIGHTS – FY 2025/26

Marking a significant step forward in its efforts to advance product responsibility, AFC launched a LKR 2.0 Bn Social Bond in August 2025, with proceeds specifically earmarked to support MSME development across the country

Launch of flexible Term Deposit tenures ranging from monthly to multi-year maturities, supported by competitive interest rates

AFC Hapannu minor savings account (relaunch) where children maintaining a minimum balance of LKR 25,000 benefit from a tree being planted in their name at the AFC Hapannu Forest in Dulgolla, Kandy.

No incidents of non-compliance relating to the health and safety impacts of products and services were reported during the financial year.

GRI 417 -1, 417 -2

PRODUCT DISCLOSURES

Clear, accurate and timely product disclosures are fundamental to AFC's commitment to building customer trust. The Company places strong emphasis on transparency across all customer communications, with product information structured to provide clarity on features, benefits, risks and associated terms in full compliance with regulatory provisions applicable to financial institutions licensed by the Central Bank of Sri Lanka.

Responsible product disclosure practices are further guided by internal governance mandates that promote the principles of fairness, accuracy and completeness. Frontline teams are provided product knowledge training to ensure they are well-equipped to communicate product features, risks, and benefits clearly to empower customers to make informed financial decisions. Similarly, the Marketing Call Centre (MCC) operates a dedicated hotline, providing customers with immediate, direct support to assist customers regarding product related queries and clarifications.

No incidents regarding the non-compliance concerning product and service information, were reported in the current year.

GRI 417 -3

MARKETING AND PROMOTIONS

Marketing and promotional activities aim to strengthen brand visibility and enhance customer engagement, by communicating AFC's range of product and services available to diverse customers. All marketing and promotional material is subject to a stringent review process, with content assessed by senior management to ensure accuracy, clarity, and compliance with applicable legal and regulatory requirements.

To maximise reach, AFC uses a range of communication channels, including print and electronic media, SMS, email, the corporate website, and social media platforms to deliver marketing and promotional content.

Social and Relationship Capital

MARKETING AND PROMOTIONAL ACTIVITIES – FY 2025/26



159 Campaigns – average reach 1,130 potential customers



35 Promotions – average reach 3,000 potential customers



201 Digital Campaigns – average reach 2,736,000 Mn (view customers)



3 Products Campaigns – average reach - potential customers

There were no incidents of non-compliance concerning marketing and communications, in the current year.

CUSTOMER ENGAGEMENT THROUGH SOCIAL MEDIA – FY 2025/26

Social media platforms continue to support customer engagement at AFC by enabling timely communication, increasing visibility and strengthening connections with customers. During the year, financial education initiatives, promotional campaigns and engagement-driven content contributed to the growth of the Company's digital presence

11 Mn
Reach on FB

208.5K
Reach on Instagram

CUSTOMER EXPERIENCE

The conviction that sustained customer trust is built through consistent, responsive, and meaningful experience across every touchpoint, underpins all aspects of AFC's service delivery and relationship management.

Branch teams who serve as the primary interface between AFC and its customers across regions are tasked with maintaining regular and proactive engagement to understand the evolving needs of customers. Similarly, the Customer Care Relationship Management (CCRM) Desk provides personalised trilingual assistance to walk-in customers.

Complementing these engagement channels is AFC's Customer Relationship Management (CRM) platform, which enables more informed interactions with both existing and prospective customers. By leveraging CRM capabilities, AFC is able to identify customer needs with greater precision, resolve concerns proactively, and deliver a consistently high standard of service across physical and digital channels.

A major development during the current year was the automation of the loan approval workflow through integration with the new core system. Guided by delegated authority levels, the workflow system enables faster credit decisions to improve turnaround times, leading to significantly improved customer experience outcomes.

MEASURING CUSTOMER SATISFACTION – FY 2025/26

AFC's Marketing Call Centre undertakes regular branch-wise customer satisfaction surveys covering 100% of Leasing and Fixed Deposit customers. Gold Loan customers are evaluated monthly based on redemption records, with a minimum coverage of 25% per month.

Overall customer satisfaction exceeded 97% during the financial year, reflecting a 1% improvement over the prior year and affirming the effectiveness of AFC's customer-centric service model.

NPS rating remained strong across all product categories, with Leasing, Ran Ayojana, Agri and Solar Loans recording 97.7%, Gold Loans at 97.2%, and Fixed Deposits at 98.2%.

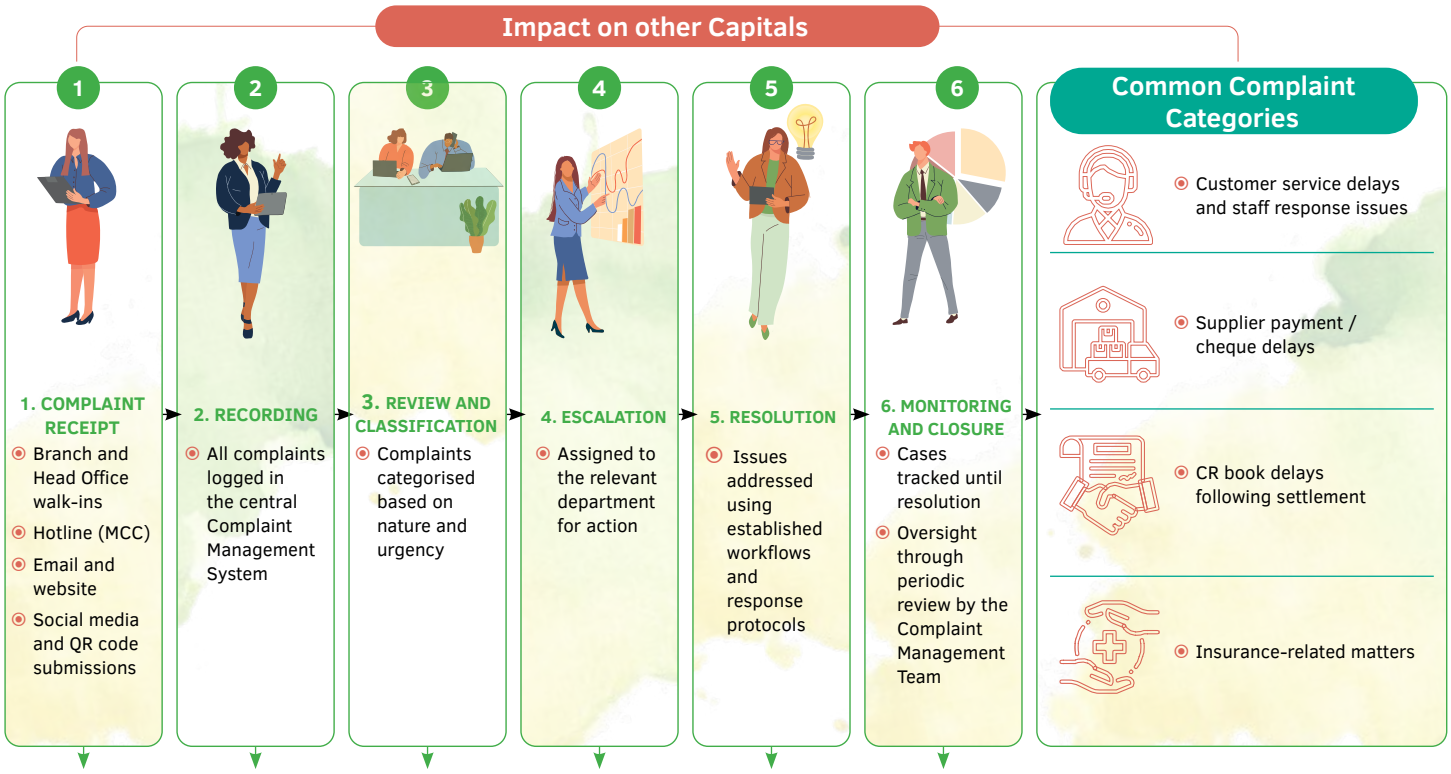
The overall NPS was recorded at 97.3% indicative of the customer confidence in AFC's service delivery and the value customers associate with the Company's offerings.

GRI 2 -25, 2-26

MANAGING COMPLAINTS

Customer complaints are managed as part of AFC's commitment to maintaining service quality, accountability and responsiveness across its operations. The Company has put in place a range of channels to ensure that customers are able to raise concerns through accessible touchpoints.

All complaints are handled through a closed-loop system under the purview of the designated Complaint Management Team, ensuring each matter is reviewed, assigned and followed through to resolution. Root cause analysis is carried out by the Complaint Management Team to investigate recurring issues, with findings together with recommendations reported to senior management for corrective action.



GRI 418 -1

DATA PRIVACY

Given the nature of AFC's operations as a financial services institution, the responsible handling of personal and financial data is essential to maintaining customer trust and meeting regulatory requirements.

In this regard, efforts during the year focused on fully aligning with the provisions of the Financial Consumer Protection Regulation (FCPR) by the Central Bank of Sri Lanka introduced in the previous year. Meanwhile, working to implement the new Personal Data Protection Act, a comprehensive data mapping and gap analysis was carried out to assess existing processes against regulatory requirements relating to consent, data security and breach management.

In preparation for the FCPR implementation, the control environment was also strengthened through the implementation of technical safeguards, including Data Loss Prevention (DLP) tools to mitigate unauthorised access and data leakage, encryption protocols, and multi-factor authentication across internal systems. Regular security risk assessments and penetration testing were also introduced to evaluate the effectiveness of the Company's security posture.

Ongoing awareness and capacity-building initiatives continued across departments to reinforce information security and customer data protection requirements and enforce consistent application of controls across the organisation.

No incidents of customer data privacy breaches were reported during the financial year.

GRI 2 -6, 204 -1

SUPPLIERS

AFC's operations are enabled by a network of suppliers that facilitate the timely provision of goods and services across its branch network and operational functions. The supplier base remains predominantly local, comprising Sri Lankan entities and individuals across the country.

Social and Relationship Capital

AFC Supplier Base - FY 2025/26			
Supplier Category	**Products / Service Supplied**	**No. of Suppliers**	**Percentage of Average Annual Procurement Spend**
Advertising & Marketing Materials	Printing & supplying of all kind of PVC stickers, corrugated boards, Digital Banners, Flex Banners, X Banners, Name boards, Hoarding, Leaflets, Banners, Corrugated board, Indoor-Outdoor, Vehicle brandings and Publishing of Newspaper advertisement Tenders, Fiscal & Auction Ad	19	9.30%
Welfare	Supplying of Drinking water bottles and Water dispensers, Hand Soap, Nescafe, Sugar, Tea Leaves, Sanitizer, Vending Machines, Tissue, Toilet Rolls and Company T-shirts	15	2.57%
Repair & Upkeep	Supplying of all kinds of bulbs, LED, Pannels, Flash lights, Electric Jugs, Kettles, Heaters, LED Adaptors, Fire Extinguishers, Network, Repair, Transport providers, Pest controlling and related things, Cleaning Services, Sanitact bin & service, Light fixing, bouth, sucker, Elevator service & maintenance, AC Repair & Service	45	1.39%
Turnkey Projects	Supplying of Carpets & Vynile, ATS Panel, PABX System, Telephone instruments, all kind of painting works and installation of network, voice systems	34	16.03%
Fixed Assests	Supplying of Air Conditioning units and it's repairs, Services, Bath ware items and installation, Installation of CCTV Camera, Fire Alarm System to all branches and purchasing of Digital camera, Branch infrastructure, renovation, modifications, Interiors, Officeware, Cash Counting Machines, Densimeters, Furniture Officewares, Generators, Printers, Computers, Laptops, Desktops, NUCs, Mini PCs, Generators, Safes, Software systems, Medical Equipment	110	42.37%
IT Consumables	Supplying of USB Keyboard, USB mouse, Hard Discs, Lap Batteries & Keyboards, Bags, Adaptors, Network Switches, USB / Network/ Power Cables, Lap Bags, Toner, Ribbons, Cartridges and Printing of Bar code stickers, Company ID cards and It's scanners	6	6.31%
Stationary	Supplying of all kind of calculators (Normal and Hi-end), all kind of stationaries, Polythene bags for article packeting, Rubber seals	13	1.05%
Blank Papers	Supplying of Photo Copy Papers	1	2.96%
Pre Printed Materials	Supplying of Preprinted documents, books, registers, file covers, envelopes, security documents (cheques & FD certificates), Continuation forms (Receipts, Pawning tickets, Reminders, vouchers)	17	6.80%
Promotional Items & Printing	Branding water bottle for Gift, Company Diaries, Calendars, Invitation cards with envelopes, Branding Key tags, Bags	19	9.00%
Vehicle Maintenance	Supplying of Spares & Tyres	2	0.21%
Office & Hiring Equipment	Supplying of Phone units & Accessories, Photocopy, Computer, Laptop hiring	11	1.14%
General	Supplying of Cardboard boxes, Gold assessing tools for Pawning centers, fire warden jackets, Accessories for Bush Cutter, Safe shifting and transportation	13	0.87%

GRI 205-2, 308 -1, 308 -2, 414 -1, 414 -2

SUPPLIER MANAGEMENT FRAMEWORK

Supplier management at AFC is governed by a Board-approved Procurement Policy, which establishes the framework for building a network of reliable supply chain partners to support operational requirements efficiently and transparently. As per the policy, the Company deals only with registered suppliers.

The Green Tape platform enables suppliers to register interest. Supplier selection is carried out based on defined criteria, including price competitiveness, quality standards, delivery capability and reliability, followed by screening and due diligence processes covering regulatory compliance, licences and permits to ensure potential suppliers meet AFC's operational and governance requirements. 49 new suppliers were subject to environment and social screening in FY 2025/26.

All selected suppliers are required to complete a formal registration and onboarding process through the Green Tape platform. This includes adherence to AFC's Supplier Code of Conduct, supported by a signed declaration confirming compliance with ethical, legal, social and environmental standards, covering requirements relating to labour practices, health and safety, anti-corruption, anti-money laundering and confidentiality.

Supplier performance is reviewed annually to assess adherence to defined criteria, including quality, reliability and ethical standards, supporting continued alignment with AFC's procurement expectations. No supplier relationships were terminated in the current year owing to non-compliance.

Procurement activities are conducted exclusively through registered suppliers using defined procurement methods based on the nature and value of the requirement. Direct contracting is applied for low-value purchases with established suppliers, Request for Quotation (RFQ) is used for mid-range value purchases from multiple qualified suppliers, while Invitation to Bid (ITB) or Request for Proposal (RFP) processes are adopted for high-value or complex procurement requirements through competitive evaluation.

Deviating from the previous practice where all procurements were managed centrally under the purview of the Central Procurement Committee, Delegation of Authority limits, were introduced to allow greater flexibility for branch-level leadership to procure selected requirements more efficiently. The Central Procurement Committee will continue to oversee major Company-wide sourcing decisions and maintain oversight over procurement activities, as needed.

GRI 203-1,203 -2, 413-2

COMMUNITY

AFC's engagement with communities extends beyond the provision of financial services, with its branch network serving as the primary conduit for building and sustaining relationships across Sri Lanka.

Positive Impacts to the Community from AFC's Operations	
Financial Inclusion	◉ Increased access to financial services across underserved urban and rural communities
Employment	◉ Employment generation through the Company's branch network across Sri Lanka
MSME Development	◉ Economic empowerment of micro and SME entrepreneurs through access to capital
Local Sourcing	◉ Engagement with local suppliers, supporting regional economic activity and livelihoods

As a provider of financial services, AFC's operations do not have any discernible negative impacts to the wider community.

FINANCIAL INCLUSION

As a financial institution, AFC considers Financial Inclusion to be a core mandate of its business model. As such, AFC has adopted Financial Inclusion as its second High Impact Goal dedicated to expanding access to formal financial services to empower underserved communities, foster inclusive economic participation, and drive sustainable national development.

Through its 92 branch network, a majority of which is located outside the Western Province, AFC seeks to bridge gaps in financial access by encouraging individuals, and rural households to transition from informal financial practices towards secure, regulated, and value-adding financial solutions.

Products such as gold loans play a vital role in this agenda by providing quick and convenient access to short-term liquidity, particularly for customers who may have limited access to traditional credit facilities. Gold investment products support wealth preservation and disciplined financial planning, enabling customers to convert savings into productive financial assets within a formal framework. Meanwhile, savings deposit products encourage regular saving habits, financial discipline, and long-term security, helping households build resilience against economic uncertainty while creating pathways to future investment and credit access.

Social and Relationship Capital

These efforts are further supported by financial literacy programmes designed to enhance awareness on savings, responsible borrowing, money management, and the benefits of engaging with formal financial institutions.

GRI 413 -1

COMMUNITY ENGAGEMENT

Engaging with communities in areas around the Country's where AFC maintains a brand presence, has proven to be invaluable in developing more solutions to support grassroots-level needs. Branch teams are tasked with engaging directly with communities in their respective areas to better understand local socio-economic challenges and identify needs in order to respond through appropriate interventions aimed at reducing inequalities.

GRI 413-2

COMMUNITY INVESTMENT

Community investment is carried out through initiatives that focus on improving quality of life and supporting inclusive development across the communities served by AFC, with projects aligned to key thematic areas such as education, health, water and sanitation, environmental sustainability and community development.

Proposals for community initiatives are submitted to the Sustainability Department and reviewed by senior management for approval, taking into account potential impact and budgetary considerations. Once approved, implementation is carried out in collaboration with Regional Heads, Branch Managers and operational teams, enabling initiatives to be delivered at a local level with direct community participation.
Projects are financed through the annual Sustainability Budget, with funds allocated to support localised initiatives with management approval. Progress is monitored by the Sustainability Department in coordination with operational teams, with updates reported to the ESG Committee and the Board to ensure oversight and alignment with the Company's sustainability priorities.

PROJECTS FOR FY 2025/26

Impact Monitoring & Reporting: Tracking project effectiveness and outcomes.

Senior Management & Board Oversight: Project approval and allocation of resources.

Community Investment Approach

Needs Assessment & Stakeholder Engagement: Identifying priority areas through collaboration.

Branch-Led CSR Initiatives: Supporting grassroots impact through AFC's network

Access to Healthcare: Communities expressed a need for better healthcare facilities and support, particularly in rural or underserved areas, which led to projects addressing hospital needs.

94 Total projects

19 Community wellbeing projects

7 Hospital needs

3 Community water projects

40 School/ Montessori development

25 Flood relief Projects

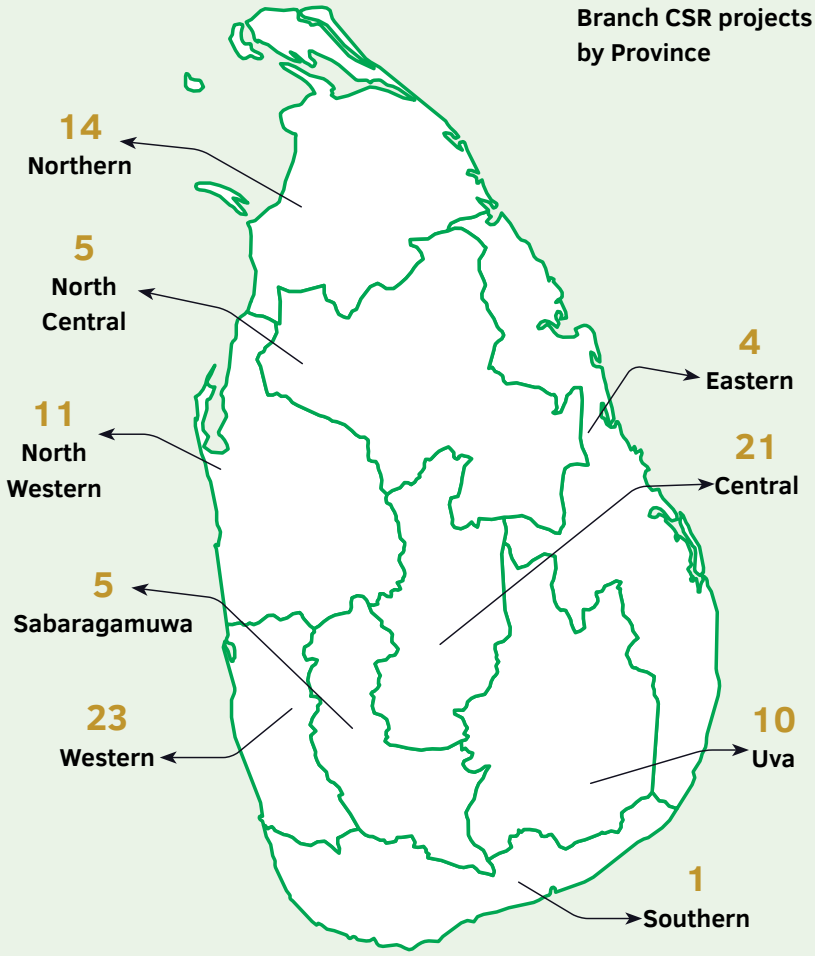
Clean Water Access: Issues related to inadequate access to clean water, especially in rural and remote areas, were highlighted, leading to the initiation of community water projects.



Educational Development: Concerns about the quality of education and lack of resources in local pre-schools were raised, prompting initiatives aimed at improving educational infrastructure.



Branch CSR projects by Province



No	District	No. of Projects
1	Kandy	4
2	Nuwara Eliya	8
3	Matale	9
4	Batticaloa	1
5	Ampara	3
6	Polonnaruwa	1
7	Anuradhapura	4
8	Kurunegala	2
9	Puttalam	9

No	District	No. of Projects
10	Mullaitivu	1
11	Kilinochchi	2
12	Mannar	2
13	Vavuniya	3
14	Jaffna	6
15	Kegalle	1
16	Ratnapura	4
17	Galle	1
18	Monaragala	4

No	District	No. of Projects
19	Badulla	6
20	Gampaha	6
21	Kalutara	6
22	Colombo	11
	Total	**94**

Social and Relationship Capital

Flood Relief Projects










In response to the devastating floods in Ditwa in November 2025, AFC funded and carried out 25 flood relief initiatives with the dedicated support of our branches and Head Office staff. Through these humanitarian efforts, essential dry rations, cooked meals, clothing, sanitary items, and medical assistance were provided to families affected by the disaster. This collective initiative reflects AFC's continued commitment to standing by communities in times of need and fostering resilience through compassion and support.

Other CSR Projects





The Homagama Branch renovated the computer lab at Taxila Central College, Horana



Udappuwa Branch donated an HP ProBook 640 G3 (7th Gen) laptop to Kiula Primary School, Anamaduwa





AFC Kirindiwela Branch donated essential items to the STD Clinic at District General Hospital, Gampaha



The Dehiattakandiya Branch donated a 20L auto-off boiler and 45 patient visiting chairs to the Dehiattakandiya Base Hospital





The Matale Branch donated lobby chairs, a trolley, bed sheets, and blood transportation trays to the Blood Bank at Matale Hospital, supporting improved facilities and enhancing comfort and convenience for donors and patients



The Kadawatha and Ganemulla Branches repaired the collapsed well at WP/GM/ Nedungamuwa Siri Seevali M.V. and deploying an Amano roof to the location of the water tank





The Dambulla Branch donated essential items to the Labour Unit of the Dambulla District Hospital, including one water filter and one wooden table, to enhance the comfort and convenience of both patients and medical staff



The Passara Branch donated two wheelchairs and two spotlights with stands to Passara Hospital, supporting improved patient care and healthcare services





Monaragala Branch responded to a request from the District General Hospital, Monaragala, and donated funds to support the repair and installation of play equipment for the Occupational Therapy unit.

Social and Relationship Capital





The Nuwara Eliya Branch undertook several initiatives at the Pidurutalagala mountain area to enhance environmental sustainability and improve the visitor experience. Information boards, notice boards, and directional signboards were installed across the area to provide clear guidance and increase awareness among visitors. In addition, waste bins were placed at Shanthipura and Pidurutalagala to encourage proper waste disposal practices, supporting cleaner surroundings and promoting a more sustainable environment for both visitors and the local community.







Admin Department supported the provision of Eastern Musical Instruments and conducted a tree planting initiative at St. Sebastian's College, Kandana





The Batticaloa Branch provided tables and chairs for the A/L students' library at St. Cecilia's Girls' School





The Nawalapitiya Branch provided four plastic bottle recycling bins to the Nawalapitiya Municipal Council

SPECIALTY COFFEE DEVELOPMENT INITIATIVE

The Specialty Arabica coffee cultivation project implemented in the Monaragala District supports AFC's High Impact Goal of promoting climate-smart agriculture and strengthening rural livelihoods.

The initiative involves the cultivation of more than 100,000 Arabica coffee plants under an intercropping model within rubber plantations, enabling improved land utilisation and enhanced farmer productivity. Financial support is provided to participating farmers by AFC, while technical and agronomic expertise is delivered through the project partner. The project promotes environmentally responsible agricultural practices while supporting income diversification and long-term resilience among farming communities engaged in climate-sensitive activities.



ADVANCING INCLUSIVE FINANCE: THE ISSUANCE OF SRI LANKA'S FIRST-EVER SOCIAL BOND

Building on its leadership in sustainable finance, AFC issued Sri Lanka's first-ever Social Bond, introducing a new dimension to the country's capital market architecture and demonstrating that social impact can be financed and measured with the same rigour as environmental investments.

The bond was launched to address structural gaps in financial inclusion, with proceeds exclusively allocated to microfinance for financially excluded and low-income populations and financing for MSMEs. All funded activities represent new lending, ensuring genuine and measurable social impact. The transaction is structured under AFC's ICMA-aligned Social Bond Framework and supports national priorities relating to financial inclusion, employment generation, and gender equality.

A defining feature of the bond is its strong focus on women-led and women-owned enterprises. AFC's group-based microfinance model combines access to finance with savings mechanisms and regular engagement, helping build financial resilience and economic empowerment in underserved communities. MSME financing supports enterprises that create and preserve jobs, strengthen local supply chains, and improve economic resilience, particularly in disadvantaged regions and among vulnerable groups.

The Social Bond is supported by a robust governance framework, including oversight by a dedicated Social Bond Committee and screening through AFC's Environmental and Social Management System (ESMS). Independent pre-and post-issuance assurance validates compliance with the ICMA Social Bond Principles and the integrity of allocation and impact reporting.

To strengthen regional capital market integration, the bond was listed on the NSE International Exchange at GIFT IFSC, India, marking another first for Sri Lanka and expanding access to international sustainable finance investors.

Impact is measured through a comprehensive KPI framework covering beneficiaries financed, jobs created or retained, women accessing financial services, and outcomes for vulnerable populations. Through this pioneering issuance, AFC has expanded Sri Lanka's sustainable finance architecture, established a replicable model for inclusive finance in emerging markets, and reaffirmed its commitment to delivering measurable social impact through capital markets.



Future Plans	Short to Medium Term	Medium to Long Term
Customers	Improve response times and service consistency across CCRM, MCC and branch networks through better coordination and system utilisation	Develop an integrated customer engagement model linking branch, call centre and digital platforms
	Expand targeted financing for MSMEs, women entrepreneurs	Scale sustainable financing portfolio to support climate resilience
Customer Complaints	Strengthen complaint tracking and resolution through improved coordination within the Complaint Management Team	Introduce analytics to identify recurring issues and support preventive action
Data Privacy	Complete implementation of data mapping and gap analysis outcomes to strengthen FCPR alignment	Enhance data governance and monitoring frameworks to support long-term information security

Human Capital

Management Approach

AFC's lifecycle-based approach to managing human capital represents a comprehensive 360 degree effort to ensure all employees remain 100% satisfied with their journey in the Company.

Material Matters

- Talent Attraction and Retention
- People Development
- Non-Discrimination

SDGs



Performance Summary – FY 2025/26

Challenges

- Retention of high-performing employees, particularly within frontline roles
- Improving competency levels of new recruits and adopters of technology

Opportunities

- Strengthening brand leadership through the commitment to sustainability advocacy
- Expanding collaborations with development agencies, environmental organisations, and impact-focused investors

Strategic Responses

- Driving sustainability as the core competitive differentiator
- Strengthened funding capacity through impact-linked international facilities and the Social Bond issuance of LKR 2 Bn
- Training conducted on AML/CFT and FCPR
- Strengthened corporate and product visibility and deepened customer engagement across digital and traditional channels
- Enhanced operational resilience through ongoing SSCI alignment and digitisation of system processes
- Expansion of workflow automation and performance analytics

Outputs for AFC

- Strengthened brand credibility through recognitions and improved rankings
- No ethics violations or whistleblower complaints reported during FY 2025/26
- ZERO incidents of non-compliance of regulations
- Efficiency improvements and elimination of manual error owing to process automation
- Informed decision making owing to the use of digital analytics

Impact on other Capitals

Financial Capital

Expansion of the customer base and increased uptake of financial solutions support revenue growth, portfolio diversification and overall financial performance

Social & Relationship Capital

Expanded access to financial services and improved service delivery strengthen customer relationships and community engagement

Manufactured Capital

Digital systems and platforms support improved customer engagement and operational efficiency

Stakeholder Outcomes

Customers & Business Partners

Assurance of transacting with a reliable, stable and ethical financial institution

Stakeholders and Investors

Adoption of global best practices that enhance AFC's credibility and improve the ability to deliver sustained results over time

Employees

Continuous learning and professional development opportunities through knowledge-sharing networks and affiliations

Regulators

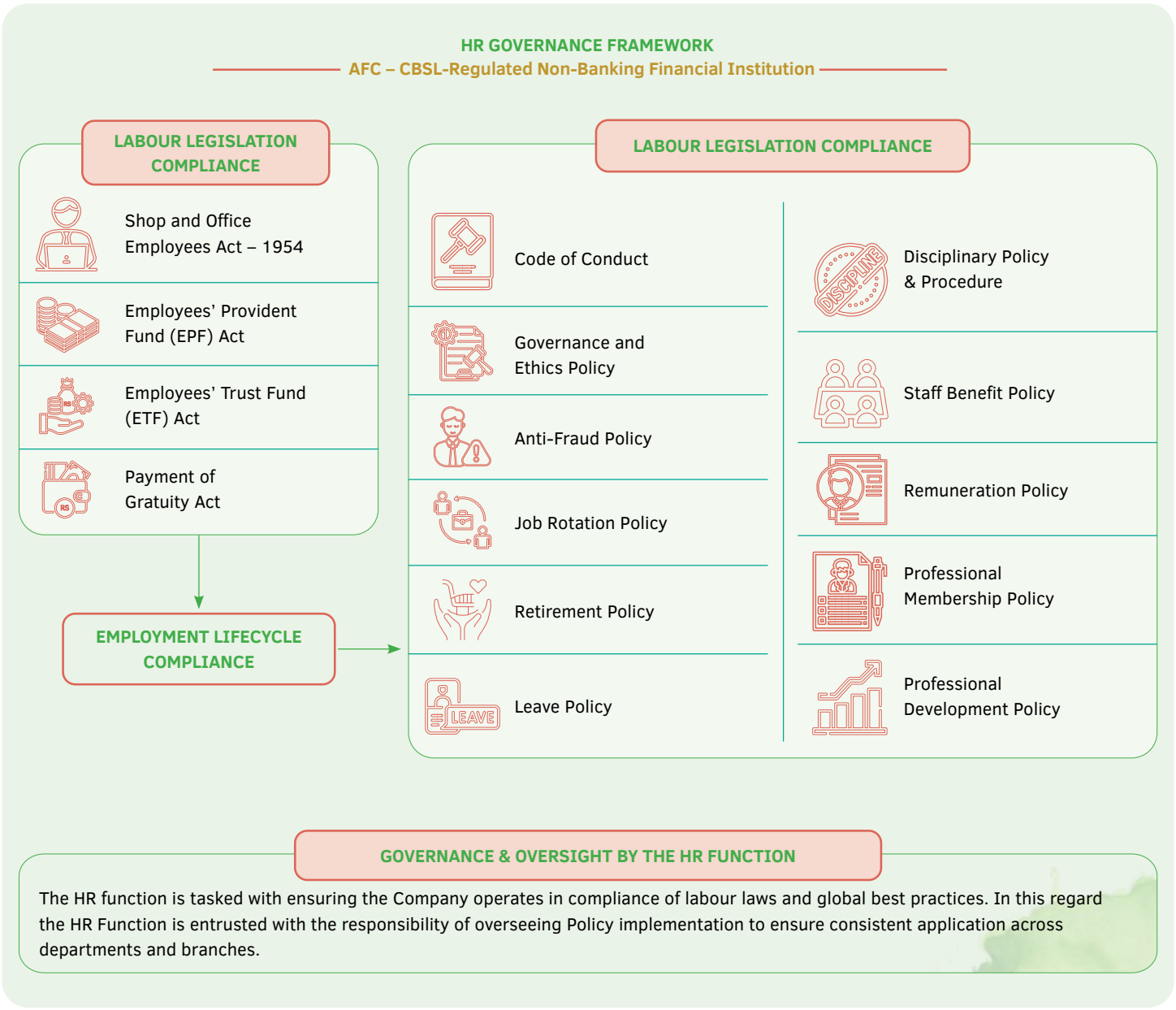
Adoption of industry best practices, ensuring ethical and responsible business conduct

Community and Environment

Support for climate risk mitigation and green financing solutions

Human Capital

GRI 2-23,2-24,2-27,2-30,2-7



LABOUR BEST PRACTICES

AFC's human capital management practices are guided by internationally recognised labour best practices as outlined by the United Nations Global Compact and the ILO convention. Accordingly, these commitments are embedded within AFC's HR policies, governance structures and workplace practices and apply across the employment lifecycle.

GRI 2-30, 407-1

PRINCIPLE 3: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

AFC acknowledges employees right to freedom of association and collective bargaining, in accordance with recognised labour standards. As such, AFC employees have the freedom to form or join trade unions or representative bodies of their choice and participate in lawful collective activities without fear of retaliation. However, employee relations built over the years through direct engagement has prevented the need for AFC employees to be represented by trade unions or collective bargaining agreements.

Hence AFC's operations are not at risk of freedom of association or collective bargaining.

GRI 409 -1

PRINCIPLE 4: ELIMINATION OF FORCED AND COMPULSORY LABOUR

Employment within AFC is based on the principle that employees are entitled to enter and leave employment in accordance with the terms of their contracts. As such, practices that restrict freedom of movement or involve coercion are strictly prohibited.

These safeguards also extend to the Company's business relationships and financing activities through the Environmental and Social Management Systems which exclude activities involving forced labour.

Hence AFC's operations are not at risk of forced or compulsory labour.

GRI 408 – 1

PRINCIPLE 5: ABOLITION OF CHILD LABOUR

AFC undertakes proactive measures to prevent child labour within its operations and applies consistent controls to safeguard lawful employment practices, with strict controls in place to prevent the employment of individuals below the legally permissible working age.

Age verification procedures are conducted during recruitment to ensure compliance with statutory requirements. Moreover, AFC's sustainability and social governance frameworks also include safeguards to prevent engagement with exploitative practices, including harmful child labour, across its value chain, lending activities and third-party relationships.

In addition, socially responsible lending practices require screening of potential borrowers to identify child labour practices within their businesses aim to ensure financing decisions remain aligned with responsible business standards.

Hence AFC's operations are not at risk for child labour.

GRI 406 – 1

PRINCIPLE 6: NON-DISCRIMINATION

AFC rates great pride in being known as a non-discriminatory employer where workplace practices prioritise equality of opportunity and respect for individual dignity, while discrimination, harassment and exploitation in all forms are prohibited. Strict standards are in place to ensure fair and consistent treatment across the entire employment lifecycle without discrimination on the basis of gender, ethnicity, religion, age, disability or other protected characteristics. Accordingly, decisions relating to recruitment, remuneration, training and development, and career growth are based solely on merit, performance and business needs.

No incidents of discrimination were reported during the year under review.

DIVERSITY, EQUALITY AND INCLUSION (DEI)

GRI 201-3,202-1,401-1,405-2,406-1

AFC's approach to DEI aims to build a workplace where individuals are respected for their unique backgrounds, perspectives and capabilities. These commitments are supported by ongoing initiatives to promote gender equality and women's empowerment In this regard, the Company continues to maintain a 1:1 salary ratio for men and women in comparable positions across the organisation, underscoring the commitment to gender pay equity.

Ratio of Basic Salary between Men and Women

As an equal opportunity employer, AFC has a strict policy to ensure men and women across the organisational hierarchy are remunerated equally

	2025/26		
Employee Category	Count	Ratio - M :F	Salary Ratio
Director	3	3:0	1:1
CXO	3	2:1	1:1
Assistant General Manager	17	17:0	1:1
Senior Manager	36	30:6	1:1
Manager	86	73:13	1:1
Assistant Manager	164	131:33	1:1
Senior Executive	252	178:74	1:1
Executive	411	271:140	1:1
Junior Executive	794	426:368	1:1
Minor	14	13:2	1:1
Grand Total	1,780		

INITIATIVES TO EMPOWER WOMEN – FY 2025/26

Recognising that gender diversity strengthens organisational capability and decision-making, AFC continued to implement targeted initiatives during the year to enhance women's participation in leadership roles.

STRENGTHENING WOMEN'S PARTICIPATION IN CORE OPERATIONS

- Expansion of the Marketing Call Centre, staffed predominantly by women
- Women positioned at the forefront of customer inquiry conversion and business generation
- Special recognition programmes introduced to acknowledge performance and contribution

ADVANCING FEMALE REPRESENTATION IN LEADERSHIP ROLES

- Focus on increasing female representation in operational and supervisory roles which has resulted in more than 90% of administrative positions and Senior regional cashier positions held by women as at 31st March 2026
- Strengthening female leadership at branch-level with 02 female employees appointed as Second Officers at branches and 34 career advancement opportunities granted to top-performing female Gold Loan officers

Human Capital

Gender Parity Dashboard FY 2025/26		
	2025/26	**2024/25**
Remuneration	1:1	1:1
	Ratio of basic salary between men and women	Ratio of basic salary between men and women
Sexual Harassment	ZERO Incidents reported	ZERO Incidents reported
Training Opportunities	67% : 33%	43%:57%
	Training hours per person (M:F)	Training hours per person (M:F)
Career Development Opportunities	88 females promoted	64 females promoted
	9M : 3F Gender Ratio (senior management)	8M : 4F Gender Ratio (Senior Management)

GRI 405– 1

Employees by Type	2025/26				
Status	**Male**	**Female**	**Total**	**Male %**	**Female %**
Permanent	999	530	1,529	65%	35%
Trainees	111	88	199	56%	44%
Fixed term	33	19	52	63%	37%
Total	**1,143**	**637**	**1,780**		

Employee base on age	2025/26				
Age Category	**Male**	**Female**	**Total**	**Male %**	**Female %**
Below 30 Years	445	394	839	53%	47%
30-50 Years	641	224	865	74%	26%
Over 50 Years	57	19	76	75%	25%
Grand Total	**1,143**	**637**	**1,780**		

Permanent Employees by Region	2025/26				
Province	**Male**	**Female**	**Total**	**Male %**	**Female %**
Central	113	30	143	79%	21%
Eastern	62	28	90	69%	31%
North Central	50	21	71	70%	30%
North Western	108	41	149	72%	28%
Northern	131	47	178	74%	26%
Sabaragamuwa	59	16	75	79%	21%
Southern	61	27	88	69%	31%
Uva	62	28	90	69%	31%
Western	353	292	645	55%	45%
Total	**999**	**530**	**1,529**		

Employee Base on Gender and Employee Category	2025/26		
	Gender		
Grade	Male	Female	Total
Directors	2		2
CXO	2	1	3
DGM/AGM/SAGM	17	-	17
Senior Manager/ Chief Manager	28	6	34
Manager/ Deputy Manager	98	17	115
Assistant Manager	107	29	136
Senior Executive	179	75	254
Executive	271	139	410
Junior Executive	427	368	795
Minor	12	2	14
Grand Total	**1,143**	**637**	**1,780**

ATTRACTING AND RETAINING TALENT

GRI 2-8, 202-2, 401-1

Strategic Recruitment

Recruitment at AFC is undertaken strategically in line with the annual manpower plan prepared in advance based on staffing needs identified by department heads. As per established procedures, recruitment approvals are aligned with approved cadre levels and departmental budgets, with any hiring outside these parameters requiring prior approval from the Managing Director to control unplanned staffing costs. Vacancies are notified internally and published externally to allow access to a wider talent pool.

All applications are given equal consideration and evaluated against defined qualifications and experience criteria in alignment with role requirements. Prior to final appointment, all necessary due diligence procedures are conducted, including verification of minimum age.

As a policy, AFC recruits full time employees on a permanent and also uses the services of manpower suppliers to provide employees on a contract basis for selected functions. All Key Responsible Personnel (KRP's) are permanent employees, hired locally from Sri Lanka. As a licensed financial institution, appointment of KRP's remain subject to approval by the Central Bank of Sri Lanka.

Recruitment by Age Group and Gender	2025/26					
Age Group	Male	Female	Total	Male (%)	Female (%)	Total
Below 30 Years	145	150	295	49%	51%	84%
30-50 Years	40	13	53	75%	25%	15%
Over 50 Years	3	2	5	60%	40%	1%
Total	**188**	**165**	**353**	**53%**	**47%**	**100%**

Recruitment by Region and Gender	2025/26					
Province	Male	Female	Total	Male (%)	Female (%)	Total%
Central	21	17	38	55%	45%	10%
Eastern	17	10	27	63%	37%	7%
North Central	4	9	13	31%	69%	3%
North Western	11	2	13	85%	15%	3%
Northern	8	1	9	89%	11%	2%
Sabaragamuwa	14	10	24	58%	42%	6%
Sourthern	34	18	52	65%	35%	13%
Uva	11	2	13	85%	15%	3%
Western	116	85	201	58%	42%	52%
Total	**236**	**154**	**390**	**61%**	**39%**	**100%**

Human Capital

GRI 401 -2

COMPREHENSIVE REMUNERATION AND BENEFITS

Remuneration and benefits represent a key component of AFC's efforts to attract and retain top talent. To support the ability to attract, motivate and retain high-calibre employees, salary structures are determined based on experience, qualifications and role responsibilities, with periodic benchmarking undertaken to ensure continued alignment with prevailing industry norms.

Salary structures comply fully with all labour laws including the Employees' Provident Fund (EPF), Employees' Trust Fund (ETF) and gratuity obligations.

Ongoing improvements to remuneration structures in the year under review, saw field staff salaries being adjusted to reduce gaps with industry standards. Simultaneously staff fuel entitlements were also revised with clearly defined limits aligned to specific employee categories, ensuring consistency and transparency in the application of the benefits. At the same time, in response to the two-tier increase in the national minimum wage, first to LKR 27,000 and subsequently to LKR 30,000, AFC 's salary scales were reviewed and adjusted to ensure all employees receive at least the revised minimum wage.

EMPLOYEE BENEFITS

PERFORMANCE-BASED INCENTIVES & BONUSES

- **Annual Performance Bonus – Based on Individual and Company performance**
- **Sales & Business Development Incentives – Additional incentives awarded for revenue-generating roles**

ALLOWANCES & PERQUISITES

- **Reimbursement of traveling and fuel expenses – Provided based on job role and travel requirements**
- **Mobiles/dongles – Provided based on job role**
- **Reimbursement of membership fees for professional bodies**

WELFARE

- **Medical insurance – Comprehensive health coverage for employees and dependents**

RETIREMENT BENEFITS

- **Provident Fund**
- **Gratuity**

GRI 401-3

PARENTAL LEAVE

AFC complies with the provisions of the Shop and Office Employees Act of 1954 and its amendments, in relation to maternity and related leave entitlements, with eligible female employees are entitled to statutory maternity leave benefits. Moreover, as part of its workforce management practices, the Company supports employees transitioning back to work following maternity leave and monitors return-to-work and retention patterns.

Parental Leave GRI 401-3	FY 2025/26	
In compliance with the Shop and Office Employees Act of 1954, female employees are entitled to 84 days paid maternity leave, post-delivery as well as half hour nursing time for a period of 2 hours untill the baby 1 years old after recurring to work.	M	F
Total number of employees that were entitled to parental leave	N/A	637
Total number of employees that took parental leave	N/A	20
Total number of employees that returned to work in the reporting period after parental leave ended	N/A	15
Total number of employees that returned to work after parental leave ended and were still employed 12 months after their return to work	N/A	5
Return to work and retention rates of employees that took parental leave	N/A	75%

TALENT DEVELOPMENT

Induction and Orientation

In keeping with global best practices, AFC places strong emphasis on comprehensive induction and orientation processes to ensure that new recruits are effectively integrated into the organisation's culture, values, and operational practices, from the outset.

Upon joining, all employees are required to participate in the Two days induction and orientation programme designed to familiarise them with the Company's policies, systems, and performance expectations.

GRI 404 -3

PERFORMANCE MANAGEMENT

Performance management at AFC serves as a critical mechanism for building a capable workforce to support the Company's strategic objectives and long-term growth.

The performance management framework operates begins with target setting at the start of each financial year, where Key Performance Indicators (KPIs) are defined in line with strategic priorities and cascaded across departments and roles. KPIs for all employees are established in accordance with SMART principles to ensure clarity and measurability, while sustainability-linked KPIs are embedded at senior management.

Progress against KPI's is monitored throughout the year with supervisors expected to provide employees with regular guidance and feedback. Field staff benefit from monthly one-on-one discussions aimed at addressing performance gaps and supporting operational effectiveness, while all other employees participate in mid-year reviews to evaluate progress and recalibrate objectives where necessary.

Every AFC employee receives a formal Annual Performance Appraisal which considers quantitative performance outcomes as well as qualitative competencies, culminating in an overall performance rating that help to determine the next steps for the employee. In this regard high performing employees are rewarded by way of salary increments and promotions or earmarked for further development through Individual Development Plans, while under performers are placed on a Performance Improvement Plan with clearly defined timelines.

During the year, the framework was further strengthened to improve alignment between individual performance outcomes and established KPIs with greater emphasis on implementing role-specific measurable performance indicators.

Average hours of training per employee by gender

	Total Training Hours								
	2025/26			2024/25			2023/24		
Employee Category	Male	Female	Total	Male	Female	Total	Male	Female	Total
Director	22.50	4.5	27.00	52.85		52.85	22.50		22.50
CXO	137.50	13.00	150.50	50.00	68.50	118.50	11.00		11.00
DGM	2.00		2.00						
Senior Assistant General Manager	210.00		210.00						
Assistant General Manager	532.50		532.50	813.75		813.75	432.00	22.50	454.50
Chief Manager	10.00		10.00						
Senior Manager	590.10	112.00	702.10	431.90	226.45	658.35	355.50	6.00	361.50
Manager	2,557.00	228.50	2,785.50	3,168.65	168.50	3,337.15	2,724.00	49.00	2,773.00
Deputy Manager	1,035.50	30.00	1,065.50						
Assistant Manager	2,761.50	862.60	3,624.10	2,344.95	717.90	3,062.85	2,149.50	587.00	2,736.50
Senior Executive	3,494.50	1,128.50	4,623.00	3,826.55	1,670.50	5,497.05	3,264.00	1,706.00	4,970.00
Executive	3,477.50	2,436.10	5,913.60	4,082.75	3,532.40	7,615.15	4,187.50	2,725.00	6,912.50
Junior Executive	5,813.00	5,203.00	11,016.00	8,017.05	9,247.85	17,264.90	7,193.00	7,159.50	14,352.50
Minor	7.00	6.50	13.50	35.00	7.00	42.00	9.00	14.00	23.00
Grand Total	20,650.60	10,024.70	30,675.30	22,823.45	15,639.10	38,462.55	20,348.00	12,269.00	32,617.00

Human Capital

Grade-wise Eligible Carder	2025-26	
	No of Staff	%
Directors	3	0.22%
CXO	3	0.22%
AGM	14	1.04%
Senior Manager	17	1.27%
Manager	88	6.56%
Assistant Manager	112	8.35%
Senior Executive	224	16.69%
Executive	364	27.12%
Junior Executive	510	38.00%
Minor	7	0.52%
Grand Total	1342	100.00%

RECOGNISING EMPLOYEE PERFORMANCE AND LOYALTY

Employee recognition activities were expanded in the current year with the introduction of a special target-driven incentive scheme for marketing staff to encourage achievement of the Company's lending and deposit mobilisation objectives.

Moreover, the annual award ceremony, held in November 2025 which brought together over 1,600 AFC employees recognised outstanding performance across the organisation. The forum also included special recognition of more than 100 employees who have completed over 15 years of service with the Company.

Training Focus for FY 2025/26	
Training Topic	**Target Employees**
Training on Credit Evaluation and Operations	Marketing Officers / RH, SBMs and BMs
Gold Loan Process and Procedure Training	Gold Loan Staff
Lime System Training	Cashiers, Documentation Staff, Gold Loan Staff, Branch Managers, Marketing Staff
Credit Management Courses	Selected Branch Managers, Marketing and Recovery Staff, Documentation Officers, Senior Cashiers
Training on Credit Evaluation, Documentation, RM, Insurance and CR Process	New Marketing Staff, Documentation Staff, Branch Managers
KYC and CDD Procedures, Identification of Politically Exposed Persons, Ultimate Beneficial Ownership Requirements and Financial Customer Protection Regulation	Marketing Officers, Branch Managers , SBMs and RHs
KYC and CDD Procedures, Identification of Politically Exposed Persons, Ultimate Beneficial Ownership Requirements and Financial Customer Protection Regulation	Gold Loan, Documentation and Deposit Mobilization Staff
Cyber Security Awareness Session	All Staff
Onsite Gold Loan Process and System Training	New Gold Loan Staff
Onsite Documentation Officer Training	New Documentation Staff
Onsite Cashiering Session	New Cashiers

Low Risk Involvement Out Bound Training








First Aid Training





Fire Drill training sessions conducted in 2025 year




Other Trainings




Jewellery Assaying, Hallmarking and Pawning Procedures - Workshop by Gem and Jewellery Research and Training Institute

Human Capital

GRI 404-1, 404 -2

LEARNING AND DEVELOPMENT

In a highly regulated and competitive financial services industry, continuous training enables AFC employees to deliver the Company's USP to customers. The scope and scale of training activities are determined based on needs identified through performance evaluations and emerging operational requirements, thus ensuring that learning interventions remain relevant to employees' roles and responsibilities.

GRI 2-25, 2-26, 2-27, 402-1

CAREER DEVELOPMENT

AFC recognises that constructive employee relations contribute to organisational stability, accountability and sustained performance. To support this, the Company promotes open communication, transparent engagement and accessible channels through which employees can raise concerns or seek guidance. The Company maintains an open-door policy to allow employees to approach management directly to discuss workplace matters, clarify concerns or share feedback in a supportive environment.

Managers at all levels are encouraged to maintain regular dialogue with their teams through briefings, departmental meetings and ongoing discussions. Twice-weekly town hall meetings, chaired by management representatives, serve as an important platform for employees to raise concerns and discuss operational matters. Meanwhile, employees are informed of key developments via formal communication channels, including email with appropriate notice given prior to implementation of changes.

In recent years, significant emphasis has been given to promote digital engagement. Building on these efforts a new version of the HRIS was launched in the current year with in-built AI features designed to improve user access to HR services.

A formal Grievance Handling Procedure remains in place to enable employees to report workplace concerns through established internal channels. All grievances are reviewed and addressed in accordance with approved policies to ensure fairness, consistency and appropriate resolution. Written appeals relating to increments and promotions are submitted to the Board of Directors for consideration.

Serious concerns relating to unethical conduct or regulatory breaches may also be reported through the Company's Whistleblowing procedure which enables employees to escalate matters to the appointed director for investigation and appropriate action, reinforcing the Company's commitment to transparency and ethical conduct.

MEASURING EMPLOYEE SATISFACTION

Employee satisfaction is considered essential to maintaining a motivated workforce and supporting long-term organisational stability. At AFC, employee satisfaction is monitored mainly through routine interactions. Additionally, formal exit interviews are conducted to document reasons for resignation and identify potential improvement areas. Insights gathered through these mechanisms are reviewed at management to enable appropriate measures where necessary to strengthen engagement and address potential issues.







AFC Excellence Awards 2025

GRI 403 - 1, 403 - 2, 403 -3, 403 - 4, 403 - 5, 403 - 6, 403 - 7

SAFETY AND WELLBEING

While the nature of the Company's financial services activities presents relatively low occupational risk, AFC adopts a structured approach to ensure health and safety mechanisms operate in line with statutory requirements and established internal controls. Ongoing efforts to strengthen the safety management framework in line with updated regulatory requirements and industry best practices saw the steps take to enhance fire safety infrastructure, alarm systems and safety signage across premises, while the Administration Department was

assigned the responsibility of monitoring safety measures across all Company premises by conducting routine safety checks to identify potential risks.

Emergency preparedness was also further reinforced with the appointment fire wardens to coordinate emergency response procedures and organise routine drills at all Company locations. First Aid training was conducted to enhance on-site response capabilities.

Moreover, all AFC employees continued to be entitled to comprehensive medical and hospitalisation insurance cover. Additionally, work-life balance initiatives supported by a Work From Home policy allows employees to select preferred working shifts where operationally feasible.

EMPLOYEE ENGAGEMENT

AFC encourages employees to interact beyond their immediate roles via specific initiatives that promote teamwork, celebrate shared values and build stronger relationships within the workplace.

Future Plans	Short Term	Medium to Long Term
Recruitment and Selection	Strengthen retention efforts for high-performing Marketing Officers and Branch Managers.	Promote gender diversity within leadership roles through focused capability-building initiatives.
Remuneration and Benefits	Implement performance-driven awards to improve alignment between objectives and individual contributions.	
Career Development	Develop special initiatives to recognise high-performing employees across branches and departments.	Nurture high-potential employees through targeted development interventions and succession planning frameworks.

Intellectual Capital

Management Approach

AFC works to continuously strengthen its Intellectual Capital by investing in building intangible assets, including brand equity, ethics, institutional knowledge and strategic partnerships, while aligning its practices with global best standards that collectively contribute towards enhancing the Company's competitive positioning.

Material Matters

- Business Ethics
- Reputation and Brand Value
- Stakeholder Satisfaction and Transparency
- Sustainable business practices

SDGs





Performance Summary – FY 2025/26

Challenges

- Stiff competition following the reopening of the vehicle market
- Heighten competitive pressures from well-established early adopters of technology

Opportunities

- Strengthening brand leadership through the commitment to sustainability advocacy
- Expanding collaborations with development agencies, environmental organisations, and impact-focused investors

Strategic Responses

- Driving sustainability as the core competitive differentiator
- Strengthened funding capacity through impact-linked international facilities and the Social Bond issuance of LKR 2 Bn
- Training conducted on AML/CFT and FCPR
- Strengthened corporate and product visibility and deepened customer engagement across digital and traditional channels
- Enhanced operational resilience through ongoing SSCI alignment and digitisation of system processes
- Expansion of workflow automation and performance analytics

Outputs for AFC

- Strengthened brand credibility through recognitions and improved rankings
- No ethics violations or whistleblower complaints reported during FY 2025/26
- ZERO incidents of non-compliance of regulations
- Efficiency improvements and elimination of manual error owing to process automation
- Informed decision making owing to the use of digital analytics

Impact on other Capitals

Financial Capital

Expansion of the customer base and increased uptake of financial solutions support revenue growth, portfolio diversification and overall financial performance

Social & Relationship Capital

Expanded access to financial services and improved service delivery strengthen customer relationships and community engagement

Manufactured Capital

Digital systems and platforms support improved customer engagement and operational efficiency

Stakeholder Outcomes

Customers & Business Partners

Assurance of transacting with a reliable, stable and ethical financial institution

Stakeholders and Investors

Adoption of global best practices that enhance AFC's credibility and improve the ability to deliver sustained results over time

Employees

Continuous learning and professional development opportunities through knowledge-sharing networks and affiliations

Regulators

Adoption of industry best practices, ensuring ethical and responsible business conduct

Community and Environment

Support for climate risk mitigation and green financing solutions

Intellectual Capital

BRAND IDENTITY

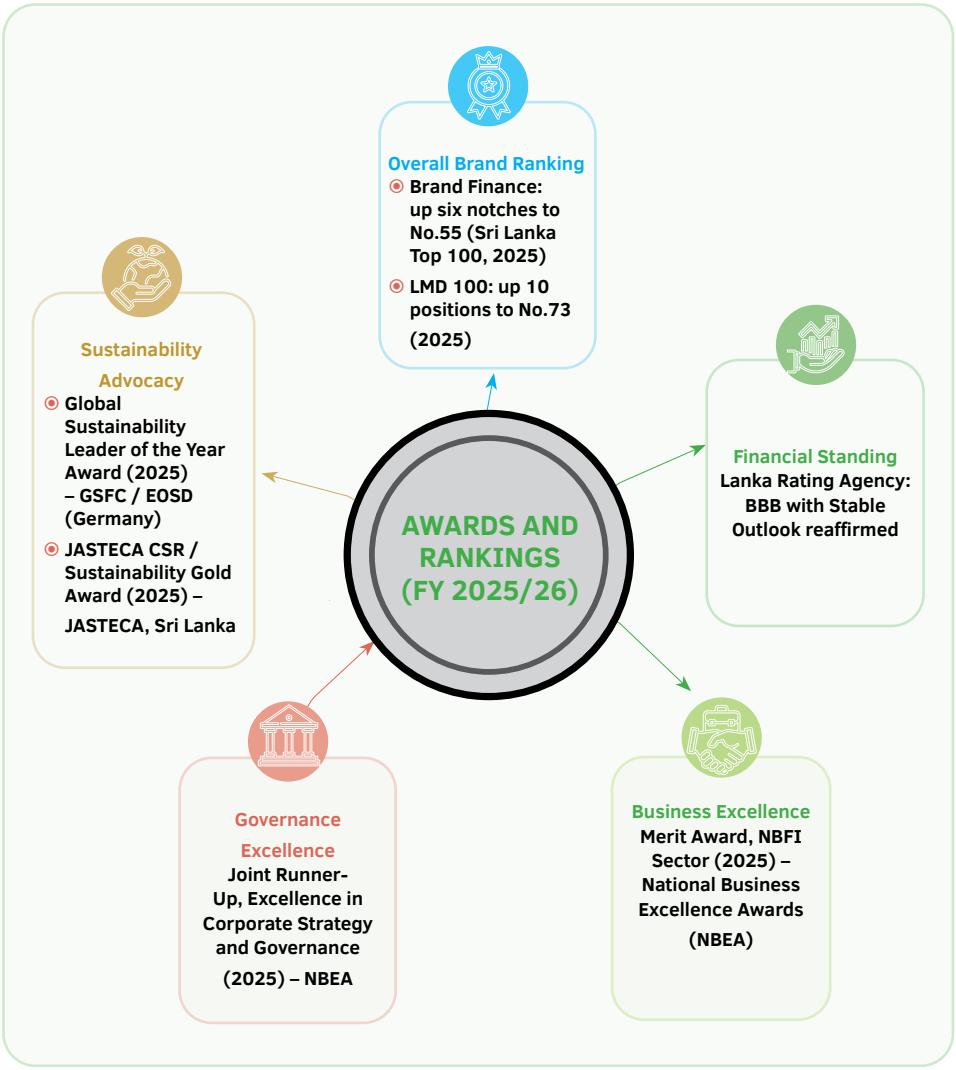
With a legacy spanning over 68 years, Alliance Finance Company PLC (AFC) has built a distinct brand identity anchored by the commitment to offer formal financial services to all customer segments across Sri Lanka. The Company's values serve as the building blocks of the AFC brand and continue to guide the purpose-driven approach to promote financial inclusion and deliver economic empowerment of people and businesses around the Country. In testimony to this approach, over 70% of AFC's branch network continues to operate outside the Western Province.

Over time, the AFC brand has evolved to align closely with national development priorities, positioning itself as a catalyst for sustainable and inclusive growth. The Company's current strategy which is anchored on three High Impact Goals (HIGs) underscore the commitment to advancing sustainable mobility solutions, accelerating financial inclusion, and fostering MSME development, collectively representing AFC commitment to be key catalyst in Sri Lanka's broader socio-economic progress.

Through recent capital raising initiatives, including the LKR 1 Bn green bond in February 2025 and the LKR 2 Bn social bond in August 2025, AFC is proving its commitment by mobilising purpose-driven capital to scale initiatives aligned with these priorities, while solidifying its reputation as a pioneer in impact finance, both in Sri Lanka and across the Indian subcontinent.

AFC's values guide day-to-day conduct and decision-making across the organisation:

- Our customers need to TRUST us and be happy
- TEAMWORK will make us stronger
- ETHICS and INTEGRITY are critical
- We RESPECT each other and the environment we live in
- Every one of us is ACCOUNTABLE for our actions
- We are open, brave and willing to drive INNOVATION and CHANGE



BUSINESS CONDUCT AND ETHICS

Responsible business conduct remains central to sustaining stakeholder confidence in a highly regulated financial services environment. Ethical behaviour, integrity of decision-making and consistent compliance practices protect AFC's reputation and reinforce trust across customers, regulators, funding partners, employees, suppliers and other stakeholders. The commitment to ethics is driven from the top where the Board of Directors lead by example in demonstrating integrity, fairness, accountability and transparency across governance and operational practices.

AFC's Code of Ethics and Integrity and Code of Conduct set standards for ethical behaviour, integrity and compliance with applicable laws and regulations. The Code applies without exception to Directors, employees, contract staff and third parties working with AFC. The conduct framework also extends to stakeholder relationships, requiring professional and ethical interactions with customers, suppliers and other stakeholders without personal relationships influencing business decisions. Controls relating to gifts and reporting further support transparency, with only promotional gifts permitted and reporting required to be honest, accurate and complete. A respectful workplace is reinforced through a zero-tolerance stance on discrimination, harassment and unsafe practices. Monitoring by management and supporting functions strengthens consistency of enforcement, with violations investigated and disciplinary actions applied based on severity.

Financial integrity forms an integral part of the conduct framework. In this regard, Anti-Money Laundering (AML) policies and Know Your Customer (KYC) protocols are in place to detect and prevent financial crimes, money laundering and illicit financial activities. These practices are further reinvaded through regular training.

A confidential whistleblowing mechanism supports reporting of improper, illegal or unethical practices without fear of retaliation, with matters investigated independently and escalated to the appropriate governance level. Under the Whistle-blower Policy, a Non-Executive Director serves as the designated authority to receive concerns and submit findings and written recommendations to the Board of Directors for appropriate action.

No ethics violations or whistleblower complaints were reported during FY 2025/26, reflecting the strength of behavioural expectations, monitoring and escalation disciplines in place.

Standards and Certifications

Global standards and certifications provide independent validation of AFC's internal operational architecture, strengthening credibility and reinforcing stakeholder confidence. External audits and compliance reviews conducted by certification bodies also support continuous improvement, driving process refinements and strengthening resilience through disciplined management systems.



GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd

Ministry of Environment

Organization Level GHG statement developed by

Alliance Finance Company PLC

"Alliance House", No.84, Ward Place, Colombo 07, Sri Lanka

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance"

Opinion No : SLCF/CFP/0499

Date of Issue : 09.04.2026

Period of Assessment : 01.04.2024 – 31.03.2025

Selected Boundary : Operationally controlled business operations of Alliance Finance Company PLC (Including head office, office complex at Alliance House, Ward Place and 90 branches island wide)

Direct GHG Emissions : 107 tonnes of CO_2 equivalent

Indirect GHG Emissions : 2,977 tonnes of CO_2 equivalent

Total GHG Emissions : 3,084 tonnes of CO_2 equivalent

ISO 14065 GHG 001-01

Chairman
Sri Lanka Climate Fund (Pvt) Ltd

Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

Validity Period of the certificate: 09.04.2026 – 30.06.2026
Exclusions: GHG emissions from transportation of locally purchased items, customer/guest/investor transportation, and waste disposal.
*Materiality threshold is below 5%

AFC obtained the GHG Statement Verification, complying with the requirements of ISO 14064-1:2018, and has been verified in accordance with the specification of ISO 14064-3:2019 standard for the 2024/25 FY

Standard/ Certification	Scope and Purpose
ISO 9001:2015 Quality Management Standard	Directs and controls policies, processes, procedures and resources in line with quality management requirements.
ISO 22301:2019 Business Continuity Management Standard	Identifies potential threats and vulnerabilities, mitigates risks and minimises disruption impacts. Maintains operations and service continuity during challenging periods, strengthening confidence and trust among customers and stakeholders.
ISO 146064-1:2018 GHG Emmission Verification Standard	Measurement and verification of greenhouse gas (GHG) emissions attributed to operations (Scope 1, Scope 2 and Scope 3), measured in line with ISO 14064-1:2018 and verified in accordance with ISO 14064-3:2019.
Sustainability Standards and Certifications Initiative (SSCI)	Sustainability certification initiative awarded by the International Council of Sustainability Standards for Value-Driven Financial Institutions, Germany. Voluntary adoption of the Sustainable Standards for Corporate Investment since 2019 to guide the development of sustainable products and services aligned to sustainable finance ambitions, with alignment of policies, procedures, strategies and employee roles to the Company's purpose and High Impact Goals.

Intellectual Capital

KNOWLEDGE BASE GRI 2-6

A key component of AFC's Intellectual Capital is knowledge and expertise of its senior teams and long standing employees, that contribute towards sound decision-making, disciplined execution and consistent governance within a regulated financial services environment, while also enabling the organisation to respond to evolving customer needs and market conditions.

Name	Finance & Accounting	Credit/ Leasing/ Lending	Investment/ Corporate Finance	Operations/ Branch / Retail	Risk/ Compliance/ Treasury	Human Resources	IT Systems/ Digital	Leadership/ Governance
Romani De Silva	√	√			√			√
Michael Benedict		√		√				√
Aruna Rodrigo		√		√	√			√
Champa Nakandala		√		√				√
Ajit Subasinghe	√	√		√				√
Dinuk Baig	√		√		√	√		√
Harsha Wijesinghe	√	√		√			√	√
Bashini Thilakasiri		√		√		√		√
Udesh Heenatigala							√	√

STRATEGIC BUSINESS PARTNERS GRI 2-6

Strategic business partnerships play an important role in strengthening AFC's Intellectual Capital, by improving the Company's ability to access specialised expertise, financial resources and institutional support that enhance operational capacity and market credibility. AFC's partnerships are mainly relationships with local and international financial institutions and development agencies, which support the Company's ability to expand its financing portfolio while maintaining disciplined risk management and responsible growth.

New partnerships established during the year helped boost AFC's MSME lending trajectory, particularly towards women-owned and women-led businesses.

Partner/Facility	Value	Primary Purpose
Global Gender-Smart Fund S.A. SICAV-SIF (arranged by Triple Jump)	USD 5 Mn	Increase access to finance for women-owned and women-led businesses; promote gender equality
Stichting Oxfam Novib (arranged by Triple Jump)	USD 3.50 Mn (LKR-indexed loan)	Support the ESME sector
Triple Jump Financial Inclusion Resilience Fund B.V. (subordinated loan)	USD 3 Mn	Strengthen funding flexibility in line with capital structure and growth plans
DWM (second loan)	USD 1.425 Mn	Enhance funding capacity; support working facilities for SME lending

GRI 2-28

MEMBERSHIPS AND AFFILIATIONS

Memberships and affiliations provide AFC with access to regulatory developments, sector-wide best practices and evolving industry trends, supporting proactive responses to emerging risks and potential market disruptions. Participation in industry forums also enables knowledge exchange with peers, strengthening the Company's decision-making and supporting continuous refinement of governance and risk management practices.

- The Finance Houses Association of Sri Lanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman, Sri Lanka
- Biodiversity Sri Lanka (Patron Member)
- CSR Sri Lanka
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP)

Future Plans	Short to Medium Term	Long Term
Standards and Certification		Upgrade to the SSCI v2.0 framework with its Octagon model of value generation, to develop a diverse range of lending products that encapsulate the core fundamentals of the High Impact Goals (Target timeline: March 2026)

Natural Capital

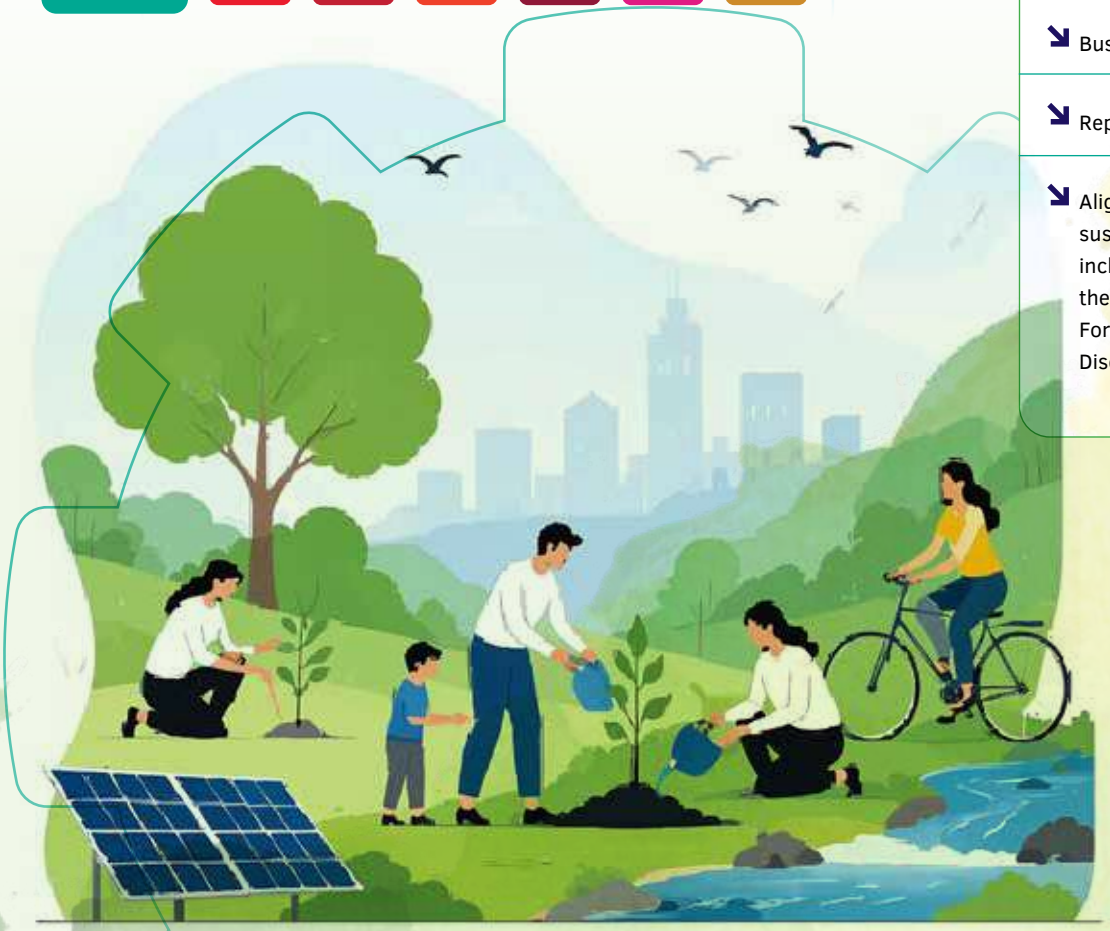
Management Approach

As a service-oriented financial institution, AFC's operations result in minimal direct impact on Natural Capital. Despite this limited exposure, the Company seeks to lead by example as a responsible environmental steward through policy-driven governance, responsible lending frameworks and operational initiatives focused on resource efficiency, emission management and environmental restoration.

Material Matters

- Innovation and digitization
- Sustainable development - environmental wellbeing
- Energy efficiency
- Climate change risk management and transition planning
- Biodiversity preservation,restoration and enhancement
- Stakeholder Satisfaction and Transparency
- Business Ethics
- Reputation and Brand Value
- Alignment with evolving sustainability disclosure standards, including SLFRS S1 and S2 and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

SDGs



Performance Summary – FY 2025/26

Challenges

- Evolving sustainability reporting expectations
- Maintaining effective control over energy consumption, emissions and resource use across a geographically
- Dispersed branch network
- Cost implications of transitioning to renewable energy and increased digitisation
- Climate resilience

Opportunities

- Expansion of green and climate finance
- Adoption of renewable energy and efficient technologies
- Strengthening sustainability drivers
- Sustainability Funding

Strategic Responses

- LKR 792 Mn new disbursements under Green Finance
- 18,348 credit proposals screened using the ESMS
- Appointment of branch-level environmental ambassadors programme to monitor environmental performance
- Increased digitisation and automation
- Strengthened sustainability reporting, verification and certification practices in line with recognised standards
- LKR 19.7 Mn invested in ongoing environmental projects and tree planting
- Green Bond and social Bond

Outputs for AFC

- 33% year on year growth in the Green Finance Investments
- 12.91% of energy requirements met through solar power
- 5% reduction in paper waste owing to digitisation and automation initiatives
- 44180MtCO_2 owing to carbon sequestration through reforestation and tree planting initiatives
- 5 Biodiversity restoration and enhancement projects

Impact on other Capitals

Financial Capital

Expansion of the customer base and increased uptake of financial solutions support revenue growth, portfolio diversification and overall financial performance

Social & Relationship Capital

Expanded access to financial services and improved service delivery strengthen customer relationships and community engagement

Manufactured Capital

Digital systems and platforms support improved customer engagement and operational efficiency

Stakeholder Outcomes

Customers & Business Partners

Access to financing that supports climate-resilient and sustainability-aligned projects

Shareholders

Long-term value creation through growth in the Green Finance portfolio

Community

Reduced emissions and pollution through responsible financing and green lending initiatives

Environment

Conservation of biodiversity and natural ecosystems through reforestation programmes

Natural Capital

COMPLIANCE AND BEST PRACTICES

As a service-oriented financial institution with no direct adverse impact on the environment, Alliance Finance Company PLC (AFC) is not subject to specific environmental regulatory requirements. Nevertheless, environmental stewardship forms an integral part of AFC's operating philosophy, prompting the voluntary adoption of recognised global best practices to embed environmental stewardship at all levels of the organisation.

To that end, AFC aligns with the Standards and Certification Initiative (SSCI), a globally recognised framework that supports the integration of environmental and social considerations into business strategy, product development and operational practices.

These initiatives are further supported through internal awareness and engagement initiatives, ensuring that environmental guidelines are consistently applied across day-to-day operations. Additionally, branch-level environmental ambassadors have been appointed to oversee and coordinate environmental initiatives, encourage responsible resource use and promote environmentally responsible practices at their respective locations.

To further demonstrate its commitment to climate reporting, the Company began working to align with the SLFRS S1 and S2 standards for the current reporting period.

In preparation for full compliance with SLFRS S2, AFC has commenced a structured assessment of climate-related risks and opportunities across its operations and lending portfolio. This includes an initial evaluation of physical risks, such as the potential impact of flooding, drought and extreme weather on AFC's branch infrastructure and the agricultural borrowers within its portfolio, and transitional risks arising from the ongoing shift towards a low-carbon economy, including evolving regulatory requirements and changes in customer demand for sustainable financial products. Scenario analysis is being progressively developed to quantify the potential financial impact of these risks over short, medium and long-term horizons, and the outcomes will be progressively incorporated into future sustainability disclosures in line with the SLFRS S2 adoption timeline.

GREEN BRAND OF THE YEAR AWARD

AFC was recognised as the Green Brand of the Year at the SLIM Brand Excellence Awards 2023, reflecting the Company's sustained focus on environmentally responsible financing and sustainability-led business practices. The recognition follows the expansion of green finance solutions, support for renewable energy adoption, climate-resilient agriculture and the integration of environmental considerations into lending activities through structured sustainability frameworks.

The award acknowledges the Company's efforts to position sustainability as a core element of its business model, supported by climate-aligned financing products, environmental risk management practices and initiatives that promote responsible resource use across the communities and sectors served by the Company.

AFC maintains a suite of Board-approved environmental policies that govern the Company's approach to managing its natural capital dependencies and impacts. These policies address four key areas: Energy and Emissions Management, which sets the framework for reducing AFC's operational carbon footprint and transitioning towards renewable energy; Water Stewardship, which guides responsible water use across the branch network; Waste and Materials Management, which establishes standards for waste reduction, segregation, recycling and responsible disposal; and Biodiversity and Ecological Restoration, which provides the governance basis for AFC's reforestation and conservation activities. Each policy is reviewed annually and is supported by operational guidelines communicated to branch-level sustainability ambassadors responsible for day-to-day implementation.

ESG STRATEGY AND ROADMAP

AFC's environmental commitments are anchored within a Board-approved ESG Policy Framework that defines the Company's approach to identifying, managing and disclosing the environmental, social and governance risks and opportunities most material to its operations, lending activities and stakeholder relationships. The framework provides the strategic foundation from which all environmental initiatives are designed and executed, ensuring that individual actions across energy, emissions, water, waste and ecological restoration are coherent, cumulative and aligned with AFC's long-term business strategy.

STRATEGIC PILLARS

AFC's ESG strategy is structured around four strategic pillars:

- Responsible Governance — Embedding environmental and social accountability into AFC's governance structure, including Board-level ESG oversight, management-level sustainability reporting, and branch-level environmental ambassadorship. Responsible Governance ensures that environmental decision-making is driven by clear accountability, consistent policy and transparent disclosure.
- Operational Stewardship — Minimising the direct environmental footprint of AFC's branch network, vehicle operations, head office and IT infrastructure through energy efficiency initiatives, renewable energy adoption, responsible resource management and waste reduction. Operational Stewardship focuses on reducing the Company's absolute environmental impact year-on-year through measurable, targeted improvements.
- Responsible Lending — Directing AFC's financing portfolio towards environmentally sustainable economic activities through the Green Finance programme, and ensuring that all lending decisions are subject to Environmental and Social Management System (ESMS) screening to prevent the financing of activities harmful to

ecosystems, communities or human wellbeing. Responsible Lending positions AFC as an active enabler of Sri Lanka's transition to a low-carbon, climate-resilient economy.

- Ecological Restoration — Contributing to the active restoration of Sri Lanka's natural ecosystems through reforestation, biodiversity conservation and community environmental engagement. Ecological Restoration reflects AFC's commitment to giving back to the environment beyond simply reducing harm, by actively rebuilding natural capital for the benefit of current and future generations.

ESG TARGETS AND ACCOUNTABILITY

Against this four-pillar framework, AFC has established a suite of short, medium and long-term targets for each strategic area (refer to Future Plans on page157). Progress against these targets is reported annually through this Natural Capital section of the Integrated Annual Report, with detailed performance data provided in the accompanying GRI-aligned data tables. The Sustainability function, led by the Senior Manager Sustainability and supported by branch-level environmental ambassadors, is responsible for the day-to-day management of AFC's ESG programme. An annual sustainability review is conducted by senior management to assess progress against targets, identify emerging risks and opportunities, and recommend strategic adjustments for Board consideration. External verification of greenhouse gas data is conducted by the Sri Lanka Climate Fund under ISO 14064-3:2019, providing independent assurance of the accuracy of AFC's emissions disclosures.

GREEN FINANCE

As a financial institution, AFC's Green Finance activities have the capacity to make a significant contribution towards supporting national environmental priorities by directing funding towards environmentally responsible economic activities. In this regard, AFC's Green Finance model stands as a key driver under the Company's High Impact Goals, which focus on supporting the transition towards low-carbon mobility and promoting climate-resilient agriculture among MSME's.

AFC's Green Finance proposition is also guided by the Central Bank of Sri Lanka's Sustainability Roadmap and Green Finance Taxonomy, which also guide the classification of environmentally sustainable lending in line with national priorities relating to renewable energy, climate resilience and sustainable economic development. It focuses on specialised financing schemes for renewable energy, sustainable agriculture and environmentally responsible enterprise activities.

AFC's green product suite is structured around three core propositions, each designed to direct financing towards activities that generate measurable environmental and social co-benefits:

- Green Mobility Finance supports the transition to low-emission transportation by providing financing for electric vehicles, hybrid vehicles and electric three-wheelers for both personal and commercial use. By making clean mobility financially accessible to a broader segment of the population, particularly MSME operators and individual consumers, AFC contributes directly to reducing vehicle emissions and fuel dependency in the communities it serves.
- Sustainable Energy Finance enables households, small businesses and agricultural enterprises to invest in rooftop solar installations, energy-efficient appliances and off-grid power solutions. This product line supports Sri Lanka's transition to renewable energy and reduces the financial burden of electricity costs for low-to-middle income borrowers.
- Climate-Resilient Agriculture Finance provides tailored lending to smallholder farmers for improved seed varieties, water-efficient irrigation technology, organic inputs and post-harvest storage infrastructure, supporting the adaptation of Sri Lanka's agricultural sector to the increasing frequency and severity of climate-related weather events.

During FY 2025/26, AFC disbursed LKR 792 Mn under its Green Finance, representing a 33% increase compared to the prior year. A total of 645 green finance facilities were granted across the three product categories, with 31% allocated to green mobility, 33% to sustainable energy and 36% to climate-resilient agriculture. Performance of the portfolio is monitored quarterly against defined indicators, including total environmentally sustainable exposure, sector allocation and year-on-year disbursement growth.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

The Environmental and Social Management System (ESMS) serves as the key enabler of AFC's Green Finance proposition by enabling environmental and social factors to be assessed at the point of credit evaluation, ensuring that financing remains aligned with responsible business practices, sustainable development principles and the Company's commitment to environmentally responsible growth. Anchored to the International Finance Corporation (IFC) Performance Standards and further guided by the Sustainability Standards and Certification Initiative (SSCI 2.0), the ESMS provides a consistent basis for identifying potential risks, avoiding exposure to environmentally harmful activities and directing financing towards initiatives that promote responsible resource use and long-term sustainability.

Supported by defined evaluation tools, the ESMS incorporates the IFC Exclusion List together with sector-specific fact sheets that guide the assessment of environmental and social risks across different types of financing activities. These references are applied during the credit assessment stage to ensure that proposals are screened against established environmental and social criteria, preventing exposure to activities that may adversely affect ecosystems, natural resources or community well-being, with screening requirements applied to all new products and financing proposals.

During the year, further enhancements were introduced to strengthen the ESMS with the introduction of sector-specific fact sheets integrated to ensure environmental and social risk considerations are applied uniformly across the branch network. In addition, a prohibition list was incorporated into system-based scanning procedures to enable automated checks during the credit evaluation process.

Natural Capital

The ESMS is applied through a double materiality lens, evaluating not only how environmental and social risks may affect AFC's credit quality and financial performance, but also how AFC's financing decisions may contribute to environmental and social outcomes in the broader economy. This approach ensures that AFC's lending portfolio actively avoids exposure to activities that cause harm to natural ecosystems, local communities or human wellbeing, while deliberately directing finance towards initiatives that generate positive environmental and social impact.

During the FY 2025/26, a total of 18,347 credit proposals were subject to ESMS screening, and all of these were referred for enhanced environmental and social review under sector-specific fact sheets. No facilities were approved that appeared on the IFC Exclusion List or AFC's internal prohibition list.

Performance of the Green Finance portfolio is monitored using defined indicators, including total environmentally sustainable exposure, number of facilities granted, sector allocation within the portfolio and year-on-year growth in disbursements.

PERFORMANCE AND PROGRESS OF AFC'S GREEN FINANCE PORTFOLIO

AFC's Green Finance portfolio continued to expand in FY 2025/26 supported by dedicated funding raised through the LKR 1Bn Green Bond issued in the previous year. Disbursements for the year ended 31st March 2026 amounted to LKR 450 Mn compared to LKR 58.6 Mn in the previous year, indicating the total utilisation of 50.8%, which reflects the continued expansion of renewable energy financing together with growing acceptance of climate-resilient agricultural activities and environmentally responsible business models among customers.

GREEN BOND USE OF PROCEED ASSURANCE

During the month of February 2025, Alliance Finance Company PLC successfully issued its Green Bond amounting to LKR 1 Bn in line with the Company's Green Bond Framework and the International Capital Market Association (ICMA) Green Bond Principles (2021). The Green Bond was issued with the objective of financing eligible renewable energy projects, primarily rooftop solar power generation systems, thereby supporting Sri Lanka's transition towards a low-carbon and climate-resilient economy.

As at 31 December 2025, a total sum of LKR 411Mn had been allocated towards financing 189 rooftop solar projects with an aggregate installed capacity of 4,195 kW of the total allocation, approximately 99% represented new financing provided during the reporting period. The balance unallocated proceeds amounting to LKR 588 Mn were temporarily invested in Sri Lanka Treasury Bills in accordance with the Company's Green Bond Framework and internal treasury management practices.

The financed projects are expected to generate significant environmental benefits through the promotion of renewable energy generation and reduction of greenhouse gas emissions. Based on the installed capacity financed under the programme, the projects are estimated to generate approximately 1,247 MWh of renewable electricity for the reporting period, resulting in an estimated avoidance of 885 tCO_2 emissions. In addition, the projects are estimated to contribute towards coal savings of approximately 423 tons per year. These impact estimates were derived using recognized methodologies and assumptions published by the Ceylon Electricity Board (CEB) and the Sri Lanka Sustainable Energy Authority (SLSEA).

Alliance Finance Company PLC confirms that all projects financed under the Green Bond programme continue to comply with the eligibility criteria set out in the Green Bond Framework and remain aligned with internationally accepted green financing standards. The Company remains committed to expanding sustainable financing initiatives and supporting environmentally responsible investments that contribute towards long-term economic, social, and environmental sustainability.

GREEN OPERATIONS

Green operations focus on the integration of environmentally responsible practices into routine operations across AFC's branch network, vehicle years and head office.

GRI 302-1,302-3,302-4,302-5

ENERGY

The primary source of electricity for the Company is grid electricity, and energy management efforts are directed towards reducing overall consumption. AFC continues to work towards an annual energy reduction target of 5%, supported by ongoing efficiency measures and monitoring of energy consumption across all operational locations on a continuous basis to track progress against internal reduction targets and identify opportunities for further improvement. To further streamline energy monitoring and reporting practices a dedicated Energy Manager was appointed in the current year and entrusted with the responsibility of monitoring electricity consumption levels, identifying areas for improvement and supporting the implementation of energy saving initiatives across the Company.

Approximately LKR 24 Mn spent on energy saving projects and the upgrading of equipment to more efficient alternatives, such as inverter air-conditioning units, LED lighting and other energy-efficient appliances across the branch network. Furthermore, employees are encouraged to support energy conservation by using electricity responsibly across branches and offices.

The transition towards renewable energy remained a priority in order to reduce dependency on grid electricity, with the expansion of solar power installations across operational locations. To-date solar conversion has been completed at 14 branches and selected yard operations. In addition, electric three-wheelers have been introduced for company operations, replacing conventional fuel-based vehicles and contributing to lower energy consumption and reduced emissions within day-to-day activities.

AFC has set an annual electricity consumption reduction target of 5% year-on-year, applied consistently across all operational locations. Progress against this target is monitored on a continuous basis by the dedicated Energy Manager appointed during the year, with branch-level data reviewed quarterly to identify under performing locations and implement corrective action.

Solar installations completed to date across 14 branches and selected yard operations are estimated to generate approximately 754.77Gj of renewable energy annually, resulting in an avoided emissions benefit of approximately 149tCO_2e per year. As the solar conversion programme is extended to additional branches in line with the Company's medium-term target of converting 50% of its branch network to off-grid solar energy, the avoided emissions benefit is expected to increase proportionally.

Going forward, AFC will incorporate energy efficiency and green building principles into the design, fit-out and refurbishment of all new and upgraded branch premises. This includes the specification of LED lighting, inverter-based air conditioning, natural ventilation design and energy-efficient building materials as standard requirements for new branch construction and renovation projects. These measures are expected to reduce per-branch energy consumption at new locations by approximately 5% compared to the existing branch average.

Energy efficiency has also improved through digitisation initiatives. Migration of the data centre to a cloud-based infrastructure with energy-saving capabilities has reduced reliance on physical server equipment and improved energy efficiency in data processing operations.

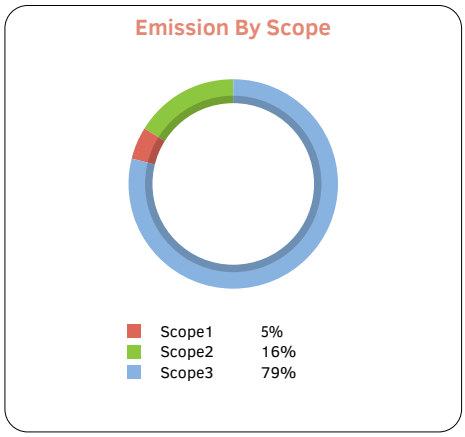
Energy Source		2025/26	2024/25
Non- Renewable (GJ)	Grid Electricity	5,093.05	5,141.72
Renewable (GJ)	Solar	754.77	290.88
Total Energy Consumption (GJ)		5847.82	5432.6
Energy Intensity (GJ/Employee)		3.29	2.97

GRI 305 -1, 305 -2, 305 -3, 305 -4, 305 -5

EMISSIONS

Emissions attributed to AFC arise primarily from energy consumed in day-to-day operations and across the value chain. Emission management efforts focus on maintaining accurate records of direct and indirect sources to support the calculation of the Company's carbon footprint.

For AFC, Scope 1 emissions relates to direct fuel consumption from operational activities, while Scope 2 emissions arises as a consequence of purchased electricity usage across operational locations. Scope 3 emissions are attributed to other indirect sources such as employee commuting and financed activities.



Greenhouse gas levels are assessed in accordance with recognised standards, with a comprehensive evaluation carried out covering Scope 1, Scope 2 and Scope 3 (excluding financed emissions). Measurement is performed in line with ISO 14064-1:2018, which establishes a standardised methodology for quantifying and managing greenhouse gas output across operations, while independent verification is carried out by the Sri Lanka Climate Fund under ISO 14064-3:2019 to ensure consistency, reliability and transparency in reporting the Company's carbon footprint.

Total greenhouse gas output amounted to 3,644 tCO_2 equivalent, reflecting an increase of approximately 18.2% compared to the previous year across all three scopes. The increase was primarily driven by the expansion of business operations by 24%, improvement of measurement parameters, and higher refrigerant leakage during the year.

In addition to managing operational impact, AFC undertakes environmental initiatives that contribute to carbon sequestration through tree planting and reforestation programmes, supporting long-term environmental restoration while helping to offset the overall carbon footprint of its operations.

Natural Capital

Emissions	2025/26	2024/25
Scope 1	171tCO_2e	106tCO_2e
Scope 2	590 tCO_2e	596tCO_2e
Scope 3	2,882 tCO_2e	2,379 tCO_2e
Total	3,644 tCO_2e	3081 tCO_2e
Emission Intensity (per employee)	2.05 tCO_2e	1.68 tCO_2e

GRI 303-1, 303-2, 303-5

WATER

Water consumption within AFC operations remains limited and is primarily related to staff utility requirements at branches and head office locations, with requirements met mainly through municipal supply lines. Despite the relatively low operational dependence on this resource, usage is managed carefully as part of the Company's approach to green operations, with emphasis placed on conserving water through water-efficient infrastructure and responsible workplace practices to minimise water wastage.

Conservation is supported through the use of low-flow fixtures and regular inspection and maintenance of plumbing systems to minimise leakages.

Consumption, cost and intensity indicators are monitored on a continuous basis to track performance against internal benchmarks and identify opportunities for further efficiency improvements across the Company's operations.

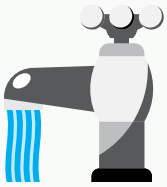
While AFC's operational water dependency is low relative to manufacturing-intensive sectors, the Company recognises that access to reliable, clean water is fundamental to the well-being of staff across its branch network and to the resilience of the agricultural communities within its lending portfolio. AFC accordingly manages water use as a material operational input and reports water consumption, cost and intensity on an annual basis.

During FY 2025/26, total water consumption across AFC's branch network and head office amounted to 21,685 m³, representing a 7.58% reduction compared to the 23,464 m³ consumed in the prior year. This improvement reflects the benefits of low-flow fixture installations and systematic plumbing maintenance programmes implemented across branches during the year, as well as ongoing employee awareness initiatives promoting responsible water use.

Water intensity, measured as total consumption per employee, stood at 12.18 m3 per employee for the year, compared to 12.81 m3 per employee in FY 2024/25, representing a 4.92% improvement in resource efficiency. The Company has set a water intensity reduction target of 5% per employee by 2026, which will be pursued through continued infrastructure upgrades and the extension of conservation practices to all operational locations.

Looking ahead, AFC will begin a geographic water risk assessment to identify branches located in areas where municipal water supply or underlying watershed health may be under stress. This assessment will inform a prioritised programme of water conservation investment and contingency planning at high-risk locations, ensuring operational resilience in the event of supply disruptions linked to climate variability or infrastructure constraints.

WATER CONSERVATION INITIATIVES



Low-flow fixtures
Water-saving fittings installed across branches and offices



Leak prevention and maintenance
Regular inspections carried out to prevent water loss



Water usage monitoring
Water consumption tracked across branches and head office

Water Data	2025/26	2024/25
Water Consumption	21,685 m³	23,464 m³
Cost per employee (LKR)	2,433	2,493
Water Intensity (m³/Employee)	12m	13m

GRI 306-1, 306-2, 306-3, 306-4, 306-5

WASTE

As a service-oriented financial institution, the majority of waste generated arises from paper, packaging material and general office use, and efforts are focused on reducing waste at source while ensuring that materials are handled in an environmentally responsible manner.

Waste segregation practices are implemented across branches, yards and head office premises, supported through the use of colour-coded bins to separate recyclable and non-recyclable waste. These measures enable better handling of discarded materials and support recycling initiatives carried out through approved service providers. Recycling and reuse remain key components of the waste management approach. Shredded paper waste and other recyclable materials are collected and handed over to certified recyclers, with selected materials reprocessed into usable products that are reintroduced for internal use. This circular approach helps reduce the volume of waste sent for disposal while supporting the responsible use of resources within day-to-day operations.

Waste reduction is also supported through improvements in work processes and the gradual adoption of digital systems, which help reduce dependence on printed documents and other disposable materials. Although physical documentation remains necessary for certain operations, increased use of digital workflows has contributed to lower paper consumption and improved efficiency in handling records. AFC has also eliminated the use of single-use plastic bottles and bags across all premises, reinforcing the shift towards more sustainable workplace practices.

Oversight of waste management activities is carried out by the Premises Management Division under the Administration Department, which monitors waste handling practices, coordinates recycling arrangements and ensures compliance with internal guidelines relating to responsible disposal. Regular monitoring of waste generation levels enables the identification of further opportunities to minimise waste and strengthen environmentally responsible practices across the Company's operations.

During FY 2025/26, AFC collected and transferred approximately 1,211 Kg of shredded paper waste and other recyclable office materials to certified recycling service providers, representing 4.46% of the total paper generated across all operational locations. Recyclable materials handed over to certified partners are processed and reintroduced into the production supply chain as secondary raw materials, supporting a circular approach to resource management and reducing the volume of waste diverted to landfill.

Electronic waste, including obsolete computers, monitors, printers, servers, networking equipment and peripheral devices, is segregated at source across all branches and periodically collected for disposal through certified e-waste handlers registered with the Central Environmental Authority of Sri Lanka. Certificates of disposal are obtained and retained on file for each e-waste collection, providing an auditable record of responsible hazardous waste management. During the year, 25 kg of e-waste were collected and transferred to handlers.

Food waste generated at head office and larger branch premises is separately collected and transferred to municipal composting or organic waste processing facilities where available, minimising the volume of organic material entering the general waste stream. The Company continues to monitor and improve its food waste management practices as part of its broader commitment to zero-waste-to-landfill operations.

AFC's elimination of single-use plastic bottles and bags across all premises, introduced in a prior reporting period, has been maintained throughout FY 2025/26, with reusable alternatives provided to all staff. No single-use plastic items were procured for internal use during the year.

DIGITISATION AND AUTOMATION

Digitisation and automation continue to play an important role in improving operational efficiency while reducing the environmental impact associated with manual and paper-based processes. Increased use of digital platforms.

During FY 2025/26, AFC's digitisation and automation programme delivered measurable improvements in resource efficiency across key operational areas. The migration of the Company's data centre to a cloud-based infrastructure reduced dependence on physical server hardware, resulting in lower direct energy consumption associated with on-site data processing and cooling requirements.

Paper consumption remained relatively stable during FY 2025/26 at 27.13 tonnes, despite continued business expansion and growing customer volumes, demonstrating the positive impact of AFC's ongoing digitalisation efforts. With the successful implementation of the Lime core banking system and the increased use of Point-of-Sale (POS) devices for customer onboarding and documentation, the Company is well positioned to further reduce paper-based processes and drive greater resource efficiency in the years ahead.

Internally, the implementation of automated processing tools across payroll, collections and compliance functions has reduced the duplication of paper-based records and improved the speed and accuracy of administrative workflows. Robotic Process Automation (RPA) has been deployed in selected back-office functions to further reduce manual intervention in high-volume,

Natural Capital

repetitive processes, freeing staff capacity for value-added activities while reducing the consumption of materials associated with manual record-keeping.

The environmental benefits arising from AFC's digitisation programme are tracked through the following performance indicators: year-on-year reduction in paper procurement (kg), number of paper-based processes converted to digital workflows, and reduction in physical document storage requirements (cubic metres). These metrics are monitored by the IT and Operations teams and reported to management on a quarterly basis.

Electronic documentation, digital approvals and system-based processing have contributed to lower paper usage across operational locations, while also improving accuracy, accessibility and processing speed. Integration of digital systems across operational areas has improved coordination between departments and reduced duplication of work, resulting in more efficient use of time, materials and infrastructure.

The environmental benefits arising from digitisation and automation are monitored through internal performance indicators, including reductions in paper usage, improvements in process efficiency and lower energy consumption associated with IT infrastructure.

GRI 306 -1, 304-3

ENVIRONMENTAL PROJECTS

Environmental projects extend beyond operational activities and focus on supporting environmental restoration and strengthening ecological sustainability.

As a Patron Member of Biodiversity Sri Lanka, AFC collaborates on biodiversity conservation initiatives, ecosystem restoration programmes and sustainability-related activities aimed at protecting natural habitats and promoting responsible environmental stewardship.

AFC continued its tree planting programme across multiple areas as part of the long-standing reforestation initiative implemented since 2017, contributing to carbon sequestration and the restoration of degraded environments. More than 125,000 trees were planted during the year, increasing the cumulative total to over 1 Mn trees established under the programme. These projects are undertaken in selected regions to improve vegetation cover, support long-term ecological balance and strengthen natural carbon absorption capacity.

The initiative also supports biodiversity conservation by strengthening natural habitats and promoting environmental restoration in areas where green cover has been reduced over time. Continuation of these projects reflects the Company's commitment to maintaining environmental initiatives alongside core business activities, ensuring that expansion of operations is supported by responsible environmental practices.

AFC's reforestation programme conducted under the banner 'Rooted in Responsibility', a long-standing initiative implemented since 2017 in partnership with community and public sector stakeholders represents one of the most enduring environmental commitments in the Company's history. The programme is designed not only to increase vegetation cover in degraded landscapes but also to contribute to carbon sequestration, biodiversity restoration and community engagement in environmental stewardship.

Based on established tropical reforestation carbon sequestration benchmarks, AFC estimates that the cumulative tree stock of over 1 Mn trees planted to date sequesters approximately 44,180 MtCO2 per year at current maturity levels, with sequestration capacity expected to increase progressively as the planted stock matures over the coming decades. This sequestration contribution partially offsets AFC's operational Scope 1 and Scope 2 emissions and is independently assessed by the Sri Lanka Climate Fund as part of the Company's annual greenhouse gas verification exercise.

In recognition of the importance of Sri Lanka's coastal and aquatic ecosystems to national biodiversity and the livelihoods of coastal communities, AFC is in the process of developing a complementary coastal and waterway restoration initiative to be launched in FY 2026/27. This initiative, developed in consultation with Biodiversity Sri Lanka, will focus on mangrove restoration, riverbank stabilisation and community-based marine conservation activities in areas geographically proximate to AFC's branch operations. The initiative will complement AFC's existing land-based reforestation programme to create a more holistic ecological restoration footprint across both terrestrial and aquatic environments.

AFC's environmental projects are managed under the oversight of the Company's Sustainability function, with coordination provided by the network of branch-level environmental ambassadors appointed during the year. Project outcomes, including tree survival rates, land area restored and community participants engaged, are monitored and reported annually to the Board.

POPULATED FUTURE PLANS TABLE CONTENT

Area	Short Term (FY 2026/27)	Medium to Long Term (by 2030)
Energy	Achieve a 5% reduction in total electricity consumption year-on-year.	Convert 50% of the branch network to off-grid solar energy by 2030. Embed green building design principles, including LED lighting, inverter air conditioning and natural ventilation, as standard specifications for all new and refurbished branches.
Emissions	Complete SLFRS S2 physical and transitional climate risk scenario analysis. Establish a base-year GHG emissions inventory and set a verified reduction target. Commence development of a financed emissions measurement methodology aligned with PCAF standards.	Achieve carbon neutrality in Scope 1 and Scope 2 operational emissions by 2030 through sustained emission reductions and carbon offset initiatives, including the Company's reforestation programme. Commence disclosure of financed emissions (Scope 3) by 2028.
Water	Achieve a 4.92% reduction in per-employee water consumption compared to FY 2024/25 through the installation of low-flow fixtures and plumbing maintenance at all branches. Complete a geographic water risk screening for all operational locations.	Implement a prioritised water conservation investment programme at high water-risk branch locations identified through the geographic screening exercise. Develop contingency water supply arrangements for operationally critical locations in areas subject to supply disruption risk.
Waste	Achieve a paper recycling rate of 4.46% across all branches and the head office. Extend colour-coded waste segregation bins to all branch locations not yet covered. Obtain certified disposal documentation for 100% of e-waste generated.	Achieve zero waste-to-landfill status for all non-hazardous operational waste by 2030. Expand the use of digitisation and process automation to reduce paper consumption to 5% below FY 2024/25 levels. Eliminate single-use packaging from all suppliers and internal procurement.
Green Finance	Grow the Green Finance portfolio by 48% year-on-year. Introduce at least one new green product to the suite — such as energy-efficient home appliance finance or green building finance for small businesses. Complete ESMS enhancements for all product categories under the CBSL Green Finance Taxonomy.	Grow the Green Finance portfolio to represent 5% of AFC's total loan book by 2030. Develop and publish a Green Finance Impact Report quantifying the CO_2 avoided, renewable energy enabled (GWh), and agricultural land benefiting from climate-resilient practices funded by AFC's green lending portfolio.
Ecological Restoration	AFC advanced ecological restoration through multiple landscape-level initiatives. The Company planted 180,323 trees under AFC Thuru Mithuru – One million Trees for Unity, surpassing one million trees islandwide. It also progressed the Hapannu Forest initiative, a child-saver-led public-private forest, launched a coastal and waterway restoration programme with Biodiversity Sri Lanka, and supported the Hill Country–Peak Ridge Forest Corridor through native species planting, strengthening biodiversity, habitat connectivity, and climate resilience.	Achieve cumulative sequestration of 120,000 tCO_2 per year through the reforestation programme by 2030. Establish a biodiversity monitoring framework to track the ecological health of restored sites over time, in collaboration with Biodiversity Sri Lanka and academic research partners.



Kegalle branch tree planting project conducted at Mampitiya Rajamaha Viharaya



Kurunegala branch has conducted a tree planting project collaborating with 4 Schools

Natural Capital



The Passara Branch conducted a tree planting project at two locations: Passara Central College with 100 plants and Pradeshiya Sabha, Passara with 375 plants



The Kurunegala Branch, in collaboration with the Narammala Pradeshiya Sabha, conducted a tree planting programme together with Rankoth Viharaya – Ganegoda, Central College – Narammala, Junior School – Meewewa, and Central College – Kalugamuwa, planting a total of 985 trees



In celebration of World Environment Day 2025, the Udappuwa Branch conducted a tree planting project at the Divisional Secretariat Office – Arachchikattuwa, Pallama, and Samurdhi Prajamula Bank – Galkuliya



The Monaragala Branch, in collaboration with the United Farmers Organization – Polgahapitiya, conducted a tree planting initiative in the Medagma area, distributing and planting coffee seedlings among 27 farmers



The Deposit Department conducted a tree planting program at Sri Vidyasagara Maha Viharaya, Manikhinna, Kandy



In collaboration with the Mihijaya Environmental Society, a tree planting project was conducted in the Chilaw area, with 1,000 plants planted



Kegalle Branch completed a tree planting project at Dewalegama Water Resources Area, fulfilling the request of 200 plants from the Divisional Secretariat Office - Galigamuwa. The project was carried out with the support of Red Cross - Kegalle, GS Office Galigamuwa, and local villagers



The Gampaha Branch, in collaboration with the Lions Club of Gampaha Radiance, conducted a tree planting project to promote environmental conservation and community engagement



In celebration of World Environment Day 2025, the Galewela Branch conducted a tree planting project at the Divisional Secretariat Office- Galewela and Hathadukkuwa Village

WORLD ENVIRONMENTAL DAY CELEBRATION - 2025







In collaboration with the Sri Lanka Defence Forces, we are proud to mark World Environmental Day by pledging the distribution of 25,000 plants across their establishments. This initiative is a significant step forward in our shared mission to green Sri Lanka and foster a more sustainable future.

RESTORING CONTINUITY THROUGH RESILIENCE

A Memorandum of Understanding ("MOU") was entered into on the 18th of June 2025, between Alliance Finance Company PLC (AFC) and Preserving Land and Nature (Guarantee) Limited (PLANT). At a high level, AFC committed to providing financial and strategic support to PLANT, as set out in the MOU, to support ecosystem restoration and forest corridor creation efforts undertaken by PLANT across multiple locations.

In November–December 2025, Cyclone Ditwah resulted in unprecedented flooding and erosion across several PLANT restoration sites, with Radella Estate being the most severely impacted location under Project A. The intensity and duration of flooding led to major physical alterations of the riverbank system, including substantial widening of waterways, deep sand and debris deposition, and the near-total loss of protective netting structures installed during earlier planting phases.

At Radella, 1,096 saplings from the initial planting phase were lost due to riverbank collapse, burial under sediment, and high-velocity floodwaters.

Once site access became safe, the PLANT field teams carried out detailed site inspections, documented losses, salvaged surviving plants where possible, and redesigned the restoration approach to reflect the changed site conditions. PLANT successfully secured emergency restoration funding through the IUCN Netherlands Green Lifeline Action Fund, specifically to address cyclone-related ecological damage. This enabled the continuation and acceleration of restoration activities at Radella without any disruption to AFC-funded commitments.

With this support, 1,482 saplings were planted by the end of March 2026, following refined site-preparation and planting protocols. Collectively, 1,663 saplings are now surviving at Radella, exceeding the number originally lost and restoring continuity to the corridor development effort.





Restoration site during post Ditwah debris clearing in February 2026 (Left) and the continued restoration post Ditwah through IUCN funding in March 2026 (Right)



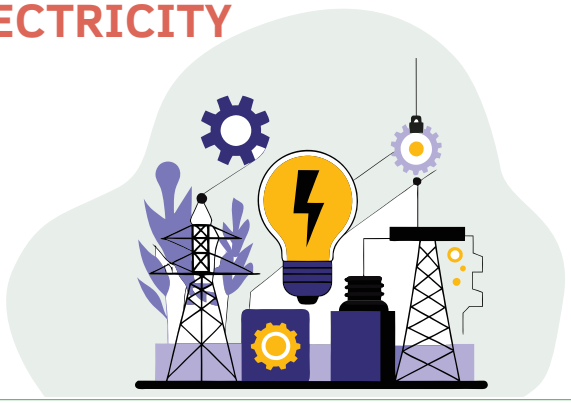


Restoration site during post Ditwah debris clearing in February 2026 (Left) and the continued restoration post Ditwah through IUCN funding in March 2026 (Right)

Natural Capital

ELECTRICITY

	2026	2025
Units (kWh)	1,414,735	1,428,255
No. of Employees	1,780	1,832
Intensity (Cost/Employees) %	59.27	-52.71
Intensity (Units/Employees) %	1.95	9.06
Cost (LKR Mn)	52.36	33.84



FUEL

	2026	2025
Units (L)	35,546	31,943
No. of Employees	1,780	1,832
Intensity (Cost/Employees) %	6.23	8.93
No. of Employees (HO)	14.53	19.73
Cost (LKR Mn)	10.95	10.61



WATER

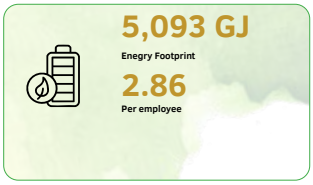
	2026	2025
Units (ms)	21,685	23,464
No. of Employees	1,780	1,832
Intensity (Cost/Employees) %	-2.40	37.74
Intensity (Units/Employees) %	-4.88	33.24
Cost (LKR Mn)	4.33	4.57

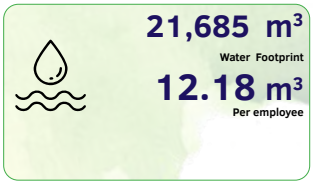


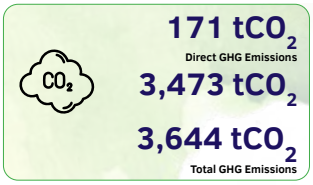
PAPER

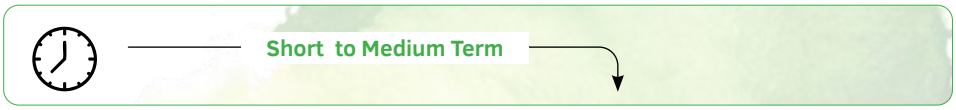
	2026	2025
Units (ton)	27	27
No. of Employees (HO)	1,780	1,832
Intensity (Cost/Employees) %	-29.21	-9.33%
Intensity (Units/Employees) %	3.22	36.68
Cost (LKR Mn)	6.94	10.09











Future Plans
Expansion of energy covering 50% of the branch network

Target Timeline
March 2027



Future Plans
Achieve carbon neutrality through sustained efforts in emission control and offset initiatives

Target Timeline
March 2030

GREEN BOND USE OF PROCEED ASSURANCE

During the month of February 2025, Alliance Finance Company PLC successfully issued its Green Bond amounting to LKR 1 Bn in line with the Company's Green Bond Framework and the International Capital Market Association (ICMA) Green Bond Principles (2021). The Green Bond was issued with the objective of financing eligible renewable energy projects, primarily rooftop solar power generation systems, thereby supporting Sri Lanka's transition towards a low-carbon and climate-resilient economy.

As at 31 December 2025, a total sum of LKR 411 Mn had been allocated towards financing 189 rooftop solar projects with an aggregate installed capacity of 4,195 kW of the total allocation, approximately 99% represented new financing provided during the reporting period. The balance unallocated proceeds amounting to LKR 588 Mn were temporarily invested in Sri Lanka Treasury Bills in accordance with the Company's Green Bond Framework and internal treasury management practices.

The financed projects are expected to generate significant environmental benefits through the promotion of renewable energy generation and reduction of greenhouse gas emissions. Based on the installed capacity financed under the programme, the projects are estimated to generate approximately 1,247 MWh of renewable electricity for the reporting period, resulting in an estimated avoidance of 885 tCO_2 emissions. In addition, the projects are estimated to contribute towards coal savings of approximately 423 tons per. These impact estimates were derived using recognized methodologies and assumptions published by the Ceylon Electricity Board (CEB) and the Sri Lanka Sustainable Energy Authority (SLSEA).

Alliance Finance Company PLC confirms that all projects financed under the Green Bond programme continue to comply with the eligibility criteria set out in the Green Bond Framework and remain aligned with internationally accepted green financing standards. The Company remains committed to expanding sustainable financing initiatives and supporting environmentally responsible investments that contribute towards long-term economic, social, and environmental sustainability.

Green bond use of proceed assurance Report - Page 170

Q

“What is your promise for the future?”

A

“We promise to safeguard our people, planet and profit to enhance our country and the next generation of Sri Lanka”

Green Savings
Enrich the Hapannu Forest: Your deposit isn’t just money;
It’s a catalysit for the thriving hapannu forest.



CORPORATE GOVERNANCE GRI 2-23,2-24

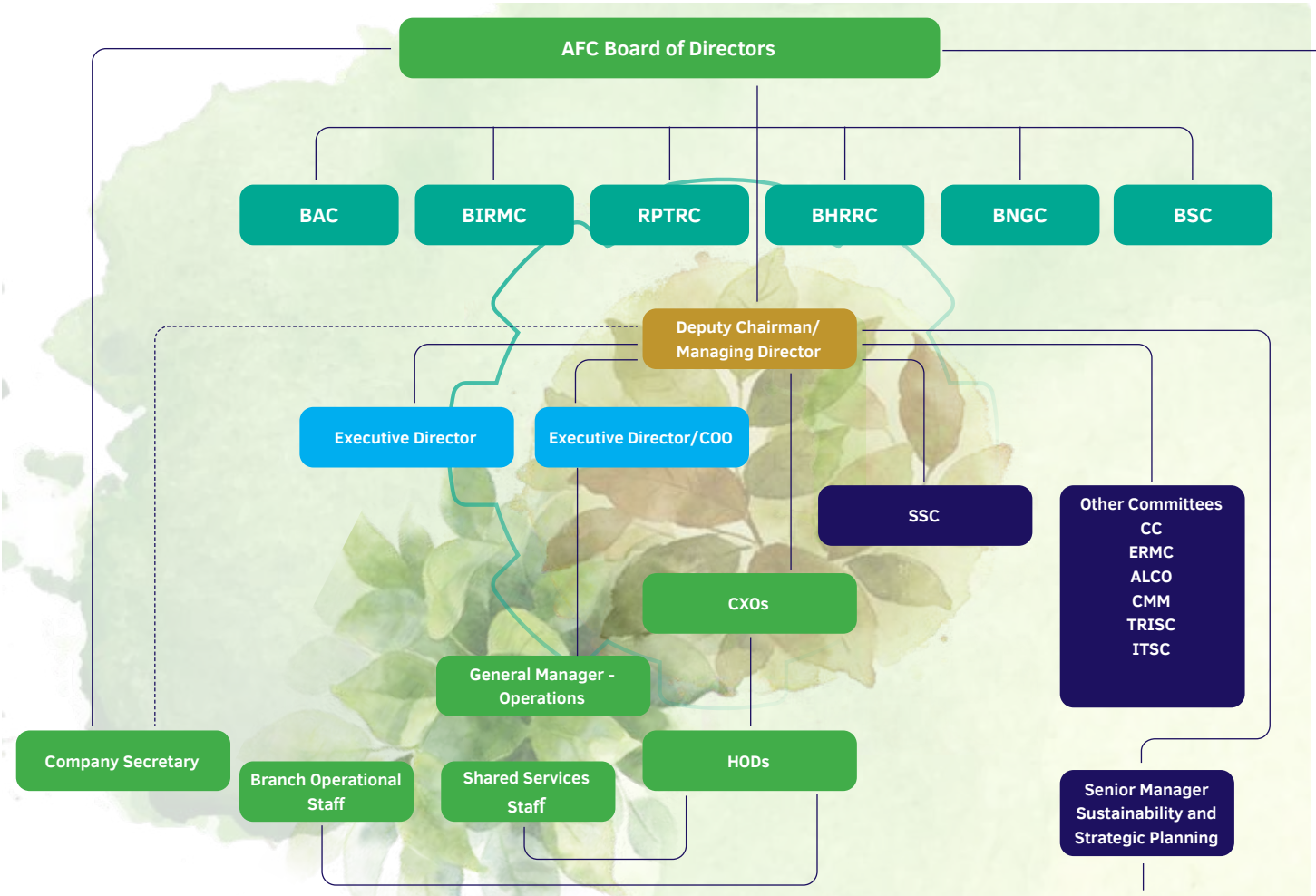
CREATING AND PRESERVING VALUE THROUGH CORPORATE GOVERNANCE

At Alliance Finance Company PLC (AFC), strong governance forms the cornerstone of long-term institutional resilience with the Company's governance framework providing a structured foundation for transparent oversight, disciplined risk management, and sound decision-making. Anchored by regulatory compliance requirements and evolving best practices, the governance framework is designed to effectively balance short-term performance priorities with long-term strategic objectives, ensuring that stakeholder expectations are met while advancing the Company's broader purpose and growth ambitions.

AFC remains firmly committed to the continuous evaluation and enhancement of its governance framework in line with regulatory developments and emerging global standards. This ongoing refinement ensures that governance structures remain agile, resilient, and future-ready, positioning the Company to navigate an increasingly complex operating environment while upholding the highest standards of accountability, integrity, and ethical conduct.

GOVERNANCE STRUCTURE

AFC's governance structure establishes a clear separation of roles and responsibilities, enabling effective oversight while fostering a culture of transparency, fairness, and integrity. The Board, as the apex governing body of the organisation, plays an anchoring in this governance structure. In fulfilling its responsibilities, the Board regularly reviews and refines the structure in line with regulatory expectations, and industry best practices, as well as to reflect evolving organisational needs.



BAC - Board Audit Committee
BIRMC - Board Integrated Risk Management Committee
RPTRC - Related Party Transactions Review Committee
BHHRC - Board Human Resources & Remuneration Committee
BNGC - Board Nomination and Governance Committee
BSC - Board Sustainability Committee

ERMC - Executive Risk Management Committee
ALCO - Assets & Liabilities Committee
CMM - Corporate Management Meeting
TRISC - Technology Risk & Information Security Committee
ITSC - Information Technology Steering Committee
SSC - Sustainability Steering Committee
CC - Credit Committee

Assurance
Internal Audit / External Auditors

REGULATORY REQUIREMENTS

- Finance Leasing Act No.56 of 2000
- AML and CFT legislations and relevant rules and regulations issued by the FIU
- Finance Companies Direction on Corporate Governance and amendments thereto
- Listing Rules of the Colombo Stock Exchange
- Inland Revenue Act No. 24 of 2017 and amendments thereto
- Shop & Office Employees Act No. 19 of 1954 and amendments thereto
- Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS)
- Finance Business Act No. 42 of 2011 and all Directions/Guidelines issued thereunder

INTERNAL FRAMEWORKS

- Purpose Statement
- Articles of Association
- Risk Management Framework
- Operational Risk Management Policy
- Compliance policy
- Corporate Governance Frame Work and Policy
- Internal Control Framework
- Information Technology Security Policy
- Code of Conduct issued by the Finance Houses Association
- Code of Conduct for Directors
- Whistle-blower Policy
- Related Party Transactions Review Policy
- Financial Reporting Framework
- Ethics and Integrity policy
- BCMS guidelines
- All other Board approved Policies and Procedures.

VOLUNTARY CODES AND BEST PRACTICES

- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- GRI Standards for Sustainability reporting issued by the Global Reporting Initiative
- The United Nations Sustainable Development Goals (SDG's)
- IFC exclusion list

GRI 2-12

THE BOARD

The AFC Board serves as the apex governing body of the organisation, providing strategic direction and effective oversight. Guided by a clearly defined Board Charter, which sets out its Terms of Reference (TOR), the Board is responsible for shaping the Company's vision, mission, and long-term strategic trajectory, while ensuring that execution remains aligned with the best interests of all stakeholders.

As the primary custodian of governance, the Board establishes and oversees the Company's governance frameworks and policies, ensuring adherence to all applicable legal, regulatory, and ethical standards. In fulfilling its role as the highest authority within the organisation, the Board retains oversight of key matters that are expressly reserved for its review and decision-making.



CORPORATE GOVERNANCE



GRI 2-16,2-27,205-1

KEY BOARD RESPONSIBILITIES

Regulatory Compliance

The Board bears ultimate responsibility for ensuring full compliance with all applicable regulatory requirements. In fulfilling this mandate, the Board works in close collaboration with its Committees and the executive management team to establish and enforce comprehensive compliance frameworks, underpinned by a strict zero-tolerance approach to non-compliance. Additionally, the Board has instituted secure and confidential communication channels that enable employees to report compliance concerns or violations without fear of retaliation.

The Board also proactively engages with regulators and seeks guidance from subject matter experts to ensure emerging regulatory developments are addressed in a timely manner, enabling the Company to effectively mitigate compliance risks while fostering a culture of continuous improvement and regulatory readiness. There were no incidents regarding non-compliance of laws and regulations reported in the current financial year.

Compliance Highlights for FY 2025/26				
Regulatory Reference	**Description**	**Compliance Deadline**	**Work Done to Comply**	**Target Completion Date**
CBSL – Statutory Examination (as at 31.08.2025)	Submission of responses and corrective action plans for supervisory concerns identified by CBSL	09.03.2026	Management prepared detailed responses and action plans; reviewed and guided by the Board; revised report approved and submitted within the stipulated timeline	Completed
Finance Business Act & CBSL Corporate Governance Directions	Ongoing compliance with governance, reporting, and disclosure requirements	Ongoing	Board and Board Sub-Committees monitored compliance through regular reporting; no material breaches reported	Ongoing
CBSL AML/CFT Directions	Strengthening AML/CFT controls, sanctions screening, customer due diligence, and reporting	Ongoing	Identified gaps rectified; system controls strengthened; training programmes conducted; AML/CFT matters reviewed by Board Committees and escalated to the Board where material	Ongoing
CBSL Technology Risk Management (TRM) Directions	Core banking system controls, penetration testing, privileged access reviews	Ongoing	Independent validation and penetration testing undertaken; outstanding system issues tracked; Board monitored progress through BIRMC	In progress – 2026

Regulation/ Code	Disclosure Table
Finance Business Act Direction No 05 of 2021 - Corporate Governance	Page 196
Listing Rules of the Colombo Stock Exchange (CSE) - Section 7	Page 217
Listing Rules of the Colombo Stock Exchange (CSE) - Section 9	Page 218
Code of Best Practice on Corporate Governance 2023 was issued by the Institute of Chartered Accountants of Sri Lanka	Page 226

FINANCIAL CONTROL AND REPORTING

The Board holds ultimate responsibility for ensuring robust financial control and the integrity of financial reporting across the organisation. In discharging this responsibility, the Board oversees the establishment and effectiveness of internal control systems designed to safeguard assets, ensure the accuracy and completeness of financial records, and support reliable and timely reporting.

The Board, supported by the Board Audit Committee (BAC), provides focused oversight on financial reporting processes, internal controls, and audit functions. The BAC reviews the adequacy and effectiveness of internal controls, evaluates the quality and integrity of Financial Statements and the Annual Report, to ensure appropriate accounting policies are consistently applied in line with regulatory requirements and accepted standards. The BAC also engages closely with both internal and external auditors to assess audit findings, monitor the resolution of identified issues, and strengthen the overall control environment. The Board retains authority over all major financial decisions, including the approval of the annual budget, financial statements, dividend declarations, capital expenditure programs, investment strategies, funding arrangements, and other significant financial commitments that align with the Company's strategic objectives and long-term value creation goals.

For more information, please refer

- The Annual report of the Board of Directors on the affairs of the Company on page 257
- Directors' Responsibility for Financial Reporting on page 282
- Directors' Statement on Internal Control Over Financial Reporting on page 279
- Report on Corporate Governance on page 182
- Report of the Auditors on page 284

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is entrusted with the responsibility of overseeing the Company's risk management and internal control framework. The Board sets the tone for a strong risk culture across the organisation, promoting disciplined risk-taking, accountability, and proactive mitigation of emerging threats while safeguarding stakeholder interests.

To support the effective discharge of these responsibilities, the Board has established the Integrated Risk Management Framework (IRMF) to ensure risks are identified, assessed, and managed in a manner consistent with the Company's strategic objectives and risk appetite. The Board regularly reviews the adequacy and effectiveness of the IRMF to ensure it remains responsive to the evolving risk landscape and aligned with best practices.

In this regard, the Board has delegated specific oversight responsibilities to the Board Integrated Risk Management Committee (BIRMC), which plays a central role in monitoring and evaluating the Company's risk profile. The BIRMC is tasked with reviewing risk exposures across key areas, including credit, market, liquidity, operational, and environmental and social risks, while ensuring appropriate risk

CORPORATE GOVERNANCE

mitigation strategies and controls are in place. The BIRMC also oversees the implementation of risk management policies, monitors adherence to defined risk limits, and provides regular updates and recommendations to the Board.

In addition, the BIRMC is responsible for securing independent assurance from both internal and external auditors on the integrity of the IRMF. Where gaps or inefficiencies are identified, the Committee recommends enhancements, and these insights are reported to the Board to facilitate the timely implementation of corrective actions.

For more information, please refer

The Risk Management Report on page 90

CONDUCT AND ETHICS

The AFC Board is committed to upholding the highest standards of ethics and conduct. By setting the tone at the top, the Board reinforces a strong ethical culture and has established a comprehensive framework of policies and procedures to embed these principles across the organisation and to ensure the Company operates with integrity, transparency, and accountability at all times.

The Board also undertakes regular reviews of all key policies, at a minimum on an annual basis, to ensure they remain aligned with evolving business needs, regulatory requirements, and applicable laws.



INFORMATION TECHNOLOGY (IT) AND INFORMATION SECURITY GOVERNANCE

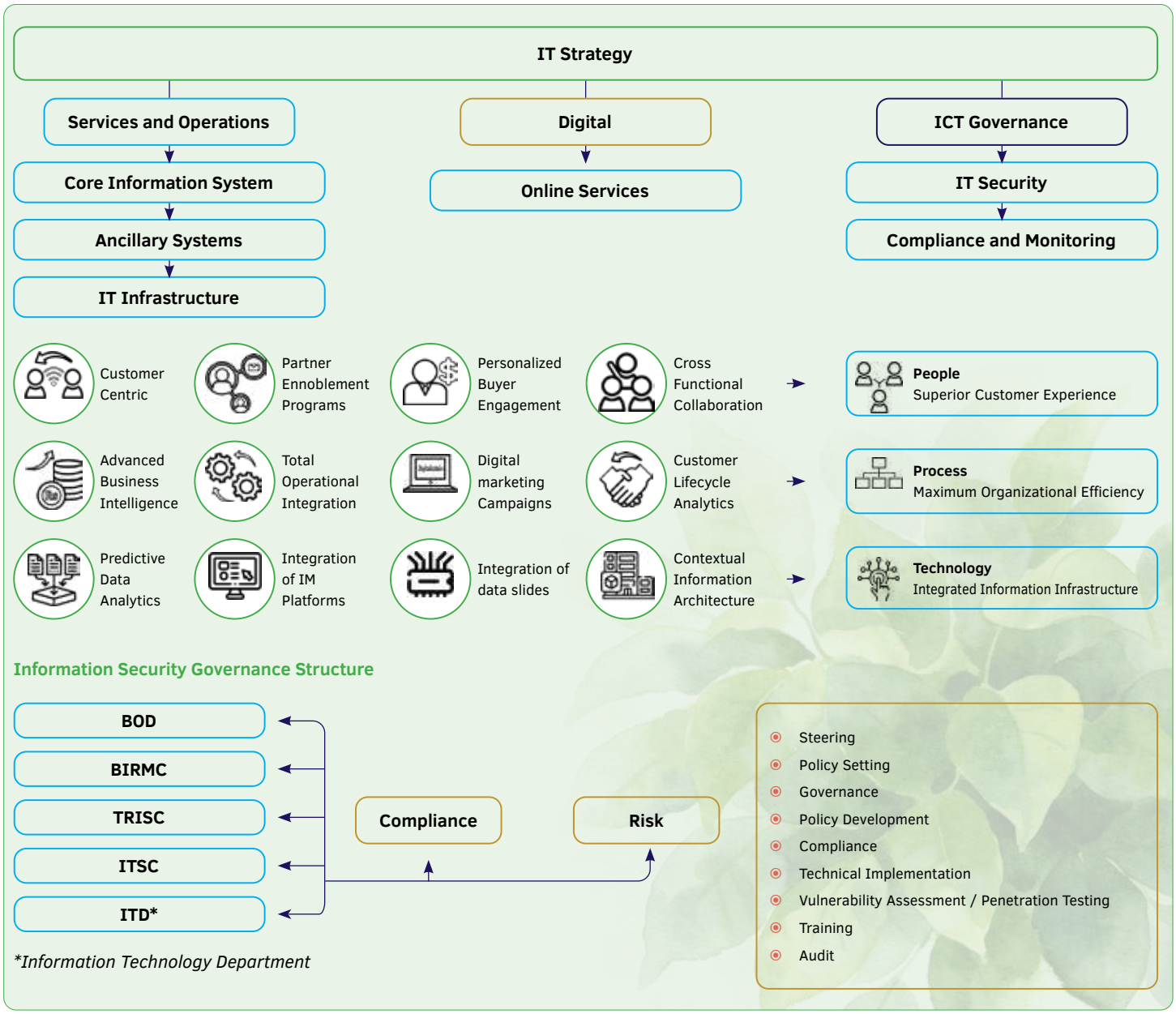
The Board sets the strategic direction for IT investments, and prioritises initiatives to enhance information security resilience, strengthen data security.

To support this mandate, the Board has established robust policies and governance frameworks to ensure the effective and efficient utilisation of IT resources, while maintaining strong controls over financial systems, data integrity, and regulatory compliance.

Operating under delegated authority, the IT Steering Committee oversees the execution of IT strategies, monitors system performance and project delivery, and ensures that technology initiatives remain aligned with organisational priorities, including improving operational efficiency and enhancing the overall customer experience.

In addition, the Board has entrusted the Technology Risk and Information Security Committee (TRISC) with specific responsibility for overseeing information security and safeguarding customer data privacy. This includes monitoring cyber risks, ensuring the implementation of appropriate security controls, and reinforcing the Company's resilience against evolving digital threats.

In line with ongoing efforts to align with the Central Bank of Sri Lanka's Technology Risk Management Framework, the Board of Alliance Finance Company PLC (AFC) oversaw the implementation of a Security Operations Centre (SOC) during the year under review. This initiative, completed on 1st of October 2025, establishes a dedicated, round-the-clock capability to detect, analyse, and respond to cybersecurity threats. It strengthens the Company's ability to proactively identify risks and coordinate timely and effective responses to safeguard its systems, data, and network infrastructure.



HUMAN CAPITAL GOVERNANCE

The Board provides strategic oversight to ensure that the Company's human capital strategy is fully aligned with its business objectives, organisational values, and risk management framework. AFC's Human Resource Philosophy, core values, and operating guidelines form the foundation for all HR policies, which govern the full employee lifecycle, from recruitment and onboarding to performance management, training and development, rewards and benefits, transfers, grievance handling, and separation processes. This comprehensive framework ensures fairness, consistency, and operational effectiveness across the organisation.

To ensure effective execution, the Board has established the Human Resources Department, headed by the Chief People Officer to oversee consistent application of policies and strengthen alignment between workforce planning and organisational priorities.

The HR Department is also responsible for the periodic review and updating of these policies to ensure alignment with evolving regulatory requirements, labour laws, and global best practices.

CORPORATE GOVERNANCE

In addition, the Board works in close collaboration with the Remuneration Committee to design and maintain a competitive, equitable, and performance-linked remuneration framework that complies with regulatory expectations and reflects prevailing industry standards, thereby supporting talent attraction, retention, and long-term organisational sustainability.

For more information, please refer
- The Human Capital Report on page 148

GRI 2-14

ESG GOVERNANCE

The Board, as the apex governing body, endorses the integration of ESG considerations into the AFC strategic direction, risk management framework, and policy development practices.

Accordingly, the Board defines AFC's overarching ESG strategy and provides oversight for its implementation through the Board Subcommittee on Sustainability. At an operational level, the Sustainability Steering Committee (ESG Committee), comprising senior leadership, is responsible for driving the ESG strategy to ensure strategic commitments are translated into measurable actions and effectively embedded within business unit operations.

Day-to-day coordination and execution are led by the Strategic Planning Unit, under the guidance of the Senior Manager – Sustainability and Strategic Planning. This unit provides technical expertise, facilitates cross-functional collaboration, and monitors progress against ESG targets, ensuring consistent alignment and effective delivery of the Company's sustainability commitments.

STAKEHOLDER ENGAGEMENT

The AFC Board recognises its responsibility to maintain regular and meaningful engagement with stakeholders to capture their insights, perspectives, and feedback. Under the guidelines issued by the Board, the Managing Director, and Corporate Management teams oversee the development of suitable engagement plans for designated stakeholder groups. At the operational level, executive management is responsible for conducting day-to-day interactions with stakeholders, guided by the direction and principles set by the Board.

For more information, please refer
- Stakeholder Engagement on page 44

SHAREHOLDER RELATIONS AND COMMUNICATION

The Board is committed to ensuring shareholders are kept appropriately informed of the Company's financial performance, strategic direction, governance practices, and key developments through timely and accurate disclosures in line with regulatory requirements and best governance standards.

In addition to statutory reporting, the Board promotes open channels of communication that enable shareholders to express their views, seek clarifications, and engage meaningfully with the Company. Annual General Meetings, investor presentations, and formal disclosures serve as key platforms for dialogue, ensuring that shareholder perspectives are considered in strategic decision-making.

Further the Board strives to address shareholder inquiries promptly and encourages shareholders to raise any issues at the Annual General Meeting or in writing to the Company Secretary.

ANNUAL GENERAL MEETING (AGM)

The AGM serves as the primary forum for shareholders to engage directly with the Board, raise concerns, and offer suggestions. The meeting is attended by all Directors and members of the executive management, ensuring comprehensive representation and dialogue.

To facilitate meaningful participation, the Annual Report, notice of AGM, resolutions requiring shareholder approval, and voting instructions are distributed to shareholders at least 15 working days in advance to provide sufficient time for preparation prior to the AGM.

The next Annual General Meeting of Alliance Finance Company PLC is scheduled to be held on 24th July 2026, in accordance with statutory and regulatory requirements.

GRI 2-17

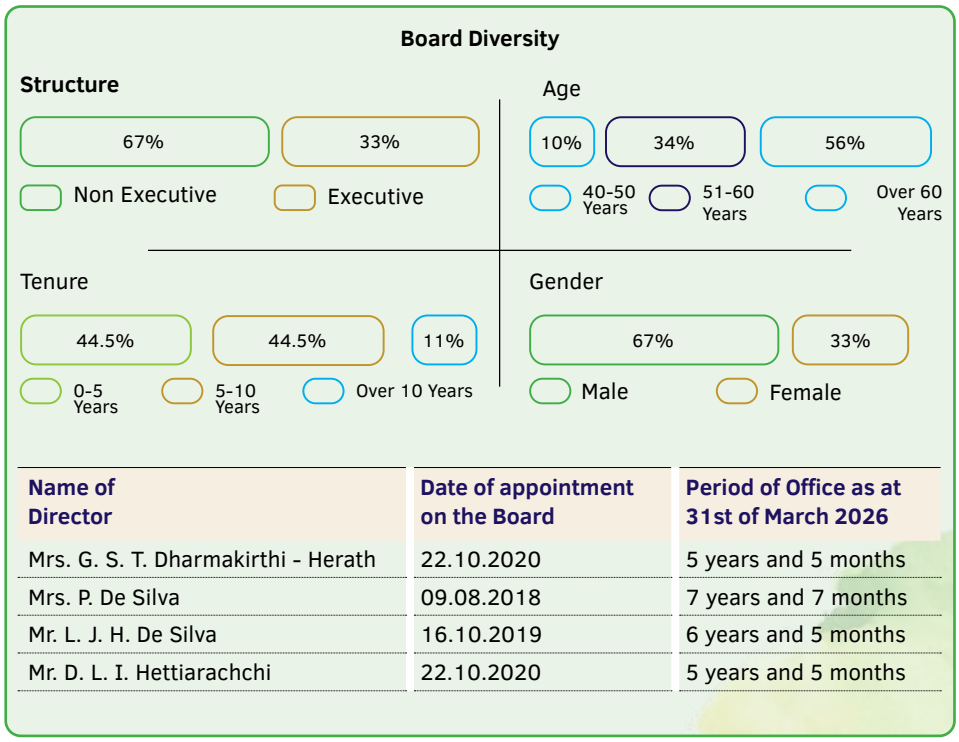
BOARD COMPOSITION

AFC is governed by a strong and well-balanced Board, with its composition determined by the Company's Articles of Association and aligned with applicable regulatory frameworks.

As at 31st March 2026, the Board comprised nine members, including three Executive Directors and six Non-Executive Directors, of whom three were Independent Non-Executive Directors. The Non-Executive Directors play a critical role in providing independent and objective oversight, thereby strengthening governance practices, enhancing accountability, and supporting informed decision-making. Their contributions reinforce the overall effectiveness and integrity of the Board.

The composition of Non-Executive and Independent Directors is fully aligned with the Board balance requirements under Section 9.8.2 of the Colombo Stock Exchange (CSE) Corporate Governance Rules, which stipulate that at least two directors or one-third of the Board, whichever is higher, should be Independent Directors.

With effect from 16th January 2026, female representation was maintained at one-third (1/3) of AFC's Board composition in compliance with UNSDG 5.



Name of Director	Date of appointment on the Board	Period of Office as at 31st of March 2026
Mrs. G. S. T. Dharmakirthi - Herath	22.10.2020	5 years and 5 months
Mrs. P. De Silva	09.08.2018	7 years and 7 months
Mr. L. J. H. De Silva	16.10.2019	6 years and 5 months
Mr. D. L. I. Hettiarachchi	22.10.2020	5 years and 5 months

GRI 2-10

BOARD REFRESHMENT

The objective of Board refreshment is to enhance the Board's overall effectiveness by ensuring it remains dynamic, future-ready, and capable of providing strong stewardship and oversight in an increasingly complex operating environment.

The need for Board refreshment arises upon the retirement or resignation of Directors or due to evolving strategic requirements of the Company, necessitating specific skills, expertise, and diversity of thought and representation.

APPOINTMENT OF NEW DIRECTORS

The appointment of Directors to the AFC Board is governed by a formal and transparent process overseen by the Board Nominations and Governance Committee BNGC.

In identifying suitable candidates, the BNGC evaluates a range of key criteria, including relevant professional qualifications and industry experience, with particular emphasis on expertise in financial services, governance, risk management, and strategic leadership. Consideration is also given to the candidate's ability to contribute effectively to Board deliberations as well as to the responsibilities of Board Sub-Committees, thereby ensuring meaningful participation in both oversight and decision-making processes. As part of this assessment, the BNGC considers Directors' Independence as set out in the Section 9 of the Listing Rules of the Colombo Stock Exchange and in compliance with Schedule A of the Code of Best Practice on Corporate Governance 2023. This includes a thorough assessment of the external directorships held by candidates to ensure they are able to devote sufficient time, attention, and commitment to discharging their duties with integrity, care, and due diligence.

All appointments are subject to a rigorous approval process, including final endorsement by the Board and, where required, regulatory clearance in accordance with the "Fit and Proper" criteria prescribed by the Central Bank of Sri Lanka. This structured approach ensures that Board composition remains robust, competent, and aligned with both regulatory expectations and AFC's long-term strategic objectives.

CORPORATE GOVERNANCE

Procedures for assuring Directors Independence

The Independence of Non-Executive Directors on the AFC Board is assured by the Governance Direction issued by the Central Bank of Sri Lanka

DEFINITION	ASSESSMENT	OUTCOME
Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance.	Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non- Executive Directors.	The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' independence during the period under review.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third of the Non-Executive Directors are required to retire by rotation at each Annual General Meeting (AGM) and may offer themselves for re-election by shareholders. The BNGC evaluates each retiring Director's eligibility for reappointment, taking into account their level of participation, contribution to Board deliberations, and overall engagement during their tenure.

Directors appointed by the Board to fill a casual vacancy or as additional Directors between Annual General Meetings (AGMs) are subject to shareholder approval at the next AGM, at which they may offer themselves for re-election.

Moreover, in alignment with best governance practices and regulatory expectations, Directors who have served on the Board for nine consecutive years or have reached the age of 70 are required to retire.

The Board ensures all Director appointments, re-elections, resignations, and retirements are disclosed promptly to the Colombo Stock Exchange (CSE) and communicated transparently to shareholders in keeping with regulatory requirements and good governance principles.

Board changes for FY 2025/26

New Appointments	Re-elections	Resignations	Retirements
Mrs. Devika Ellepola was appointed to the AFC Board as a Non Executive Director w.e.f. 16/01/2026 and remains eligible for re-election by shareholders pursuant to Article 136 of the Articles of Association at the AGM.	Mr. Hiran De Silva, NonExecutive Director retire by rotation being eligible for re-election in terms of Articles 131, 132 and 133, respectively of the Articles of Association.	Mr. Kusal Jayawardana - Executive Director, resigned from the AFC Board with effect from 31/03/2026	Dr. Lasantha Wickramasooriya, Non Executive Director retired from the AFC Board upon reaching 70 years on 09/12/2025.
Mr. Aruna Rodrigo was appointed to the AFC Board as an Executive Director w.e.f. 01/04/2026 and remains eligible for re-election by shareholders pursuant to Article 136 of the Articles of Association at the AGM			

BOARD SUCCESSION PLANNING

Board succession planning is designed to ensure the continuity of a high-performing, well-balanced, and effective Board capable of providing robust oversight, sound decision-making, and strategic direction. The process focuses on identifying, developing, and preparing suitably qualified internal and external candidates to support leadership continuity and safeguard institutional stability at Board level over the long term.

The Board Succession Planning process is overseen by the NGC based on regular reviews of the composition of the Board to assess current and future capability requirements including identifying potential skill gaps, evaluating the adequacy of existing competencies in line with AFC's evolving business needs, governance expectations, and regulatory requirements.

RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

Each member of the AFC Board is expected to dedicate sufficient time and attention to the affairs of the Company and to actively contribute to Board deliberations through the application of their professional expertise, experience, and independent judgement. Directors are also expected to uphold strong standards of accountability by participating in the annual Board evaluation and self-assessment process, thereby supporting continuous improvement in Board effectiveness and governance practices.

GRI 2-15

CONFLICT OF INTEREST

Directors are required to uphold the highest standards of integrity by actively identifying, disclosing, and appropriately managing any actual, potential, or perceived conflicts of interest that may arise in the course of their duties.

Upon appointment, each Director is required to formally declare any existing conflicts of interest to the Company's Related Party Transactions Review Committee (RPTRC). Thereafter, Directors are expected to continuously assess their engagements and promptly disclose any new or potential conflicts as soon as they arise, enabling timely review and appropriate governance oversight.

The RPTRC is entrusted with the responsibility of ensuring matters pertaining to conflicts of interest are appropriately recorded, monitored and reported to the Board as appropriate. Further, where a conflict of interest is identified in relation to a specific agenda item or decision, the Director concerned is required to recuse themselves from the relevant discussions and decision-making in order to ensure Board deliberations remain objective.

Directors' Interest in Contracts					
Name of Director	Position on the Alliance Finance Company PLC Board	Number of Directorships held in listed Companies		Number of Directorships held in unlisted Companies	
		Executive Capacity	Non-Executive Capacity	Executive Capacity	Non-Executive Capacity
Mrs. G.S.T. Dharmakirti-Herath	Chairperson	None	None	None	None
Mr. R.K.E.P. De Silva	Deputy Chairman/Managing Director	None	SDB Bank PLC	- The Finance House Association of Sri Lanka	- Alfinco Insurance Brokers (Pvt) Ltd - Macbertan (Pvt) Ltd - Alliance Management Services (Pvt) Ltd - Macbertan Holdings (Pvt) Ltd - Techlabs Global (Pvt) Ltd - Alliance Travel Services Ltd - Thakura Arta Holding (Pvt) Ltd
Mr. A.A.P. Rodrigo	Executive Director	None	None	None	None
Mr .M.J. Benedict	Executive Director	None	None	None	- Alfinco Insurance Brokers (Pvt) Ltd - Richard Peiris Securities (Pvt) Ltd
Mrs. P.De Silva	Independent/Non-Executive Director	None	None	None	None
Mr. L.J.H De Silva	Non-Independent/Non-Executive Director	None	None	-Alliance Agencies Ltd -Alliance Graphic Services (Pvt) Ltd -Heshia Shipping (Pvt) Ltd -Drive One (Pvt) Ltd	- Alliance Autocare (Pvt) Ltd
Dr. D.L.I. Hettiarachchi	Independent/Non-Executive Director	None	None	-Cyrus Corporate Services (Pvt) Ltd	None
Mr. D.F.W. Perera	Non-Independent/Non Executive Director	None	None	-MSS Investments (Pvt) Ltd -Motor Service Station (Pvt) Ltd -Orient Properties (Pvt) Ltd -Orient Petrolium (Pvt) Ltd	- Orient Hotels Limited
Mrs. D.M.S.D De Z.S Ellepola (Appointed w.e.f. 16/01/2026)	Non-Independent/Non-Executive Director	None	None	None	None

GRI 2-19,2-20

DIRECTORS REMUNERATION

AFC's Remuneration Policy provides a clear framework that differentiates remuneration structures between Executive and Non-Executive Directors, ensuring alignment with governance expectations and market practices.

For Executive Directors, remuneration typically comprises both fixed and variable components. The fixed element is determined with reference to prevailing market benchmarks. The variable component is linked to performance-based incentives, driven by the Company's overall results and the achievement of its long-term strategic objectives.

A similar performance-driven approach is applied to Key Management Personnel (KMPs), with remuneration packages structured to reward leadership effectiveness, value creation, and sustained contribution to organisational growth.
The total compensation ratio of the highest-paid executive is not disclosed, in view of confidentiality considerations.
Non-Executive Directors are remunerated through a standard fee structure comprising sitting fees payable for attendance at Board and Board Sub-Committee meetings. Such remuneration is determined in line with prevailing market benchmarks and practices adopted by comparable institutions, while also considering the expertise, qualifications, roles, and responsibilities of the Directors.

The fee structure is reviewed annually by the Board to ensure its continued alignment with evolving industry standards and market conditions

During the 2025/26 financial year, the remuneration framework was reviewed by the Board Human Resources and Remuneration Committee to ensure compliance with the Central Bank of Sri Lanka guidelines on Directors' remuneration. The Committee specifically assessed the structure of sitting fees applicable to Non-Executive Directors for Board and Sub-Committee meetings, and the revised remuneration policy was subsequently approved by the Board within the stipulated timeframe, with implementation of the updated framework underway during the year.

GRI 2-11

DIVISION OF RESPONSIBILITIES

In line with global best practices in corporate governance, there exists a clear separation of responsibilities across AFC's leadership structure to ensure no one individual has unfettered decision-making power.

The AFC Board is chaired by a Non-Executive Independent Chairperson, who provides objective leadership, facilitates constructive dialogue, and ensures that Board deliberations remain balanced, transparent, and independently driven. This role is central to safeguarding Board effectiveness and promoting sound governance outcomes.

The Managing Director is responsible for the execution of Board-approved strategies, the management of day-to-day operations, and the delivery of organisational performance in line with AFC's long-term strategic objectives.

This clear delineation of responsibilities between the Board and Management strengthens the governance framework, promotes accountability, enhances operational efficiency, and supports the creation of sustainable long-term value.
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CORPORATE GOVERNANCE



Chairperson

- Ensure that the Board is in control of the affairs of the Company
- Efficient conduct of the Board Meetings
- Ensure that there is a balance of power between Executive and Non-Executive Directors
- Ascertain views of all Directors



Managing Director

- Execute the strategic direction set by the Board of Directors.
- Drive the development and implementation of the Company's business plans and long-term growth strategies.
- Ensure alignment of operations with AFC's vision, mission, and core values.
- Oversee day-to-day business operations across all functions.
- Lead the senior management team to achieve performance objectives.
- Ensure operational efficiency, cost-effectiveness, and quality standards.
- Deliver the Company's financial targets and safeguard financial health.
- Monitor and manage financial performance, budgeting, and resource allocation.
- Ensure timely and accurate financial reporting in compliance with regulatory requirements.
- Identify, assess, and manage key business risks.
- Ensure compliance with all legal, regulatory, and corporate governance obligations.
- Uphold ethical business conduct and implement internal control mechanisms.
- Act as the key spokesperson and representative of AFC to shareholders, regulators, business partners, and other stakeholders.
- Foster positive relationships with key stakeholders including investors, customers, suppliers, and the community.
- Support the Board's stakeholder engagement strategy.
- Build and maintain a high-performance culture driven by strong values, accountability, and continuous learning.
- Ensure effective human capital development through leadership development, talent management, and succession planning.
- Promote diversity, equity, and inclusion across the organisation.
- Lead the implementation of the Company's ESG strategy and policies.
- Ensure integration of ESG goals into business operations and decision-making.
- Report regularly to the Board on business performance, risks, and strategic initiatives.
- Provide the Board with accurate, timely, and relevant information to support decision-making.
- Implement Board decisions and keep the Board informed of key developments.

GRI 2-13

BOARD SUB-COMMITTEES

To assist in performing its oversight role, the Board has appointed several Sub Committees to provide oversight in specific key areas.

All Board Sub-Committees continued to function effectively in the current year. The existing composition of all Sub committees remained aligned with regulatory requirements and governance best practices, ensuring adequate independence, expertise, and effective oversight.

During the year, the Terms of Reference of the Board Integrated Risk Management Committee (BIRMC) were reviewed and approved by the Board, with specific refinements made to clarify authority, reporting lines, and responsibilities. No other material changes were made to the TORs of the remaining Board Sub-Committees, which continued to operate under approved mandates consistent with applicable regulations.

BOARD AUDIT COMMITTEE (BAC)

No of meetings in 2025/26 : 12

Areas of Oversight

- Financial Reporting
- Internal Controls
- Internal Audit
- External Audit
- Compliance & Regulatory Oversight
- Risk Management
- Fraud Risk & Whistleblowing

HUMAN RESOURCES & REMUNERATION COMMITTEE (BHRRC)

No of meetings in 2025/26 : 04

Areas of Oversight

- Remuneration Policy (KMPs)
- Remuneration Framework
- Performance Goals & Targets
- Performance Evaluation
- Succession Planning
- HR Policy Oversight

RELATED PARTY TRANSACTION REVIEW COMMITTEE (RPTRC)

No of meetings in 2025/26 : 04

Areas of Oversight

- Review and monitor related party transactions to ensure they are conducted on an arm's length basis and in compliance with regulatory requirements and internal policies
- Ensure appropriate disclosures are made in financial statements and regulations

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

No of meetings in 2025/26 : 08

Areas of Oversight

- Enterprise Risk Management Framework
- Management-Level Committees
- Risk Appetite & Strategy
- Risk Monitoring & Reporting
- Risk Policies & Frameworks

BOARD NOMINATION & GOVERNANCE COMMITTEE (BNGC)

No of meetings in 2025/26 : 04

Areas of Oversight

- Board Composition & Appointments
- Board Structure & Diversity
- Succession Planning
- Board Performance Evaluation
- Governance Policies & Framework

BOARD SUSTAINABILITY COMMITTEE (BSC)

No of meetings in 2025/26 : 04

Areas of Oversight

- Sustainability Strategy & Framework
- ESG Performance
- Sustainability Policies & Compliance
- Integration into Business Operations
- Sustainability Reporting
- Stakeholder Engagement & Impact

COMPANY SECRETARY

AFC's Company Secretary serves as a trusted advocate for safeguarding the integrity, effectiveness, and proper functioning of the Company's corporate governance framework. Acting as a key governance advisor to the Board, the Company Secretary ensures that all Board and Committee processes are conducted in full compliance with applicable statutory requirements, regulatory guidelines, and recognised best practices in corporate governance.

In this capacity, the Company Secretary provides timely, accurate, and independent guidance on Board procedures, compliance obligations, disclosure requirements, and governance structures, thereby enabling well-informed and effective decision-making at the highest level. All Directors have unrestricted access to the Company Secretary.

Key responsibilities of the Company Secretary include:

- Coordinating Board and Committee meetings, including preparation and timely distribution of Board packs, agendas, and minutes;
- Ensuring proper documentation and communication of Board decisions to management and relevant stakeholders for effective implementation;
- Maintaining statutory records and ensuring compliance with applicable laws, listing rules, and corporate governance codes;
- Facilitating the induction of new Directors and organising continuous training programs to keep Board members informed of evolving regulatory changes, governance expectations, and industry trends.
- Act as a liaison between the Board, management, regulators, and shareholders, the Company Secretary helps to foster transparency, accountability, and confidence in governance processes across the organisation.

The appointment of the Company Secretary is subject to rigorous screening, including "fit and proper" assessments, and is formally approved by the Board. To ensure continued effectiveness, the Board conducts an annual performance evaluation of the Company Secretary, assessing their ability to support the Board in fulfilling its fiduciary and strategic oversight responsibilities.

INDUCTION AND TRAINING FOR DIRECTORS

A structured induction programme is in place to ensure that newly appointed Directors to the AFC board are fully equipped to discharge their responsibilities from the outset. The induction process

CORPORATE GOVERNANCE

provides a comprehensive overview of the Company's business model, strategic priorities, governance framework, risk management practices, and regulatory environment. It also familiarises Directors with key policies, Board procedures, and the roles of various Board Committees, enabling them to develop a clear understanding of AFC's operations and governance architecture.

In addition, AFC places strong emphasis on continuous professional development for Directors through ongoing training and knowledge-sharing initiatives. These programmes are designed to keep the Board updated on evolving regulatory requirements, emerging risks, industry developments, and best practices in corporate governance, sustainability, and financial services. Regular training sessions, briefings, and external engagements are facilitated to strengthen Board effectiveness and ensure that Directors remain well-positioned to provide informed oversight and strategic guidance in a dynamic operating environment.

BOARD MEETINGS

Board meetings are held every months or more frequently when required. Attendance at scheduled meetings is mandatory, and all Directors are expected to be well-prepared and actively contribute to robust, constructive discussions.

The Chairperson ensures meetings are effective by encouraging participation from all Directors, fostering diverse viewpoints while maintaining a focused approach to addressing all agenda items, including the review and approval of Board resolutions.

A total of 19 Board meetings were held in FY 2025/26.

ACCESS TO INFORMATION

Directors are granted unrestricted access to all relevant information necessary to fulfill their duties effectively. This includes access to financial records, Board papers, management reports, and other operational data, enabling informed decision-making and effective oversight. Directors may also seek independent professional advice at the Company's expense, where necessary, to support their responsibilities. This right of access ensures transparency, accountability, and reinforces the Board's ability to act in the best interest of the Company and its stakeholders.

PLANNING AND SCHEDULING OF BOARD MEETINGS

Before the Meeting

- The Company Secretary, in consultation with the Chairperson and the Managing Director, prepares the agenda for Board meetings.
- The agenda is carefully structured to ensure sufficient time is allocated for the consideration of key matters, including strategy, financial performance, industry developments, risk management, and regulatory compliance.
- A comprehensive information pack, comprising the finalised agenda and Board papers, is circulated to Directors at least seven (7) working days in advance of the meeting to facilitate informed deliberations.
- Directors have the right to request, in writing, the inclusion of additional items or proposals in the agenda.

At the Meeting

- All Board members are expected to be adequately prepared and to actively participate in deliberations.
- The Chairperson of each Board Sub-Committee presents updates on key matters considered at Committee meetings held prior to the Board meeting.
- The Managing Director provides a comprehensive overview of business performance, operational developments, and the external and internal factors influencing outcomes.
- Selected members of Corporate Management may be invited to present on specific agenda items where relevant.
- The Company Secretary ensures the maintenance of accurate, comprehensive, and timely records of all Board proceedings.

After the Meeting

- The Company Secretary is responsible for preparing and finalising the draft minutes following each Board meeting.
- The draft minutes are submitted to the Chairperson for review and approval.
- Upon approval, the minutes are circulated to all Directors and relevant members of Corporate Management who attended the meeting in a timely manner.

Name of a Director	Capacity	Board Meeting	Board Audit Committee	Board Integrated Risk Management Committee	Related Party Transactions Review Committee	Human Resources & Remuneration Committee	Nomination & Governance Committee	Board Sustainability Committee
Mrs. G.S.T. Dharmakirti-Herath (Chairperson)	INE	19/19	12/12	8/8	4/4	4/4	4/4	4/4
Mr. R.K.E.P. de Silva	EX	19/19	-	-	-	-	-	4/4
Mr. W.P.K. Jayawardana (Resigned w.e.f. 31/03/2026)	EX	19/19	-	-	-	-	-	4/4
Mr. A.A.P Rodrigo (Appointed w.e.f. 01/04/2026)	EX	-	-	-	-	-	-	
Mr. M J Benedict	EX	19/19	-	-	-	-	-	
Mrs. P. De Silva	INE	19/19	12/12	8/8	-	-	-	
Mr. L.J.H. De Silva	NINE	19/19	12/12	8/8	4/4	4/4	4/4	
Dr. D.L.I. Hettiarachchi	INE	19/19	-	-	4/4	4/4	4/4	
Dr. S.L.N Wickremasooriya (Retired on 09/12/2025)	NINE	14/14	-	-	-	-	-	
Mr. D.F.W. Perera	NINE	19/19	-	-	-	-	-	
Mrs. D.M.S.D. De Zoysa S. Ellepola (Appointed w.e.f. 16/01/2026)	NINE	3/3	-	-	-	-	-	

MEETING OF THE NON-EXECUTIVE DIRECTORS

Non-Executive Directors met twice during the year, under the leadership of the Chairperson, to openly discuss matters relating to governance, Board effectiveness, and management performance, separate from Executive Management. These discussions allowed for frank and constructive exchanges among the Non-Executive Directors. The key outcomes of these meetings are subsequently shared with the Board.

GRI 2-18

BOARD AND BOARD SUB COMMITTEE EVALUATION

The effectiveness of the Board and its Subcommittees undergoes an annual evaluation. As part of this process, all Directors are required to complete a self-assessment, providing their insights on the Board's balance and overall effectiveness in functioning.

The evaluation considered the effectiveness of Board composition, quality of discussions, decision-making processes, oversight of strategy and risk, and overall Board functioning. Key observations arising from the evaluation were noted, and areas for ongoing improvement were identified.

The annual performance of Board Sub-Committees focuses on assessing committee composition, adequacy of terms of reference, frequency of meetings, quality of reporting to the Board, and contribution to governance and oversight. Based on the findings of the latest evaluation, the Board is satisfied that all Sub-committees continue to function effectively within their approved mandates.

EVALUATING THE PERFORMANCE OF THE MANAGING DIRECTOR (MD)

The performance of AFC's MD is assessed annually by the Board at the end of each financial year. This evaluation measures the Company's progress against the strategic goals, targets, and objectives set at the beginning of the year. Based on the results of this performance review, the Board provides recommendations to the Board Human Resources and Remuneration Committee on any necessary adjustments to the Managing Directors compensation package.

Based on the findings of the latest evaluation, the Board is satisfied that the Managing Director has demonstrated effective leadership in driving the Company's strategic priorities, delivering strong operational performance, and ensuring alignment with AFC's long-term objectives. The Board also noted the MD's contribution to strengthening governance practices, enhancing business resilience, and advancing key initiatives in line with the Company's growth and sustainability agenda.

MANAGEMENT-LEVEL COMMITTEES

Management-level committees are established to assist the Managing Director in bringing more focused oversight into critical areas on a day to day basis.

CORPORATE GOVERNANCE GRI 2-16

FINANCE BUSINESS ACT DIRECTIONS NO.05 OF 2021-CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance Status
1.1 Board's overall responsibilities		
1.1.a	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of Company's Corporate Strategy, setting up the governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction below from 1.2 to 1.7 in effectively discharging its responsibilities	**Complied** The Board assumed overall responsibility and accountability for the Company's operations by setting the strategic direction, establishing a robust governance framework, and fostering a strong corporate culture. The Board also ensured compliance with all applicable regulatory requirements while consistently promoting and reinforcing sound governance practices. The Board's availability and visible commitment were demonstrated through its ongoing oversight, active leadership engagement, and the tone at the top, which served as a critical foundation for promoting ethical conduct, integrity, and accountability across the organisation. The board approved Strategic Business Plan for 2025-2028 is in place.
1.2 Business Strategy and Governance Framework		
1.2.a	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	**Complied** The Board approves and oversees the formulation of the Strategic Plan and the Strategic Objectives for the Company. Strategic Plan would encompass the High Impact Goals which is woven into the business fabric and is determined for a period of three years with milestones for every year both for financial and non-financial objectives. This plan is reviewed annually and revised if required.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	**Complied** The Board has approved and implemented a robust Governance framework considering its size, complexity, structure, strategies and regulatory requirements.
1.2.c	Assessing the effectiveness of its governance framework periodically.	**Complied** An approved procedure is in place to assess the effectiveness of the governance framework at regular intervals by the Board.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	**Complied** The Board has appointed a Chairperson, who is an Independent Non-Executive Director, with a role defined in accordance with Non-Executive responsibilities and governance best practices. The Company has also appointed a Managing Director and is responsible for the execution of strategy and the management of the Company's operations. The roles and responsibilities of the Chairperson and the Managing Director are clearly defined and separated, thereby ensuring an appropriate balance of power, effective oversight, and a robust governance framework
1.3 Corporate Culture and Values		
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior.	**Complied** Being a Company that has practiced governance principles from its inception, the Company has a strong corporate culture with time tested principles which had been handed down over three generations. Ethical and professional behavior is inculcated and strictly observed, inculcated amongst the employees. A board approved Code of Conduct for employees is in place.
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	**Complied** The Board has adopted a codes of conduct for both directors and employees and has functioned as a role model embodying the corporate culture it wishes the employees to emulate. Conflict of Interest Policy is in place to manage conflicts if it were to arise.

FINANCE BUSINESS ACT DIRECTIONS NO.05 OF 2021-CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance Status
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	**Complied** The Company is the only entity in Sri Lanka to be certified for Sustainability by the Sustainability Standards Certification Institute, Karlsruhe, Germany. This standard promotes a holistic approach to sustainability, encompassing both social and environmental dimensions. These principles are integrated into the Company's business strategy, corporate objectives, and high-impact goals. AFC has established a Board Sub-Committee, namely the Board Sustainability Committee, which is responsible for formulating sustainability policies and providing oversight of management-level sustainability initiatives.
1.3.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 Company's performance, position and prospects with the public and regulators.	**Complied** The Board has formulated and implemented a Communication Policy considering all the stakeholders and a equitable treatment for all.
1.4 Risk Appetite, Risk Management, and Internal Controls		
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	**Complied** The Risk Appetite Statement was designed to be in line with the overall Strategic direction and objectives and the governance framework. RAS is reviewed by the BIRMC on a regular basis and approved by the Board.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	**Complied** The Board has approved a Risk Management Framework, as outlined in the Risk Management Policy, which provides a structured approach for the identification, assessment, management, and mitigation of all types of risks. The framework incorporates established methodologies to proactively identify potential risks and implement appropriate mitigation measures, thereby ensuring that risks are managed in a prudent and effective manner.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	**Complied** The Board has established a healthy internal control and management systems which is well supported by an organization and management structures with a view to having an overall effective control mechanism for a sustainable enterprise. The Internal Control System is evaluated periodically by the Internal Auditors and annually by the External Auditors who furnish an independent certification on this.
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	**Complied** AFC holds certifications for its Business Continuity Management System and Quality Management System, and these are audited annually by Det Norske Veritas. Board-approved Business Continuity and Disaster Recovery Plans are in place and are regularly reviewed by the Board to ensure operational stability, financial resilience, and the continuity of critical services during unforeseen events.
1.5 Board Commitment and Competency		
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	**Complied** The Board of Directors allocates adequate time to matters concerning the affairs of the Company. The Board convenes on a monthly basis, while its Sub-Committees meet monthly, bi-monthly, or quarterly, in accordance with the Terms of Reference governing each respective Sub-Committee.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	**Complied** Appointments to the Board are recommended by the Board Nominations and Governance Committee (BNGC). The Directors, including Non-Executive Directors, possess the necessary qualifications, skills, knowledge, and experience to effectively discharge their duties. Collectively, the Board benefits from a diverse range of expertise across various business sectors, enhancing the quality of judgments on strategy, performance, and resource allocation, with some Directors bringing extensive industry experience.

CORPORATE GOVERNANCE

FINANCE BUSINESS ACT DIRECTIONS NO.05 OF 2021-CORPORATE GOVERNANCE

Section	Corporate Governance Principle	Compliance Status
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	**Complied** The Board has had continuous identified specific training and development programs collectively as a Board also individually. Both collective and individual training needs are identified and the members of the Board then suitable training programs that match the needs.
1.5.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.	**Complied** On an annual basis the Directors have adopted a self assessment scheme and records are maintained.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	**Complied** A procedure is in place for the Directors to obtain external professional advice as and when required.
1.6 Oversight of Senior Management		
1.6.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.	**Complied** The Board of Directors has established a policy and procedures to identify and designate individuals as Key Responsible Officers, who constitute the Senior Management of the Company. These designated officers are assigned specific roles and responsibilities to exercise control over business operations and risk management. Collectively, they also influence policy decisions.
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	**Complied** Each member of the Senior Management have their designated roles and responsibilities which are documented and reviewed periodically to ensure that it is in keeping with their job requirements. Accountability and responsibility are delegated to Senior Management officers through the implementation of various policies, procedures, and Job Descriptions (JD).
1.6.c	Ensuring that Senior Management possesses the necessary qualifications, skills, experience, and knowledge to effectively achieve the Company's strategic objectives.	**Complied** The set of skills and competencies required by the Company is determined through a structured recruitment process. Candidates are evaluated and verified during the interview stage in accordance with the Company's recruitment policy. Furthermore, relevant documents and confirmations are obtained and verified during the onboarding process. Approval for Key Responsible Persons (KRPs) is obtained from the Central Bank of Sri Lanka (CBSL). The Senior Management team comprises individuals overseeing diverse functions essential for the smooth operation of the Company. The team possesses the requisite qualifications, skills, experience, and knowledge aligned with their respective areas of expertise, enabling them to contribute effectively towards the achievement of the Company's overall objectives.
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	**Complied** To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the Managing Director. To ensure better management, development, and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview. The management of the Company is structured in a manner that the key functions are identified with an appropriate oversight by the members of the Senior Management. There are Systems, Controls and mechanisms in place for effective management.

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1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	**Complied** Key and critical areas have been identified by the Board, and a formal Board approved Succession Plan is in place for all persons who are responsible for such areas including those who are in the senior management.
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	**Complied** The Board has created forums where the senior management would meet with the Directors to manage the various functions of the entity. Such forums are held on regular basis with a specific focus which would facilitate and measure performance and progress in achieving the strategic objectives. There are established lines of communications for the flow of information and effective and timely communication of decisions. Senior Management is regularly invited to make presentations and participate in discussions on matters within their areas of responsibility at Board and Sub-Committee meetings. Progress towards the Company's strategic objectives is also a standing agenda item of the Board, at which Senior Management is actively involved.
1.7 Adherence to the Existing Legal Framework		
1.7.a	Ensuring that the FC does not act in a manner that is detrimental to the interests of, or inconsistent with its obligations to, depositors, shareholders, and other stakeholders.	**Complied** Systems and controls are in place for the Board to ensure that Company carries out its activities to the best interest of and obligations to depositors, Shareholders and other stakeholders. The Company has established a Code of Conduct for the Board and a separate Code of Conduct for employees, which set out the expected standards of conduct and the business ethics to be observed, in order to safeguard the best interests of all stakeholders.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	**Complied** Compliance department is established to ensure whether company carries out its activities in adherence to the relevant laws, regulations, directions and ethical standards. Procedures are in place to obtain periodic assurance by the Board and the Board affirms that the Company adheres to relevant laws, regulations, directions and ethical standards to the best of their knowledge.
1.7.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.	**Complied** The Board of Directors act with due care, prudence and with integrity to drive the company for a sustainable growth. Good governance is practiced as a way of life, as such the business activities of the Company is carried out with prudence, integrity and ethics.

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Section	Corporate Governance Principle	Compliance Status
2 Governance Framework		
2.1	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following (a) 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) 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 company secretary; (m) Board sub committees and their role, (n) Limits on related party transactions (not available in the governance framework)	**Complied** A Board-approved Governance Framework is in place. The Board has established and implemented a comprehensive corporate governance framework in line with the provisions of the Finance Business Act Direction No. 5 of 2021, while also taking into account other applicable statutory requirements and obligations.
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 Company.	**Complied** Considering the complexities of the operations of the Company, the composition of the Board has been formulated to determine the right balance, skills, professionalism, qualifications, expertise and experience is maintained with an emphasis to identify and address the need for specific skills and experience. All members of the Board posses vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	**Complied** the Board of Directors comprised nine (09) members which is within the statutory limit required by the direction. The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors. At the end of the financial year there were three Independent Non-Executive Directors, three Non-Independent, Non- Executive Directors and three Executive Directors. The required board balance was maintained throughout the year.
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.	**Complied** The Period of service of all Non-Executive Directors are less than nine (9) years during the year under review.
3.4	Non-executive directors, who directly or indirectly hold more than 10% of the voting rights or who are 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, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board.	**Complied** Non-Executive Directors representing shareholders who indirectly hold more than 10% of the Company are present on the Board. The service period of the said Non-Executive Director is below nine (09) years.
3.5 Executive Directors		
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of Directors of the Board.	**Complied** End of the financial year there were three Executive Directors. Mr. R.K.E.P. De Silva is the only Executive Director of the Company who currently holds the position of Managing Director.

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3.5.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 be reappointed as a non-executive director subject to provisions contained in directions 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 be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	**Complied** No such circumstance transpired during year under review. The Managing Director of the company is also a shareholder and a director. His term of office is determined by his contract of employment.
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	**Complied** Out of three Executive Directors, there is one Executive Director designated as Managing Director.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	**Complied** All Executive Directors have functional reporting lines and specific defined and documented areas of responsibility and oversight. The Managing Director has a clear functional reporting line in place within the organizational structure of the company.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	**Complied** Executive Directors report to the Board through the Managing Director.
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	**Complied** All the Executive Directors including MD has declared that they do not hold any Executive Directorships or Senior Management positions in any other entity.
3.6 Non-Executive Directors		
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	**Complied** There are six Non-Executive Directors on the Board and they have the knowledge, skills, experience and expertise which enable them to contribute to the deliberations and decisions made by the Board. Their profiles are on pages 12 to 15. All Non-Executive Directors are actively engaged in providing their independent judgment on various matters under discussion through Board Sub-committees.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/ Executive Director of the Company.	**Complied** None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.
3.7 Independent Directors		
3.7.a	The number of Independent Directors of the Board shall be at least three or one third of the total number of directors, whichever is higher.	**Complied** During the year, the Board comprised six Non-Executive Directors. The composition of the Board of Directors is presented on pages 12 to 15 of the Annual Report. With a total Board size of nine (09) members, the Board composition is in compliance with the applicable requirements.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	**Complied** Independent Directors have been appointed considering their professional qualifications, experience and expertise. The Independent Non-Executive Directors of the Company bring a diverse range of skills and experience to the Board, contributing to effective governance and decision-making. Their collective expertise encompasses various fields, including finance, risk management, legal, regulatory compliance, technology, strategy, and industry knowledge. This diverse skill set enables them to provide valuable insights, independent judgment, and constructive challenge to executive management.

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3.7.c	Independence Criteria of the Non- Executive Director who would be considered independent.	**Complied** Three (3) out of six (6) Non-Executive Directors are independent. The Board evaluates independence of the Directors annually based on the Directors' self-declarations. The criteria defined in this direction are taken into consideration when evaluating the independence of each Non-Executive Director.
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	**Complied** The BNGC and the Board assess whether there are any circumstances or relationships, beyond those specified in the direction, that could potentially influence the independence of a director or create a perception that their independence may be compromised at the annual evaluation process. However, no such incidents were occurred during the year.
3.7.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/DSNBFI in writing of its decision to affirm or change the designation.	**Complied** Declarations have been obtained from the Directors regarding their status as independent or non-independent, based on the specified criteria. Copies of these declarations are maintained under the custody of the Company Secretary for review.
3.8 a,b,c,d,e	Alternate Directors	There are no Alternate Directors on the Board.
3.9 a,b	Cooling off Periods for Directors and Independent Directors	There are no members of the Board who are subjected to cooling off periods.
3.10 Common Directorships		
3.10	Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	**Complied** The Executive Directors and Senior Management of the Company do not hold executive positions in other companies.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company 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.	**Complied** The members of the Board do not hold Directorships or equivalent positions exceeding twenty.
4 Assessment of Fit and Proper Criteria		
4.1	No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	**Complied** The Board has appointed Directors in accordance with the policy on Selection, Nomination, Appointment and Election of Directors in line with the Finance Business Act Direction No. 6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons
4.2	A person over the age of 70 years shall not serve as a director of an FC.	**Complied** None of the Directors of the Company were above the age of seventy years during the period. Dr. S.L.N. Wickremasooriya retired from the Board on 9th December 2025 upon attaining the age of seventy years.
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 31.03.2026, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the criteria mentioned in 4.3(a) , 4.3 (b), 4.3 (c) and 4.3 (d).	**Complied** All the Directors of the Company are below 70 years of age.

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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.	**Complied** During the year, a Non-Executive Director was appointed in accordance with the provisions of the Direction on Key Responsible Persons (KRPs). The retirement of both Executive and Non-Executive Directors was also carried out in compliance with the same provisions. Resignations within the Senior Management team were likewise subject to, and effected in accordance with, the requirements of the Direction on KRPs.
6 The Chairperson and the Chief Executive Officer		
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall beset out in writing.	**Complied** The functions of the Chairperson and Managing Director indistinctly different and the Managing Director is the virtual CEO of the Company and their roles are clearly distinct and defined. Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	**Complied** Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions.
6.3	In the 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. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	**Complied** The Chairperson is an Independent Non-Executive Director. As such a Senior Director was not appointed.
6.4 Responsibilities of the Chairperson		
6.4.a	Provide leadership to the Board;	**Complied** The Chairperson of the Company has many years of experience in the industry and has expertise and experience in the affairs of a Licensed Finance Company. Having such wealth of experience and expertise, she is able to provide leadership to the Board which encourages active participation of both the Executive and Non Executive Directors in the deliberations and decision making processes.
6.4.b	Maintain and ensure a balance of power between the Executive and Non Executive Directors;	**Complied** In order to optimize the decision-making process, the Board is constituted of an adequate number of Non-Executive Directors who impact the decision-making by their objective independent outlook. As members of the Board sub-committees, they play a crucial role in providing sound advice on the Company's critical functions.
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	**Complied** The Chairperson facilitates and encourages active contribution by all Directors during deliberations at Board level and the decision making process to ensure that the outcome is in the best interest of the Company. Directors with expertise in specified areas are provided with opportunities to offer advice and guidance, which has proven beneficial to the company in reaching final outcomes or making ultimate decisions.
6.4.d	Ensure the Board works effectively and discharges its responsibilities.	**Complied** In the role to facilitate the effective and timely decision making process, the Chairperson ensures the flow of information is adequate to make informed decisions and also provides guidance at meetings. By the formal delegation of the key functions, the responsibilities of the Directors carrying out executive functions are well documented and are measurable. Thus the Board as a whole is able to discharge its responsibilities effectively, efficiently and in a timely manner.
6.4.e	Ensure all key issues are discussed by the Board in a timely manner.	**Complied** All key areas are identified and have been documented. Thereby the key issues are deliberated on a timely and effective manner.

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6.4.f	Implement decisions/directions of the regulator.	**Complied** A process is in place and is strictly adhered to implement the decisions, recommendations and directions of the regulator.
6.4.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.	**Complied** The Chairperson has delegated responsibility for the preparation of the agenda to the Company Secretary. Accordingly, the Company Secretary prepare the agenda in consultation with the Chairperson.
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	**Complied** The Chairperson does not have executive functions nor does she involve herself in the operational matters of the Company.
6.4.i	Ensuring that appropriate measures are taken to maintain effective communication with shareholders, and that their views are duly communicated to the Board.	**Complied** Effective communication with shareholders is maintained throughout the year. Shareholders have access to the Directors and the Company Secretary as and when required, and such engagement has been effective. The (AGM) serves as the principal forum through which the Board engages with shareholders. At the AGM, shareholders are provided with the opportunity to raise matters requiring clarification and to express their views. The Chairperson presides over the AGM and facilitates an open and constructive environment, encouraging shareholders to raise relevant matters. Furthermore, the Board-approved Communication Policy outlines the Company's approach and processes for ensuring effective communication with shareholders.
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	**Complied** The Chairperson evaluates the performance and contribution of the Managing Director on an annual basis.
6.5 Responsibilities of the CEO		
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at lease include the criteria mentioned in 6.5 (a) to 6.5 (g) in the direction.	**Complied**
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 to be avoided as much as possible.	**Complied** The Board met on Nineteen (19) occasions during the year 2025/26. The consent of the Board is usually obtained at meetings with due notice given with Board papers. The Board meets on a monthly basis and additional meetings were held when required. The details of the attendance and number of meetings also included in this report. Consent through Circular Resolutions were obtained when required.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	**Complied** A procedure is in place and has been functional for Directors to include items into the Agenda for the Board Meetings.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	**Complied** Minimum of seven days Notice had been given for all monthly Board Meetings and a calendar was drawn up at the commencement of the calendar year. Special meetings were convened with shorter notice.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	**Complied** The Directors have prepared to discuss matters pertaining to the Company and have made valuable contributions and views at the Board meetings and Board Sub Committees.

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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.	**Complied** All Independent Non-Executive Directors were present at every meeting held during the financial year.
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.	**Complied** The Chairperson held two meetings with the Non Executive Directors without the Executive Directors being present at the meeting.
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 a substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	**Complied** The Directors' have abstained from voting nor have they been considered for the quorum when matters of interest were discussed. The interested party was not part of the decision making process.
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 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.	**Complied** Almost all the Directors have attended all meetings except one meeting. Hence this is not applicable. No Director has been absent from three consecutive regular Board meetings during the financial year 2025/26
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings	**Complied** The attendance of the Directors are on page 195
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	This practice is encouraged. However, due to practical constraints, some meetings were conducted virtually. The participation of Directors via electronic means has been duly recorded in the minutes.
8 Company Secretary		
8.1.a.	The Board shall appoint a Company Secretary considered to be 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** The Board has appointed a Company Secretary, who is considered part of Senior Management, and is responsible for providing secretarial services to the Board and at shareholder meetings. The Company Secretary also performs functions in accordance with applicable statutes and other regulatory requirements.
8.1.b.	The Board shall appoint its Company Secretary, subject to the 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 the Company and shall not become an employee of any other institution.	**Complied** The Company has appointed a qualified Company Secretary in accordance with applicable legal and regulatory requirements, who is employed exclusively by the Company and not by any other institution.
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	**Complied** All Directors have access to the Company Secretary to ensure compliance with Board procedures, laws, and regulations.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	**Complied** The Chairperson has delegated the preparation of the agenda to the Company Secretary, who prepares it in consultation with the Chairperson.
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.	**Complied** The Minutes of Board Meetings and the submissions to the Board are retained by the Company Secretary.
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.	**Complied** The Minutes of the Meetings are prepared in an orderly manner and follows the laid down requirements.

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8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it impossible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the information mentioned in 8.6 (a) to 8.6 (f).	**Complied** The minutes of Board meetings are prepared with due care and detail, capturing a summary of information reviewed, matters deliberated, compliance aspects, risk-related discussions, and resolutions passed by the Board.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	**Complied** The Minutes are open for inspection by the Directors with reasonable notice being given.
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.	**Complied** The Board approved Delegated Authority has been documented with clear directions and the parameters on which the Board and senior management would operate on behalf of the FC.
9.2	In the absence of any of the subcommittees mentioned in Direction10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	**Complied** All Board sub-committees have been duly established and are fully operational, ensuring that the functions stipulated under the applicable Directions are effectively carried out.
9.3	The Board may establish appropriate senior management level subcommittees with appropriate DA to assist in Board decisions.	**Complied** The Board has established Senior Management level Subcommittees namely Credit Committee, ALCO, ITSC, TRISC, ERMC and Sustainability Steering 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.	**Complied** The Board has not delegated any function or responsibility to an extent that it is unable to discharge its functions.
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 Company.	**Complied** The delegation process is reviewed at regular intervals to ensure that it is current and relevant.
10 Board Sub-Committees		
	All Board sub-committees have been duly established and are fully operational, ensuring that the functions stipulated under the applicable Directions are effectively carried out.	
10.1.a	◉ Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), ◉ Board Nomination & Governance Committee (BNGC), Board Human Resources & Remuneration Committee (BHRRC), Board Related Party Transaction Review Committee (BRRTRC) ◉ Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	**Complied** The following Sub Committees have been appointed by the Board and each such committee is required to report to the Board. (1) Board Audit Committee on page 268 (2) Board Integrated Risk Management Committee on page 275 (3) Board Nominations and Governance Committee on page 265 (4) Board Human Resource and Remuneration Committee on page 273 (5) Board Related Party Transactions Review Committee on page 271 (6) Board Sustainability Committee Recommendations of these Committees are communicated directly to the Board and minutes of meetings are tabled and discussed at the Board meeting. **Meetings** Meetings are held as defined in the Direction or more frequently as per the respective Board approved TOR of the Sub-Committee. BAC meetings are held on monthly basis and BIRMC meetings are held every other month. All other committees met more frequently than mandated in this Direction
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	**Complied** All Board Sub Committees have terms of reference that has been approved by the board with defined authority, responsibilities and duties.

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10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub-Committee, at the Annual General Meeting of the Company.	The reports of the Board Committees have been compiled and published in this Annual Report. Board Audit Committee - Page 268 Board Integrated Risk Management Committee - Page 275 Related Party Transactions Review Committee - Page 271 Human Resources and Remuneration Committee - Page 273
10.1.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.	**Complied** The Company Secretary to the Board functions as the Secretary to the Board Committees and maintains records of meetings and Minutes. and such functions carried out under the supervision of respective sub-committee chair.
10.1.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 committees.	**Complied** All Board Committees have three Board Members who have the required knowledge, skills and experience to carry out the functions. The sub committees have the required number of independent Non-Executive Directors.
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub-committees to avoid undue concentration of power and promote new perspectives.	**Complied** Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required.
10.2 Board Audit Committee (BAC)		
	The following shall apply in relation to the Board Audit Committee.	
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	**Complied** The Chairperson of the BAC is an Independent Non Executive Director who possesses the required qualifications and has experience in finance and audit. Her profile appears on page 12 of this Annual Report.
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	**Complied** In addition to the Chairperson there are two members of the BAC and both are independent and have the required expertise and experience to be members of the BAC.
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor.	The Secretary to the BAC is the Secretary to the Board.
10.2.d External Audit Function		
10.2.d.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, the audit fee, and any resignation or dismissal of the auditor.	**Complied** BAC had made recommendation in connection with the appointment of the External Auditors and has taken into consideration the rotation of the partner who handles the audit, audit fee, and the service period.
10.2.d.ii	Engagement of an audit partner shall not exceed five years, and 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** The Engagement of the Audit Partner had not exceeded five years.
10.2.d.iii	The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	**Complied** The Audit Partner who engaged in the audit is not a shareholder, director or a member of the senior management nor an employee of the FC.
10.2.d.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.	**Complied** BAC reviewed the independence of the External Auditors and established their independence and objectivity.

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10.2.d.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.	**Complied** The Audit firm was engaged in non audit services during the year under review. There is a policy in place to review and approve such engagements if it occurs.
10.2.d.vi	The BAC shall, before the Audit commences, discuss and finalize with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company'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.	**Complied** The External Auditors submit a written proposal outlining the nature and scope of the audit and other material facts pertaining to the annual audit. This is also presented at the meeting reviewed and approved with or without amendments. The preparation of the financials is in accordance with the relevant accounting principles and reporting obligations. The audit of the Holding Company and Subsidiary is handled by one Auditor Deloitte Associates. The External Auditors have assessed the compliance with the directions in term of internal control and their certification is incorporated in this Annual Report. Coordination has occurred between the auditors of this company and that of the Associate in the preparation and finalization of the audited accounts for the year under review.
10.2.d.vii	The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Company'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.	**Complied** The BAC has reviewed the financial information of the Company through established processes to ensure that the reporting, disclosures, judgments, changes to accounting policies and practices are prepared in compliance with relevant accounting standards and legal requirements. This has been followed for the preparation and finalization of the Annual Report and also the periodic report.
10.2.d.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 senior management	**Complied** There have been no problems or issues that has been brought to the attention of the BAC with regard to the Interim or Final audits. The BAC had met with the External Auditors in the absence of the Senior Management to facilitate such matters to be raised but no such issues or matters were raised.
10.2.d.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.	**Complied** BAC has reviewed the External Auditors' Management Letter and the responses thereto and has reported to the Board accordingly.
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	**Complied** On an annual basis the BAC conducts a review of the effectiveness of the system of internal controls. Assurance Certification has been obtained from the External Auditors as well on this aspect.
10.2.f	The BAC shall ensure that the Senior Management 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 the Internal Audit function of the Company.	**Complied** BAC has a laid down process to ensure that the corrective actions and recommendations for improvement are implemented in a timely manner and the Internal Auditors will verify this during their follow up audits and other laid down procedures.

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10.2.g	Internal Audit function:	
10.2.g.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 Company's internal control, risk management, governance systems and processes.	**Complied** BAC has established an independent Internal Audit function in house and there is an approved structure in place to ensure that the Internal Audit function is carried out on a timely and planned manner with adequate scope.
10.2.g.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 company to carry out their assignments effectively and objectively.	**Complied** The Internal Audit Department is governed by the Internal Audit Manual and the reporting is to the Chairperson of the BAC. Qualified and experienced persons competent to carry out the functions objectively, efficiently and effectively are appointed to the Internal Audit Department. The Department is headed by head of Internal Audit who is responsible for the smooth functioning of the Internal Audit function under the guidance of the BAC.
10.2.g.ii	The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	**Complied** BAC has taken the required steps to ensure that the Internal Audit function is compliant to the requirements as enumerated below. (i) The scope of the internal audit function is reviewed and approved by the BAC ensuring that there are officers to carry out the functions efficiently and effectively and in a timely manner. (ii) Review and approve the internal audit program and the processes involved and the risk can be measured through such audits. (iii) Assess the performance of the Head of Internal Audit and the senior staff members. (iv) Adequate measures have been taken to ensure that the internal audit function is independent and the functions are carried out with impartiality and with sound judgment. (v) The Compliance and Risk Departments' operations are reviewed by the BAC. (vi) Ensure that the findings and the responses are received in a timely manner and relevant actions are taken.
10.2.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.	**Complied** The statutory onsite examination report of the Central Bank of Sri Lanka was reviewed by the BAC and the implementation is being monitored for timely action.
10.2.1 Meetings of the Committee		
10.2.1.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.	**Complied** The Calendar of Meetings is shared with the members of the BAC at the commencement of a calendar year and the Committee has met in excess of the requirement. Minutes are maintained with adequate detail and the discharging of duties and responsibilities are ensured.
10.2.I.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.	**Complied** Invitations are extended to the Directors of the Board and Senior Management when matters to their areas of responsibility are discussed to ensure that the deliberations are productive and the recommendations made by the BAC are implemented.
10.2.I.iii	BAC shall meet at least twice a year with the external auditors without any other directors/ senior management I employees being present.	**Complied** Three meetings were held with the External Auditors. Two of them were held without the presence of the Executive Directors and the Senior Management.
10.3	Board Integrated Risk Management Committee (BIRMC)	
	The following shall apply in relation to the BIRMC:	
10.3.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.	**Complied** The Committee is chaired by an Independent Non Executive Director and one member is Non Executive and rest were Executive. Transitional provisions are applicable. However the structure was changed during the financial year and at the close of the financial year there were three Independent Directors. The Head of Risk the meeting. Decisions and recommendations are made within the approved Risk Framework and followed up to monitor whether that it had been implemented.

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10.3.b	The secretary to the committee may preferably be the CRO.	The Secretary to the Committee is the Secretary to the Board.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company. 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.	**Complied** BIRMC reviews all risks that are pertinent and the recommendations of the ERMC also taken into consideration. Quarterly Risk Report is sent to all the Directors. Recommendations are made to the Board based on the risk appetite and indicators. A report is submitted to the Board at the conclusion of each meeting.
10.3.d	Developing the Company'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.	**Complied** Risk Appetite Statement was reviewed taking into consideration the risk parameters and other aspects. And approved by the Board.
10.3.e	The BIRMC shall review the Company's risk policies including RAS, at least annually.	**Complied** The BIRMC reviewed the Risk Management Policy and it was amended during the year under review. Risk Appetite Statement was also reviewed during the year.
10.3.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.	**Complied** BIRMC reviewed the functioning of the Senior Management Committees.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	**Complied** Business Continuity Processes are reviewed and audited through the report submitted by the External Auditors Det Norske Veritas.
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	**Complied** Annual assessment of the persons handling Risk and Compliance functions is carried out by the BIRMC.
10.3.i	**Compliance function**	
10.3.I.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	**Complied** Independent Compliance function has been established with a competent and experienced and qualified person handling the work to ensure that the Company is compliant with all the legal, statutory and other requirements. Compliance Report is circulated on a monthly basis to the Directors and the contents reviewed.
10.3.I.i	For a Company with an asset base of more than LKR 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.	**Complied** A dedicated Compliance Officer has been appointed and has functioned during the year.
10.3.I.iiii	For FCs with an asset base of less than LKR 20 Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	**Complied** Being a FC with an asset base of over LKR 20 Bn, a dedicated Compliance Officer has been appointed.

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10.3.I.iiv	The responsibilities of a compliance officer would broadly encompass the following:	**Complied** The Compliance Officer has a detailed Job Description which encompasses the detailed requirements as set out in the Direction and other areas.
10.3.j	**Risk management function**	
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	**Complied** An independent Risk Management function had been established to manage and mitigate risks in a timely manner.
10.3.j.ii	For FCs with an asset base of more than LKR 20 Bn, it is expected to have a separate risk management department and a dedicated CAO, considered to be senior management, shall carry out the risk management function and report to the BIRMC periodically.	**Complied** A dedicated Risk Management Department is in place headed by Head of Risk and Compliance to carry out the risk related functions. He reports regularly to the BIRMC through presentations and reports and also follows upon on the implementation.
10.3.j.iii	The CAO 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.	**Complied** The Risk Management Policy was reviewed and revamped to cover the changes that were effected to improve on the processes and procedures, and also to accommodate the new product line. The functions are carried out in a manner that it considers the requirements of the various stakeholders.
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: a). various potential risks and frauds b). possible sources of such risks and frauds c). mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. d). effective measures to control and mitigate risks at prudent levels; and e). relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	**Complied** There is a Board approved Risk Management framework in place encompassing potential risks, mechanism to identify, monitor and mitigate risks and frauds, recommend control measures, and ensure that the responsibility is assigned for implementation for the recommended action is monitored by the Senior Management.
10.3.j.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.	**Complied** Head of Risk participated in all management level meetings and key decision making forums on the functioning of the treasury and the introduction of the new products.
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	**Complied** The updated risk register is maintained and is presented to the BIRMC on a quarterly basis.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	**Complied** The Risk Assessment report is circulated to the Board.
10.4 Nomination Committee		
	Nomination & Governance Committee - the criteria mentioned in the direction 10.4(a) - 10.4(k)	**Complied**
10.5 Human Resources and Remuneration Committee		
10.5.a	The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non Executive Directors.	**Complied** The Committee is chaired by an Independent Non Executive Director and all members are Non Executive Directors.
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	**Complied** The Secretary to the Committee is the Company Secretary.

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10.5.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.	**Complied** The Committee has established a Board approved Remuneration Policy. The remuneration relating to the Executive Directors is determined by the Committee and also the structure for the remuneration of the Senior Management and the framework for the payment of fees to the Non Executive Directors.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	**Complied** The policy has been established and was formulated in a transparent manner and was reviewed during the year under review.
10.5.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 by the Board, including when material changes are made.	**Complied**
10.5.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 an excessive risk or to act in self-interest.	**Complied** The Remuneration Policy has been formulated to compensate those carrying out executive functions based on performance and the overall outcome for a specific financial year.
10.5.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.	**Complied**
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed.	**Complied**
11 Internal Controls		
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	**Complied** The Company has established an Internal Control system taking into consideration all aspects pertaining to maintaining a robust internal control system.
11.2	A proper internal control system shall: a) promote effective and efficient operations; b) provide reliable financial information; c) safeguard assets; d) minimize the operating risk of losses from irregularities, fraud, and errors; e) ensure effective risk management systems; and f) ensure compliance with relevant laws, regulations, directions, and internal policies.	**Complied** The robust internal control system promotes effective and efficient operations, establishes that the financial information provided is reliable, safeguards are set for the protection of the assets, minimize the losses that could arise from irregularities, frauds and errors, ensure that the risk management system is effective and compliance function is comprehensive and conclusive.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	**Complied** All employees have been adequately advised on accountability in terms of internal control whilst achieving the objectives.
12 Related Party Transactions		
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	**Complied** The Board has formulated a Related Party Transactions Review policy.
12.1.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.	**Complied** The Chairperson of the RPTRC is an Independent Non Executive Director and all the members are Non executive directors.
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	**Complied** All related party transactions are reviewed and recommended by the RPTRC.

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12.1.c	The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation; ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	**Complied** All business transactions between related parties as defined by the Direction has been reviewed by the RPTRC inclusive of accommodations, deposits, provision or obtaining of services, creating reporting lines and information flow.
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.	**Complied** The Conflict of Interest Policy has been approved and implemented by the Board. Thereby there is an identified list of related parties (natural persons and entities) and this list is reviewed and updated on an annual basis.
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.	**Complied** The Board approved Related Party Transactions Review Policy and the Conflict of Interest Policy defines the manner in which transactions should be carried out. In the year under review no transaction was carried out with more favorable treatment and all transactions were carried out in an arms' length basis. All Related Party Transactions have been approved by the RPTRC.
13. Group Governance		
13.1.a.	Exercising adequate oversight over Subsidiaries and Associates The Board approved Governance Framework provides guidelines on the responsibilities of the Company in providing oversight of the affairs of subsidiary companies. Adequate oversight is in place to ensure the compliance with independent legal, regulatory and governance responsibilities applicable to them.	The Company as the Holding Company has embedded its governance structure for the Group.
13.1.b	Responsibility of the Board of AFC as Parent Company I) Group Governance Framework II) Content of the Group Governance Framework III) Risk Management and Reporting Framework IV) Group Internal Control Framework V) Adequate resources are allocated to effectively monitor compliance at the Group i) Group structure oversight and risk governance ii) Alignment of Group Objectives, Strategies, Policies and Governance Framework with Regulatory Obligations iii) Avoiding setting up complicated structures	**Complied**
13.2	**Responsibilities as a Subsidiary** If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	N/A

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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, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	**Complied** The Board of Directors has adopted a Code of Conduct for Directors and also the Conflict of Interest Policy.
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	There have been no reported breaches to the Code of Conduct
14.3	A FC shall establish a Whistle Blowing 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 confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	**Complied** The Company has established a Whistleblowing Policy that provides clear avenues for employees to raise concerns confidentially and without fear of reprisal. The Board Audit Committee (BAC) reviews the policy periodically to ensure its effectiveness and adequacy.
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 a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	**Complied** Directors do not participate in or vote on transactions involving related parties and abstain from all related deliberations. All such transactions are conducted on an arm's length basis and are free from preferential terms.
15.1.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. Identify circumstances which constitute or may give rise to conflicts of interests. Express the responsibility of directors and senior management to avoid, to the extent possible, 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 activities that could create conflicts of interest. 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. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and Articulate how any non-compliance with the policy to be addressed	**Complied** The Board has an approved Conflict of Interest policy in place.
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 shall ensure that at least the following disclosures are made in the Annual Report of the FC.	**Complied** The Interim and Annual Audited Financial Statements have been prepared and presented with the applicable Standards Rules Regulations and Acts. The Audited Financials have been published in English, Sinhala and Tamil in the newspapers.
16.1. 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.	**Complied** Interim and Annual Financial Statements are prepared, approved and disseminated in a manner that is in keeping with the specified requirements.

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16.1. 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 nonexecutive capacity. • Number/percentage of board meetings of the Company attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member.	**Complied** Details of the Board of Directors appears on pages 10 to 15.
16.1. iii	Appraisal of Board Performance An overview of how the performance evaluations of the Board and its committees have been conducted	**Complied** The performance appraisal of the individual Directors, CEO and the Board as a whole and the Board Committees have been carried out in conformity with the requirements.
16.1. iv	**Remuneration**	
	A statement on the 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.	**Director's Remuneration Paid-** 2026: Short term - Employment benefits 134,244,592; Long term - Employment benefits 46,437,803 2025: Short term - Employment benefits 89,467,243; Long term - Employment benefits 37,959,945 **Key Management Personnel's Remuneration Paid-** 2026: Short term - Employment benefits 171,158,014; Long term - Employment benefits 35,316,729 2025: Short term - Employment benefits 65,256,451; Long term - Employment benefits 15,928,640

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16.1. v	**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 Company's core capital. • The aggregate values of the transactions of the Company with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the Company.	**Complied** Directors' transactions with the finance company Key Management Personnels' transactions with the finance company Details of the Directors including names and transactions with the Finance Company are given on pages 10 to 15 of the Annual Report. Declaration was obtained form the Board of Directors of the Company and there is no business relationships with other Directors of the Company. The nature of relationship if any between the Chairperson and the CEO and the relationship among members of the Board. Total of 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 Company's core capital. **Net Accommodation** / **LKR** / **As % of Core Capital** **Directors** / **Nill** / **N/A** **Senior Management** / **25,828,552** / **0.29%** The aggregate values of the transactions with the Company **Deposits** / **LKR** **Directors with their close family members** / **240,941,606** **Senior Management with their close family members** / **15,558,653** **256,500,259**
16.1. vi	**Board Appointed Committees** The details of the chairperson and members of the board committees and attendance at such meetings.	The Board appointed committee composition, activities and reports are included in the Annual Report
16.1. vii	Group Structure The Group Structure of the Company within which it operates • The group governance framework	Annual Report of the Board of Directors on the Affairs of the Company appears on Pages 257 to 264
16.1. viii	**Director's Report** The Company has not engaged in any activity which contravenes laws and regulations • The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested • The Company has made all endeavors to ensure the fair treatement 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 Company and have obtained reasonable	Annual Report of the Board of Directors on the Affairs of the Company appears on Pages 257 to 264
	ix. Statement on Internal Control	[Complied] Appears on Page 279
	x. Corporate Governance Report	[Complied] Appears on Pages 182 to 256
	xi. Code of Conduct	[Complied] Covered in the Corporate Governance Report
	xiii. Communication with Stakeholders	[Complied] Covered in the Corporate Governance Report

COMPLIANCE WITH LISTING RULES

Compliance with the Rule 7.6 of Listing Rule – Section 7 (Continuing Listing Requirements) issued by the Colombo Stock Exchange.

Section	Governance Principle	Status of Compliance	Reference of the Page
7.6 CONTENTS OF ANNUAL REPORT			
7.6(i)	Names of persons who during the financial year were directors of the Entity.	**Complied**	Page 10
7.6(ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein.	**Complied**	Page 8
7.6(iii)	Information on 20 largest shareholders at the end of the year	**Complied**	Page 385
7.6(iv)	The public holding percentage	**Complied**	Page 384
7.6(v)	Directors' and Managing Director holding in shares	**Complied**	Page 385
7.6(vi)	Information pertaining to material foreseeable risk factors	**Complied**	Page 90
7.6(vii)	Details of material issues pertaining to employees and industrial relations	**Complied**	Page 49
7.6(viii)	Information on buildings/land holdings and investment properties as at the end of the year	**Complied**	Pages 332 to 338
7.6(ix)	Number of shares representing the stated capital as at the end of the year	**Complied**	Page 385
7.6(x)	A distribution schedule of the number of holders in each class of equity securities and related information	**Complied**	Page 385
7.6(xi)	Ratios and market price information on equity, debt, change in credit rating	**Complied**	Pages 23 to 380
7.6(xii)	Significant changes in the Company's or Subsidiaries' fixed assets	**Complied**	Page 334
7.6(xiii)	Details of funds raised through a public issue, Rights Issue and a Private Placement during the year	Not applicable for the period	N/A
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes at present	There were no Employee Share Ownership or Stock Option Schemes	N/A
7.6(xv)	Disclosure pertaining to Corporate Governance practice in terms of Section 9 of the Listing Rules	**Complied**	Page 218
7.6(xvi)	Related Party Transaction exceeding 10% of the Equity or 5% of the total assets of the entity	N/A	N/A
7.6(xvii)	In the event a Listed Entity has its Foreign Currency denominated Securities listed on the Exchange, the Entity shall additionally disclose the following in its Annual Report	N/A	N/A

CORPORATE GOVERNANCE

Section	Governance Principle	Status of Compliance	Reference of the Page
7.6(xviii)	In the event a Listed Entity has listed GSS + Bonds on the Exchange, such Entity shall additionally disclose the following;		
	a) The list of GSS + Projects/s to which proceeds of the GSS + Bonds have been allocated to/invested in, including a brief description of such project/s and the amounts disbursed.	**Complied**	
	b) Any updates in relation to the disclosures made in the documentation on GSS + Bonds from the date of listing.	**Complied**	
	c) Qualitative performance indicators in line with the ICMA Principles and Guidelines, 'ICMA Harmonised Framework for Impact Reporting and Harmonised Framework for Impact Reporting for Social Bonds' and where applicable Green Finance Taxonomy or any related Taxonomy issued by the Central Bank of Sri Lanka where feasible, quantitative performance measures of the environmental impact of the GSS+ Project/s. In the event the quantitative benefits/impact cannot be ascertained, the said fact may be appropriately disclosed along with the reasons for non-ascertainment of the benefits/impact on the environment.	**Complied**	
7.6(xviii)	d) Methods and the key underlying assumptions used in preparation of the performance indicators and metrics	**Complied**	
7.6(xxii)	The following details, if the Entity has listed any High Yield Corporate Debt Securities on the Exchange;		
	a) Breach of any terms/conditions by the Entity in relation to High Yield Corporate Debt Securities listed on the Exchange.	N/A	
	b) Any default or delays on interest and/or principal payments in respect of loans obtained by such Entity, not paid within 30 days	**Complied**	
	c) Any default or delays in interest and/or principal payments in respect of the High yield corporate Debt Security	N/A	

SECTION 9 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.2 - Policies	**9.2.1**	Listed Entities shall establish and maintain the following 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. a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election. d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption	Board-approved policies are communicated internally and made publicly available where appropriate.

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.2 - Policies	**9.2.2**	Any 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.	**Complied** The Company has fully complied with the Internal Code of Business Conduct and Ethics and no waivers/ exemptions were granted
9.2.3 Listed Entities shall disclosed in this Annual Report			
		The list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website. Details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.	As specified in Rule 9.2.1, the board approved policies have been disclosed in the company's website and the whistleblower were amended during the period under review.
	9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such policy.	Upon written request, a copy of the policy will be furnished to the shareholder.
9.3 - Board Committees	**9.3.1**	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The Said Board committees at minimum shall include; a) Nominations and Governance Committee b) Human Resources & Remuneration Committee c) Audit Committee d) Related Party Transaction Review Committee	**Complied** (The Board has established Six (6) board sub-committees including above four (4) Committees and Board Integrated Risk Management Committee (BIRMC), and Board Sustainability Committee (BSC) to overlook risk function and sustainability function respectively)
	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 these Rules	**Complied** (The required disclosures have been made]
	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	**Complied**

CORPORATE GOVERNANCE

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.4 – Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meeting with Shareholders	**9.4.1**	Maintain records of all resolutions and other information stipulated in section 9.4.1 of the listing rules. Company Secretary maintains all records of resolutions and information upon a resolution being considered at a General Meeting including valid proxy votes, votes in favour, against and abstained for the resolutions. A process in place to provide copies of above information to SEC or CSE upon request.	**Complied**
	9.4.2	Communication and relations with shareholders and investors Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. Listed Entities shall disclose the contact person for such communication. 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. Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	**Complied**
9.5 – Policy on matters relating to the Board of Directors	**9.5.1**	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall: (a) recognise the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position, Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. (b) where a Listed Entity decides to combine the role of the Chairperson and CEO, (i) set out the rational for combining such positions; and (ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. (iii) set out the measures implemented to safeguard the interests of the SID. (c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors. (d) stipulate the maximum number of Directors with the rationale for the same (e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules. (f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on- going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules. (g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position. (h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements. (i) specify the maximum number of directorships in Listed Entities that may be held by Directors. (j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.	**Complied** A formal Terms and Reference specifying matters relating to the Board of Directors has been adopted by the Company for a considerable time and has been reviewed and approved

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.5 – Policy on matters relating to the Board of Directors	**9.5.2**	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 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.	**Complied** There was no non compliance
9.6 – Chairperson and CEO	**9.6.1**	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual	**Complied** The Chairperson is Independent Non-Executive Director and the Managing Director is Mr. R.K.E.P. De Silva
9.6 – Chairperson and CEO	**9.6.2**	Immediate market disclosure in the case of non-compliance with section 9.6.1 of the listing rules. The Chairperson of the company is a Non-Executive Director and the positions of Chairperson and MD/CEO are not held by the same person.	N/A
	9.6.3	The requirement for Senior Independent Director (SID) Not applicable. The requirement for SID does not arise as the positions of Chairperson and MD/CEO are not held by the same person and Chairperson and MD/CEO are not close family members or related parties.	N/A
	9.6.4	Annual report disclosure of reasons for non-Compliance with Section 9.6.1 of the Listing rules Not applicable. The Chairperson of the company is Non-Executive Director. The positions of Chairperson and CEO are not held by the same person.	**Complied**
9.7-Fitness of Directors and CEOs	**9.7.1**	Fit and proper assessments of Directors and MD/CEO All the Directors and MD has declared that they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	**Complied**
	9.7.2	Recommendations by the Board Nominations and Governance Committee as Directors are fit and proper A process is in place to obtain a declaration from persons whose names are recommended by the BNGC as Directors confirming they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	**Complied**
	9.7.3	Fit and proper assessment criteria All the Directors and MD have declared that they are complied with the fit and proper criteria set out in the Section 9.7.3 of the Listing Rules	**Complied**
	9.7.4	Fit and proper declarations from directors and MD/CEO All the Directors and MD/CEO has declared that they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	**Complied**
	9.7.5.	Disclosure in the Annual Report on Fit and Proper Refer the "Annual Report of the Board of Directors on the Affairs of the Company	**Complied**

CORPORATE GOVERNANCE

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.8 – Board Composition	**9.8.1**	Minimum number of Directors on the Board The Board of Directors of the company consist of 9 Directors.	**Complied**
	9.8.2	Minimum Number of Independent Directors: The Board of Directors comprise 3 Independent Directors	**Complied**
	9.8.3-4	Criteria for determining independence All the Independent Directors of the company fulfill the independent criteria stipulated under the section 9.8.3 of the listing rules.	**Complied**
	9.8.5	Annual declaration of independence of the directors / disclosure of independence of the directors Signed declaration is obtained from all the Independent Directors of the company confirming their independence. The annual declarations and other available information were reviewed by Board to verify the adherence to the criteria for assessing independence During the year the Board has not identified any Independent Non-Executive Director whose independence is impaired against the criteria set out in the section 9.8.3 of the listing rules.	**Complied**
9.9 – Alternate Directors	**9.9**	None of the Directors of the Board has appointed alternate director during the year.	N/A for the period
9.10- Disclosure relating to Directors	**9.10.1**	Disclosures relating to Directors Maximum number of directorships As per the governance framework of the company, the maximum number of directorships a Director can hold is twenty (20).	**Complied** Immediate market announcements were duly made, in compliance with regulatory requirements, in respect of the appointment of Mrs. Devika Ellepola and Mr. A.A.P. Rodrigo, and the retirement of Dr. S.L.N. Wickremasooriya and resignation of Mr. W.P.K. Jayawardana.
9.10- Disclosure relating to Directors	**9.10.2**	New appointments were made to the Board of directors during the year an immediate market announcement setting out the following was made during stipulated time period. i. a brief resume ii. capacity of directorship; and iii. statement of review by the BNGC	**Complied** Immediate market announcement were made the appointment of Mrs.Devika Ellepola & Mr. A.A.P. Rodrigo. And the retirement of Dr. S.L.N. Wickremasooriyaand Mr. W.P.K. Jayawardana.
	9.10.3	Market Announcement on changes to the composition of the board sub committees.	N/A for the period
	9.10.4	Disclosure of information relating to directors Refer the board profiles in page 10 of this annual report. Refer Board and sub-committee attendance in page 265 of this annual report Refer sub-committee reports in pages 265 to 278 in this annual report.	**Complied**

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.11 Nominations and Governance Committee	**9.11.1**	Availability of Nomination and Governance committee The company has a BNGC that conforms the requirements set out in rule 9.11 of listing rules. Refer Board Nomination and Governance Committee report on page 165 in this annual report.	**Complied**
	9.11.2	Board appointments through Nomination and Governance Committee A formal process is in place for the appointment of new Directors and re-election to the Board through the BNGC	**Complied**
	9.11.3	Terms of reference of Nominations and Governance Committee Board approved Terms of Reference for BNGC is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer Report of the Board Nomination and Governance Committee on page 265 of this annual report.	**Complied**
	9.11.4	Composition of the Board Nomination and Governance Committee The committee consist of 3 Non-Executive Directors out of which 2 of them are independent. The Chairperson of the committee is an Independent Non-Executive Director. Refer Report of the Board Nomination committee on page 265 of this Annual report.	**Complied**
	9.11.5	Functions of the Board Nomination and Governance Committee Refer the report of Board Nomination and Governance Committee report in the page 265 of this annual report.	**Complied**
9.11 Nominations and Governance Committee	**9.11.6**	Disclosures in Annual Report Refer the Report of Board Nomination and Governance Committee report in the page 265 of this annual report.	**Complied**
9.12 Remuneration Committee	**9.12.1** **9.12.2**	Availability of Human Resources & Remuneration Committee The company has a Board Human Resource and Remuneration Committee (BHRRC) that conforms the requirements set out in Rule 9.12 of listing rules. Refer Board Human Resource and Remuneration Committee report on page 273 in this annual report.	**Complied**
	9.12.3	Executive Directors' Remuneration A formal and transparent procedure is in place for fixing the remuneration of individual Executive Directors. Refer the Report of the Board Human Resource and Remuneration Committee report in the page 273 of this annual report.	**Complied**
	9.12.4	Non-Executive Directors' Remuneration A policy which adopts the principle of non-discriminatory pay practices is in place in determining the remuneration of Non–Executive Directors to ensure that their independence is not impaired. Refer the Report of the Board Human Resource and Remuneration Policy in page 273 of this annual report.	**Complied**
	9.12.5	Non-Executive Directors' Remuneration A policy which adopts the principle of non-discriminatory pay practices is in place in determining the remuneration of Non–Executive Directors to ensure that their independence is not impaired. Refer the Report of the Board Human Resource and Remuneration Policy in page 273 of this annual report.	**Complied**
	9.12.6	Composition of the Human Resources & Remuneration Committee The committee consist of 3 Non-Executive Directors out of which 2 of them are independent. The Chairperson of the committee is an Independent Non-Executive Director. Refer Report of the Board Human Resources and Remuneration Committee on page 273 of this annual report	**Complied**
	9.12.7	Functions of Human Resources & Remuneration Committee Board approved Terms of Reference of BHRRC covers the functions highlighted in section 9.12.7 of the listing rules. Refer Report of BHRRC on page 273 of this annual report.	**Complied**

CORPORATE GOVERNANCE

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.13-Board Audit Committee	**9.13.1**	Availability of Committee to perform audit and risk function The audit functions specified in section 9.13.4 are performed by BAC while a separate committee, BIRMC has been formed to perform risk function of the company. Refer Report of the BAC on page 268 and report of BIRMC on page 192 of this annual report.	**Complied**
	9.13.2	Terms of Reference of Board Audit Committee Board approved Terms of Reference for Board Audit Committee is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer Report of the Board Audit Committee on page 268 of this annual report.	**Complied**
	9.13.3	Composition of the Board Audit Committee (1) The Committee comprise 3 Non-Executive Directors out of which 2 of them are independent. Further, the committee does not comprise Executive Directors. (2) As per the TOR of the Board Audit Committee, Quorum for a meeting require that the majority of attendees shall be Independent Directors. (3) The Board Audit Committee meets at least on monthly intervals. Which is in compliance with the requirements. (4) Non-Executive Director functions as a Chairperson of the committee. An Independent Director will be appointed as the Chairperson of the committee on or before the effective date. (5) The MD and CFO of the company attend the audit committee meetings by invitation. (6) The Chairperson of the BAC is a fellow Member of "The Chartered Institute of Management Accountants of UK" and also possesses sufficient experience in finance industry. Refer the BAC report on page 268 of this annual report.	**Complied**
9.13-Board Audit Committee	**9.13.4**	The functions of the Audit Committee A Board approved Terms of reference of BAC includes the audit related functions specified in section 9.13.4 of the listing rules. The risk related functions specified in section 9.13.4 are included in the Terms of Reference of BIRMC. Refer Report of the BAC on page 268 and Report of BIRMC on page 275 of this annual report	**Complied**
	9.13.5	Disclosures in Annual Report Refer Report of the BAC on page 268 of this annual report.	**Complied**
9.14-Related Party Transaction Review Committee	**9.14.1**	Availability of Related Party Transactions Review Committee The company has a Board Related Party Transactions Review Committee (BRPTRC) that conforms the requirements set out in rule 9.14 of listing rules. Refer BRPTRC report on page 271 in this annual report.	**Complied**
	9.14.2	Composition of Related Party Transactions Review Committee 1. The committee comprise of Three (3) Non-Executive Directors of which 2 of them are independent. Executive Directors are invited to the meetings as and when required. The Chairperson of the committee is an Independent Director. Refer the report of BRPTRC on page 271 of this annual report. 2. A Separate BRPTRC committee is established to overlook the RPT function of the listed subsidiary entity of the company.	**Complied**
	9.14.3	Functions of the Related Party Transactions Review Committee Board approved Terms of Reference of BRPTRC covers the functions highlighted in section 9.14.3 of the listing rules. Refer the BRPTRC report on the page 271 of the annual report.	**Complied**

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.14-Related Party Transaction Review Committee	**9.14.4**	General Requirements or Related Party Transactions Review Committee (1) The committee met 5 times during the year. Refer the report of BRPTRC on page 271 of this annual report. (2) The members of the BRPTRC have enough knowledge and expertise to assess all aspects of proposed related party transactions. where necessary committee obtain appropriate professional and expert advice from an appropriately qualified person. (3) The committee requests the Board of Directors to approve the related party transactions which are under review by the committee. In such instances, the approval of the Board of directors obtained prior to entering into the relevant related party transaction. No such instances occurred during the year. Refer the report of the BRPTRC on page 271 of this annual report. (4) As stipulated the RPT policy, no Director has participated or voted in any discussion of a proposed related party transaction for which he or she is a related party. Refer the report of the BRPTRC on page 198 of this annual report.	**Complied**
	9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee (1) All proposed related Party transactions are reviewed and recommended prior to entering into transactions by BRPTRC. (2) In the event of any material changes to a previously reviewed related party transaction in terms of Rule 9.14.5 (1), such proposed material changes are also reviewed by the BRPTRC prior to the completion of the transaction. (3) AFC Senior Management provides all the facts and circumstances of the proposed related party transactions to the BRPTRC to facilitate the review of such related party transactions. (4) In determining whether to obtain the approval of the Board of directors for a related party transaction, the BRPTRC takes into account the factors stipulated in section 9.14.5 (4) of the listing rules. (5) No Director shall participate in any discussion of a proposed related party transaction in which he or she is a related party, except that the Director, at the request of the committee, may participate in discussions for the express purpose of providing information concerning the BRPTRC. (6) Processes are in place where all proposed related party transactions are reviewed and recommended by the related party transaction review committee prior to entering in to transactions.	**Complied**

CORPORATE GOVERNANCE

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.14-Related Party Transaction Review Committee	**9.14.6**	Shareholder Approval (1)/(2)/(3) A process is in place to obtain shareholder approval by way of a special resolution for RPTs stipulated in section 9.14.6 (1) of the listing rules. However, there were no such transactions occurred during the year.	Not applicable for the period
	9.14.7	The Company shall make an immediate Market Announcement to the CSE for Related Party Transactions listed in Section 9.14.7 (a) and (b) The RPT policy of the company include provisions to make immediate market announcements with regard to the related party transactions listed in section 9.14.7 of the listing rules. There were no transactions which required immediate market announcements as set out in section 9.14.7 of the listing rules.	Not applicable for the period
9.14-Related Party Transaction Review Committee	**9.14.8**	Disclosures in the Annual Report (1) There were no non recurrent related party transactions which exceed 10% of the equity or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules. Refer the RPT Note No. 3.1 to the Financial Statements in page 354 of this annual report. (2) There were no recurrent related party transactions which exceed aggregate value 10% of gross revenue/income or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules. (3) Refer the BRPTRC on page 198 of this annual report. (4) Refer annual report of the Board of Directors on the affairs of the company on page 257of this annual report.	**Complied**
	9.14.9	Acquisition and disposal of Assets from / to Related Parties During the year there were no acquisition or disposals of substantial assets from / to related parties.	**Complied**
	9.14.10	Exempted Related Party Transactions Exemptions mentioned in this section has not been considered as all the related party transactions are reviewed and recommended by the BRPTRC.	**Complied**
	9.16	Additional Disclosures Additional disclosures stipulated in the section 9.16 are declared by the Board of Directors in annual report of the board of directors on the affairs of the company. Refer Annual report of the Board of Directors on the Affairs of the Company on page 257 of this annual report.	**Complied**

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2023 WAS ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA.

Code Reference	Principle	Compliance And Implementation	Compliance Status
A.	**DIRECTORS**		
A.1	**THE BOARD**		
A.1	The Board	The Board of Directors at Alliance Finance Company PLC ("the Company") represents professionals from different disciplines such as Legal, Marketing, Management, Finance, Investment Banking & Leasing Business and they bring with them a wealth of business experience to provide leadership to the Company. At the commencement of the financial year the Board comprises of Nine Directors, which comprises Executive Directors – 03 Non-Independent, Non-Executive – 03 Independent, Non-Executive - 03 The Non-Executive Directors, have the required professional competence, skills and experience amongst others in the fields of finance, business, law, leasing business, brand building and marketing. The Board is overall responsible for the direction and the strategy of the Company whilst the Managing Director, and the Executive Directors are responsible for the day-to-day management of the Company and delivering on the Strategic High-Performance Goals and Corporate Plan, both on the financial and the qualitative objects set by the Board. The Board has appointed Sub-Committees to assist in discharging its responsibilities and approved policies governance structure and the delegation of authority to provide a conducive business environment for effective performance of the Company.	**Complied**
A.1.1	Board meetings	Board meetings are planned well ahead, and dates of the monthly meetings are finalized at the end of the previous year. During the reviewed period 19 Board meetings were held. The Board meetings are mainly focused on reviewing the performance of the Company and more on strategic planning and the Company's future directions. Key Officers in their monthly presentations to the Board, focus 100% on their performances and future plans to achieve the strategic goals. Special Board meetings are convened whenever necessary. These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders. Please refer 'Directors' attendance and Committee Memberships' table given on page 195 in the Annual report.	**Complied**
	Role and responsibilities of the Board		
A.1.2		The Board provides strategic direction to the development of short, medium- and long-term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings. Please refer response to requirement 1.2 a) of Section One, the Finance Business Act Directions No.05 of 2021 on Corporate Governance on page 182 for details.	**Complied**

CORPORATE GOVERNANCE

Code Reference	Principle	Compliance And Implementation	Compliance Status
A.1.3	Appointing the chair and the Senior independent directors if relevant;	The Chairperson is Independent, Non-Executive Director	**N/A**
A.1.4	MD and the Management Team possess the skills, experience and knowledge to implement the strategy;	The Board has put in place a Corporate Management team led by the MD and Executive Directors who possess required skills, experience and knowledge necessary to implement the strategy.	**Complied**
A.1.5	The adoption of an effective CEO and Key Management Personnel succession strategy;	A succession plan for key management personnel is in place.	**Complied**
A.1.6	Approving budgets and major capital expenditure;	Budgets and major capital expenditure are reviewed and approved by the Board.	**Complied**
A.1.7	Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation;	The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board	**Complied**
A.1.8	An effective system to secure integrity of information, internal controls, business continuity and risk management;	The Board reviews effectiveness of internal control and risk management system on a continuous basis through the Audit Committee and Board Integrated Risk Management Committee. Please refer 'Director's Statement on Internal Control Over Financial Reporting', 'Audit Committee Report' and 'Board Integrated Risk Management Committee Report' on pages 279, 268 and 275 for details.	**Complied**
A.1.9	Availability of information communication technology (ICT) roadmap in line with business strategy	IT strategy developed in line with the business strategy is in place.	**Complied**
A.1.10	Compliance with laws, regulations and ethical standards;	Compliance function is in place to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business.	**Complied**
A.1.11	All stakeholder interests are considered in corporate decisions;	The views / impact on all stakeholders is considered when corporate decisions are made at Board meetings.	**Complied**
A.1.12	Sustainable business development and integrated reporting	The corporate strategy followed by the Company is directed at creating long term sustainable growth and enhancing stakeholder value and the Company has adopted integrated reporting framework to provide effective disclosure on its value creation.	**Complied**
A.1.13	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations;	The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.	**Complied**

Code Reference	Principle	Compliance And Implementation	Compliance Status
A.1.14	A process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks;	Regular meetings are held by the Managing Director with the corporate management team and other key officers to monitor progress on strategy implementation, budgets, plans and related risks.	**Complied**
A.1.2	A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and	Financial reports are prepared on monthly basis and circulated to the Board for their review and necessary actions. Further quarterly financial statements, bi-annual and annual financial statements are prepared and published in line with CSE and CBSL regulations.	**Complied**
A.1.2	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	The Board is committed to fulfilling such other functions that are required according to the business environment.	**Complied**
A.1.3.	Compliance with laws and seeking independent professional advice	The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense as and when such advice is required.	**Complied**
A.1.4.	Access to the advice and services of the Company Secretary	All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed. Minutes of Board Meetings are maintained by the Company Secretary. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director. The Company Secretary serves only in the capacity of Company Secretary, not holding simultaneous employment in another capacity. The removal of the Company Secretary is a matter to be considered by the Board as a whole.	**Complied**
A.1.5	Independent judgment of Directors	The responsibility of exercising independent and objective judgment rests with all Directors, particularly in areas such as strategic direction, organizational performance, resource deployment, risk management, regulatory adherence, and ethical conduct. Non-Executive Directors, in particular, play a key role in offering impartial oversight and critically assessing recommendations presented by the Managing Director and Executive Directors.	**Complied**

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Code Reference	Principle	Compliance And Implementation	Compliance Status
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	The Board Meetings are structured in a manner which enables Directors to dedicate such time as required to ensure an outcome that is best suited and beneficial to the Company with items of importance being prioritized. This is also aided by supporting documents and material being circulated to the Directors well in advance so that they could appraise themselves of the matters under consideration. Meetings of the Board Committees too are structured in a manner to achieve the objectives set out in the policy framework for such Committees and for the effective discharge of its responsibilities and functions. The Chair of the Board and the Board Committees leads the deliberations and encourages participation of all Directors. All Directors commit the necessary time and effort to actively participate in Board and Committee meetings, ensuring they effectively fulfill their responsibilities. They thoroughly review Board materials, seek clarifications where needed, and follow up on issues discussed. Additionally, Directors invest time in gaining a comprehensive understanding of the Company's operations, risks, and internal controls to support sound governance and informed decision-making.	**Complied**
A.1.7	If necessary, in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board	The Board acknowledges that one-third of its Directors may call for a resolution to be presented to the Board if they believe it is in the best interest of the Company.	**Complied** The necessity did not arise during the year
A.1.8	Board induction and training	Induction programs were conducted for the new directors. The entire Board has attended forums which have direct relevance to their sphere of work and also others which would have a general bearing to their role. Programs relating to changes in the applicable laws and regulatory framework are attended by the Directors. In addition, in-house programs are conducted on matters that Directors are required to exercise independence and that which affects the overall strategic direction of the Company. The Directors are apprised of the changes in the Directions issued by the Central Bank of Sri Lanka and the Colombo Stock Exchange. Directors also attended individual programs relating to specified areas to familiarize themselves with the changes in the regulations and its bearing on the role of the Directors.	**Complied**
A.2 Chairman & Chief Executive Officer (CEO)			
A.2	Separating the business of the Board from the executive responsibilities for management of the Company	The Chairperson, who is a Non-Executive Director, does not participate in executive or supervisory duties, while the Managing Director, as the chief Executive, is accountable for the Company's overall day-to-day operations. The roles and authority of the Executive Management and the Board are clearly differentiated. The Board's responsibilities, outlined in its terms of reference, exclude management functions and focus solely on governance.	**Complied**
A.2.1	Justification to combine the posts of Chairman and Chief Executive Officer	N/A	N/A

Code Reference	Principle	Compliance And Implementation	Compliance Status
A.3	**Chairman's Role**		
A3.1	Chairman's role in preserving good corporate governance	The Chairman provides leadership to the Board and encourages an active contribution of both Executive and Non-Executive Directors to the Board's affairs and maintains balance of power between Executive and Non-Executive Directors. The Chairman ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretary circulate formal agenda prior to the Board Meeting. Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting. All Directors are encouraged to actively participate in Board's affairs. There is a constructive relationship among all Directors and they work together in the best interest of the Company. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.	**Complied**
A.4	**Financial Acumen**		
A.4.1	Availability of financial acumen and knowledge to offer guidance on matters of finance	The Chairperson of the Audit Committee is a Fellow of Certified Practicing Accountants (FCPA) Australia and a Fellow of the Chartered Institute of Management Accountants (FCMA) UK. Remaining members of the Board also possess experience in finance business and business in general and other disciplines which has an interface with finance thus there is sufficient financial acumen and knowledge within the Board to offer guidance on matters of finance. The profiles of the Board of Directors are given on pages 10 to 15.	**Complied**
A.5	**Board Balance**		
A.5.1	Have a balance of Executive & Non-Executive Directors	(The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision making) The Company established a Board comprising a balanced mix of Executive and Non -Executive Directors to prevent any single individual or small group from having undue influence over decision-making. There were no instances where the Directors could not unanimously resolve matters and accordingly no such matters were recorded in the Minutes	**Complied** Board maintains the required balance of Executive and Non-Executive Directors on the Board. The Board consists of three Executive Directors and six Non-Executive Directors of whom three are independent as well. As the majority of the Board comprises Non-Executive Directors, their opinions and views carry significant weight in the Board's decisions.

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Code Reference	Principle	Compliance And Implementation	Compliance Status
A.5.2.	Strong independent element in the Board	The Board has determined three (3) out of six (6) Non-Executive Directors are independent	**Complied** Three independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.3	Evaluating independence of Directors	The Board evaluates the independence yearly using annual declarations submitted by the Directors according to the Code criteria. This process ensures whether such Directors are independent of the management and free of any business or other relationship that could interfere with the exercise of their unfettered and independent judgment.	**Complied**
A.5.4	Signed declaration of independence by the Non-Executive Directors	All Non-Executive Directors provided the signed declarations of independence for 2025/26 as per the Code. Based on the annual declarations submitted by the Directors, there are six (6) Non-Executive Directors and out of them, three (3) are independent.	**Complied** Each Non-Executive Director provides a signed declaration of his/ her independence or non-independence annually as at the reporting date.
A.5.5	Determination of the Independence and Non-Independence of each Non-Executive Director annually	Independence of each Non-Executive Director has been reviewed by the Board during the year 2025/26 and has determined that the submission of the declaration by the Non-Executive Directors, as to their independence is a fair representation. The process of evaluating the independence of Non-Executive Directors has considered all criteria set out in the code and this will continue as an annual event.	**Complied**
A.5.6	Appointing an Alternate Director	No Alternate Directors were appointed during the year.	N/A
A.5.7	Senior Independent Director	Appointing Senior Independent Director (SID) and confidential discussion with other Directors by the SID – N/A	N/A Chairperson is Independent, Non-Executive Director
A.5.8	Make Senior independent Director available for confidential discussion with other Directors and include a report from the Senior independent Director in the annual report.	N/A	N/A

Code Reference	Principle	Compliance And Implementation	Compliance Status
A.5.9	Meetings held by the Chairman with Non-Executive Directors, without the Executive Directors being present	The Chairman held two (2) meetings with Non-Executive Directors, without the Executive Directors being present.	**Complied**
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	There were no instances occurs where the Directors could not unanimously resolve matters and accordingly no such matters were recorded in the minutes during the financial year.	N/A
A.6	Supply of Information		
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Timely and adequate information is provided by Management to the Board which is circulated to the Directors in advance for regular meetings. The Management also provides additional information as and when required by the Board members.	**Complied**
A.6.2	The minutes, agenda and papers required for a Board meetings should be provided beforeseven (7) days	The minutes of the previous meeting, agenda and Board papers circulated to access prior to the Board meeting.	**Complied**
A.7	Appointments to the Board; Nomination & Governance Committee		
A.7	Appointments to the Board and re-election Nomination Committee Disclosure requirements when appointing new Directors to the Board	The Board has an approved transparent nomination process which is stringently followed with regard to the appointments to the Board of Directors. The Board follows the nomination process and the new appointments and re-elections adopting the specified process. The Articles of Association specifies the criteria for re-election of the Directors Announcements were made when appropriate through the Colombo Stock Exchange on the appointment of new Directors and also the composition of the Board Committees. Details of the Board of Directors are given in the Annual Report with resumes for each Director.	**Complied**
A.7.1.	Nomination Committee	The Board Nomination and Governance Committee makes recommendations to the Board on all new appointments to the Board. The Committee was set up in compliance with the requirements set out in this code and TOR of the committee is reviewed and approved by the Board. The committee comprised 3 Non-Executive Directors of whom two of them are independent. The Chairperson of the committee is an Independent Non-Executive Director. The BNGC composition and the activities performed during the year are discussed in the report of the Board Nomination and Governance Committee is given on page 265 of the Annual Report.	**Complied**
A.7.2	Assessment of Board composition by the Nomination Committee	A structured process is in place to evaluate the current composition of the Board against defined criteria, including skills, diversity, and industry knowledge, to ensure all appointees are fit and proper. The Committee places strong emphasis on enhancing diversity within the Board, considering factors such as gender, age, and other attributes relevant to the financial sector. In reviewing new appointments and re-elections, the Committee aligns its recommendations with the Company's strategic direction, aiming to attract and retain individuals with the appropriate expertise and qualifications. The Committee has fully complied with the requirements set out in Section A.7.2 of the Code.	**Complied**

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Code Reference	Principle	Compliance And Implementation	Compliance Status
A.7.3	Succession Plan	Board approved succession plan is in place for MD, all Key Management Personnel. Necessary training and development requirements are identified for successors.	**Complied**
A.7.4	Disclosure requirements when appointing of new Directors to the Board	Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the CSE as well as in the Annual Report. Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka. All new appointments are reviewed by the committee.	**Complied**
A.7.5	Report of the Nomination Committee in the Annual report	Requirements stipulated in this code are disclosed in the "Report of the Board Nomination and Governance Committee in page 265 of this annual report.	**Complied**
A.7.6	Terms of Reference of Nomination Committee	Board approved Terms of Reference is in place for BNGC to oversee the nomination and governance functions of the Company.	**Complied**
A.8	Re-election		
A.8.1	Re-election of Non-Executive Directors	The procedure adopted by the Company to re-elect by rotation is in compliance with Articles 131, 132 and 133 of the Articles of Association. In accordance with articles, at least one-third of the Directors retire at the (AGM).	**Complied**
A.8.2	Re-election of all the Directors by shareholders at first appointment to the Board at the subsequent Annual General Meeting including Chairperson.	Newly appointed Directors are required to retire at the first Annual General Meeting following their appointment as per the Article 136 Articles of Association. One third of Directors retires by rotation at an AGM shall be those who (being subject to retirement by rotation), have a longest in the office as per the Articles of Association of the Company. One Director is required to retire by rotation at each AGM. Article 132 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.	**Complied**
A.8.3	Resignation of a director	A process is in place, if a Director who wish to resign prior to completion of appointed term.	**Complied**
A.9 /A.9.1	Appraisal of Board and committee performance Annual self-evaluation by the Board of its sub-committees Disclosure in the Annual Report about the Board's performance evaluation methodology	Annually the Directors submit individual appraisal forms to the Company Secretaries on the overall performance of the Board and the Board Committees. Which is then collated and discussed at the Board Meeting. Decisions made by the Board arising from the appraisal forms which require action are then implemented as appropriate. The appraisal of the performance of Board Committees is carried out. Disclosures have been made in this Report and covered under the Report of the Board of Directors.	**Complied**
A.9.2	Annual Self-evaluation of the performance of the Board	The Chairman and the Board of Directors evaluate the Board's performance. The Board Subcommittees carry out a self-assessment process annually to ensure they function effectively and efficiently to facilitate continuous improvement and align with good governance.	**Complied**
A.9.3.	Review of each Director at the time of re-election	The Board has a process to review the participation, contribution and engagement of each Director at the time of re-election.	**Complied**

Code Reference	Principle	Compliance And Implementation	Compliance Status
A.9.4	Disclosure of criteria used for performance evaluation	Board approved procedure is in place to evaluate the performance of Chairman, MD and other members of the Board and its sub-committees.	**Complied**
A.10	Annual Report to disclose specified information regarding Directors	The Shareholders are advised on the changes to the Board of Directors by announcements made vide the Colombo Stock Exchange and through the Company website. Annual Report carries the required disclosures in respect of Directors. Profiles of the Board of Directors are given on pages 10 to 15 including other directorships held by the Directors and memberships of Board Committees. Directors' attendance is disclosed on page 195.	**Complied**
A.10.1	Annual Report disclosure in respect of Directors	Profiles of the Board of Directors are given on pages 10 to 15 including other Directorships held by the Directors and memberships of Board Committees. Directors' attendance is disclosed on page 195.	**Complied**
A.11	Appraisal of the CEO	The Board should annually assess the performance of the CEO. The Managing Director functions as the virtual CEO of the Company and the performance is reviewed by the Board through the annual appraisal process. The appraisal process requires for Directors to assess the performance based on the annual budgets and qualitative measures that the Board set out to achieve at the commencement of the financial year. At the end of each financial year the Board evaluates its performance against the set targets and the actual and other performance parameters.	**Complied** Performance assessments are undertaken by the Chairperson.
B	**DIRECTOR'S REMUNERATION**		
B.1	Remuneration Procedure	This principle ensures that the Company follows a clear, structured and transparent process for formulating an effective remuneration policy, thereby minimizing the risk of potential conflicts of interest.	**Complied**
B.2	Remuneration Committee	The Code stipulates that the remuneration structure for both Executive and Non-Executive Directors should be appropriately designed to attract and retain individuals with the capabilities required to effectively lead the Company.	**Complied**
B.2.1	Establish a Remuneration Committee	The Board has established Remuneration Committee within the agreed terms of reference to overlook the Company's framework of remunerating the Executive Directors and Non-Executive Directors.	**Complied**
B.2.2	Composition of Remuneration Committee	The composition of the Board Remuneration Committee complies with the requirements of the Code. The Committee comprises three Non-Executive Directors, two of whom are independent, as defined by the Code. An Independent Non-Executive Director has been appointed by the Board to serve as the Committee's Chairman.	**Complied**
B.2.3	Remuneration of executive directors & senior management and access to professional advice when discharging their duties	The Committee consults the Chairman and MD when recommending the remuneration of other Executive Directors and Senior Management. Further, the committee has the access to professional advice when deemed necessary.	**Complied**
B.2.4/B.2.5	Remuneration packages of Executive Directors	A process is in place to offer packages that attract, retain and motivate EDs and Senior Management.	**Complied**
B.2.6	Comparison of remuneration with other companies in the industry	As per the Remuneration Policy & Terms of Reference. The BHRRC, when necessary, reviews the Company's remuneration structure in comparison to industry standards.	**Complied**

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Code Reference	Principle	Compliance And Implementation	Compliance Status
B.2.7	Sensitivity to remuneration and employment conditions	The Remuneration Committee considers the remuneration and employment conditions of employees within the Company when determining annual salary increases.	**Complied** Individual remuneration details are strictly confidential.
B.2.8	Designing the performance related remuneration of Chief Executive and Executive Directors	The remuneration of the Managing Director and the Senior Management will be based on the remuneration policy and performance.	**Complied**
B.2.9	Executive Share Options	No Executive Share option during the period	N/A
B.2.10	Designing the performance-related remuneration	As per the Terms of Reference. All increments and incentives will be based on the performance.	**Complied**
B.2.11/B2.12	Early termination of Executive Directors	As per the Remuneration Policy & Terms of Reference. This is in line with the contract of appointment.	**Complied**
B.2.13 & B.2.14	Levels of remuneration of	Levels of remuneration of Non-Executive Directors	
B.2.15	The Chairman and members of the remuneration committee should be listed in the annual report each year.	The details of the members are provided in the BHRRC report in the Annual Report. Please refer BHRRC report on Pages 273 to 274.	**Complied**
B.2.16	Terms of reference for remuneration committee	The Board approved Terms of References is in Place.	**Complied**
B.3	**DISCLOSURE OF REMUNERATION**		
B.3.1 & B.3.2	Disclosures in the Annual report	The details of the members, scope, number of meetings held during the year, etc. are given in the BHRRC report on pages 273 to 274 of the Annual Report. (Please refer Note 317 to the Financial Statements for the aggregate remuneration paid to Directors)	**Complied**
C.	**RELATIONS WITH SHAREHOLDERS**		
C.1	Constructive use of the AGM & Other General Meetings	Boards should use the AGM to communicate with shareholders and should encourage their participation.	**Complied** The Company uses AGM to communicate with Shareholders and encourages their participation.
C.1.1	Notice of the AGM	The Company has given the required notice period for the AGM, which is held annually.	**Complied**
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. For each resolution proxy appointment form should provide shareholders with the option to direct their proxy to vote either or for or against the resolution or withhold their vote.	**Complied** Separate resolutions are placed at the AGM on each substantially separate issue. Forms of Proxy allow shareholders the option to direct their proxy holder to vote for or against each resolution or to withhold their vote on any matter.

Code Reference	Principle	Compliance And Implementation	Compliance Status
C.1.3	Proxy Votes	The Company must ensure that all valid proxy appointments for general meetings are properly recorded and counted. For resolutions decided by a show of hands, it should promptly disclose and publish on its website the number of shares with valid proxy appointments, the votes for and against the resolution and the number of shares where the vote was withheld. If a significant proportion of votes are cast against any resolution, the board should seek to understand the reasons and consider whether any actions are necessary.	**Complied** All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution. The company ensures compliance with the requirements outlined in Section C.1.3 of this code.
C.1.4	Availability of Board Subcommittee Chairpersons.	Chairpersons of the other Board Sub-committees are present at the AGM to answer all queries that may be raised.	**Complied** Chairpersons of the other Board Sub-committees are present at the AGM to answer all queries that may be raised.
C.1.5	Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.	Summary of procedures governing voting at general meetings to be circulated Companies should circulate, along with every Notice of General Meetings, a summary of the procedures governing voting at General Meetings.	**Complied** Notice of Annual General Meeting and proxy form provides instructions for shareholders about voting procedures.
C.2	Communication with shareholders	The Board should implement effective communication with shareholders.	**Complied** The Board has implemented processes for effective communication with shareholders.
C.2.1	Channel to reach all shareholders to disseminate timely information	There should be a channel to reach all shareholders of the Company in order to disseminate timely information.	**Complied** The Company uses the following channels to disseminate timely information: By way of Shareholder meetings, Financial and other notices as required through the Colombo Stock Exchange, Corporate website, Press notices
C.2.2	Policy and methodology of communicating	The Company should disclose the policy and methodology for communication with Shareholders.	**Complied**

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Code Reference	Principle	Compliance And Implementation	Compliance Status
C.2.3	Implementation of the policy and methodology for communication with shareholders	Printed copies of Annual Report are provided to shareholders up on request or could be downloaded from the CSE website.	**Complied** Printed copies of Annual Report are provided to shareholders up on request or could be downloaded from the CSE website.
C.2.4	Disclosure of the contact person as per communication policy	The Company should disclose the contact person for such communication.	**Complied**
C.2.5	Process to make all directors aware of major issues and concerns of shareholders	The Company should have a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company.	**Complied** The Company Secretary records all correspondence and promptly forwards matters requiring Board attention to the relevant Board members.
C.2.6	Contact person for shareholders in relation to shareholders' matters	The Company should decide the person to contact in relation to shareholder matters.	**Complied** Company Secretary can be contacted for any queries of shareholders.
C.2.7	Process for responding to shareholders	The process of responding to shareholder matters should e formulated by the Board and disclosed.	**Complied** Process has been formulated through a Board approved Policy to respond matters relating to shareholders
C.3	Major and material transaction	The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company if entered into.	N/A There were no major transactions in FY 2025/26 necessitating disclosure of this nature
D	**ACCOUNTABILITY AND AUDIT**		
D.1	Financial and Business Reporting	The Board should present a balanced and Understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal control and challenges, opportunities and prospects.	**Complied** The Annual Report of the Company contains the audited Financial Statements together with comprehensive disclosures on the financial position, performance, business model, risk management, governance, internal controls and prospects of the Company

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.1.1	Presenting true, fair, balanced and understandable Annual Report with financial statements in conformity with relevant laws and regulations	The board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	**Complied** The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange ensuring they are true, fair, balanced and understandable.
D.1.2	Present interim and other price sensitive public reports and mandated reports to regulators by statute	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	**Complied** The Board recognizes its responsibility to present regulatory and statutory reports, including interim and other price-sensitive public reports, as well as reports to regulators and information required by statutory mandates, in a balanced and understandable manner. This commitment is confirmed in the Statement of Directors' Responsibility on page

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Code Reference	Principle	Compliance And Implementation	Compliance Status
D.1.3	Chief Executive Officer's and Chief Financial Officer's Declaration on Financial Statements	The board should, before it approves the company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the system of risk management and internal control was operating effectively.	**Complied** The Board obtained declarations from CEO and CFO that Company's interim and annual financial statements are prepared in conformity with applicable accounting standards, relevant laws and regulations and gives true and fair view of the financial position and performance, risk management and effectiveness of the internal controls.
D.1.4	Declarations by Directors in the Directors' Report	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors	**Complied** Annual Report of the Board of Directors on the affairs of the Company is given on pages 257 to 264 covering all areas of this section.
D.1.5	Statements by Directors and Auditors on Responsibility for Financial Reporting	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting Responsibilities. Further, the Annual Report should contain a Report/Statement on Risk Management and Internal Control.	**Complied** The 'Statement of Directors' Responsibilities' is given on page 282, and 'Independent Auditor's Report' is given on page 284.
D.1.6	Management Discussion and Analysis	The Annual Report should contain a "Management Discussion & Analysis", discussing, among other issues:	**Complied** Please refer 'Management Discussion and Analysis' on pages 86 to 89.
D.1.7	Serious loss of Net Assets	In the event the net assets of the Company falling below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken. The directors should report periodically to the shareholders progress on these remedial actions.	**Complied** The probability of such an event occurring ishighly unlikely. Nonetheless, in the event that such a situation does arise, an Extraordinary General Meeting (EGM) will be promptly scheduled, and shareholders will receive timely notifications regarding the meeting.

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.1.8	Disclosure of Related Party Transactions	The Board Should adequately and accurately disclose the related party transactions in its Annual Report.	**Complied** All related party transactions as defined in Sri Lanka Accounting Standard –24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 53 to the Financial Statements on page 354 to 359. The Company maintains a comprehensive record of related parties and related party transactions.
D.2	Risk Management and Internal Control	The Board should establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	**Complied** The Board has delegated the authority for risk management and maintaining a sound system of internal control to the Audit Committee and to the Integrated Risk Management(IRMC) Committee. These committees review the processes to ensure the protection of shareholders' investments and the Company's assets.
D.2.1	Risk Management Framework	The Board should adopt a framework for risk management and the processes to identify, assess, monitor and manage risks with clear delegation of responsibilities to ensure its effectiveness in supporting achievement of the strategic, operational and financial objectives of the company.	Board approved risk management framework is in place to identify, assess, monitor and managing the risks with clear accountabilities to ensure the achievement of strategic, operational and financial objectives of the Company.
D.2.1.1	Robust assessment of principal risks	The Board should ensure that the company has carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.	**Complied** Senior Manager- Risk periodically carries out robust risk assessment of the principal risks facing by the company which may impact company's business model, future performance, solvency and liquidity.

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Code Reference	Principle	Compliance And Implementation	Compliance Status
D.2.1.2	Disclosure of Risk Management Framework in Annual report	The Board should describe the risk management framework, processes, responsibilities and explain in the annual report how they are being managed or mitigated.	**Complied** The risk management framework, processes and responsibilities are disclosed in the Report of the Board Integrated Risk Management Committee Report on pages 90 to 111 of this annual report.
D.2.1.3	Establishment of Risk Management Committee	While the Board as a whole is ultimately responsible for risk management, the Board should establish a risk committee to oversee risk management. Alternatively, the entire Board may take up this role or allocate certain aspects of risk to other committees established by the Board and retain certain aspects specially at Board Level.	**Complied** The Board has established Board Integrated Risk Management Committee to oversee the risk management function and a Board approved TOR is in place to govern the committee functions.
D.2.1.4	Separate Risk Committee	The Company should consider regulatory requirements and sector / industry specific business risks in determining the need to have a separate Risk Committee. Companies may consider combining Audit and Risk functions under one committee.	**Complied** The Company has two seperate Board subcommittees for Audit and Risk functions.
D.2.1.5	Composition of the BIRMC	The Company should consider regulatory requirements and sector / industry specific business risks in determining the need to have a separate Risk Committee. Companies may consider combining Audit and Risk functions under one committee. When an Independent risk committee established, the committee should comprise of at least three members, a majority of whom should be Non-Executive Directors and be chaired by an Independent Non-Executive Director.	**Complied** The committee comprises of 3 Non-Executive Directors, 2 of them are independent. The Chairman of the committee is an Independent Non-Executive Director.
D.2.1.6	TOR of the BIRMC	The risk committee should have a written term of reference dealing clearly with its authority and duties. The terms of reference must address at a minimum how it will assist the Board's oversight of risk management.	**Complied** A Board-approved Terms of Reference (TOR) is in place, which clearly defines the authority and duties of the BIRMC. The TOR outlines, at a minimum, how the committee will assist the Board in overseeing risk management.

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.2.1.7/ D.2.1.8	Report of the BIRMC	The Annual Report should contain a report of the risk committee, setting out its role and how it discharged its responsibilities. Companies in regulated industries should consider applicable laws and regulations in determining the composition, scope, roles and responsibilities of the risk committee.	**Complied** Refer the Report of the Board Integrated Risk Management Committee on pages 275 to 278 of this annual report.
D.2.2	Design of the internal control system	The Board should establish a process to ensure internal controls are designed, implemented and monitored, to provide reasonable assurance of the achievement of an entity's objectives on reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.	**Complied** The board has set up a process to ensure that the internal controls are designed, implemented and monitored, to provide reasonable assurance on reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations.
D.2.2.1-D.2.2.3	Effectiveness of the internal control system	The Board should ensure that an effective system of internal controls is established in respect of financial, operational and compliance system, processes, and practices and are monitored regularly. Further, at least annually the Board should obtain a review of the effectiveness of the internal control systems and report on that review in an Annual Report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. Company should have an internal audit function. The Board should require the Audit Committee to ensure carrying out reviews of the process and effectiveness of internal controls and report their recommendations to the Board. Board should take responsibility for disclosures on internal controls in the Annual Report. The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's Auditors.	**Complied** A process has been setup to provide reasonable assurance on reliability of internal controls over financial reporting, operational and compliance system, processes and practices. A fully fledged internal audit department is in place to ensure the effectiveness of governance, internal control and risk management practices of the company. The Board Audit Committee annually reviews the effectiveness of internal controls and risk management process through internal audit department to ensure effective discharge of their duties. Refer the "Directors Statement on Internal Control" on page 281 of this annual report for more details.

CORPORATE GOVERNANCE

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.3	Audit Committee		**Complied** The Board established formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's Auditors.
D.3.1	Composition of the Audit Committee	The board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The committee should be chaired by an Independent Non-Executive Director, who is a member from a professional accounting body. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	**Complied** The Board Audit Committee comprises of three Non-Executive Directors, two of them are independent. The Chairman of the committee is an Independent Non-Executive Director. Details of the Audit Committee is mentioned in the 'Audit Committee Report' on page 268 of this Annual Report.
D.3.2	Terms of Reference of the Audit Committee	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties.	**Complied** The Board approved TOR is in place which covered the minimum requirements stipulated in this code.
D.3.3	Disclosures made in the Annual Report about Board Audit Committee	A separate section of the annual report should describe the work of the committee in discharging its responsibilities.	**Complied** Refer the Board Audit Committee Report given on page 268 of the Annual Report

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.4	Risk committee	The Board should establish a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk.	**Complied** The Board has established a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk.
D.4.1	Composition of BIRMC	The Board should establish a Risk committee which should comprise of a minimum three members, a majority of whom should be Non-Executive Directors and be chaired by an Independent Non-Executive Director.	**Complied** Board has established BIRMC which comprises of 3 Non-Executive Directors, two of them are Independent. The Chairperson of the committee is an Independent Non-Executive Director. MD, AGM - Finance and Senior Manager - Risk are invited to attend BIRMC meetings
D.4.2	The terms of reference of the Committee	The Risk committee should have written Terms of Reference dealing clearly with its authority and duties.	**Complied** The Board approved TOR is in place which covers the minimum requirements stipulated in this code.
D.4.3	BIRMC Meetings	The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. The Company Secretary serves as the Secretary to the Committee	**Complied** BIRMC met 8 times during the Financial Year. The Company Secretary functions as the secretary of the BIRMC
D.4.4	Seeking External Professional Advice	The committee should have authority to seek external professional advice if required in connection with the performance of its duties.	**Complied** The committee sought external professional advice as and when required.

CORPORATE GOVERNANCE

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.4.5	Disclosures made in the Annual Report about BIRMC	The Annual Report should contain a report of the Risk Committee, setting out its role and how it discharged its responsibilities.	**Complied** Refer the Board Integrated Risk Management Committee report given on pages 275 to 278 of the Annual Report.
D.5	Related Party Transactions Review Committee	The Board should establish a procedure to ensure that the company does not engage in transactions with 'related parties' in a manner that would grant such parties 'more favourable treatment' than that accorded to third parties in the normal course of business.	**Complied** A Board approved policy and procedure are in place to ensure that the company does not engage in transactions with related parties in a manner that would grant "more favourable treatment" to such parties.
D.5.1	Related Parties and Related Party Transactions	A related party and related party transactions will be as defined in LKAS 24 and reproduced under section D.1.8 of this code.	**Complied** All related party transactions as defined in Sri Lanka Accounting Standard –24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 52 to the Financial Statements on page 354 to 359.
D.5.2	Composition of BRPTRC	The Board should establish a Related Party Transactions (RPT) review committee consisting exclusively of Non- Executive Directors with a minimum of three Non-ExecutiveDirectors of whom the majority should be independent.	**Complied** Board has established BRPTRC which comprises of 3 Non-Executive Directors, two of them are Independent Non-Executive Directors. The Chairperson of the committee is an Independent Non-Executive Director. The committee met 4 times during the financial year.

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.5.3	The TOR of the Committee	RPT review committee should have written Terms of Reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	**Complied** The Board approved TOR is in place which covers the minimum requirements stipulated in this code. The Committee responsibilities and activities performed during the period are given in BRPTRC report on page 354
D.6	Code of Business Conduct & Ethics	Companies must adopt a Code of Business conduct & ethics for Directors, Key Management Personnel and all other employees	**Complied** The Board has adopted a Code of Business Conduct and Ethics for Directors, KMPs and other Employees including but not limited to dealing with shares of the company, compliance with listing rules, bribery and corruption, confidentiality, reporting of any illegal, fraudulent and unethical behaviors.
D.6.1	Code of Business Conducts/ Whistleblowing policy/ Antibribery and corruption policy (ABC)	All companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared complied with such Code, and if unable to make that declaration, state why they are unable to do so.	**Complied** The Board approved policies on Code of Conduct, Whistleblowing and Anti Bribery and Corruption are in placing covering major areas specified in the code.
D.6.2	Reporting of material and price sensitive information	The company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	**Complied** A process in place to ensure that material and price sensitive information is promptly identified and reported to CSE.
D.6.3	Policy on trading of shares by Directors, KRPs and Employees	The company should establish a policy, process for monitoring and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	**Complied** A Board approved Policy on Trading in the Entity's Listed Securities is in place to govern the process for monitoring and disclosure of shares traded by Directors, KRPs or any other employee involved in financial eporting.

CORPORATE GOVERNANCE

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.6.4	Whistle-blowing arrangements	The company should establish a procedure to deal with complaints received from whistle-blowers such as employees, customers, suppliers and any other parties in relation to non-compliance with company's code of business conduct and ethics.	**Complied** A Board approved whistle-blowing policy is in place to establish a procedure to deal with complaints received from employees, customers, suppliers or any other parties in relation to noncompliance with company's code of business conduct and ethics.
D.6.5	Training on Code of Conducts	The company should conduct training on the code of business conduct and ethics as part of induction training of new employees and require confirmation of compliance at least on annual basis from all employees.	**Complied** All new employees are provided training on the Code of conduct of the company. Periodic confirmations on awareness and compliance on company's code of conduct are obtained from Senior Managers.
D.6.6	Dissemination of the policy	The process for companywide dissemination of the policy, training arrangements, violations/non-compliances (if any) with actions taken should be reported to the Board on a regular basis. Any exemptions / waivers from compliance with the code of business conduct and ethics with reasons and timelines should be approved by the Board.	**Complied** A process is in place to report to the Board on regular basis about the dissemination of the policy among the staff in all 3 languages, training arrangements, violation/ non-compliances with respective action taken. No any waivers or exceptions are allowed in deviating code of business conduct and ethics.
D.6.7	Chairman's confirmation on implementing Code of Conduct and Ethics	The chairman must affirm in the Company's Annual Report that, code of conduct and ethics has been introduced company wide and the procedure for disseminating, monitoring and compliance with that code. Chairman must also disclose significant violations if any of the provisions of the code of business conduct & ethics. Disclosures should contain the types and numbers of violation and procedures followed in dealing with them.	**Complied** Refer the Chairman's Statement in the Annual Report for details.
D.7	Corporate Governance Disclosures	Directors should disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	**Complied** The Board has disclosed the extent of compliance with good corporate governance principles and practices.

Code Reference	Principle	Compliance And Implementation	Compliance Status
D.7.1	Disclosure of Corporate Governance Compliance	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	**Complied** The requirement is met with the presentation of this Corporate Governance Report from pages 182 to 256.
E	**INSTITUTIONAL INVESTORS**		
E.1	Shareholder voting	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	**Complied** Institutional shareholders who invested directly in shares of the company are encouraged to perform adequate analysis on governance arrangements, Board structure, composition in addition to the other financial factors. All investors are encouraged to ensure their voting intentions are translated into practice.
E.1.1	Regular and structured dialogues with shareholders	A listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	**Complied** The Annual General Meeting is the forum utilized by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the AGM.
E.2	Evaluation of Governance Disclosure	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	**Complied** Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.
F	**OTHER INVESTORS**		
F.1	Investing/Divesting Decisions	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	**Complied** Individual shareholders investing directly in the Company are encouraged to carry out adequate analysis in investing or divesting decisions.

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Code Reference	Principle	Compliance And Implementation	Compliance Status
F.2	Shareholder voting	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	**Complied** Individual shareholders are encouraged to participate at Annual General Meeting and exercise their voting rights.
G - INTERNET OF THINGS & CYBERSECURITY			
G.1	Identify connectivity and related cyber risks	The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cybersecurity risks that may affect the business.	**Complied** implemented stringent controls to manage connectivity and security controls.
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cybersecurity risk management policy which should be approved by the Board.	Recruitment process is in placed for the appointment of CISO
G.3	Include cyber risk management on Board agenda	The Board should allocate regular and adequate time on the board meeting for discussions about cyber-risk management. The matters taken up for the discussion on the Board meeting agenda may include; Potential cyber security risks in the company's business model CISO's security strategy and status of the current projects. Compliance with the cyber security risk management process and incident reports. Findings and recommendations from independent reviewers.	**Partially Complied** An audit on Information system Security was conducted during the year.
G.4	Obtain periodic assurance to review effectiveness of Cybersecurity Risk Management	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance. The scope and the frequency of the independent periodic reviews could be determined based on the industry vulnerability, company's business model and incident findings.	
G.5	Disclosures in Annual Report	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	IT Security and general controls are reviewed by Internal Auditors.
H	**SUSTAINABILITY : ESG RISK AND OPPORTUNITIES**		
H.1	ESG risk and opportunities	The Board should consider sustainability/ESG risk opportunities in the company's business model, operations, short- and medium-term planning in its long-term strategy to ensure that the company remains resilient and able to deliver durable and sustainable value over the short, medium and long term in order to maintain the confidence and continued engagement of shareholders and all significant stakeholders.	**Complied** The company has integrated sustainability/ ESG risk opportunities into its business model and strategy.

Code Reference	Principle	Compliance And Implementation	Compliance Status
H.1.1	Impact of ESG risks and opportunities	The company should include the impact of sustainability/ ESG risks and opportunities in its business plans, strategic plans and present to the Board for consideration on a regular basis. This could be in the form of scenarios, probability of occurrence, likely impact, mitigative actions and monitoring and management.	**Complied** The company presents relevant information to the Board for consideration on a regular basis. However, there is room for improvement in fully integrating sustainability/ESG risks and opportunities into business and strategic plans, as well as the regular presentation of this information to the Board.
H.2	Views of Stakeholders	The Board and Key Management Personnel should continuously engage with and consider the views of its stakeholders to better understand and manage the company's sustainability/ESG risk and opportunities, as stakeholder expectations are heightening across various sustainability/ESG issues relating to the protection of environment and other ESG issues. Many institutional investors consider these factors in their investment decision making.	**Complied** The company engages regularly with its stakeholders to understand and manage sustainability/ESG risks and opportunities effectively.
H.2.1	Process to recognize significant stakeholders	The company should have a process to recognize significant stakeholders and material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.	**Complied** Company actively engages with stakeholders across all levels to gather insights on sustainability/ESG risks and opportunities. The company uses feedback mechanisms to understand stakeholder expectations and preferences. This engagement informs company policies and strategies to manage ESG risks and opportunities effectively.
H.3	Governance Framework	The company should establish a governance framework and structure which includes conformance, performance and sustainability/ESG factors.	**Complied** Company has a well-defined governance framework that includes performance metrics and conformance with sustainability and ESG factors. This structure encompasses various policies and practices to address these factors, ensuring alignment with best practices and regulations.

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Code Reference	Principle	Compliance And Implementation	Compliance Status
H.3.1	Sustainability Factors	Sustainability factors should be addressed through a process of environmental governance and social governance.	**Complied** The company addresses sustainability factors through comprehensive environmental and social governance processes. These include regular assessments of environmental impact, community engagement programs, and employee wellness initiatives. These efforts aim to manage and minimize the company's environmental footprint while enhancing social well-being.
H.3.1.1	Environmental Governance	Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health, and health and environmental implications on business strategies, plans, decisions and operations. The company policy and practices on matters such as followings should be considered: Health and safety, Climate change, pollution prevention, effluent treatment, sustainable resource use, restoration of natural resources, renewable energy, and bio diversity,	**Complied** The environmental related strategies of the company were formulated under the Company ESG Framework. The Aims and these Policies are described under the Natural Capital section of the Annual report. Sustainability principles related to environmental factors are embedded in the operations of the Company and initiatives were implemented to ensure adherence to environmental governance by the Company. Initiatives are disclosed under the Sustainability section of the Annual Report.

Code Reference	Principle	Compliance And Implementation	Compliance Status
H.3.1.2	Social Governance	Social governance of an organization should include an integrated approach to engage separately with representative groups of the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model in relation to aspects material to its sustainable growth. The organization should include an integrated approach to build a relationship with the community for sustainable development including a process for responsive community engagement, fair competition and business practices, thereby demonstrating corporate social responsibility. The organization should adopt an integrated approach to building a relationship with customers. This includes establishing a process for customer feedback through engagement, efficient service delivery, standards for product responsibility and product recall and other matters material and relevant to the organization's business model and customer experience. The labour practice related governance of an organization should encompass all policies and practices in relation to work performed by or on behalf of the organization in accordance with its business model and should also include policies and practices such as health and safety, equal opportunity, gender balance, career development and training, reward and recognition, conditions of work, work life balance and industrial relations. The organization should have policies and procedures to ensure that suppliers and outsourced providers comply with social governance norms of the company.	**Complied** Sustainability principles related to social factors are embedded in the operations of the Company and initiatives were implemented to ensure adherence to social governance by the Company. The social governance policies of the Company were formulated under the Company ESG Framework and are disclosed under the Social Pillar. The social related initiatives that were carried out are described under the Sustainability section of the Annual Report.
H.4	Establishment of a governance structure to support ESG factors	The Board should establish a governance structure to support sustainability/ESG factors including its ability to create value and manage risks in the short, medium and long term, recognizing, managing and measuring on all pertinent aspects of sustainability using financial and non financial measures.	**Complied** Process of managing risks in line with ESG aspects is discussed in the Risk management report.
H.4.1	Recognition of Key resources/Capital	The company should recognize the key resources/capitals deployed in its business and stakeholders who can influence these resources / capitals and establish financial and non-financial measures for resource/capital management and related outputs and outcomes.	**Complied** The company identifies key resources and stakeholders affecting its operations and business. Financial and non-financial measures are established for managing these resources and valuating outcomes, such as performance metrics, efficiency indicators

CORPORATE GOVERNANCE

Code Reference	Principle	Compliance And Implementation	Compliance Status
H.4.2	Process in ascertaining, assessing and managing ESG factors	The company should have a process to ascertain, assess and mange sustainability/ESG factors which have an impact on the sustainability of the company.	**Complied** The company has a formal process to identify, assess, and manage sustainability/ ESG factors affecting its business. This includes risk assessments, scenario planning, and regular reviews of sustainability performance.
H.4.3	Establishment of financial and non-financial measures	The company should establish financial and non-financial measures in respect of all material matters relating to significant stakeholders including as determined in H.2.1 and environmental and social factors stated in H.3.1.1 and H.3.1.2.	**Complied** The company uses a range of financial and non financial measures to track performance and outcomes related to significant stakeholders, environmental, and social factors. This includes key performance indicators (KPIs), and stakeholder engagement metrics.
H.5	Disclose ESG risks and opportunities	The company's Annual Report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.	**Complied** The company's Annual Report provides detailed information on how ESG risks and opportunities are identified, managed, measured, and reported. This includes disclosures on ESG strategy, performance metrics, risk assessments, and initiatives.
H.5.1		**ESG Reporting** Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. While many of these factors are 'non financial', their management and likely impact have financial consequences. Hence, they are important factors to be built into a company's business model, strategy, governance and risk management framework. Sustainability/ESG factors relevant to the company could impact the following: Access to financial capital Cost savings and productivity Brand value and reputation Employee recruitment Employee retention Access to markets License to operate Market capitalization	**Complied**

Code Reference	Principle	Compliance And Implementation	Compliance Status
H.5.2	Companies should provide information in relation to:	The relevance of environmental, social and governance factors to their business models and strategy. How sustainability/ ESG related issues may affect their business, e.g. through legislation, reputational damage, employee turnover, license to operate, legal action, stakeholder relationships, and how these impacts may affect business, strategy, and financial and operational performance. How risks and opportunities pertaining to sustainability/ESG are recognized, managed, measured and reported.	**Complied** The company provides detailed information on the relevance of environmental, social, and governance factors to its business models and strategy in the Annual Report. It addresses how sustainability/ESG issues affect business, including regulatory, reputational, and operational impacts. Risks and opportunities related to sustainability/ ESG are effectively recognized, managed, and reported.
H.5.3		The disclosures should deal with how the company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organizational culture, code of conduct and business model supports sustainability of the company in the short, medium and long term.	**Complied** The company's disclosures outline compliance with mandatory and voluntary governance codes. They also detail how the leadership structure, culture, code of conduct, and business model support sustainability
H.5.4	Sustainability/ESG reporting is a Board's responsibility, and it is designed to add value by providing a credible account of the Company's economic, social and environmental impacts.	Sustainability/ESG reporting and disclosure should be formalized as part of the Company's reporting process and take place on a regular basis. Such reporting should link sustainable/ESG issues more closely with strategy. Sustainability/ESG reporting may be built on a number of different guidelines, such as: Integrated Reporting Framework The Global Reporting Initiative Guidelines Complied	ESG reporting and disclosure is done as part of the Company's reporting process based on Integrated Reporting Framework and The Global Reporting Initiative Guidelines.
I	**SPECIAL CONSIDERATIONS FOR LISTED ENTITIES**		
I.1	Establishment and maintenance of policies and other requirements	Listed entities shall establish and maintain policies relating to its governance 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.	**Complied** Company has established and are maintaining policies relating to its governance and are disclosing the details relating to the implementation of such policies in the company's website.

CORPORATE GOVERNANCE

Code Reference	Principle	Compliance And Implementation	Compliance Status
I .1.1	Establishment of policies	Policies relating to following areas are essential: a) Matters relating to the Board of Directors, b) Board Committees, c) Corporate Governance, nominations, and re-election, d) Remuneration, e) Internal code of business conduct and ethics for all directors and employees, including policies on trading the entity's listed securities, f) Risk management and internal controls, g) Relations with shareholders and investors, h) Environmental, social and governance sustainability, i) Control and management of company assets and shareholder investments, j) Corporate disclosures, k) Whistleblowing, l) Anti-bribery and corruption	**Complied**
I.1.2	Disclosure of Waivers and Exemptions	Any 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.	N/A
I.1.3	Disclosure of Policies	Listed entities shall disclose in its Annual report: (i) the list of policies that are in place with reference to its website, and (ii) details pertaining to any changes to policies adopted by them. Complied	**Complied**
I.1.4	Access to Policies and Governance Documents	Listed entities shall make available all such policies to shareholders upon a written request being made for any such policy.	**Complied**
I.2	Policy for Board of Directors	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.	**Complied**
1.2.1		Policy governing matters relating to Board of Directors	**Complied**

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

INTRODUCTION

The Directors of Alliance Finance Company PLC (AFC) have the pleasure in presenting this report to the shareholders together with the Audited Financial Statements for the year ended 31st March 2026 and the Independent Auditor's Report. The information is provided in conformity with the requirements of the Companies Act No.07 of 2007(Companies Act), Finance Business Act Directions No.05 of 2021 on Corporate Governance and the Listing Rules of the Colombo Stock Exchange. It is also guided by the recommended Best Practices on Corporate Governance 2023.

COMPANY OVERVIEW

Alliance Finance Company PLC (AFC) was incorporated as a public company on 18th July 1956 under the provisions of the Companies Ordinance No. 51 of 1938, initially as a private limited liability company. The Company was subsequently converted to a public limited liability Company and admitted to the Official List of the Colombo Stock Exchange (CSE) on 1st January 1959. AFC was re-registered under the Companies Act No. 07 of 2007 under Registration Number PQ 93.

AFC's ordinary shares were first listed on the Main Board of the Colombo Stock Exchange (formerly known as the Colombo Stockbrokers Association) in 1959 and continue to be listed on the Main Board of the CSE.

AFC is the oldest finance company in Sri Lanka's Non-Banking Financial Institutions (NBFI) sector, supported by over 70 years of successful business operations. The Company's registered office and principal place of business are located at "Alliance House", No. 84, Ward Place, Colombo 7.

Lanka Rating Agency Ltd has assigned AFC an investment-grade credit rating of BBB with a Stable Outlook, as published on 5th May 2025.

In compliance with the requirements of Section 168 of the Companies Act No.07 of 2007, the following disclosures are made in this Report for the year under review.

VISION, MISSION AND CORPORATE CONDUCT

The Company's Vision and Mission are provided on page 8 of this Annual Report. In achieving the Vision and Mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity, as set out in the Company's Code of Business Conduct and Ethics.

REVIEW OF PERFORMANCE

The Board of Directors is pleased to report that the Company delivered an exceptional performance during the financial year 2025/26, achieving strong year-on-year growth and outperforming the broader Non-Banking Financial Institutions (NBFI) sector. This achievement is particularly noteworthy given the challenging market conditions that prevailed across the industry during the year. The Company's strong results underscore the effectiveness of its sustainability-focused business ethos, which continues to serve as a key driver of long-term value creation.

Net Profit After Tax increased to LKR 2,038 Mn, representing an 18% growth compared to the financial year 2024/25. The lending portfolio expanded by moderate growth of 24%, while maintaining NPL ratio at 5.86% despite the moderate portfolio growth.

In addition, the Company further diversified its product portfolio by introducing a range of sustainable finance solutions, enabling AFC to better respond to evolving customer needs while reinforcing its commitment to responsible and inclusive growth.

PURPOSE STATEMENT AND HIGH IMPACT GOALS

With over Seven decades of service, the Company remains steadfast in its 70-year journey, proudly holding the distinction of being the first finance company in Asia to achieve SSCI Certification 2.0 – a prestigious recognition that makes us the only financial institution in Sri Lanka to date with this status. Guided by a clearly defined Purpose Statement and a set of refocused High Impact Goals aligned with global sustainability standards and the United Nations Sustainable Development Goals (UNSDGs), the Company adheres to a triple bottom-line business philosophy (People, Planet, and Profit), ensuring that every strategic initiative balances financial performance with social and environmental responsibility. (For further details on our Purpose, High Impact Goals, and triple bottom-line approach, refer to page 54 of this Annual Report)

PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of the Company include providing finance leases, term loans, gold loans, pledge loans, mortgage loans, Ran Ayojana, Climate Smart Agri Finance products, Solar Finance, MSME Finance and acceptance of public deposits and savings. Other Lines of Business include hire purchase, group loans, trading, investment in shares and real estate. The Company also provides end-to-end vehicle management solutions which include operating leases and hiring of vehicles which was enhanced by the addition of a platform for the hire of small trucks and three wheelers. The principal activity of the subsidiary Alfinco Insurance Brokers (Pvt) Ltd, is brokering of insurance business and the associate company Macbertan (Pvt) Ltd and Helios P2P (Pvt) Ltd is a digital platform for financial transactions.

Annual Report of The Board of Directors on The Affairs of the Company

BRANCH NETWORK

During the year under review, the Company undertook a comprehensive evaluation of its branch network with a view to optimizing operational performance across all locations. In line with its strategic objective of enhancing financial inclusion and expanding its footprint in underserved and rural communities, the Company established new branches, both physical and virtual, while selectively relocating certain branches to improve accessibility and efficiency.

This measured expansion of the network contributed positively to increased business volumes and strengthened deposit mobilization.

As at 31st March 2026, the Company maintained a network of 92 points of presence across the country. Further details are provided on page130 of this Annual Report.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

An overview of the Company's financial position and performance during the year, including a review of financial results, key achievements, and future outlook, is presented in the Chairperson's Message on pages 28 to 33.

The Deputy Chairman and Managing Director's Message on pages 34 to 39 highlights the key developments during the year, together with the salient features of the Company's performance and its future direction.

The Independent Auditors' Report, together with the Audited Financial Statements, reflects the state of affairs of the Company as at 31st March 2026 and its financial performance for the year then ended.

FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY

The Financial Statements of the Company were duly audited and certified by the Deloitte Associates, External Auditors. The Financial Statements were approved by the Board of Directors and signed by the Deputy Chairman/Managing Director and an Executive Director.

The Independent Auditors' Report, together with the Audited Financial Statements, reflects the state of affairs of the Company as at 31st March 2026 and its financial performance for the year then ended.

The Report on the operations of AFC appears on page 9 of this Annual Report. The Group Financial Statements as at 31st March 2026 were reviewed and recommended by the Board Audit Committee. The Statement of Financial Position, Statement of Profit or Loss, and Notes to the Financial Statements appear on pages 287 to 375 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Section 150(1), 151,152 and 153(1) and (2) of the Companies Act No.07 of 2007, the Board of Directors of the Company and Group are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Group and the Company.

In this regard, the Board of Directors wishes to confirm that the Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows have been prepared in conformity with the requirements of SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder and the Code of Best practices on Corporate Governance issued by CA Sri Lanka. The "Statement of Directors' Responsibilities" is provided on page 282 and forms an integral part of this Report.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board has issued a statement on the Internal Control Mechanism of the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No.5 of 2021. The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on pages 257 to 264. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to on page 281.

INDEPENDENT AUDITOR'S REPORT

The Company's Auditors, Deloitte Associates performed the audit of the consolidated Financial Statements for the year ended 31st March 2026 and the Auditors' Report issued thereon appears on Page 284 of the Annual Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

Significant accounting policies adopted in preparation of the Financial Statements of the Company are given on Pages 287 to 375 and there have been no material changes. These Financial Statements comply with the requirements of Sri Lanka Accounting Standards on "Presentation of Financial Statements"(LKAS 01) and comply with Section 168 (1)(d) of the Companies Act No.07 of 2007.

INCOME

The income of the Company for the year ended 31st March 2026 was LKR 18,191 Mn (2024/25 - LKR 15,673 Mn). Group Income during the year under review was LKR 18,417 Mn (2024/25 – LKR 15,832 Mn). An analysis of the Income is given in Note 6 to the Financial Statements.

RESERVES

The Reserves of the Company and the Group with the movements during the year under review are given in Note 48 to the Financial Statements on page 348.

TAXATION

The income tax rate applicable on the profits earned was 30%, rate of VAT on financial services during the year was 18% and Social Security Levy was 2.5%. Accordingly, the current year income tax provision of the Company was LKR 1,318 Mn compared to LKR 1,352 Mn for the year 2024/25. A more descriptive note on income tax and deferred tax of the Company is disclosed in Note 16 to the Financial Statements.

FINANCIAL RESULTS AND APPROPRIATIONS

The total interest income of the Company for the year ended 31st March 2026 was LKR 16,611 Mn (LKR 14,236 Mn in 2024/25). A more descriptive analysis of the interest income is given in Note 6 to the financial statement on page 314.

FINANCIAL RESULTS

The Company recorded a Profit before Tax of LKR 3,357 Mn and Profit after Tax of LKR 2,038 Mn for the financial year ended 31st March 2026. The Company's performance and details of appropriations of profit relating to the Company are tabulated as follows:

	Year ended 31.03.2026	Year ended 31.03.2025
	LKR	LKR
Interest Income	**16,611**	14,236
Retained earnings brought forward from previous year	**5,656**	4,510
Add: Profit after Taxation	**2,038**	1,735
Earnings available for appropriation	**7,695**	6,245
Appropriations:		
Add: Net actuarial gain/(loss) on defined benefit plan	**(196)**	(37)
Add: Transfer of realized profit on investment property disposal to retained earnings	**50**	88
Less: Dividend paid for previous/current year	**(310)**	(553)
Less: Transfer to reserves	**(102)**	(87)
Total appropriation	**(558)**	(589)
Retained earnings carried forward	**7,137**	5,656

DIVIDEND

The Board of Directors has recommended a first and final dividend of LKR 10/- per share, amounting to LKR 336,960,000 for the year under review on the issued shares of 33,696,000, subject to approval by the shareholders at the forthcoming Annual General Meeting.

As required by Section 56 of the Companies Act No. 07 of 2007, the Directors have certified that they are satisfied that the Company will, immediately after the said distribution, meet the Solvency Test in accordance with the provisions of the Act. Subsequent to this declaration, the Directors have obtained the Auditors' Certificate of Solvency.

In compliance with Guideline on Declaration of Dividends and Repatriation of Profits dated 31st January 2023 – Ref.24/10/001/0019/005 issued under the Finance Business Act, the Company obtained the approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the First and Final Dividends. The said Final Dividend will be subject to approval by the shareholders.

PROPERTY, PLANT AND EQUIPMENT

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) and intangible assets of the Company during the year ended 31st March 2026 amounted to LKR 328 Mn and LKR 208 Mn, respectively (2024/25: LKR 407 Mn and LKR 148 Mn). Details of property, plant and equipment are set out in Note 33 (pages 334 to 338) to the Financial Statements.

The extents, locations, valuations, and number of buildings relating to the Company's land, buildings, and investment properties are disclosed on pages 332 to 333 of this Annual Report.

Annual Report of The Board of Directors on The Affairs of the Company

The Company has successfully implemented a state-of-the-art core banking system, which supports AFC's digital transformation initiatives and enhances operational efficiency and customer service capabilities.

DIRECTORS' INTERESTS IN SHARES

In compliance with section 200 of the Companies Act No 07 of 2007, the Directors have disclosed to the Board their shareholding in the Company. There were no acquisitions nor disposal made by Directors during the year 2025/26.

MANAGING DIRECTOR'S INTEREST IN SHARES

The Managing Director, Mr. R.K.E.P. de Silva's individual shareholding in the Company as at 31st March 2025 and 31st March 2026 are 12,423,830.

DIRECTORS' MEETINGS

The details of Directors' meetings and attendance at the Meetings by the Directors are presented in the Corporate Governance report on page 182 of this Annual Report.

CORPORATE GOVERNANCE

The Board of Directors is committed to adhering to the Corporate Governance Framework and Policy which includes the procedures and processes governing the different stakeholders in the organization – such as the Board, Executive Management Staff, Middle Management and other staff, Shareholders, Customers, Lenders and others to ensure that the highest principles of Corporate Governance principles are maintained across all constituents. In adopting the aforesaid Corporate Governance Framework and Policy, the Board has ensured that the Company is compliant with the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies Corporate Governance Direction No.5 of 2021 and the transitional provisions. The measures taken in this regard are set out in the Corporate Governance Report on Pages 183 to 256 of this Annual Report.

The Board of Directors is committed to developing the corporate Governance principles of the Company and has adopted various policies to ensure that the highest principles of ethics and governance are maintained across the Organisation. In terms of the Finance Business Act Direction No.05 of 2021 a policy on Communication with all stakeholders was formulated during the year governing the different participants in the Company – such as the depositors, shareholders, borrowers/creditors and other stakeholders.

The Corporate Governance Framework was reviewed to ensure that the Company is following the recommendations of the Finance Companies (Corporate Governance) Directions No. 05 of 2021, the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practices on Corporate Governance issued by CA Sri Lanka

A Comprehensive Anti-Money Laundering Policy/Whistle Blower Policy/Anticorruption and anti-bribery policy etc are in place to ensure best practices are embraced by the Company in conducting its operations. The Company at all times endeavors to ensure fair treatment to all stakeholders, in particular the depositors. Further, the Board adopted frameworks with the involvement of internal management committees for risk management and the process to identify, assess, monitor, and manage risks with clear delegation of responsibilities to ensure their effectiveness in supporting the achievement of the strategic, operational, and financial objectives of the Company.

CODES OF CONDUCT

The Board of Directors and employees follow Codes of Conduct and ethics and have adhered to the principles therein.

GROUP STRUCTURE

The Group Structure is depicted in the Corporate Governance Report and the Governance framework of the Company takes into consideration the governance framework of the Group.

BOARD SUB COMMITTEES

The Board of Directors of the Company has formed Five Board Sub-Committees in compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance and the Listing Rules of the Colombo Stock Exchange. This adherence also aligns with the recommended Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

The following Directors served as members of the Board Sub-Committees:

Board Audit Committee

Mrs. P. De Silva – (Chairperson)
Mrs. G.S.T. Dharmakirti-Herath –(Member)
Mr. L.J.H. De Silva – (Member)

The Report of the Board Audit Committee appears on pages 268 to 270.

Board Integrated Risk Management Committee

Mrs. P. De Silva – (Chairperson)
Mrs. G.S.T. Dharmakirti-Herath –(Member)
Mr. L.J.H. De Silva – (Member)

The Report of the Board Integrated Risk Management Committee appears on pages 275 to 278.

Board Human Resources and Remuneration Committee

Dr. D.L.I. Hettiarachchi – (Chairperson)
Mrs. G.S.T. Dharmakirti-Herath –(Member)
Mr. L.J.H. De Silva – (Member)

The Report of the Board Human Resources and Remuneration Committee appears on page 273.

Board Nomination and Governance Committee Report

Dr. D.L.I. Hettiarachchi – (Chairperson)
Mrs. G.S.T. Dharmakirti-Herath –(Member)
Mr. L.J.H. De Silva – (Member)

The Report of the Board Nomination and Governance Committee appears on pages 265 to 267.

Board Related Party Transactions Review Committee

Dr. D.L.I. Hettiarachchi – (Chairperson)
Mrs. G.S.T. Dharmakirti-Herath – (Member)
Mr. L.J.H. De Silva – (Member)

The Report of the Related Party Transaction Review Committee appears on pages 271 to 272.

Board Sustainability Committee

Mrs. G.S.T. Dharmakirti-Herath – (Chairperson)
Mr. R.K.E.P. De Silva –(Member)
Mr. A.A.P. Rodrigo – (Member)

RELATED PARTY TRANSACTIONS

The Directors have disclosed transactions, if any, that could be classified as Related Party Transactions in accordance with Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosure), which are detailed in the Financial Statements. These transactions disclosed by the Directors are provided in Note 53 to the Financial Statements, forming an integral part of the Annual Report of the Board of Directors on the affairs of the Company. The Board Related Party Transactions Review Committee has reviewed all related party transactions requiring their review for the year ended 31st March 2026, ensuring compliance with the relevant Corporate Governance Direction of the Central Bank of Sri Lanka and the Listing Rules. The Directors have abstained from voting on matters in which they were interested. There were no matters of material related party transactions.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that the Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements appearing from pages 287 to 375 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 and its amendments, directions, and guidelines issued under the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on page 282 and forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

DONATIONS, CSR AND SUSTAINABILITY EXPENSES

The Company expended LKR 30.16 Mn for donations, Corporate Social Responsibility activities and sustainability initiatives during the year 2025/26 (LKR 55.09 Mn in 2024/25).

SYSTEM OF INTERNAL CONTROLS

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial and compliance required to carry out its operation in an orderly manner, safeguard its assets and secure as far as possible, the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the 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 Board through the Internal Audit Department has reviewed the internal controls and has obtained reasonable assurance regarding its effectiveness. The Directors have assigned to the Company's Internal Auditors, to review and report on the effectiveness of financial, operations and compliance controls. The External Auditors too independently verify this and their certification appears on Page 279.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1(ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The said statement, which forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company, is provided on pages 257 to 264. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referenced on page 279.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 27 on Page 328 to the Financial Statements.

STATED CAPITAL AND SHAREHOLDERS' FUNDS

In compliance with the Companies Act No 07 of 2007, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the issued Share Capital. The Stated Capital is represented by 33,696,000 Ordinary Shares. The Stated Capital and reserves stood at LKR 613.98 Mn and LKR 3,223.60 Mn respectively as at 31st March 2026 (LKR 613.98 Mn and LKR 3,079.47 Mn as at 31st March 2025).

During the financial year LKR 102 Mn was transferred from Retained Earnings to the Reserves. Details of movement of reserves and Stated Capital are provided in the Statement of Changes in Equity on Page 290 of the Financial statements. No funds were raised through a public issue or private placement of shares during the year under review.

ISSUANCE OF SOCIAL BONDS

Alliance Finance Company PLC (AFC) made history by issuing the first Social Bond in Sri Lanka. Initially listed on the Colombo Stock Exchange (CSE), the bond was successfully onboarded our first-ever term Social Bond on the NSE International Exchange (NSE IX) at GIFT City, India (Gujarat International Finance Tec-City), reinforcing the Company's commitment to international Environmental, Social, and Governance (ESG) standards.

The Company issued BBB rated Twenty Million (20,000,000) Listed Rated Unsecured Senior Redeemable Social Bonds at the par value of Rupees One Hundred (LKR 100/-) each and raised Rupees Two

Annual Report of The Board of Directors on The Affairs of the Company

Billion (LKR 2,000,000,000/-). Details on the debt securities appear on Note No. 38 (page 342).

MINIMUM CAPITAL REQUIREMENT

The Board of Directors is cognizant that it is required to maintain the statutory requirement on minimum capital adequacy ratios to mitigate the liquidity risk and safeguard the depositors' funds, and the risk weighted capital ratio thus ensuing the sustainability of the Company and the industry as a whole. The Company is compliant with the capital requirements and has mentioned the capital was at the required levels and the information on minimum Capital Requirement is given on Page 375 of the Annual Report. The Company has a status of well capitalized entity as per the guideline of the Central Bank of Sri Lanka in terms of the Total Capital.

SHARE INFORMATION

The ten-year summary appears on Pages 380 to 383 and shareholder information and information on trading are provided under the "Shareholder Information" and are on Pages 384 to 385 of the Annual Report and is presented with the purpose of providing more price sensitive information to the shareholders which includes,

- Number of shares representing the entity's stated capital.
- A distribution schedule of the number of holders in equity securities, and the percentage of their total holding.
- The ratio of Dividend per share, Dividend payout and net assets per share.
- Market Value per share including highest and lowest value recorded during the year and value as at end of the financial year.
- Float adjusted market capitalization, Public holding percentage, number of public shareholders and the Minimum Public Holding Requirement.

SUBSTANTIAL SHAREHOLDING

The list of the Company's top 20 shareholders, number of shares held by them and percentage of their respective holding and Public Holding percentage are given under the title Shareholder information on pages 384 to 385.

INFORMATION TO SHAREHOLDERS

The Board strives to be transparent and provide accurate information in a timely manner to shareholders in all published material.

COMMUNICATION WITH SHAREHOLDERS

A communication policy is in place to cater to the requirements of all stakeholders. Different methods are used to communicate with the shareholders. The Company Secretary serves as the communication link. AFC has taken all measures which are reasonably possible to ensure fair treatment of all its stakeholders specially the Depositors of the Company.

BOARD OF DIRECTORS COMPOSITION

Our Board of Directors has the qualifications, experience and expertise in finance, marketing, law, accounting and management. As at 31st March 2026, there were nine Directors on the Board of Alliance Finance Company PLC of which three are Executive and six are Non-Executive of which three are independent.

During the year Mrs. Devika Ellepola, Non-Executive Director, was appointed to the Board with effect from 16.01.2026 having obtained the approval of the Central Bank of Sri Lanka.

Mr. A.A.P. Rodrigo also appointed to the Board with effect from 01/04/2026.

Dr. S.L.N. Wickremasooriya retired from the Board with effect from 09/12/2025 upon reaching age of 70 years.

Mr. W.P.K. Jayawardana resigned from the Board with effect from 31.03.2026.

The Board is governed by the Terms of Reference which embodies the framework governing its responsibilities and activities. The required balance in terms of the Corporate Governance is maintained.

Chairperson of our Company is an Independent Non-Executive Director and, thereby no Independent Non-Executive Director was appointed as the Senior Director as the offices of Chairperson and CEO are held by two different persons.

The qualifications and experience of the Directors is provided on Pages 10 to 15 of this Annual Report. The following Directors held office as at the end of the financial year.

Mrs. G.S.T. Dharmakirti-Herath - Chairperson (Independent Non-Executive)

Mr. R.K.E.P. de Silva - Deputy Chairman & Managing Director (Executive)

Mr. W.P.K. Jayawardana - Deputy Managing Director (Executive) *(resigned w.e.f. 31/03/2026)*

Mr. M.J Benedict - (Executive)

Mrs. P. de Silva - (Independent Non Executive)

Mr. L.J.H. de Silva - (Non-Independent, Non-Executive)

Dr. D.L.I. Hettiarachchi - (Independent Non-Executive)

Dr. S.L.N. Wickramasooriya - (Non-Independent, Non-Executive) *(resigned w.e.f. 09.12.2025)*

Mr. D.F.W. Perera - (Non-Independent, Non-Executive)

Mrs. D.M.S.D de Zoysa S. Ellepola (Non-Independent, Non-Executive) (appointed w.e.f. 16/01/2026)

INDEPENDENT DIRECTORS

The Independent Directors are in conformity of the Rule 9.8.3 of the Colombo Stock Exchange and also, that of Direction No.5 of 2021 as at the close of the financial year. Each of the Directors has determined their Independence as required by the Colombo Stock Exchange and have furnished the Appendix 9A.

ALTERNATE DIRECTORS

No Alternate Directors were appointed to the Board during the financial year 2025/26, and there were no Alternate Directors in office during the year.

Retirement by Rotation – Mr. L.J.H, De Silva retires under Articles numbered 131, 132 and 133 being eligible offer himself for re-election with the unanimous support of the Board of Directors.

Mr. L.J.H. De Silva was appointed to the Board on 16/10/2019. He currently serves as member of Board Audit Committee, Board Integrated Risk Management Committee, Related Party Transaction Review Committee, Board Human Resources and Remuneration Committee, and Board Nomination and Governance Committee.

In accordance with the Company's Articles of Association, Mr. De Silva was re-elected as a Director at the first Annual General Meeting held subsequent to his initial appointment, which took place on 21/08/2020.

In accordance with Article 136 of the Articles of Association of the Company, Mrs. D.M.S. D. De Z. S. Ellepola and Mr. A. A. P. Rodrigo, having been appointed to the Board of Directors on 16th January 2026 and 01st April 2026, respectively, shall retire and being eligible, offer themselves for re-election at the next Annual General Meeting of the Company.

DIRECTORS TRAINING

The Board of Directors has attended training programs on a range of topics to enhance the knowledge on matters that which is relevant to the industry, specialized areas and other specific areas identified by the Directors. A process is in place to appraise the Directors of the changes in the Listing Rules and any relevant areas on capital market provisions.

DIRECTORS' INTEREST REGISTER

In compliance with the Companies Act No.07 of 2007, the Company maintains an Interests Register which is available for inspection.

DIRECTORS' INTERESTS IN TRANSACTIONS/ RELATED PARTY TRANSACTIONS

The Directors of the Company have made general declarations as provided in the section 192 (2) of the Companies Act No. 07 of 2007 of their interests in the transactions of the Company. Details of the transactions disclosed therein are given on Pages 354 to 358 under related party transactions. There have been no material interests in contracts with the Company.

Directors' Declarations in terms of Section 16.1 of the Finance Business Act Directions No. 05 of 2021, Corporate Governance.

The Chairperson and the Directors of the Company have made declarations as per the requirements in Section 7(3) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021, that there is no financial, business, family or other material/ relevant relationship(s) between the Chairperson and the Managing Director and/ or amongst the members of the Board.

DIRECTORS' REMUNERATION AND RELATED EXPENDITURE

The consolidated details of Directors' Fees and Directors' Emoluments paid during the year are stated in Note 13 to the accounts.

APPRAISAL OF BOARD PERFORMANCE

Appraisal of the Board Performance is conducted on an annual basis Self -assessments were carried out by the individual Directors and the Chairperson also assesses the performance of all the Directors and the Non-Executive Directors assess the performance of the Chairperson. The Board as a whole evaluates its performance against pre-determined criterion and the information is collected by the Company Secretary and discussed at the Board level. The functions of the Board Sub Committees were also evaluated, and the records are maintained.

Fitness and Propriety of the Directors were assessed in terms of the Rules of the Colombo Stock Exchange and it is in conformity of such requirements. The Fitness of Propriety of the Directors was approved by the Central Bank of Sri Lanka.

HUMAN WEALTH

The Board considers its employees as its wealth and is committed to provide opportunities for continuous improvement and invests in career enhancement, training of its employees and has implemented measures for the overall well-being of all employees with a holistic approach. Operating in a competitive environment skills are honed and developed to provide the competitive edge and to optimize their contribution towards the achievement of the High Impact Goals and objectives of the Company. This aspect is further covered on pages 148 to 159 of this Annual Report. Our recruitment policy is structured in a manner that bears no bias to age gender, religion or race and to give equal opportunity for all.

EMPLOYEE SHARE OPTION

The Company has not adopted an Employee Shares Option Scheme.

STAKEHOLDER MANAGEMENT/CORPORATE SOCIAL RESPONSIBILITY

The Company continues to take measures on an ongoing basis to manage the expectations of all its stakeholders and enhance the value created to shareholders, customers, suppliers, and the community. These efforts are presented in the Social and Relationship Capital Report presented on Pages 134 to 147 of the Annual Report.

ENVIRONMENTAL PROTECTION

To the best of its knowledge the Board, of the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any direct activity that is harmful or hazardous to the environment. On the contrary, the Company has undertaken several initiatives that contributed to the environmental protection positively. The Company has voluntarily

Annual Report of The Board of Directors on The Affairs of the Company

adopted the Accounting Standards S1 & S2. Further details of these initiatives of the Company are outlined in the Report on Pages 62 to 66.

NEW IT SYSTEM

The new IT system implemented successfully during the financial year 2025/26.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity contravening any laws and regulations. Time to time the Board has been apprised of the changes to the laws, Directions and Rules and where required have also followed a detailed training programmes.

STATUTORY PAYMENTS

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government and other regulatory payments due to the Government and other regulatory institutions and in relation to the employees have been made except for certain income tax assessments against which appeals have been lodged.

OUTSTANDING LITIGATION

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on Note 49 to the Financial Statements on Page 349.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting date are reflected in Notes 50 on Page 350 to the Financial Statements.

GOING CONCERN

After considering the Financial Position, the Company's Corporate/Business plans, operating conditions, regulatory and other factors the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future.

For this reason, they continue to adopt the going concern basis in preparing the Financial Statements. Note No. 2.11.1 on page 295 covers this aspect comprehensively.

CONTINGENT LIABILITIES

There are contingent liabilities for the Company details of which are depicted in Note 49 to the financial statements on page 349.

AUDITORS

The Company's Auditors during the year under review were Deloitte Associates. As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this Annual Report.

REMUNERATION

A total amount of LKR 7,100,580 is payable by the Company to the Auditors for the year under review comprising LKR 4,450,080 as Audit fee and expenses, LKR 1,320,500 as Audit related services and expenses and LKR 1,330,000 as Non audit fees and expenses.

AUDITORS

The retiring auditors, Deloitte Associates, in compliance with Corporate Governance Direction No. 5 of 2021, are seeking reappointment. They have proposed a remuneration of LKR 5.6 Mn, exclusive of all applicable taxes, along with a provision for out-of-pocket expenses not exceeding 12.5%, for conducting the audit, consolidation, and assurance report for the financial year ending 31st March 2027. The final decision regarding their appointment lies with the shareholders.

ANNUAL GENERAL MEETING

The Annual General Meeting of Alliance Finance Company PLC will be held on Friday, 24th July 2026 at 9.30 a.m. at No. 722, Kotte Road, Rajagiriya.

NOTICE OF MEETING

Notice of the meeting relating to the 70th Annual General Meeting is provided on Page 401 of this Annual Report.

ACKNOWLEDGMENT OF THE CONTENT OF THE REPORT

On behalf of the Board of Directors of the Company, the Deputy Chairman & Managing Director, Executive Director and Company Secretary of the Company in pursuance of the authority granted by the Board, have acknowledged the contents of this Annual Report.

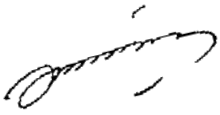
By order of the Board of Directors,
Alliance Finance Company PLC



R.K.E.P. de Silva
Deputy Chairman/ Managing Director



A.A.P. Rodrigo
Executive Director/COO



Priyanga P. Peiris
Company Secretary
26 June 2026

BOARD NOMINATION AND GOVERNANCE COMMITTEE REPORT

The Board of Directors of Alliance Finance Company PLC (hereafter referred to as "the Company") has established the Board Nomination & Governance Committee (hereafter referred to as "the Committee") to facilitate the identification, assessment, and recommendation of qualified candidates for positions on the Board and within Senior Management. Since its inception, the Committee has operated in strict adherence to its Terms of Reference. The Committee is responsible for ensuring that the Company maintains the highest standards of good governance and employs a structured and transparent process for the selection and appointment of Key Responsible Persons, including the planning of their succession.

PURPOSE OF THE COMMITTEE

The Board Nomination and Governance Committee responsible for overseeing the nomination process for Board and Senior Management positions, monitoring corporate governance practices, and ensuring that the Board remains effective, diverse, and fit for purpose.

The Board Nomination and Governance Committee is required to establish and maintain a formal procedure for the appointment of new Directors and KRPs and re-election of Directors

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Board has established a Nominations and Governance Committee in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, and Direction 10.4 of Finance Business Act Direction No. 05 of 2021. As at 31st March 2026, the Committee comprised two Independent Non Executive Directors and one Non Executive Director, with its composition being in line with Rule 9.11.4 of the Listing Rules of the Colombo Stock Exchange.

COMPOSITION

The Committee comprises of three Non-Executive out of which two are Independent, Non-Executive Director. The Committee's composition may be determined by the Board from time to time. Key members of the Corporate Management may be invited to attend the Committee meetings as and when desired.

The Committee's composition during the period ended 31st March 2026 was as follows;

1) **Dr. D.L.I. Hettiarachchi**

   Independent, Non Executive Director
   Chairperson

2) **Mrs. G.S.T. Dharmakirti-Herath**

   Independent, Non-Executive Director
   Members

3) **Mr. L.J.H. De Silva**

   Non-Independent, Non-Executive Member

STATEMENT ON DIRECTORS' FITNESS AND PROPRIETY

As required by Rule 9.7.4 of the Listing Rules, the Company has obtained signed declarations from all Directors of the Company, as at the reporting date, confirming that each of them has continuously satisfied the Fit and Proper Assessment Criteria set out under the Listing Rules during the finance year 2025/26 and satisfies the said criteria as at the date of such confirmation.

The Nomination and Governance Committee reviewed and evaluated the fitness and propriety of the Directors of the Company based on the Fit and Proper Assessment Criteria declarations, confirms that all Directors of the Company as at the reporting date, satisfied the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.

Re-election of Directors at the Annual General Meeting in terms of Articles 131, 132 and 133 of the Articles of Association of the Company Mr. L.J.H. De Silva retires by rotation and is eligible to offer himself for re-election.

In terms of Articles 136 of the Articles of Association of the Company shareholders will be requested to elect Mrs. D.M.S.D. De Z.S Ellepola and Mr. A.A.P. Rodrigo.

BOARD NOMINATION AND GOVERNANCE COMMITTEE REPORT

In accordance with Rule 9.311.6(g) the details of Directors being re-elected

Board member	Position of the Board Committees	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships both present and those held over the preceding 3 years in other Listed Entities	Any relationships including close family relationships (as defined in rule 9.8.4) between the candidate and the Director, the Listed Entity or its shareholders holding more than 10% shares of the Company or business relationship
Mr. L.J.H. De Silva (To be re-elected as per Article 131, 132 and eligible for re-election as per Article 133)	Member of BAC, BIRMC, HR & Rem, RPTRC	16/10/2019	20/09/2022	N/A	N/A
Mrs. D.M.S.D. De Z.S Ellepola (To be re-elected as per Article 136 of the Articles of Association	N/A	16/01/2026	N/A	N/A	N/A
Mr. A.A.P. Rodrigo (To be re-elected as per Article 136 of the Articles of Association)	N/A	01/04/2026	N/A	N/A	N/A

The Chairman of the Committee, Dr. D.L.I. Hettiarachchi, has over 35 years of experience in commercial and civil litigation before original and appellate courts, as well as in arbitration. His professional background also includes extensive experience in transactional legal services and consultancy in commercial and corporate law. Dr. Hettiarachchi is an Attorney at Law of the Supreme Court of Sri Lanka and holds a Master of Laws and a Doctor of Civil Law from McGill University, Montreal, Canada.

Brief profiles of the members are given on pages 10 to 15 of the Annual Report.

Mrs. Priyanga P. Peiris Company Secretary, functions as the Secretary of the Board Nomination & Governance Committee.

MEETINGS

The Committee met Four (04) times during the year 2025/26

NAME	MEETING HELD	MEETING ATTENDED	%
Dr. D.L.I. Hettiarachchi / Chairman	04/04	04	100%
Mrs. G.S.T. Dharmakirti Herath / Member	04/04	04	100%
Mr. L.J.H. de Silva / Member	04/04	04	100%

THE TERMS OF REFERENCE

The Committee is governed by the Board approved Terms of Reference of which outlines the roles and responsibilities, scope, duties and the functions of the Committee.

CODE OF CONDUCT

All employees, including the Board of Directors are bound by the ethics, values, and expectations set out in the Code of Conduct. The Code is made available to all employees and to the Board of Directors to ensure that the highest standards of integrity and conduct are maintained in dealings and interactions with all stakeholders. The Code of Conduct addresses a range of fair dealing and compliance matters, among others.

ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on the following matters:

The Committee shall make recommendations to the Board on the appointment of the Board Members, the Managing Director and the Corporate Management Personnel considering skills, knowledge, expertise, experience, independence, objectivity, integrity and good reputation, to full the responsibilities.

The Committee shall recommend from time to time, successors in place of resigning or retiring Directors and Corporate Management Personnel.

The Committee shall consider and recommend the re-election of current Directors due for reappointment annually in accordance with the Articles of Association of the Company, taking into account, the combined knowledge, performance towards dealing with strategic demands faced by the Finance Company (FC) and contribution made by the Director concerned towards the discharge of the Board's overall responsibility as required by the guidelines issued by the Central Bank of Sri Lanka (CBSL).

The Committee shall ensure that Directors and Corporate Management Personnel are to and proper persons to hold office and to perform their functions in compliance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons, Direction No.6 of 2021).

The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Corporate Management Personnel. The Corporate Management Personnel so appointed shall be with the recommendation of the Managing Director, except the Head of Internal Audit, Head of Risk and the Compliance Officer.

The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the posts of Managing Director and Corporate Management Personnel.

THE COMMITTEE IS TASKED WITH THE FOLLOWING KEY RESPONSIBILITIES:

- To meticulously review and provide recommendations, on an ongoing basis, regarding the necessity for additional or new expertise within the Board and Corporate Management, as well as;
- To oversee succession planning for retiring Directors and Corporate Management Personnel;
- To conduct an annual self-evaluation of the Committee's performance to ascertain its effectiveness;
- To offer recommendations on any other matters specifically delegated to it by the Board of Directors;
- To ensure that any member of the Nomination Committee refrains from participating in decision-making processes concerning their own appointment or reappointment; and
- To stipulate that the Chairperson of the Board shall not chair the Committee when matters pertaining to the appointment of their successor are under consideration.

ACTIVITES DURING THE YEAR

During the reporting year, the Committee executed the following activities:

Nominated a Director for appointment to the Board, in accordance with the Finance Companies Direction No. 05 of 2021 and the Company's Policy on Selection, Nomination, Appointment, and Election of Directors; Reviewed and deliberated upon the declarations submitted by the Non-Executive Directors concerning their independence or non-independence, as defined by the Listing Rules of the Colombo Stock Exchange, and their Fitness and Propriety based on the assessment criteria outlined in the aforementioned rules;

Assessed the Fitness and Propriety of Directors in compliance with the Finance Companies Direction No. 6 of 2021; and recommended the re-election of Directors

ANNUAL PERFORMANCE EVALUATION

The Board in compliance with the Finance Business Act Direction No.05 of 2021 conducts an annual performance of the subcommittees. At the end of the year, the members of the Board Nomination and Governance Committee conducted the Committee's annual self-evaluation, which confirmed that its performance was effective. Further, the Board adopted an annual self-assessment by each Director on individual performance and as of its Board as a whole.

APPRECIATION

I would like to express my gratitude to the management team and to the members of the Board Nomination & Governance Committee, for their unwavering support during the year.



Dr. D.L.I. Hettiarachchi
Chairman
Board Nomination and
Governance Committee
26 June 2026

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee ("the Committee") was established by the Board of Directors of Alliance Finance Company PLC ("the Company") to obtain an objective view and oversight of the Company's financial reporting process, governance process, the assurance process, the Company's system of internal controls and risk management and compliance processes.

This Committee is composed of three Non-Executive Directors, two of whom are Independent Non-Executive Directors. The Committee's operations are governed by the guidelines specified in its Terms of Reference, which have been approved by the Company's Board of Directors.

COMPOSITION OF THE COMMITTEE

The Committee's composition during the period ended by 31st March 2026 is as follows:

1) **Mrs. P. De Silva**
   Independent, Non Executive Director
   Chairperson
2) **Mrs. G.S.T. Dharmakirti-Herath**
   Independent, Non-Executive Director
   Member
3) **Mr. L.J.H. De Silva**
   Non-Independent, Non-Executive
   Member

The Board is confident that the current members of the Committee possess the necessary qualifications and experience in finance and internal controls.

The Board Audit Committee (BAC) comprises three Non-Executive Directors with majority independent directors of the Board and remain unchanged. The Chairperson of the Committee Mrs. Priyanthi de Silva is a Fellow member of Institute of Management Accountants of UK (FCMA) and the Chartered Global Management Accountants (CGMA) of UK and a Fellow of Certified Practicing Accountant (FCPA) of Australia. The Board Audit Committee members possess the required financial compliance, commercial compliance and management with experience in the industry.

The brief profiles of the members of the Board Audit Committee are set out in the Board of Directors profiles section of the Annual Report.

Ms. Priyanga P. Peiris, Company Secretary, functions as the Secretary of the Board Aduit Committee.

REGULATORY FRAMEWORK

Internal Governance Framework

The Board approved Charter of the Audit Committee is in place, and it clearly defines the roles and responsibilities of the Committee. The Audit Committee Charter is reviewed annually to ensure that all new developments related to Audit Committee are duly incorporated. The Audit Committee Charter was last reviewed and approved by the Board of Directors in November 2025.

TOR of Audit Committee clearly outlines its purpose, composition, responsibilities and authority, with a primary focus on ensuring the integrity and accuracy of the Company's financial reporting. The Board Audit Committee plays a vital role in supporting the Board by overseeing internal and external audit functions, monitoring the effectiveness of internal financial controls and the overall financial reporting process, and ensuring compliance with applicable internal policies and regulatory requirements.

EXTERNAL GOVERNANCE FRAMEWORK

The role, functions, and composition of the Audit Committee are defined by a robust external Governance Framework.

1) Finance Business Act Direction No.5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka
2) Section 9.13 of the Listing Rules of the Colombo Stock Exchange
3) Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. (ICASL)

These frameworks collectively provide the foundation for the Committee's oversight responsibilities and are periodically reviewed to ensure consistency with these evolving regulatory and governance standards.

MEETINGS

The Board Audit Committee meetings are scheduled at the beginning of the year to facilitate thesmooth functioning of the Committee. BAC has met on a regular basis and the number of occasions on which it met is over and above the stipulated requirement to fulfill its mandate. Upon the invitation of the BAC, the Managing Director attended the BAC meetings. The senior management and key management personnel, specifically the Head of Internal Audit, Chief Financial Officer, Head of Risk, and Compliance Officer, also attended the meeting on invitation. Key Management Personnel attendance was required when matters pertaining to their areas were considered at the BAC meeting.

Head of Internal Audit also attended these meetings by invitation. The Chairperson had delegated the preparation of the Agenda to the Company Secretary and the proceedings at meetings were in accordance with the circulated Agenda to the BAC members.

Matters considered were in keeping with the role and functions outlined in the Terms of Reference of the BAC, as well as the Audit Charter. Members of the BAC were briefed at the meetings on the impact the changes in the Directions issued by the Central Bank of Sri Lanka, and changes to the legislations would have on the functions of the Company.

NUMBER OF AUDIT MEETINGS HELD DURING THE YEAR AND DETAILS OF ATTENDANCE.

Two (02) meetings were held between the Committee and the External Auditors during the year, without any other Directors, Senior Management and employees being present. Proceedings of the Committee meetings, with adequate details of matters discussed, were reported regularly to the Board to assist the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

NAME	MEETINGS HELD	MEETINGS ATTENDED	%
Mrs. P.de Silva / Chairperson	12/12	12	100%
Mrs. G.S.T. Dharmakirti Herath / Member	12/12	12	100%
Mr. L.J.H. de Silva / Member	12/12	12	100%

REVIEW OF THE TERMS OF REFERENCE AND CHARTER

The Terms of Reference clearly define the purpose, authority, composition, responsibilities, and operational framework of the Committee ensuring alignment with the Companies Act No.7 of 2007, Central Bank (CBSL) of Sri Lanka Direction No.5 of 2021 – Corporate Governance Direction for Finance Companies, and the Listing Rules of the Colombo Stock Exchange.

EXECUTIVE FUNCTIONS

The Board Audit Committee has executed its duties and responsibilities during the financial year in accordance with its Terms of Reference and in relation to the matters of the Company's internal and external audit processes, financial reporting, risk assessment and internal controls over financial reporting.

EXTERNAL AUDITORS AND AUDIT

In accordance with its mandate

The BAC reviewed and made recommendations on the audit nature, scope and audit plan for the year under review also in cognizant of the resources that were to be deployed for the audit function, prior to the commencement of the audit.

Evaluated the effectiveness of the audit with applicable standards and practices and ensured the smooth functioning of the external audit and the transitioning from one External Auditors to another. It is noteworthy that the Management and staff had extended their fullest co operation to both the External Auditors in carrying out their functions as it was a year of transition, and we are pleased to report that it was handled professionally.

Reviewed the Management Letter for the financial year ended 31st March 2025 and the Management's responses at a meeting with the External Auditors and briefed the Management on the proceedings.

BAC obtained assurance from the Auditors that their independence was not impaired.

The Committee has reviewed the policy on engagement of External Auditor for Audit and Non-Audit Services and recommended it for the approval of the Board. The Committee conducted a review of the non-audit services provided by the auditor, aiming to ensure that such services do not compromise the External Auditor's independence or objectivity. The Committee is confident that no conflicts of interest exist between the Company and the Auditor, which might undermine the Auditor's independence and objectivity. The revised policy governing the engagement of non-audit services by the External Auditor was reviewed and approved by the Board of Directors.

IN RESPECT OF FINANCIAL STATEMENTS

- Reviewed the Interim and Annual Financial Statements of the Company as well as the financial information and disclosures made to the public in relation to the said financials prior to its submission and approval by the Board in order to monitor the integrity of the financial statements.
- Reviewed the methodologies adopted in the determination of the significant estimates and judgments, significant changes to the policies and practices contained therein.
- Ensured that the Annual Financial Statements fairly present the financial position of the Company and of the Group at the end of the financial year together with the results of operations and cash flows for the financial year and considered the basis on which the Company and the Group was determined to be a going concern.
- Considered the appropriateness of the accounting policies adopted and changes thereto.
- Noted there were no material reports or complaints received concerning the accounting practices, internal audit, internal financial controls, contents of annual Financial Statements and related matters.
- Reviewed the recommendation of Final Dividend for the year 2025/26 of the Company in terms of the regulatory requirements.
- Evaluated the systems and procedures in place for the recording of the financial transactions to see whether it was robust.

IN RESPECT OF INTERNAL CONTROL AND AUDIT

In line with Section 11 of the Finance Companies Direction No. 05 of 2021 assessed the effectiveness of the Internal Control over Financial Reporting as at 31st March 2026.

- Reviewed and approved the internal audit charter, annual internal audit mandate and audit scope and plan, and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its mandate and continuously monitored the implementation of the audit plan with periodic reviews. Adopted appropriate measures as and when required on the implementation of the audit plan.
- BAC sends a report to the Board on its deliberations, outcomes and recommendations at the conclusion of a BAC meeting.
- Reviewed the policies and procedures of the Company and any changes thereto were reviewed by the Internal Audit prior to implementation and BAC also made recommendations for changes to improved performance through revamped controls where necessary.
- Reviewed matters which were considered significant by the internal auditors on processes and the adequacy of corrective action required in response to such findings and made recommendations to the Board. Followed up on matters that were significant implementation of which was carried out by the Management.

REPORT OF THE BOARD AUDIT COMMITTEE

- Reviewed significant differences of opinion between the internal audit function and management and noted that there were none.
- Assessed the adequacy of the performance of the internal audit function and made recommendations on the structure of the Internal Audit Department to the Board. The adequacy of the available internal audit resources and whether they were equipped with relevant expertise and experience to carry out the audit functions. Their performance is assessed against the predetermined parameters.
- Received assurance that proper and adequate accounting records were maintained and that the system controls that safeguard the assets had been fulfilled.

REGULATORY COMPLIANCE

A compliance-related framework is in place and is operational, and the Compliance Officer is tasked with ensuring that the Company is compliant with all regulatory requirements. Periodically the Board and Management was apprised of the changes in the regulatory and statutory requirements and the introduction of new laws and regulations which Board, BAC and Management should be cognizant of. Compliance adopted the changes required for it to consistently and in a timely manner to implement, monitor such changes and also to ensure effective monitoring of the ongoing requirements. This process includes the implementation of the recommendations on the onsite examination report.

Operating procedures and processes have been structured in a manner to encompass all the regulatory and statutory requirements are compliant. As a monitoring mechanism, a reporting system has been set up for periodic confirmations to be sent to the Board on the levels of compliance and if there are deviations. Thereby confirmations have been received on the compliance of the Company, and they are in keeping with the regulatory requirements. Additionally, the internal Audit Department of the Company independently conducts periodic reviews of the compliance and governance functions and on the regulatory reporting.

WHISTLEBLOWING

The Company's Whistleblowing Policy serves as a key mechanism for managing risks related to corporate fraud and misconduct. Under this policy, any staff member with a legitimate concern regarding actual or potential wrongdoing, such as improprieties in financial reporting, internal controls, or other matters may report such concerns in confidence as per the policy.

A dedicated whistleblowing email address has been established for this purpose , who maintains appropriate records and refers matters to the Committee for consideration. Clear procedures are in place to ensure that reported concerns are investigated promptly and appropriately, while strictly preserving the confidentiality of the whistleblower's identity. In accordance with its Terms of Reference, the Committee oversees and monitors the effectiveness of this process.

The Whistleblowing Policy was reviewed by the Committee at the meeting held on 11th December 2025 and recommended for Board approval. Upon receipt of Board approval, the Policy was subsequently circulated to all staff.

EVALUATION OF THE COMMITTEE

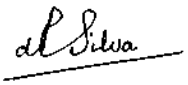
The annual self-evaluation of the effectiveness of the Committee was carried out by the Members of the Committee and concluded that the Committee had carried out its responsibilities in an effective and satisfactory manner and further, the Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction No. 05 of 2021.

REPORTING TO THE BOARD

In accordance with the Board Audit Committee (BAC) requirements, the Committee provides regular updates to the Board on key risk exposures and emerging risk trends, supporting effective oversight of the Company's overall risk profile. In addition, the Committee submits an Audit Committee Report, summarizing the principal matters discussed and the outcomes of Committee meetings, for the Board's information and to obtain its views, concurrence, and/or specific directions, as appropriate.

I take this opportunity to express my sincere appreciation to the members of the Board Audit Committee for their valuable contributions and active participation throughout the year, which supported the effective functioning of the Committee.

I also wish to thank the management team and the members of the Board for their continued support and cooperation during the year.



Priyanthi de Silva (Mrs).
Chairperson
Board Audit Committee
26 June 2026

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board Related Party Transactions Review Committee ("the Committee") was established by the Board to improve internal controls and prevent conflicts of interest in transactions with related parties. Its main goal is to evaluate these transactions to ensure that related parties are treated on par with other stakeholders, and that such dealings are in the best interest of the Company and non-related parties, maintaining transparency and adhering to corporate governance guidelines against preferential treatment.

The Board Related Party Transactions Review Committee is required to ensure that the interests of shareholders as a whole are taken into account by the Company when entering into related party transactions

The mandate of the Committee is derived from the CSE Rules, and the Finance Business Act Directions No.05 of 2021 on Corporate Governance as applicable to Licensed Finance Companies which includes mainly the following;

COMPOSITION OF THE COMMITTEE

The Committee comprises three Non-Executive Directors, of whom two (02) are Independent. During the period ended 31st March 2026, the Committee was chaired by an Independent Non-Executive Director. The composition of the Committee is set out below:

1) **Dr. D.L.I. Hettiarachchi**
   Independent, Non Executive Director
   Chairman
2) **Mrs. G.S.T. Dharmakirti-Herath**
   Independent, Non-Executive Director
   Members
3) **Mr. L.J.H. De Silva**
   Non-Independent, Non-Executive
   Member

The Chairman of the Committee, Dr. D.L.I. Hettiarachchi, has over 35 years of experience in commercial and civil litigation before original and appellate courts, as well as in arbitration. His professional background also includes extensive experience in transactional legal services and consultancy in commercial and corporate law. Dr. Hettiarachchi is an Attorney at Law of the Supreme Court of Sri Lanka and holds a Master of Laws and a Doctor of Civil Law from McGill University, Montreal, Canada.

Brief profiles of the members are given on pages 354 to 358 of the Annual Report.

Mrs. Priyanga P. Peiris Company Secretary, functions as the Secretary of the Board Related Party Transaction Review Committee.

The Committee met Four (04) times during the year 2025/26.

NAME	MEETING HELD	MEETING ATTENDED	%
Dr. D.L.I. Hettiarachchi / The Chairman	04/04	4	100%
Mrs. G.S.T. Dharmakirti Herath / Member	04/04	4	100%
Mr. L.J.H. de Silva / Member	04/04	4	100%

The Committee met four (04) occasions during the year under review.

ROLE AND RESPONSIBILITIES

a) The Committee shall review all proposed Related Party Transactions (RPTs) prior to the transaction being entered into as mandate by the Finance Business Act Directions No. 05 of 2021 on Corporate Governance. Ensured that such transactions are conducted on an arms' length basis without preferential treatment. Ensure that the transactions are carried out as per the laid down guidelines. In evaluating the related party transactions to ensure that a Director who is an interested party does not participate in the decision making process unless expressly requested to do so.

b) The Committee shall identify and report all recurrent and nonrecurrent related party transactions as stipulated in Section 9.14.6 of CSE Rules for shareholder approval as necessary. Establish and review the mechanism for recurrent transactions to be carried out with related parties and monitor its effectiveness.

c) Ensure that the appropriate framework is in place to evaluate the provision of obtaining services to and from related parties.

d) Evaluate non recurrent transactions adopting mechanism stipulated, and if required, obtain advice when making such recommendations.

e) The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.

f) The Committee shall ensure that there is an adequate, effective, and efficient process/system in place at the Company to capture the information with regard to related party transactions relevant to its review function.

g) The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.

h) To publish required disclosures in the Annual Report.

i) The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.

j) To carry out an annual evaluation of the Committee's performance by its members to determine its effectiveness and report to the Board.

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

FUNCTIONS OF THE COMMITTEE

Review of all relevant Related Party Transactions by the Committee takes place prior to the transaction being entered and the Committee communicates its observations to the Board whenever necessary.

RPTs are published in Note 53 to the Financial Statements. A system has been developed internally to monitor the RPTs of the Company. The related party information is updated on a quarterly basis, based on the declarations made by Key Responsible Persons.

ACTIVITIES

During the reporting period, the Committee undertook the following activities:

a) Reviewed all RPTs to confirm that they were conducted without any preferential treatment for related parties, observing that these transactions were consistent with both regulatory requirements and the parameters extended to non-related parties.

b) Ensured that the Conflicts of Interest Policy was in effect and that the established systems and procedures functioned effectively to proactively identify related parties and avoid potential conflicts of interest.

c) Verified that a thorough evaluation process was undertaken when engaging related parties for the provision of services.

d) Confirmed that both recurrent and non-recurrent transactions with related parties were conducted in accordance with the Terms of Reference and on terms that were comparable to or better than those offered by non-related parties.

e) Submitted reports on the RPTRC's functions to the Board prior to Board Meetings, and these reports were subsequently discussed at Board level.

f) Reviewed the Related Party Transactions Review Policy during the financial year and obtained the approval of the Board.

g) Conducted an annual evaluation of the RPTRC's performance to assess its effectiveness.

EVALUATION OF THE COMMITTEE

The annual self-evaluation on the effectiveness of the Committee is carried out by the members of the Committee and a summary is submitted to the Board for their information.

REPORTING TO THE BOARD

Updates on Related Party Transactions (RPTs) and the deliberations of the Committee are regularly presented to the Board of Directors, ensuring that Board members remain informed of matters reviewed and discussed by the Committee.

DISCLOSURES

a) Information relating to all related parties, as extracted at the end of each quarter, was presented to the RPTRC and the Board was apprised of the outcome of the review

b) The non-recurrent related party transactions value for the year was below the threshold set by the Colombo Stock Exchange.

c) The aggregate value of the recurrent Related Party Transactions that were recorded were below the threshold set by the Colombo Stock Exchange and does not require disclosure in the Annual Report.

d) The aggregate value of all Related Party Transactions during the year is disclosed in Note No 53 to the Financial Statements in terms of LKAS 24-Related Party Transactions.

e) The Committee confirms that the Company has complied with the requirements of the Listing Rules and the Direction in respect of requisite disclosures.

DECLARATION

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and the reviewed transactions are communicated to the Board of Directors for their comments and observations. A declaration by the Board of Directors as an affirmative statement of the compliance with CSE Rules, and as per relevant Directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies is given on pages 257 to 264 of the Annual Report.



D.L.I. Hettiarachchi
Chairman
Related Party Transactions Review Committee
26 June 2026

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Board Human Resources and Remuneration Committee ("the Committee") was appointed by the Board of Directors of the Company to oversee the development and implementation of the Company's remuneration practices. The Committee ensures that remuneration arrangements are fair, transparent, and aligned with the Company's people strategy, with the aim of attracting and retaining competent employees, supporting their development, and promoting overall employee well being.

PURPOSE OF THE COMMITTEE

The Board Human Resources and Remuneration Committee (BHRRC) is responsible for overseeing the Company's people and workforce strategy, including remuneration policies, executive performance evaluation, talent development, and organizational culture. The Committee ensures that remuneration practices are fair and aligned with the Company's strategic objectives, and that appropriate frameworks are in place to attract, retain, and motivate employees while supporting long term value creation. The Committee operates independently of management and is free from any business, personal, or other relationships that could affect its objectivity or independence.

COMPOSITION OF THE COMMITTEE

All members bring substantial experience in leadership, governance, and human resources oversight. The composition of the Committee adheres to applicable corporate governance standards and regulatory requirements. The Committee operates independently of management and remains free from any business, personal, or other relationships that could influence its independent and impartial judgments.

As of 31st March 2026, the Committee comprised the following members.

1) **Dr. D.L.I. Hettiarachchi**
   Independent, Non Executive Director
   Chairman
2) **Mrs. G.S.T. Dharmakirti-Herath**
   Independent, Non-Executive Director
   Members
3) **Mr. L.J.H. De Silva**
   Non-Independent, Non-Executive Member

The Chairman of the Committee, Dr. D. L. I. Hettiarachchi, has over 35 years of experience in commercial and civil litigation before original and appellate courts, as well as in arbitration. His professional background also includes extensive experience in transactional legal services and consultancy in commercial and corporate law. Dr. Hettiarachchi is an Attorney at Law of the Supreme Court of Sri Lanka and holds a Master of Laws and a Doctor of Civil Law from McGill University, Montreal, Canada.

Brief profiles of the members are given on pages 10 to 15 of the Annual Report.

Mrs. Priyanga P. Peiris Company Secretary, functions as the Secretary of the Committee.

The Committee is responsible for:

1) Reviewing and recommending compensation packages for Executive Directors and Senior Management
2) Overseeing short-term and long-term incentive schemes aligned with Company strategy and shareholder value creation.
3) Monitoring performance evaluation frameworks for key executives
4) Ensuring a competitive and equitable remuneration structure across the organization
5) Providing oversight of leadership development, succession planning, and employee engagement

MEETINGS

The Managing Director and the Chief People's Officer attended meetings by invitation and provided relevant information to assist the Committee's deliberations, except in instances where matters relating to their own compensation or other personal matters were under review.

The Committee met Four (04) times during the year 2025/26.

NAME	MEETING HELD	MEETING ATTENDED	%
Dr. D.L.I. Hettiarachchi / Chairman	04/04	04	100%
Mrs. G.S.T. Dharmakirti Herath / Member	04/04	04	100%
Mr. L.J.H. de Silva / Member	04/04	04	100%

The Committee met 04 occasions during the year under review.

REMUNERATION POLICY

The Committee reviewed the Remuneration Policy as it recognizes remuneration and reward as one of the key drivers in influencing an employee to drive performance, which would have a significant bearing on the business results. Therefore, the reward programs are designed to attract, retain and motivate employees and to evaluate individual employee performance to measurable performance-based criteria applied at all levels of the company structured to ensure consistency of evaluation and grant rewards on merit.

Variable pay (bonus) plan of the Company is determined according to the overall achievements of the Company on an annual basis and on pre-agreed individual targets and deliverables, which are determined on comprehensive and detailed performance parameters. Variable pay is structured in a

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

manner to ensure equality for all levels of employees and to enable the company to clearly identify individuals who consistently outperform.

The Committee makes appropriate adjustments to the bonus pool upon the recommendations of the Executive Directors in the event of over or under achievements against pre-determined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

FUNCTIONS

Assist the Board where necessary in setting guidelines and policies to formulate compensation packages which are attractive and motivating thus enabling to retain qualified and experienced Directors/employees in the Company. The Committee recommends to the Board on the compensation of the Managing Director, Executive Directors, and when required that of the Key Responsible Officers.

DIRECTORS REMUNERATION

The details of the Directors Remuneration appear on page No.13 of the Annual Report.

EVALUATION OF THE COMMITTEE

The Committee conducted its annual self-evaluation to assess its effectiveness, and a summary of the findings was submitted to the Board for their information.

REPORTING TO THE BOARD

The Chairman of the Committee updated the Board on the Committee's deliberations at the subsequent Board meeting.

PROFESSIONAL ADVICE

The Committee has the authority to seek appropriate professional advice in-house and externally as and when it is considered necessary.

DECLARATION

The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance and Listing Rules of the Colombo Stock Exchange. The details are given on pages 184 to 256.

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.



Dr. Lasantha Hettiarachchi
Chairman
Board Human Resources & Remuneration Committee
26 June 2026

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board Integrated Risk Management Committee of Alliance Finance Company PLC, acting under the authority of the Board of Directors, remains firmly committed to the continuous evaluation and enhancement of the Company's risk profile. During the year under review, the Committee focused on strengthening comprehensive risk strategies, policies, and frameworks in close collaboration with key responsible persons across the organization.

Key Risk Indicators were systematically reviewed using a standardized risk grid to ensure full alignment with the Integrated Risk Management Policy. In an increasingly dynamic operating environment, the Committee maintained vigilant oversight of political, economic, and social developments, subjecting the Company's portfolio to rigorous stress testing to assess resilience and adaptability. Through proactive oversight and structured risk governance, Alliance Finance Company PLC is well positioned to navigate evolving uncertainties while safeguarding stakeholder interests and supporting sustainable growth.

COMPOSITION

The Board Integrated Risk Management Committee is led by an Independent Non-Executive Director and includes one Independent Non-Executive Director along with one Non-Independent Non-Executive Director. To meet the requirements of Section 10.3 (a) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021, issued by the Central Bank of Sri Lanka, the Managing Director and Key Responsible Personnel for managing credit, market, liquidity, operational, compliance, and strategic risks are invited to actively participate in the Committee's meetings. The Head of Risk plays a vital role for the Committee.

The Committee's composition during the period ending 31st March 2026 was as follows:

1) **Mrs. P. De Silva**
   Independent, Non Executive Director
   Chairperson
2) **Mrs. G.S.T. Dharmakirti-Herath**
   Independent, Non-Executive Director
   Member
3) **Mr. L.J.H. De Silva**
   Non-Independent, Non-Executive Director Member

NAME	MEETINGS HELD	MEETINGS ATTENDED	%
Mrs. P. de Silva / Chairperson	08/08	08	100%
Mrs. G.S.T. Dharmakirti Herath / Member	08/08	08	100%
Mr. L.J.H. de Silva / Member	08/08	08	100%

The Chairperson is a Fellow of the Chartered Institute of Management Accountants (FCMA) and the Chartered Global Management Accountant (CGMA) of the United Kingdom, as well as a Fellow of Certified Practising Accountants (FCPA), Australia. She is also a past Associate Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom. She brings over 30 years of experience across the FMCG, Leisure, Healthcare, Travel, and Financial Services sectors in Sri Lanka and Australia.

The brief profiles of the members of the Board Integrated Risk Management Committee are set out in the Board of Directors profiles section of the Annual Report.

Ms. Priyanga P. Peiris, Company Secretary, functions as the Secretary of the Board Integrated Risk Management Committee.

MEETINGS

During the year under review, the Committee had eight (08) meetings, and a report was sent to the Board prior to the Board meetings and was deliberated at the Board meeting.

The Managing Director, Executive Directors, Chief Operating Officer, Head of Risk, Head of Internal Audit, Head of Finance and Compliance Officer attend meetings by invitation.

TERMS OF REFERENCE (TOR)

A Board approved Terms of Reference (TOR) is in place, clearly defining the mandate of the BIRMC in accordance with the Finance Business Act Direction No.05 of 2021 on Corporate Governance. The TOR is reviewed annually to ensure continued alignment with regulatory requirements and other relevant developments.

MANDATE AND RESPONSIBILITIES OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

The Board Integrated Risk Management Committee (BIRMC) is responsible for assisting the Board of Directors in fulfilling its responsibilities relating to risk management, compliance, and internal control systems of the Company.

In discharging its mandate, the BIRMC is entrusted with the following key responsibilities:

Board Integrated Risk Management Committee Report

1. Risk Management Framework

Ensure that the Company maintains a comprehensive and effective risk management framework aligned with its business activities, Board approved risk tolerance limits, and applicable regulatory and supervisory requirements. The Committee oversees the identification, assessment, monitoring, and management of key risk areas on an ongoing basis, incorporating relevant prudential standards.

2. Risk Monitoring and Reporting

Review business risks regularly through appropriate Key Risk Indicators (KRIs) presented by the Risk Management Department and submit risk assessment reports to the BIRMC and Board together with recommendations for mitigating identified risks, where necessary.

3. Risk Policies and Governance

Formulate, review, and recommend the Risk Management Policy and related frameworks for Board approval, with an annual review to ensure continued relevance and effectiveness.

4. Compliance Oversight

Ensure that an effective and independent compliance function is in place to assess the Company's adherence to applicable laws, regulations, regulatory directions, internal controls, and approved policies, with the support of the Compliance Officer.

5. Business Continuity and Resilience

Review the Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) and make appropriate recommendations to the Board to ensure operational resilience.

6. Board Reporting on Compliance

Report to the Board on compliance related matters, make recommendations where required, and seek the Board's views and directions as appropriate.

7. Accountability and Corrective Action

Recommend appropriate action in respect of officers where deficiencies are identified in risk identification or in the timely implementation of corrective actions recommended by the Committee.

8. Risk Appetite Statement (RAS)

Develop and recommend to the Board a Risk Appetite Statement(RAS) defining individual and aggregate risk limits across key risk categories and review the RAS annually.

9. Stress Testing and Capital Adequacy

Oversee stress testing mechanisms and sensitivity analyses, assess their impact on capital adequacy and financial resilience, and apprise the Board of the outcomes.

10. Oversight of Management Committees

Review the adequacy and effectiveness of management level committees, including the Credit Committee and the Asset and Liability Management Committee (ALCO), to ensure that risks are managed within approved quantitative and qualitative risk limits.

11. Coordination with the Board Audit Committee

Work closely with the Board Audit Committee (BAC) to ensure that any lapses identified in business processes, policies, or risk and compliance functions are appropriately reviewed, with coordinated recommendations submitted to the Board.

KEY ACTIVITIES OF THE BIRMC DURING THE YEAR

During the financial year under review, the BIRMC ensured that all principal risks were evaluated on a regular basis and that appropriate mitigation strategies were implemented in a timely manner. Matters arising from management level committees were reviewed, and issues requiring escalation were deliberated at BIRMC meetings as part of the Committee's ongoing oversight of key risk areas.

Key activities undertaken during the year included:

1. Credit Risk and Macroeconomic Review

Conducted regular reviews of overall credit risk exposure using appropriate risk indicators, assessed mitigation strategies, and provided strategic recommendations. Local and global macroeconomic developments were evaluated to assess their potential impact on the Company, and proactive measures were recommended.

2. Risk Appetite Oversight

Reviewed the Risk Appetite Statement with input from Management, recommended revisions to limits and criteria where necessary, and submitted the updated RAS to the Board for approval.

3. Compliance Assurance

Received regular and comprehensive reports from the Compliance Department, providing assurance that the Company remained compliant with applicable regulatory and statutory requirements.

4. Policy Reviews

Reviewed the Risk Management Policy, Credit Risk Management Policy, Operational Risk Management Policy, and Compliance Policy, and recommended these for Board approval where applicable.

5. Board Reporting

Submitted quarterly risk review reports and BIRMC activity reports to the Board, with key findings and recommendations also briefed at Board meetings.

6. Technology and Information Security Risk

Reviewed the implementation of technology security controls in line with Regulatory Direction No. 1 of 2022, monitored readiness for compliance with the Personal Data Protection Act No. 9 of 2022, and reviewed system availability reports to ensure IT service continuity and operational resilience.

7. Liquidity and Market Risk Oversight

Reviewed liquidity management strategies and cash flow forecasts to ensure the maintenance of adequate liquidity buffers. Monitored gold price movements to assess loan to value ratios and portfolio distribution. Oversight of ALCO activities was exercised through the review of meeting minutes and recommendations on the Terms of Reference.

8. Operational Risk and Internal Controls

Reviewed Risk and Control Self Assessments (RCSAs) to evaluate the effectiveness of internal controls and identify key operational risks across business units.

During the financial year 2025/26, the company undertook the following key risk management and governance initiatives:

- Conducted stress tests on core business products to assess the impact of adverse external factors on lending, recoveries, and capital adequacy.
- Completed the annual review of the Risk Appetite Statement, ensuring it remained aligned with the Company's strategic objectives and risk tolerance.
- Completed the annual review of the Risk Management Framework and Policies, maintaining up-to-date risk governance practices.
- Conducted an enterprise-wide Risk Assessment for 2025/26, evaluating risk exposures across all business operations.
- Completed the annual review of the Stress Testing Framework, confirming its effectiveness and relevance.
- Completed the annual review of the Business Continuity Plan, ensuring operational resilience and readiness.
- Reviewed assurance reports related to Information Technology and System Assurance Services, strengthening oversight of IT-related risks and controls.
- Reviewed liquidity stress-testing results and recommended enhancements to the Stress Testing Framework for Board approval, reinforcing the Company's capital and liquidity resilience.

OVERVIEW OF THE COMPLIANCE FUNCTION

The Compliance Department operates under the oversight of the Board Integrated Risk Management Committee (BIRMC) and is responsible for ensuring the Company's adherence to applicable regulatory requirements, internal policies, and industry best practices. The Department plays a critical role within the overall risk management framework by monitoring regulatory developments, assessing compliance related risks, and implementing appropriate controls to mitigate such risks.

Key compliance activities include oversight of AML/CFT obligations; the review and periodic updating of policies and procedures; monitoring of transaction alerts; coordination of regulatory reporting, including goAML submissions; facilitation of branch level compliance reviews; and the conduct of staff awareness and training programmes.

Board Integrated Risk Management Committee Report

The Compliance Department provides regular updates to the BIRMC and the Board on material regulatory developments, identified compliance gaps, monitoring outcomes, and emerging risks that may impact the organization. Through these functions, the Department contributes significantly to strengthening the Company's governance framework, regulatory alignment, and risk aware culture.

ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE

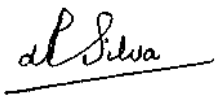
In compliance with the Finance Business Act Direction No. 5 of 2021, the Committee members conducted an annual self evaluation of the Committee's effectiveness. The assessment was carried out in accordance with the criteria set out in the Committee's Terms of Reference (TOR) and confirmed that the Committee performed effectively during the period under review.

REPORTING TO THE BOARD

The Committee provides regular updates to the Board on key risk areas and emerging risk trends, enabling effective oversight of the Company's risk profile. In addition, the Committee submits a Risk Overview Report highlighting the principal discussions and outcomes of Committee meetings, for the Board's information and to obtain its views, concurrence, and/or specific directions.

I would like to take this opportunity to extend my sincere appreciation to the members of the Board Integrated Risk Management Committee for their contributions and active participation during the year. Their contributions supported the effective functioning of the Committee.

I also wish to express my gratitude to the management team and the members of the Board for their support and cooperation throughout the year.



Priyanthi. de Silva (Mrs).
Chairperson
Board Integrated Risk Management Committee
26 June 2026

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY AND COMPLIANCE FRAMEWORK:

In line with 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 the Institute of Chartered Accountants of Sri Lanka, the Board of Directors ("the Board") of Alliance Finance Company PLC ("the Company") presents this report on the Company's internal control over financial reporting (ICFR). The Board has overall responsibility for ensuring the adequacy and effectiveness of the Company's ICFR systems. The system of internal controls is primarily designed to manage the Company's significant risks within an acceptable risk profile, rather than to eliminate all risks of failing to achieve business objectives. Accordingly, the Company's internal control framework can provide reasonable, but not absolute, assurance against material misstatements in financial information or losses due to fraud or error.

Recognizing the dynamic environment in which it operates, the Board has established a continuous process to identify, evaluate, and manage the significant financial reporting risks faced by the Company. This risk management and control enhancement process is updated as needed to address changes in the business environment, accounting standards, or regulatory requirements. The Board regularly reviews and monitors this process by assessing key process-related risks in relation to corresponding controls (including any compensating controls over significant accounts and disclosures). The Board has delegated to management the task of implementing the risk and control policies and procedures approved by the Board. Management and process owners identify and assess the risks the Company faces and provide recommendations on the design, operation, and continuous monitoring of ICFR controls to ensure those risks are appropriately mitigated.

KEY FEATURES OF THE ICFR PROCESS:

The Company has established a comprehensive framework for reviewing and strengthening the design and effectiveness of internal controls over financial reporting. Key features of this ICFR process include:

BOARD COMMITTEES AND GOVERNANCE:

The Board has established specialized sub-committees (such as the Board Audit Committee and Board Integrated Risk Management Committee) to assist in ensuring the effectiveness of the Company's day-to-day operations and controls. These committees help align operations with the Company's strategic objectives, annual budget, and the policies and business directions approved by the Board.

POLICIES, CHARTERS, AND PROCEDURES:

Comprehensive policies, charters, and standard operating procedures have been developed covering all significant functional areas of the Company. These governance documents are recommended by the respective Board sub-committees and approved by the Board and are subject to periodic review and updating by the Board to ensure they remain effective and reflect current regulatory and business requirements. The Board sub-committees, in coordination with the Company's Compliance function, actively monitor and follow up on the timely updating and implementation of these policies and procedures.

INTERNAL AUDIT AND RISK-BASED REVIEWS:

The Internal Audit Department continuously monitors compliance with the Company's established policies and procedures and evaluates the suitability of their design and operating effectiveness on an ongoing basis. A risk-based internal audit plan is developed annually and approved by the Board Audit Committee, ensuring that all branches and departments (the entire audit universe) are reviewed at appropriate intervals. The internal audit process utilizes sampling techniques, data analytics, and automated exception monitoring tools to assess large volumes of transactions systematically, promptly identify any deviations or control deficiencies, and provide independent assurance over operations and performance. Significant findings of non-compliance or control weaknesses are reported to management and highlighted to the Board Audit Committee for corrective action.

BOARD AUDIT COMMITTEE OVERSIGHT:

The Board Audit Committee (BAC) plays a central role in ICFR oversight. The BAC regularly reviews the scope, quality, and findings of Internal Audits (including internal audit reports) during its meetings. Where necessary, the BAC provides recommendations for improving internal controls and the audit process. Additionally, the BAC evaluates all internal control issues identified by Internal Audit, the External Auditors, regulatory authorities, or management. Through these activities, the BAC assesses the adequacy and effectiveness of the Company's overall risk management and internal control systems, ensuring that any weaknesses are promptly addressed. Minutes of BAC meetings, including any significant internal control matters and recommended actions, are regularly communicated to the full Board for its review and oversight.

CONTINUOUS MONITORING AND MANAGEMENT ASSURANCE:

A process has been established for continuous self-assessment and improvement of ICFR controls to mitigate the risk of misstatements in financial reporting. Respective process owners and key management personnel continuously review and update all processes, procedures, and controls related to significant accounts and financial statement disclosures. The Risk Management function (and other identified officers) verifies on an ongoing basis the design adequacy and operating effectiveness of these controls. To reinforce accountability, the Company has implemented a procedure whereby each relevant senior officer provides an annual

Directors' Statement on Internal Control Over Financial Reporting

certification confirming that proper internal controls are in place and functioning in their respective areas of responsibility (thus ensuring that management at all levels remains vigilant in maintaining robust controls over financial reporting). The Internal Audit Department provides independent verification of compliance with these control procedures and apprises the Board Audit Committee of any significant deviations if they arise.

ACCOUNTING STANDARDS AND MODEL GOVERNANCE:

The Company adopts Sri Lanka Accounting Standards (SLFRS and LKAS) in the preparation of its financial statements, and progressive enhancements are made to processes to ensure full compliance with all recognition, measurement, classification, and disclosure requirements. Financial reporting and management information systems are continuously monitored and adjusted to reflect changes in business conditions and regulatory expectations. The Company regularly reviews and validates its financial reporting models (including those used for determining expected credit loss provisions under SLFRS 9) to ensure they remain effective and accurately capture the impact of economic conditions on the Company's financial results. Where appropriate, independent external experts may be engaged to validate key models and assumptions, reinforcing the reliability of the Company's financial estimates. Any recommendations made by the External Auditors in connection with enhancing ICFR methodologies or processes are carefully considered, with plans in place to address such recommendations as part of the Company's commitment to continuous improvement.

CONFIRMATION:

Based on the above processes and assessments, the Board affirms that the Company's financial reporting system and internal control framework are adequately designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting. The Board also confirms that the Company's Financial Statements are prepared for external purposes in accordance with Sri Lanka Accounting Standards and the applicable regulatory requirements of the Central Bank of Sri Lanka, as well as with other relevant accounting principles.

REVIEW OF THE ICFR STATEMENT BY EXTERNAL AUDITORS:

The Company's External Auditors, Messrs. Deloitte Associates, have reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31st March 2026. Their Assurance Report on this Statement is included in the Annual Report for the year ended 31st March 2026. The External Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the design and effectiveness of the Company's internal controls over financial reporting.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS:

The Board of Alliance Finance Company PLC also provides the following confirmations in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, regarding regulatory and legal compliance:

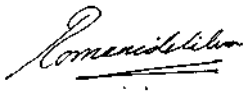
The Board has implemented adequate internal controls and oversight mechanisms to ensure full adherence to all applicable statutory and regulatory requirements. The Board affirms that the Company is in compliance with all relevant prudential requirements, regulations, and laws applicable to licensed finance companies.

The Board confirms that there have been no material non-compliances or lapses in the Company's risk management or internal control systems that have given rise to regulatory concern. No issues of non-compliance with directives, rules, or guidelines issued by the Central Bank of Sri Lanka have been raised that would require disclosure to stakeholders under the Finance Business Act or directions by the Monetary Board

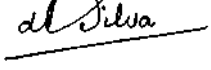
By order of the Board,



G.S.T. Dharmakirti-Herath(Mrs)
Chairperson



R.K.E.P. de Silva
Deputy Chairman/ Managing Director



Priyanthi de Silva (Mrs)
Chairperson - Board Audit Committee
26 June 2026

INDEPENDENT ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

Deloitte.

Deloitte Associates
No 100, Braybrooke Place
Colombo 02
Sri Lanka

Tel. +94 11 5444400, +94 11 2580409,
+94 11 2503262,
Fax: +94 112582452
www.deloitte.com

THE BOARD OF DIRECTORS OF ALLIANCE FINANCE COMPANY PLC REPORT ON THE DIRECTORS 'STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of Alliance Finance Company PLC ("License Finance Company") to provide assurance on the Directors' Statement on Internal Control("Statement") included in the annual report for the year ended 31st March 2026.

Management's responsibility
Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company on the Directors' Statement on Internal Control" issued in compliance with the section 16 of the Finance Business Act Direction No. 5 of 2021 by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control
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 behavior. The firm applies Sri Lanka Standard on Quality Management (SLSQM 1) and which requires the firm to design, implement and operate a system of quality management including policies or 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 License Finance Company. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka. This standard requires that the we 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, in the course of this engagement, performed an audit or review of the financial information.

SUMMARY OF WORK PERFORMED.

- Enquire the directors 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.
- Review the documentation prepared by the directors to support their Statement.
- Relate the Statement made by the directors to our knowledge of the Company obtained during the audit of the financial statements.
- Review the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- Attend meetings of the audit committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.
- Consider whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.
- Obtain 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 License Finance Company 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 our judgment, having regard to the our understanding of the nature of the License Finance 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 License Finance Company.

Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo
26 June 2026

G J David FCA, **T U Jayasinghe** FCA, **P D R Bharatha** FCA, **W A D Gayan** ACA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **S Y Kodagoda** ACA, **M M M Manzeer** FCA

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This statement sets out the responsibilities of the Directors in relation to the preparation of the Financial Statements of the Company and its Subsidiaries, in compliance with the provisions of the Companies Act No. 07 of 2007.

The responsibilities of the Independent Auditor in relation to the Financial Statements are set out in the Auditor's Report on pages 284 to 286 of the Annual Report.

In accordance with Section 148(1) of the Companies Act No. 07 of 2007, the Directors are responsible for ensuring that proper accounting records are maintained which sufficiently explain the transactions of the Company and enable the financial position of the Company and its Subsidiaries to be determined with reasonable accuracy at any time. Such records are required to facilitate the preparation of Financial Statements and to enable them to be readily and properly audited.

The Financial Statements for the year 2025/26 presented in this Annual Report have been prepared in accordance with Sri Lanka Accounting Standards and are consistent with the underlying books of account. They are also in compliance with the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Finance Business Act No. 42 of 2011 and the Directions issued thereunder, the Listing Rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

As required by Sections 151, 150(1), 152(1), and 153(1) and (2) of the Companies Act No. 07 of 2007, the Directors are responsible for the preparation of Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its Subsidiaries as at the reporting date, and of their financial performance for the financial year then ended.

The Board of Directors confirms that, in accordance with Sections 166(1) and 167(1) of the Companies Act No. 07 of 2007, the Annual Report has been prepared and made available to shareholders within the stipulated period, in compliance with Rule 7.5(a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Annual Report has been made available on the Company's official website as well as on the Colombo Stock Exchange website, and printed copies will be provided to shareholders upon request in accordance with the said Rule. The Directors further confirm that all shareholders have been treated equitably in accordance with the original terms of issue.

In preparing the Financial Statements, the Directors ensure that appropriate accounting policies have been selected and applied consistently, that reasonable and prudent judgments and estimates have been made, and that all applicable accounting standards have been complied with. The Directors also ensure that the Company and its Subsidiaries have adequate resources to continue in operation, thereby supporting the application of the going concern basis in the preparation of these Financial Statements.

The Directors have established effective and comprehensive systems of internal control for safeguarding the assets of the Company and its Subsidiaries and for identifying, recording, evaluating, and managing the significant risks faced by the Group. These processes are overseen through the Audit Committee and the Integrated Risk Management Committee, as detailed in their Reports on pages 286 to 270 and 275 to 278, respectively.

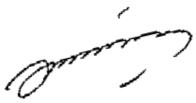
The financial reporting system is subject to regular review by the Board of Directors and the Board Audit Committee. The Board of Directors also approves the Interim Financial Statements prior to their release, following review and recommendation by the Board Audit Committee. The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company and its Subsidiaries have been certified by the AGM - Finance being the officer responsible for their preparation, in accordance with Section 152(1)(b), and have been signed on behalf of the Board by two Directors of the Company in compliance with Section 152(1)(c) of the Companies Act.

The External Auditors were provided with full access to financial records, Board and shareholder meeting minutes, and other relevant documentation necessary for the performance of their audit.

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the relevant regulatory and statutory authorities by the Company and its Subsidiaries as at the reporting date have been duly paid, or where applicable, adequately provided for.

By order of the Board
Alliance Finance Company PLC



Priyanga P. Peiris
Company Secretary
26 June 2026

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INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Associates
No 100, Braybrooke Place
Colombo 02
Sri Lanka

Tel. +94 11 5444400, +94 11 2580409,
+94 11 2503262,
Fax: +94 112582452
www.deloitte.com

TO THE SHAREHOLDERS OF ALLIANCE FINANCE COMPANY PLC

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Alliance Finance Company PLC ("the Company") and the consolidated financial statement of the company and its subsidiary ("the Group") 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 of the Company and the consolidated financial statements of the Group give a true and fair view of the financial position of the Company and Group as of 31 March 2026, and of their financial performance and 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 and Group 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.

Impairment of loans and receivables

Refer to the accounting policy section 2.11.3 Impairment of financial assets and Notes 25 and 26 to the financial statements.

As at 31 March 2026, total amount of lease receivables, loans and advances amounted to LKR 77,500 Mn, with a total allowance for impairment of LKR 1,979 Mn. Total net amount of loans and receivables contribute 80% to the total assets.

Management assesses whether the credit risk of loans and receivables to customers have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their Expected Credit Loss (ECL).

ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default and discount rates. Individual impairment is determined using discounted cash flows: The impairment of loans and receivables using the ECL model was considered as a key audit matter due to factors such as:

- The ECL model involves complex calculations with key variables used in the model requiring significant management judgment and use of assumptions.
- The magnitude of the reported amounts of loans and receivables to customers and the impairment allowances thereof.
- The determination of expected loss rates in an uncertain economic environment

The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and receivables to customers in line with SLFRS 9 adopted, included the following:

- Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process (including evaluation of impairment of loans and receivables), and underlying information systems.
- Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired.
- Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management.
- Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information.
- To test the identification of loans with default events and other triggers, we selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans requiring impairment.
- For loans and receivables individually impaired, assessing the reasonability on a sample basis, future cash flows forecasted by management and the discount rates supporting the loss allowance computation.
- Checking the underlying calculations and data on a sample basis for accuracy and completeness.
- Assessing the accuracy and sufficiency of related disclosures.

G J David FCA, **T U Jayasinghe** FCA, **P D R Bharatha** FCA, **W A D Gayan** ACA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **S Y Kodagoda** ACA, **M M M Manzeer** FCA

Deloitte.

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.

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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 of the Company and the consolidated financial statements of the Group, management is responsible for assessing the Company's / Group'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 / Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group'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 of the Company and the consolidated financial statements of the Group 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 judgment and maintain professional skepticism 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 doubts on the Company's and Group's ability to continue as a going

Independent Auditor's Report

Deloitte.

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 of the Company and the consolidated financial statements of the Group -, 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 Group 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 of the Company and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 Company and the consolidated financial statements of the Group 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 3991.

Deloitte Associates

Deloitte Associates
Chartered Accountants
Colombo
26 June 2026

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Notes	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Gross Income	6	**18,190,987,095**	15,673,118,875	**18,417,250,682**	15,831,710,127
Interest income		**16,610,825,123**	14,236,339,058	**16,637,095,233**	14,255,430,311
Interest expenses		**(7,579,964,991)**	(6,472,265,408)	**(7,579,977,409)**	(6,472,368,820)
Net Interest Income	7	**9,030,860,132**	7,764,073,650	**9,057,117,824**	7,783,061,491
Fee and commission income	8	**1,081,194,502**	841,304,917	**1,251,713,378**	971,681,783
Net gain / (loss) from trading	9	**73,121,729**	80,517,660	**88,217,054**	80,256,913
Other operating income	10	**425,845,741**	514,957,240	**440,225,017**	524,341,120
Total Operating Income		**10,611,022,104**	9,200,853,467	**10,837,273,273**	9,359,341,307
Impairment charges for loans and other losses	11	**(544,741,096)**	(233,790,064)	**(544,741,096)**	(233,790,064)
Net Operating Income		**10,066,281,008**	8,967,063,403	**10,292,532,177**	9,125,551,243
Operating Expenses					
Personnel expenses	12	**(2,447,475,315)**	(2,109,458,450)	**(2,467,142,249)**	(2,128,059,427)
Other operating expenses	13	**(2,830,018,598)**	(2,564,492,850)	**(2,845,012,681)**	(2,579,544,628)
Depreciation and amortization	14	**(259,818,081)**	(212,784,329)	**(260,154,407)**	(213,171,108)
Total operating expenses		**(5,537,311,994)**	(4,886,735,629)	**(5,572,309,337)**	(4,920,775,163)
Operating Profit before Taxes on Financial Services		**4,528,969,014**	4,080,327,774	**4,720,222,840**	4,204,776,080
Taxes on financial services	15	**(1,139,224,523)**	(1,012,264,791)	**(1,139,224,523)**	(1,012,264,791)
Operating Profit after Taxes on Financial Services		**3,389,744,491**	3,068,062,983	**3,580,998,317**	3,192,511,289
Share of profit from associate		**(32,966,574)**	18,905,234	**71,483,006**	18,905,234
Profit before Taxation from Operations		**3,356,777,917**	3,086,968,217	**3,652,481,323**	3,211,416,523
Provision for income taxation	16	**(1,318,339,791)**	(1,352,135,165)	**(1,374,263,832)**	(1,394,595,018)
Profit for the year		**2,038,438,126**	1,734,833,052	**2,278,217,491**	1,816,821,505
Profit attributable to :					
Equity holders of the company		**2,038,438,126**	1,734,833,052	**2,219,397,744**	1,775,209,071
Non controlling interest		**-**	-	**58,819,747**	41,612,434
Profit for the year		**2,038,438,126**	1,734,833,052	**2,278,217,491**	1,816,821,505
Basic Earnings Per Share	17	**60.49**	51.48	**65.87**	52.68
Dividend Per Share	18	**10.00**	17.20	**10.00**	17.47

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 294 to 375 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Profit for the year		**2,038,438,126**	1,734,833,052	**2,278,217,491**	1,816,821,505
Other Comprehensive Income					
Other Comprehensive Income not to be Reclassified to Profit or Loss					
Actuarial gains /(losses) on defined benefit plans	44	**(280,330,552)**	(52,834,494)	**(280,220,644)**	(53,539,039)
Deferred tax effect on above		**84,099,166**	15,850,348	**84,066,194**	16,061,712
		(196,231,386)	(36,984,146)	**(196,154,450)**	(37,477,327)
Equity investments at FVOCI - net change in fair value and disposal gain / (loss)		**92,560,527**	100,607,514	**92,560,527**	100,607,514
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		**(103,670,859)**	63,623,368	**(103,593,923)**	63,130,187
Total Comprehensive Income for the year		**1,934,767,267**	1,798,456,420	**2,174,623,568**	1,879,951,692
Attributable to:					
Equity holders of the company		**1,934,767,267**	1,798,456,420	**2,115,803,821**	1,838,339,258
Non controlling interest		**-**	-	**58,819,747**	41,612,434
Total Comprehensive Income for the year		**1,934,767,267**	1,798,456,420	**2,174,623,568**	1,879,951,692

Figures in brackets indicate deductions.
Accounting policies & notes to accounts on pages 294 to 375s form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Assets					
Cash and cash equivalents	21	1,246,680,006	1,475,822,024	1,594,762,316	1,741,401,080
Repurchase agreements	22	3,250,812,507	1,834,618,154	3,250,812,472	1,834,617,974
Placements with banks & financial institutions	23	6,480,535,214	4,905,397,835	6,526,257,624	4,941,814,722
Financial assets recognised through profit or loss	24	1,704,716,256	5,271,089,167	1,846,221,558	5,400,608,853
Loans and advances - at amortised cost	25	54,400,096,096	38,342,731,995	54,400,096,096	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	26	23,099,811,895	24,173,323,963	23,099,811,895	24,173,323,963
Financial assets- fair value through other comprehensive income	27	206,373,699	175,800,654	206,373,699	175,800,654
Other trading stocks	28	174,438,189	67,495,284	174,438,189	67,495,284
Other financial assets	29	769,678,162	566,898,746	747,077,162	545,171,168
Other non financial assets	30	202,307,969	244,625,077	211,249,184	252,983,150
Investments in associates	31	89,604,979	126,502,614	196,381,550	138,316,858
Investments in subsidiaries	32	18,522,288	18,522,288	-	-
Investment property	33	204,000,000	187,680,000	329,000,000	302,680,000
Property, plant & equipment	34	3,459,234,760	3,390,971,504	3,459,802,163	3,391,875,272
Intangible assets	35	268,809,867	184,674,891	268,809,867	184,674,890
Right of use asset	36.1	476,622,788	463,824,482	476,622,788	463,824,482
Deferred tax assets	45	303,908,091	135,483,254	306,016,079	137,401,676
Total Assets		96,356,152,766	81,565,461,932	97,093,732,642	82,094,722,021
Liabilities					
Due to banks	37	40,245,642,097	30,341,711,845	40,313,160,762	30,397,669,512
Debt Securities Measured at amortised cost	38	3,149,107,433	1,012,406,801	3,149,107,433	1,012,406,801
Due to depositors - at amortised cost	39	37,766,387,023	36,524,836,317	37,765,505,135	36,523,989,296
Other financial liabilities	40	1,524,973,932	1,537,657,682	1,547,004,394	1,609,980,121
Other non financial liabilities	41	206,200,590	191,818,324	206,535,498	191,818,324
Derivative financial liabilities	42	14,073,854	-	14,073,854	-
Income tax liabilities	43	929,122,792	1,370,124,514	951,100,853	1,388,527,363
Retirement benefit obligations	44	352,976,672	87,094,962	359,298,749	92,785,154
Deferred tax liabilities	45	709,613,244	704,224,787	719,700,181	711,624,397
Lease Liability	36.2	483,759,084	446,054,836	483,759,084	446,054,836
Total Liabilities		85,381,856,721	72,215,930,068	85,509,245,943	72,374,855,804
Shareholders' Funds					
Stated capital	46	613,980,000	613,980,000	613,980,000	613,980,000
Retained earnings	47	7,136,715,137	5,656,084,950	7,518,475,266	5,856,808,525
Reserves	48	3,223,600,908	3,079,466,914	3,223,600,908	3,079,466,914
Total Equity Attributable to Equity Holders of the Company		10,974,296,045	9,349,531,864	11,356,056,174	9,550,255,439
Non controlling interest		-	-	228,430,525	169,610,778
Total Equity		10,974,296,045	9,349,531,864	11,584,486,699	9,719,866,217
Total Liabilities and Shareholders' Funds		96,356,152,766	81,565,461,932	97,093,732,642	82,094,722,021
Contingent liabilities and commitments	49	1,015,670,263	1,507,878,412	1,015,670,263	1,507,878,412
Net assets value per share (LKR)	19	326	277	337	283

Figures in brackets indicate deductions.
Accounting policies & notes to accounts on pages 294 to 375 form an integral part of these Financial Statements.

Certification
I certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No. 07 of 2007.

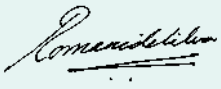


Dinuk Baig
Assistant General Manger -Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,



A. A. P Rodrigo
Executive Director/COO



Romani De Silva
Deputy Chairman & Managing Director

26 June 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1st April 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	-	4,509,940,679	8,129,029,986
Profit for the year	-	-	-	-	-	-	1,734,833,052	1,734,833,052
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	(36,984,146)	(36,984,146)
Equity investments at FVOCI - net change in fair value	-	-	-	-	100,607,514	-	-	100,607,514
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(87,651,562)	-	87,651,562	-
Revaluation Surplus	-	-	(25,339,998)	-	-	-	-	(25,339,998)
Transfer to statutory reserve	-	86,741,653	-	-	-	-	(86,741,653)	-
Dividend paid	-	-	-	-	-	-	(552,614,544)	(552,614,544)
Balances as at 31st March 2025	613,980,000	1,135,067,858	1,568,458,553	388,258,055	(12,317,552)	-	5,656,084,950	9,349,531,864
Balance as at 1st April 2025	**613,980,000**	**1,135,067,858**	**1,568,458,553**	**388,258,055**	**(12,317,552)**	**-**	**5,656,084,950**	**9,349,531,864**
Profit for the year	-	-	-	-	-	-	**2,038,438,126**	**2,038,438,126**
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	**(196,231,386)**	**(196,231,386)**
Equity investments at FVOCI - net change in fair value	-	-	-	-	**92,560,527**	-	-	**92,560,527**
Transfer of realized profit /(loss) on equity instrument disposal to retained earning					**(50,348,439)**		**50,348,439**	-
Revaluation Surplus	-	-		-	-	-	-	-
Transfer to statutory reserve	-	**101,921,906**		-	-	-	**(101,921,906)**	-
Dividend Paid	-	-	-	-	-	-	**(310,003,086)**	**(310,003,086)**
Balances as at 31st March 2026	**613,980,000**	**1,236,989,764**	**1,568,458,553**	**388,258,055**	**29,894,536**	**-**	**7,136,715,137**	**10,974,296,045**

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 294 to 375 form an integral part of these Financial Statements.

Group	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1st April 2024	**613,980,000**	**1,048,326,205**	**1,593,798,551**	**388,258,055**	**(25,273,504)**	**132,528,954**	**4,675,362,989**	**8,426,981,250**
Profit for the year	-	-	-	-	-	37,081,824	1,779,739,681	1,816,821,505
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	(37,477,326)	(37,477,326)
Equity investments at FVOCI - net change in fair value	-	-	-	-	100,607,514	-	-	100,607,514
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(87,651,562)	-	87,651,562	-
Revaluation Surplus	-	-	(25,339,998)	-	-	-	-	(25,339,998)
Transfer to statutory reserve	-	86,741,653	-	-	-	-	(86,741,653)	-
Dividend paid	-	-	-	-	-	-	(561,726,728)	(561,726,728)
Balances as at 31st March 2025	**613,980,000**	**1,135,067,858**	**1,568,458,553**	**388,258,055**	**(12,317,552)**	**169,610,778**	**5,856,808,525**	**9,719,866,217**
Balance as at 1st April 2025	**613,980,000**	**1,135,067,858**	**1,568,458,553**	**388,258,055**	**(12,317,552)**	**169,610,778**	**5,856,808,525**	**9,719,866,217**
Profit for the year	-	-	-	-	-	58,819,747	2,219,397,744	2,278,217,491
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-		(196,154,450)	(196,154,450)
Equity investments at FVOCI - net change in fair value	-	-	-	-	92,560,527		-	92,560,527
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(50,348,439)		50,348,439	-
Revaluation Surplus	-	-		-	-		-	-
Transfer to statutory reserve		101,921,906					(101,921,906)	-
Dividend paid							(310,003,086)	(310,003,086)
Balances as at 31st March 2026	**613,980,000**	**1,236,989,764**	**1,568,458,553**	**388,258,055**	**29,894,536**	**228,430,525**	**7,518,475,266**	**11,584,486,699**

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 294 to 375 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense		**3,356,777,917**	3,086,968,217	**3,652,481,323**	3,211,416,523
Adjustments for;					
Depreciation of property, plant & equipment	14	**240,665,318**	201,382,217	**241,001,644**	201,687,261
Amortization of intangible assets	14	**19,152,763**	11,402,112	**19,152,763**	11,483,847
Interest Expenses of Bank Borrowings	37	**3,238,956,136**	2,575,098,535	**3,238,956,136**	2,575,098,535
Interest on debentures		**246,674,973**	12,406,801	**246,674,973**	12,406,801
Amortization of right of use asset	36	**167,957,803**	153,917,919	**167,957,803**	153,917,919
Interest expense on lease liability		**62,357,844**	58,736,458	**62,357,844**	58,736,458
Impairment provision /(reversal)	11	**272,012,488**	24,288,889	**272,012,488**	24,288,888
Interest on fixed deposits, commercial paper & treasury bills		**(491,465,759)**	(301,472,480)	**(517,735,869)**	(320,563,733)
Fair value gain on investments (FVTPL)		**(36,689,145)**	(57,989,735)	**(36,689,145)**	(57,989,735)
Fair value gain on investment property	33	**(16,320,000)**	-	**(26,320,000)**	(7,000,000)
Bad debt written-off	11	**272,728,608**	209,501,175	**272,728,608**	209,501,175
Loss/(profit) on disposal of property, plant & equipment		**(7,562,527)**	(13,373,265)	**(7,562,527)**	(13,373,265)
Loss/(profit)from sale of vehicle		**(16,454,973)**	(54,149,174)	**(16,454,973)**	(54,149,174)
Provision for defined benefit plans	44	**95,394,610**	75,387,265	**96,486,403**	76,337,527
Dividend received		**(6,464,638)**	(38,436,201)	**(6,464,638)**	(51,000,290)
Share of (profit)/Loss from associates	31	**32,966,574**	(18,905,234)	**(71,483,006)**	(18,905,234)
Operating Profit before Working Capital Changes		**7,430,687,992**	5,924,763,499	**7,587,099,827**	6,011,893,503
(Increase)/decrease in trading stock		**(170,014,932)**	55,295,393	**(170,014,932)**	55,295,393
(Increase)/decrease in loans and advances	25	**(16,514,653,792)**	(14,923,408,125)	**(16,516,269,272)**	(14,923,408,125)
(Increase)/decrease in lease rentals receivable	26	**986,060,663**	(1,722,377,501)	**987,676,143**	(1,722,377,501)
(Increase)/decrease in fixed deposits & repurchase agreements		**(2,991,331,732)**	(2,531,056,090)	**(3,000,637,401)**	(2,546,883,392)
(Increase)/decrease in other financial assets		**(202,779,416)**	(108,267,205)	**(201,905,994)**	(95,018,319)
(Increase)/decrease in other non financial assets		**231,576,027**	190,497,580	**230,992,885**	189,799,140
(Increase)/decrease in derivative financial liabilities		**14,073,854**	(5,379,033)	**14,073,854**	(5,379,033)
Increase/(decrease) in amounts due to depositors	39	**1,241,550,706**	8,137,471,068	**1,241,515,839**	8,137,435,683
Increase/(decrease) in other financial liabilities		**(37,337,346)**	445,517,745	**(87,629,323)**	488,026,112
Increase/(decrease) in other non financial liabilities		**14,382,266**	(27,419,347)	**14,717,175**	(27,419,347)
Cash generated from/(used in) Operations		**(9,997,785,710)**	(4,564,362,016)	**(9,900,381,199)**	(4,438,035,886)
Interest Paid		**(3,052,414,523)**	(2,459,351,752)	**(3,052,414,523)**	(2,459,351,752)
Retirement benefit liabilities paid	44	**(22,748,490)**	(41,126,797)	**(23,208,398)**	(41,326,797)
Investment in gratuity fund	44	**(87,094,962)**	(52,103,008)	**(87,094,962)**	(52,103,008)
Taxes paid	43	**(1,838,278,678)**	(840,044,008)	**(1,888,052,810)**	(872,877,284)
Net cash generated from/(used in) operating activities		**(14,998,322,363)**	(7,956,987,580)	**(14,951,151,892)**	(7,863,694,727)

For the year ended 31st March	Notes	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	34	**(334,810,539)**	(413,182,304)	**(334,810,500)**	**(414,089,843)**
Acquisition of right of use assets	36.1	**(180,756,109)**	(261,394,948)	**(180,756,109)**	(261,394,948)
Acquisition of Intangible Assets	35	**(103,287,739)**	(48,989,147)	**(103,287,740)**	(48,989,147)
Dividends Received From Associate		**3,931,060**	2,734,800	**13,418,313**	9,072,923
Proceeds from sales of property, plant & equipment		**33,444,492**	36,851,500	**33,444,492**	36,851,500
Proceeds from sales of vehicles		**79,527,000**	17,011,975	**79,527,000**	17,011,975
Net sales/ (purchases) of financial investments -FVTPL/FVOCI		**3,665,049,538**	(1,461,620,121)	**3,653,063,922**	(1,474,184,209)
Dividend received		**6,464,638**	36,837,662	**6,464,638**	51,000,290
Interest on fixed deposits, commercial paper & treasury bills		**491,465,759**	301,472,480	**517,735,869**	320,563,733
Net cash generated from / (used in) investing activities		**3,661,028,100**	(1,790,278,103)	**3,684,799,885**	(1,764,157,726)
Cash flows from / (used in) financing activities					
Payment of Lease liabilities (Right of use Assets)	36.2	**(189,258,919)**	(177,585,303)	**(189,258,919)**	(177,585,303)
Loans Obtained	37	**25,358,441,834**	18,078,169,350	**27,358,441,834**	18,078,169,350
Loans Repayments	37	**(12,385,839,542)**	(10,420,376,182)	**12,385,839,542)**	(10,420,376,182)
Loans Obtained from Debenture Issuance	38	**2,000,000,000**	1,000,000,000	**2,000,000,000**	1,000,000,000
Loans Payment-Debenture	38	**(109,974,341)**	-	**(109,974,341)**	-
Dividend paid		**(310,003,086)**	(552,614,472)	**(310,003,086)**	(561,726,728)
Net cash generated from/(used in) financing activities		**14,363,365,946**	7,927,593,393	**14,363,365,946**	7,918,481,137
Net increase/(decrease) in cash and cash equivalents		**3,026,071,683**	(1,819,672,291)	**3,097,013,939**	(1,709,371,316)
Cash and cash equivalents at the beginning of the year		**(2,102,843,801)**	(283,171,510)	**(1,893,222,412)**	(183,851,096)
Cash and cash equivalents at the end of the year	21	**923,227,882**	(2,102,843,801)	**1,203,791,527**	(1,893,222,412)
Movement in Cash and Cash Equivalent		**3,026,071,683**	(1,819,672,291)	**3,097,013,939**	(1,709,371,316)

Note : Reporting cash flows from operating activities

The Company reports cash flows from operating activities by using the indirect method. The indirect method – whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows – is shown above.

Figures in brackets indicate deductions.
Accounting policies and notes to accounts on pages 294 to 375 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Alliance Finance Company PLC (the 'Company') is a public limited liability Company listed on the Colombo Stock Exchange and incorporated on July 18, 1956, under the Companies Ordinance No 51 of 1938 and domiciled in Sri Lanka. It is a Registered Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The Company is re-registered under the new Companies Act No 7 of 2007. The registered office of the Company and the principal place of business are situated at No.84, "Alliance House", Ward Place, Colombo 07.

1.2 Consolidated Financial Statements

Consolidated Financial Statements of the Group for the year ended 31st March 2026 comprises the Company, and its Subsidiary (together referred to as the "Group").

All the Group entities are limited liability Companies, incorporated and domiciled in Sri Lanka.

1.3 Principal Activities and Nature of Operations of the Company and Group

1.3.1 The Company

The Company provides a comprehensive range of financial services encompassing accepting deposits, lease financing, hire purchase financing, mortgage loans, gold loan, term loans and other credit facilities, operating leases, vehicle hiring, micro financing activities and other value-added financial services.

1.3.2 Subsidiary

Details of the Subsidiary as at 31st March 2026 is given below.

Subsidiary	Principal Activities	Ownership %	Incorporation Date	Registered Address
Alfinco Insurance Brokers (Pvt) Ltd.	Insurance Brokering	63.93%	26th February 2008	No. 84, "Alliance House", Ward Place, Colombo 07

1.3.3. Associates

Details of the Associate in operation as at 31st March 2026 is given below.

Associate	Principal Activities	Ownership % (Group)	Incorporation Date	Registered Address
Macbertan (Private) Limited.	Manufacturing and trading of Non - Crossed Polyethylene Form, Air Bubble Sheet, Thermal Insulation for Heat Controlling in Roof and Flexible tubes, PPGI roofing sheet, local and import trading.	22.39%	07th October 2007	No. 84, "Alliance House", Ward Place, Colombo 07
Helios P2P (Pvt) Ltd	Providing Peer 2 Peer lending platform, connect borrowers with investors through our 'online' marketplace	25%	16th January 2018	33,1/1,Sri Damma Mawatha , Colombo 10

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Finance Business Act No. 42 of 2011 and amendments thereto, and provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

The Financial Statements comprise of the Statements of Financial Position, Statements of Profit or Loss, Statements of Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow, together with the accounting policies and notes.

These financial statements, except for information presented on cash flows have been prepared following accrual basis.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Group and the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No. 7 of 2007.

2.3 Date of Authorization for Issue

The Financial Statements of the Group and Company for the year ended 31st March 2026 were approved and authorized for issue in accordance with a resolution of the Board of Directors on 21st June 2026.

2.4 Basis of Measurement

The Financial Statements of Group and Company have been prepared on the historical cost basis, except for the following material items in the Statements of Financial Position.

- Financial assets held at Fair Value Through Other Comprehensive Income (FVTOCI) (Note 27)
- Financial assets recognized Fair Value Through Profit or Loss (FVTPL) are measured at fair value (Note 24)
- Retirement benefit obligation measured at difference between present value of defined benefit plan asset and the present value of defined benefit plan liability (Note 44)
- Land and buildings which are measured at cost at the time of acquisition, subsequently measured at revalued amounts, which are the fair values at the date of revaluation (Note 34)
- Investment property measured at fair value (Note 33)

2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Group's functional and presentation currency of the primary economic environment in which Alliance Finance Company PLC operates. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise stated.

2.6 Presentation of Financial Statements

The Group presents its Statement of Financial Position broadly in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 54.3

2.7 Materiality & Aggregation and Offsetting

In compliance with Sri Lanka Accounting Standard- LKAS 01 (Presentation of Financial Statements), each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

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 settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretations, and as specifically disclosed in the accounting policies.

2.8 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The comparative information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation.

2.9 Statements of Cash Flows

Statement of Cash Flows has been prepared by using the 'Indirect Method', as stipulated in Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows', whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows,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 equivalent include cash in hand, balances with banks, placements with banks money at call and short notice.

2.10 Changes in material accounting policy information

The accounting policies set out below have been consistently applied to all periods presented in these financial statements. Relevant disclosures relating to these policies are provided throughout the accompanying notes to the financial statements, where applicable.

2.11 Use of Significant Accounting Judgments, Estimates and Assumptions

In preparing Financial Statements of the Group in conformity with Sri Lanka Accounting Standards (SLFRSs and LKASs), requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates.

The group considered the impact of the current economic crisis of the country in preparing the financial statement in line with the circulars and guidelines issued by CBSL and CA Sri Lanka. While the specific areas, judgements may not change, the impact of economic crisis resulted in application of further judgement within those areas due to the limited recent experience of economic and financial impacts of such events. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments, estimates and assumptions in applying accounting policies that could have a significant effect on the Financial Statements of the Group are as follows:

2.11.1 Going concern

The Directors have assessed the ability of the Group and Company to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the prevailing economic

Notes to the Financial Statements

environment, current business performance, and other internal and external factors relevant to the Group's operations. Based on this evaluation, the Board is not aware of any material uncertainties that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. Accordingly, the financial statements of the Group and Company continue to be prepared on a going concern basis.

2.11.2 Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities which recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 52 Determination of the fair value of financial instruments of the Group was impacted by the current economic situation of the country.

2.11.3 Impairment losses on loans and receivables

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statements of Profit & Loss. In particular; the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- Groups of homogeneous loans and advances that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Lifetime expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under note 4.5.7 to the Financial Statements.

2.11.4 Impairment of non–financial assets

The Group assess at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an assets or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

2.11.5 Classification of financial assets and liabilities

The Group's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification

of financial instruments is given in Note 20, 'Analysis of Financial Instruments by Measurement Basis'.

2.11.6 Leases

At inception of a contract, the Group assesses whether the contract is, or contains a lease. 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 a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

Under SLFRS 16, The Group determines 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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate.

The lessee shall measure that lease liability at the present value of the lease payments, discounted using the Company's cost of fund rate at the date of initial application date.

The Group recognises as right-of-use asset at the date of initial application for leases. The Group selected to measure the right-of-use asset at an amount equal to the lease liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application.

The Group used a number of practical expedients when applying SLFRS. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months.
- did not recognize right-of-use assets and liabilities for leases of low-value assets
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- applied a single discount rate to a portfolio of leases with similar characteristics
- used hindsight when determining the lease term if the contact contains option to extend or terminate the lease

The Group presents right-of-use assets and lease liabilities separately in the Statement of Financial Position.

The right of use asset is subsequently depreciated using straight line basis starting from the lease commencement date to the end of the use full life of the right of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability subsequently measured at amortized cost using the effective interest rate. Further the rent payment is subject to the changes when there is a termination of lease agreement, extension or exercise of a purchase. When the lease liability re-measured in this regards the corresponding adjustment made to the Right of use asset.

The Group demonstrate the Right of use Assets and Operating Lease liabilities under the Note 36.

2.11.7 Taxation

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes.

The Group recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made. Details relating to taxation is described the Note 16.

Company is liable to pay Crop Insurance Levy as per the section 14 of Finance Act No: 12 of 2013, 1% from the profit after tax.

Notes to the Financial Statements

2.11.8 Deferred tax assets and liabilities
Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against such tax losses which can be set-off. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies. Deferred tax asset and deferred tax liability details are present in the Note 44.

2.11.9 Defined benefit plans
The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc.

Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group. Details of the assumptions used in the valuation are described in the Note 44.

2.11.10 Revaluation of property and equipment
The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). The Group engages independent professional valuers to assess the fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on "Fair Value Measurement" (SLFRS 13). The Group has revalued its freehold lands and buildings during this year for consolidated accounting purposes, the details relevant to the revaluation of freehold land and buildings, including valuation method are given in the Note 34.

2.11.11 Useful lifetime of the property and equipment
The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. This is further described in Note 4.6.2.

2.11.12 Classification and valuation of investment property
Management requires using its judgements to determine whether a property qualifies as an Investment Property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyor, who has recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in detail in Note 33.

2.11.13 Commitment and Contingencies
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 recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote. All discernible risks are accounted for in determining the amount of all known liabilities. Details of commitments and contingencies are given in Note 49.

2.12 Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 50 where necessary.

3. NEW AND AMENDED SLFRS ACCOUNTING STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME DURING THE CURRENT YEAR

In the current year, the group/company has applied the below amendment to Sri Lanka Accounting Standards issued by the CA Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2025.

Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - *Lack of Exchangeability*
The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.

New and revised SLFRS Accounting Standards in issue but not yet effective
The following new accounting standards and interpretations are issued by IASB but not yet adopted by CA Sri Lanka except for SLFRS 18 and SLFRS 19.

Amendments to SLFRS 9 and SLFRS 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 (FVTOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The Company anticipate that the application of these amendments may have an impact on the Company's/Group's consolidated financial statements in future periods.

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.

The Company anticipates that the application of these amendments may have an impact on the Company's/Group's consolidated financial statements in future periods.

SLFRS 19 Subsidiaries without Public Accountability: Disclosures
SLFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying SLFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

SLFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply SLFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

Eligible entities can apply SLFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply SLFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

The Directors of the Company do not anticipate that SLFRS 19 will be applied for purposes of the Company's/Group's consolidated financial statements.

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 2025 amendments are to the following standards:

- SLFRS 1 First-time Adoption of International Financial Reporting Standards.
- SLFRS 7 Financial Instruments: Disclosures and its accompanying guidance on implementing
- SLFRS 9 Financial Instruments.

Notes to the Financial Statements

- SLFRS 10 Consolidated Financial Statements; and
- LKAS 7 Statement of Cash Flows.

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted. The Group anticipates that the application of these amendments may have an impact on the Group's financial statements in future periods.

Contracts Referencing Nature-dependent Electricity – Amendments to SLFRS 9 and SLFRS 7
The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the SLFRS 7 disclosure amendments must be implemented alongside the SLFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Directors of the Company anticipate that the application of these improvements may not have an impact on the Company's/ Group's consolidated financial statements in future periods.

Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency
These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:

- its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or
- it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The Directors of the Company anticipate that the application of these improvements may not have an impact on the Group's/ Company's consolidated financial statements in future periods.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION.

The material accounting policy information applied by the Group in preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Group, unless otherwise indicated.

4.1 Basis of Consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures"

4.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company (the Parent) holds more than 50% of the voting rights and/or has the power, directly or indirectly, to govern the financial and operational policies of an enterprise to obtain benefits from its activities.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases.

Currently, the Financial Statements of the subsidiary in the Group have a common financial year which ends on March 31.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration, given on the date of transferring the title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognize the investments in Subsidiaries at cost.

The total assets and liabilities of the Subsidiaries as at the reporting date are included in the Group column of Statements of Financial Position. The total Profit or Loss for the year of the subsidiaries is included in the Group column of Statements of Profit or Loss.

The non-controlling interest is presented in the Group column of Statements of Financial Position within equity; separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the Profit or Loss of the Group is disclosed in the Group column of Statement of Comprehensive Income. Total Comprehensive Income is allocated to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where subsidiaries have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of disposal.

Upon the loss of control, the Group derecognized the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in the Statement of Changes in Equity. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date that control is lost. Subsequently, it is accounted for by an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.2 Associates

Associates are those entities which the Group has significant influence, but not control or power to govern the financial and operating policies of the entities so as to obtain benefits from their activities.

The Group Financial Statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases.

Accordingly, under the equity method, investment in associates is carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Statement of Profit or Loss reflects the share of current year's Profit or Loss of the Associates.

When the Group and Associate's share of losses exceed the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses are discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

4.1.3 Jointly controlled entities

Jointly controlled entities are those entities where the Group has entered into a contractual agreement to share the control over strategic, financial and operating decisions relating to economic activities of the entities through unanimous consent of other parties sharing control.

4.1.4 Loss of Control in Subsidiary and Associates

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

4.1.5 Non-Controlling Interest

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.2 Transactions eliminated on consolidation

Intra-group balances and any income and expenses arising from intra- group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains (except that they are only eliminated to the extent that there is no evidence of impairment).

4.3 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currencies, which is Sri Lankan rupees, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies have been translated into local currency as per the exchange ruling at the date of the Statement of Financial Position while all non-monetary items are reported at the rate prevailing at the time transactions were affected. The financial currency gain or loss on monetary items is the difference between amortized cost in functional currency as at the beginning of the year adjusted for effective interest and payments during the year and amortized cost in foreign currency translated at exchange rates at reporting date.

Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into functional currency at the spot exchange rate at the date that the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transactions.

Foreign currency differences arising from translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Equity instruments measured at fair value through other comprehensive income
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedge is effective.

4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and money at call & short notice.

Notes to the Financial Statements

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

They are brought to Financial Statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

4.5 Financial Instruments – Initial recognition, classification and subsequent measurement

4.5.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

4.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through Profit or Loss are dealt through the Statement of Profit or Loss.

4.5.2.1 'Day 1' Profit or Loss

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 Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' Profit or Loss) in 'Net trading income'.

4.5.3 Financial Assets and Liabilities

Group only measures loans and advances to customers and other financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.
- The details of these conditions are outlined below.

4.5.3.1 (a) Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking into account "worse case" or "stress case" scenarios. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4.5.3.1 (b) The SPPI Test

As a second step of its classification process the Group assesses the contractual terms of the financial assets to identify whether they meet the SPPI test. "Principal" for the purpose of this test is defined as the fair value of the financial asset at 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). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4.5.3.2 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data, or the transaction is closed out. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. A fair value measurement of a non-financial asset considers 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.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

a) Financial Assets at Amortized Cost

Financial assets measured at amortised cost A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

1. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. 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.

Loans and advances to banks and other customers

Loans and advances to other customers include amounts due from banks, loans and advances and lease receivables of the Group. Details of "Loans and advances to banks and other customers" are given in Notes 23, 24, and 25.

Repurchase Agreements

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid including accrued interest, is recorded in the Statement of Financial Position, under 'Other Financial Assets which reflects the transaction's economic substance as a loan by the Group.

Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 21.

b) Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. For financial assets measured at FVOCI refer Note 27.

Debt instruments measured at FVOCI

Debt 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 selling financial assets, where the asset's contractual cash flows represent payments that are solely payments of principal and interest on principal outstanding. Currently Company has no debt instruments which are measured at FVTOCI.

Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity instruments held for strategic and regulatory purposes as equity instruments at FVOCI.

c) Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets measured at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rate, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in Statement of Profit or Loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income). Fair values may be obtained from quoted market prices in an active market, recent market transactions and valuation techniques, including discounted cash flow models and option

Notes to the Financial Statements

pricing models as appropriate, where the initially recognised fair value of a derivative contract is based on a valuation model that uses the inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments such as the conversion option in a convertible bond holds, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through Profit or Loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives. The group did not have separate embedded derivatives as at 31st March 2026 .

4.5.3.3 Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group may acquire, dispose of, or terminates a business line (change in business model). When the Group reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group did not reclassify any of its financial assets as at 31st March 2026.

4.5.4 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group 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 Group has transferred substantially all the risks and rewards of the asset; or
- The Group 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 amounts of the asset and consideration received and any cumulative gain or loss that had been recognised in the Other Comprehensive Income is recognised in the Profit or Loss. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that

takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.5.5 Financial Liabilities

4.5.5.1 Initial recognition and measurement

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as –
- Held-for-trading; or
- Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

4.5.5.1.1 Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated as such upon initial recognition as at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in the Statement of Profit or Loss.

Upon initial recognition, transaction costs are directly attributable to the acquisition, are recognized in Statement of Profit or Loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at fair value through profit or loss" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Companies' own credit risk. Interest paid/payable is accrued in "Interest expense", using the EIR. The Group has not designated any financial liabilities as at fair value through profit or loss as at the end of the reporting period.

4.5.5.1.2 Financial liabilities at amortized cost

Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to depositors" "Other borrowings" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest expense" in the Statement of Profit & Loss. Gains and losses too are recognised in the Statement of Profit & Loss when the liabilities are derecognised as well as through the EIR amortisation process.

4.5.5.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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. The difference between the carrying value of the original financial liability and the consideration paid are recognised in Statement of Profit or Loss.

4.5.5.3 Reclassification of financial liabilities

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.5.5.4 Modification of Financial Assets and Financial Liabilities.

Modification of Financial Assets

If the terms of a financial asset are modified, the Group 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 Group 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. Subsequently the Group recognizes the interest income on recalculated gross carrying amount based on the Original EIR from the commencement of terms modification date to the end of the lifetime of the instrument.

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.

Notes to the Financial Statements

4.5.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position only when the Group has a legal right to set-off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/ SLFRSs or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

4.5.7 Impairment of financial assets

Overview of the ECL principles

SLFRS 9 presents a "three-stage" model for estimating expected losses on the basis of changes in credit quality since initial recognition.

Stage 1: When loans are originated, the Group recognises an allowance based on 12 months ECL and performed assessment collectively. Stage 1 loans also contain the facilities which are reclassified from Stage 2 since the credit risk has improved.

Stage 2: When a loan credit risk increases significantly, the Group records an allowance for the Lifetime Expected Credit Loss (LTECL), which is performed collective basis. Stage 2 loans also include facilities, which are reclassified from stage 3 since the credit risk has improved.

Stage 3: When a loan is considered to be credit impaired, contain objective evidence of incurred loss, the Group records an allowance for the LTECL. Stage 3 assessment performed either individually or collectively.

Under SLFRS 9, loss allowances measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition. Twelve months ECL measurement applies if it has not increased an entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

Based on the computations:

- The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the SLFRS 9 impairment model.
- The estimated ECLs were calculated based on actual credit loss experience over the past five years.
- The Group performed the calculation of ECL rates separately for each product type.

Exposures within each group were segmented based on common credit risk characteristics such as product type, delinquency status, age of relationship and type of product purchased.

The Group to be performed an assessment, at the end of each reporting period to identify whether a financial instrument's credit risk has increased significantly since initial recognition.

Definition of default and cure

The Group considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present and the borrower is no longer considered as nonperforming in accordance with the Directives of the Central Bank.

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Group's criterion for 'cure' for rescheduled / restructured loans is more stringent than ordinary loans.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Group assesses whether there has been a significant increase in the credit risk since initial recognition. The Group considers an exposure to have a significantly increase in the credit risk when it is past due for more than 90 days.

Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- Probability of default (PD)

The probability of default is computed using a transition matrix for the last five years and computed average matrix from year 1 to 5. To minimize the sum of squired errors between average matrix and empirical matrix for that year computed a credit index. Regress macro-economic/other variables to forecast future indexes.

- Exposure at default computation (EAD)

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- Loss Given Default (LGD)

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Actual credit loss experience will be adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors were based on GDP and unemployment rate forecasts and industry outlook.

Calculation of ECLs for Individually significant loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment of individually significant accounts is reviewed more regularly when circumstances require. This normally encompasses a reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The amount and timing of expected receipts and recoveries;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession; and
- The likely deduction of any costs involved in recovery of amounts outstanding;

Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. The Group categories the collective impairment exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Industry of the borrower

The PD estimation Process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Companies in the country at present. Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- 1 – 30 days past due
- 31 - 60 days past due
- 61 – 90 days past due
- Above 90 days past due

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instrument subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to be cured and subsequently default again, then all linked default events are taken into account. For Stage 2 and stage 3 financial assets and credit impaired assets at origination, events over the lifetime of the instruments are considered. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

Loss given default

LGD values are assessed at least annually for each material collateral type. The Group segregates its customer loan book based on following major types of collaterals when calculating the LGD,

- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against lease receivables

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from

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any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Interest rates
- Treasury bill rate
- Inflation rate

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. To ensure completeness and accuracy, the Group obtains the above data from third party sources (Central Bank, World Bank, IMF, ADB, UN and etc.).

To reflect these uncertainties in the calculation of expected credit losses, the Group also revisited the weightages assigned for multiple economic scenarios during the year.

Write-off of loan & advances, leases and hire purchases

Loans, advances, leases and hire purchases (the related impairment allowance was accounted) are normally written off, either partially or in full, when there are no realistic prospects of recovery. Where such balances are secured, these are generally after receipt of any proceeds from the realisation of security.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, gold, real estate, receivables, and other non-financial assets. The fair value of the collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka. Non-financial collateral such as real estate, is valued based on data provided by third parties such as independent valuers and other independent sources.

Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

Material Judgments and uncertainties

Company has made significant judgment as at period end to determine which events and circumstances relate and which do not. Typically, the shorter the period of time between period end and the information becoming available (e.g., a borrower defaulting on a loan shortly after period end), the more likely it is that the information confirms events and conditions as at period end, and therefore, ought to be reflected in ECL calculations.

A movement from stage 1 to either stage 2 or 3 will typically result in a higher ECL, as the probability of default ('PD') over the lifetime of a financial asset will be at least equal to or higher than the PD over the next 12 months. However, the assessment of whether there has been a significant increase in credit risk (SICR) for a financial asset is carried out on the basis of the expected life of the financial asset.

Forward Looking and Probability of Default

SLFRS 9 recognizes that information relevance decreases as the forecast horizon increases and emphasizes the relevance of historical information. In this regard, the SLFRS 9 provisions lead to the conclusion that where there is no reliable evidence for specific forecasts, long-term macroeconomic outlooks will provide the most relevant basis for estimation. And further, scenario-based analysis has improved, and Worst case has been given 45% of weighting when determine the forward looking and probability of default.

4.6 Non – Financial Asset

4.6.1 Investment Property

Recognition and measurement

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, based in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured. Where the Group provides ancillary services to the occupants of a property it holds, the Group treats such a property as investment property if the services are insignificant to the arrangement as a whole.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply LKAS 16 "Property, plant and equipment" up to the date of change in use. When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and classified as Investment Property. The entity shall treat any difference at that date between the carrying amount of the property in accordance with LKAS 16 "Property, plant and equipment "and its fair value in the same way as a revaluation in accordance with LKAS 16 "Property, plant and equipment ". The land is non-depreciated. Accordingly, land and buildings classified as investment properties are stated at fair value.

De-recognition

Investment properties are de-recognised when disposed of, or permanently withdrawn from use since no future economic benefits are expected. Gains or losses arising from the de-recognition of an Investment Property are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss.

4.6.2 Property, plant and equipment

Property, plant & equipment are 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 LKAS 16 on Property, Plant & Equipment. Initially Property, Plant &Equipment are measured at its cost.

Recognition and measurement

Cost Model

Property, Plant and Equipment is stated at cost except land and building, excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Revaluation Model

Land and buildings are measured at fair value, less depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed every 3 to 5 years to ensure that the fair value of revalued asset does not differ materially from it carrying amount.

Any revaluation surplus is credited to the Revaluation Reserve included in the Equity of the Statement of Financial Position except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss.In which case the increase is recognised in Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset Revaluation Reserve. For more details relating to the land and building valuation refer the Note 34.

Subsequent Cost

These are costs that are recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied within that part of the cost will flow to the Group and it can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in Profit or Loss as incurred.

Depreciation

The company has reassessed useful lifetime and changed the depreciation policy from reducing balance to the straight-line method from 1st April 2016, further company has applied this changes accordance with LKAS 8- "Accounting Policies and Change in Accounting Estimates and Errors".

The group provides depreciation from the date the assets are available for use and up to the date of disposal at the following rates on straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Category of Asset	Expected useful lifetime (in years)
Buildings	20
Furniture & fittings	8
Equipment	5
Plant, Machinery & cutlery	5
Motor vehicles & accessories	5
Motor vehicles -Hiring Fleet	5
Computers	3
Solar	10

Freehold lands are not depreciated. Depreciation of an asset ceases at the earlier of the date that the asset is classified as Held for Sale or the date that the asset is derecognised.

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

De-recognition

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other Operating Income' in the Statement of Profit or Loss in the year the asset is derecognised.

4.6.3 Intangible assets

The Group's intangible assets include the value of computer software.

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 Standards LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are stated in the Statement of Financial Position at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditure of internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can be reliably measured the costs to complete the development.

Subsequent expenditure

Subsequent expenditure on Intangible Assets is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditures are expensed as incurred.

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Amortisation
Group owned intangible assets are amortised over the period of 10 years unless otherwise stated.

De-recognition of intangible assets
The carrying amount of an item of an intangible asset 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 intangible asset, is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Intangible assets reported in note 34 only included computer software and cost of licences.

The Group is in the process of implementing new system to replace its core banking system. The development cost incurred up to 31st March 2026, was presented as an addition to the intangible assets (WIP).

4.7 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date after taking in to account the risks and uncertainties surrounding the obligation as at that date. The expense relating to any provision, is presented in the Statement of Profit or Loss net of any reimbursement.

4.7.1 Retirement Benefit Obligations
All the employees of the Group are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983. Employees who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of half of the gross salary applicable to the last month of the financial year in which the employment is terminated or resigned for each year of completed service, for those who have served in excess of 5 years.

The Group operates an approved non-contributory Gratuity Fund to facilitate the Gratuity payments to the retiring employees of the Group. The Group determines the adequacy of gratuity liability in terms of Payment of Gratuity Act No.12 of 1983. In order to meet this liability, the Group carries forward a provision in the Statement of Financial Position based on:

- Half a month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have complete service 5 to 10 years,
- One month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who completed the service over 10 years but not exceeding 15 years,
- One and half month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 15 years but not exceeding 25 years.
- Two months' salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 25 years.

An actuarial valuation is carried out as every year end to ascertain the full liability under gratuity. The valuation was carried out as at 31st March 2026 by M/s Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries based on the Projected Unit Credit Method recommended by the actuarial present value of the defined benefit obligation (PV-DBO) under the PUC method.

Recognition of actuarial losses / gains
The Group recognized the total actuarial gain and losses that arose in calculating the Group's obligation in respect of gratuity in Other Comprehensive Income during the period which it occurred.

Recognition of past service cost (applicable only when a plan has been changed)
Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the instruction of, or changes to the plan, past service costs are recognized immediately.

Management of the fund's assets
The assets of the Gratuity Fund and the Employees' Provident Fund are held separately from those of the Group and are independently administered by a separate management team appointed by the Group. As at 31st March 2025 the fair value of plan assets is LKR 843,199,495/- (2024– LKR 692,182,294/-))

4.7.2 Taxation
As per the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes' tax expense (Tax income) is the aggregate amount included in determination of Profit or Loss for the period in respect of current and deferred taxes. Income tax expense is recognised in the Statement of Profit or Loss except to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI), in which case it is recognised in the Statement of Changes in Equity or in OCI.

4.7.2.1 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 and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for the taxation purpose in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible differences carrying forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of a deferred tax asset is reviewed at end of the reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that the future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.7.2.3 Value Added Tax on Financial Services (FSVAT) **GRI 207-1,207-2**

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto. The value base for the computation of Value Added Tax on Financial Services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable.

4.7.2.4 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 01, 2013, and is payable to the National Insurance Trust Fund. Currently CIL is payable at 1% of the profit after tax.

4.7.2.5 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the subsidiaries attracts WHT at source and is not available to set off against the tax liability of the Company. Thus, the WHT deducted at source, on the dividends distributed by the subsidiaries is charged to the Consolidated Statement of Profit or Loss as a consolidation adjustment.

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time of the liability is payable.

4.7.2.5 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred into Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

4.8 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

4.8.1 Net Interest income

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method. Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortized cost (AC) calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities is measured at amortized cost calculated using the EIR method.

Effective Interest Rate (Eir)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs.

Effective interest rate (EIR)
The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

4.8.2 Net Fee and Commission Income
Service Income
Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

Fee and Commission Income
The Group earns fee and commission income from a diverse range of services, it provides to its customers. Fee and commission income relates mainly to transactions and services fees which are charged from customers to provide relevant financial services. It mainly includes CRIB verification charges, Yard fees, Loan processing fees and vehicles transfer fees, income account on accruel basis.

4.8.3 Dividend Income
Dividend income is recognised when the right to receive the payment is established. Usually, this is the ex-dividend date for equity securities. Dividends are presented in the 'Other Operating Income' in Statement of Profit or Loss.

4.8.4 Net Trading Income
Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities recognized through Profit or Loss other than interest income.

4.8.5 Other Operating Income
Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as Other Operating Income on an accrual basis.

The Profit/(Loss) on Disposal of Property, Plant and Equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of Other Operating Income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

4.8.6 Personal Expenses
Personnel Expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Defined Contributions Plans - Employees' provident fund (EPF) and Employees' trust fund (ETF)

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions in to a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Parent company and employees contribute 20% and 10% respectively of the employee's monthly gross salary to the Employees' Provident Fund. The subsidiary company and employees contribute 12% and 8% respectively of the employee's monthly gross salary to the Employees' Provident Fund.

The Group operates an approved private fund to manage EPF and managed by the committee of management.

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

4.8.7 Other operating expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit for the year

4.9 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

4.10 Earnings per Share

The Group presents basic 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 Group by the weighted average number of ordinary shares outstanding during the period.

4.11 Operating Segments

A business segment is a distinguishable component of the Group, engaged in providing products or services subject to risks and returns that are different from those of other business segments. Operating results of those segments are reviewed regularly by the Board of Directors to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The primary business format is based on the core business activities of the Group, namely, lease, loans, pawning, hiring of vehicles, investing in shares, investing in government securities, collaboration finance & others. The management uses its judgment in determining the compositions of these core business activities by taking into account the objective of reporting financial information by segment as set for in Sri Lanka Accounting Standard, SLFRS 8 "Operating Segments", segment reporting and qualitative characteristics of financial statements as identified in the Framework for the Preparation and Presentation of Financial Statements.

The Group's business activities are carried out in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risk and returns that are significantly deferent on a geographical basis. Hence, disclosure by geographical region has not been provided. For the purpose of segment reporting disclosures, the information presented in respect of the Group's business segments is based on the Group's management and internal reporting structure.

Income recognized in segments is an income which is directly identified and reported in those segments and expenses directly identified to a particular segment are charged accordingly and expenses that cannot be directly identified to a particular segment are allocated on basis decided by the management and applied consistently throughout the period. Unallocated items mainly comprise of head office expenses.

Measurement of segments assets, liabilities, segment revenue and results are based on the group accounting policies. Segments revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segments assets that are expected to be used for more than one accounting period.

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6 GROSS INCOME

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Interest income (Note 7.1)	16,610,825,123	14,236,339,058	16,637,095,233	14,255,430,311
Fee & commission income (Note 8)	1,081,194,502	841,304,917	1,251,713,378	971,681,783
Net gains from trading (Note 9)	73,121,729	80,517,660	88,217,054	80,256,913
Other operating income (Note 10)	425,845,741	514,957,240	440,225,017	524,341,120
	18,190,987,095	15,673,118,875	18,417,250,682	15,831,710,127

7 NET INTEREST INCOME

7.1 Interest Income

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Financial assets- recognised through profit or loss	235,825,636	429,549,180	235,825,636	429,549,180
Loans and advances (Note 7.1.1)	8,443,990,505	5,882,301,949	8,443,990,505	5,882,301,949
Lease rentals receivable	7,450,560,627	7,647,117,204	7,450,560,627	7,647,117,204
Repurchase agreements	172,106,041	81,706,588	172,106,041	81,706,588
Placements with banks & other financial institutions	308,342,314	195,664,137	334,612,424	214,755,390
Total interest income	16,610,825,123	14,236,339,058	16,637,095,233	14,255,430,311

7.1.1 Interest Income from Loans & Advances

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Interest income from loans	4,959,261,115	3,290,691,217	4,959,261,115	3,290,691,217
Interest income from pledge loan	3,043,914	583,572	3,043,914	583,572
Interest income from gold loan	3,453,829,670	2,526,526,404	3,453,829,670	2,526,526,404
Interest income from loans again deposit	27,836,920	61,821,485	27,836,920	61,821,485
Interest income from micro finance	18,886	2,679,271	18,886	2,679,271
Total Interest Income from Loans & Advances	8,443,990,505	5,882,301,949	8,443,990,505	5,882,301,949

7.2 Interest Expenses

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Securitization borrowings	522,429,012	1,009,255,405	522,429,012	1,009,255,405
Bank borrowings	2,716,527,124	1,565,843,132	2,716,527,124	1,565,983,792
Bank overdraft and Bank Chargers	206,494,323	132,629,680	206,545,483	s 132,629,680
Due to depositors	3,866,307,708	3,744,759,123	3,866,268,966	3,744,721,874
Debt instruments issued and other borrowed funds	246,674,973	12,406,801	246,674,973	12,406,802
Other financial liabilities (Note 7.2.1)	21,531,851	7,371,267	21,531,851	7,371,267
Total interest expenses	7,579,964,991	6,472,265,408	7,579,977,409	6,472,368,820
Net interest income	9,030,860,132	7,764,073,650	9,057,117,824	7,783,061,491

7.2.1 The amount includes an amount of LKR 21,531,851/- (2024/25 LKR 7,371,267/-) incurred SWAP arrangement.

8 FEE AND COMMISSION INCOME

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Fees and Commission Income				
Commission income	230,236	207,569	239,985,910	200,861,409
Service charges (Note 8.1)	925,875,990	590,102,568	925,875,990	590,102,568
Transfer fees	50,755,374	104,365,001	50,755,374	104,365,001
Other fees	104,332,902	146,629,779	35,096,104	76,352,805
Total fee and commission income	1,081,194,502	841,304,917	1,251,713,378	971,681,783

8.1 During the current financial year, gold loan service charges previously reported under Interest Income (Note 7.1) were reclassified to Service Charges within Fee and Commission Income (Note 8). This reclassification was made to align the presentation with the underlying nature of the income and to ensure appropriate disclosure in the financial statements. The reclassification had no impact on the previously reported total assets, total liabilities, equity, or net profit of the Company. The table below summarizes the details of the reclassification made to the comparative figures for the year ended 31 March 2025.

The following table summarises the reclassifications made to the comparative balances as of 31 March 2025.

Line items	31.03.2025 Before reclassification	Adjustment	31.03.2025 After reclassification
Interest income (Note 7.1)	14,616,592,608	380,253,550	14,236,339,058
Service charges (Note 8)	209,849,018	380,253,550	590,102,568

9 NET GAIN FROM TRADING

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Profit /(loss) on foreign currencies	32,619,492	(8,556,131)	35,729,202	(8,816,878)
Income from trust investment	40,502,237	89,073,791	52,487,852	89,073,791
	73,121,729	80,517,660	88,217,054	80,256,913

10 OTHER OPERATING INCOME

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Dividend Income	6,464,638	38,436,201	6,464,638	33,251,724
Fair value gain on financial investments - FVTPL	36,689,145	57,989,735	36,689,145	57,989,735
Profit on disposal of property, plant & equipment	7,562,527	13,373,265	7,562,527	13,373,265
Fair value gain on investment property	16,320,000	-	25,164,306	7,000,000
Profit/ (loss) on sale of vehicles	16,454,973	54,149,174	16,454,973	54,149,174
Rental income from hiring vehicles	81,819,372	68,323,018	81,819,372	68,323,018
Income from sale of tiles & furniture	19,073,851	10,211,448	19,073,851	10,211,448
Bad debt recoveries	52,142,946	63,869,163	52,142,946	63,869,163
Others	189,318,289	208,605,236	194,853,259	216,173,593
Total Other Operating Income	425,845,741	514,957,240	440,225,017	524,341,120

Notes to the Financial Statements

11 IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Impairment Charges / (Reversal)				
Lease rentals receivable	(163,048,383)	(29,630,858)	(163,048,383)	(29,630,858)
Hire purchase rentals receivable	(2,115,480)	(677,657)	(2,115,480)	(677,657)
Loans and advances (Note 11.1)	437,176,351	54,597,404	437,176,351	54,597,404
Impairment Charges / (Reversal) (Note 11.2)	272,012,488	24,288,889	272,012,488	24,288,889
Bad Debts Written off	250,999,788	176,552,385	250,999,788	176,552,385
Lease rentals receivable	1,615,480	-	1,615,480	-
Hire purchase rentals receivable	20,113,340	32,948,790	20,113,340	32,948,790
Loans and advances (Note 11.1)	272,728,608	209,501,175	272,728,608	209,501,175
	544,741,096	233,790,064	544,741,096	233,790,064

11.1 Impairment Charge on Loans and advances

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Term Loans Receivable	438,287,159	62,969,169	438,287,159	62,969,169
Gold Loan Receivable	(13,802,182)	(6,532,492)	(13,802,182)	(6,532,492)
Micro finance Receivable	(39,840)	(1,809,373)	(39,840)	(1,809,373)
Pledged loan & Speed Cash Loan Receivable	12,731,214	(29,900)	12,731,214	(29,900)
	437,176,351	54,597,404	437,176,351	54,597,404
Bad Debts Written off charge on Loans & Advances				
Term Loans Receivable	20,113,340	32,948,790	20,113,340	32,948,790
	20,113,340	32,948,790	20,113,340	32,948,790

11.2 Impairment Charge / (Reversal) to Income Statement

SLFRS 09 - Expected Credit Loss Charge for the Year ended 31 March 2026

For the year ended 31st March		Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Loans and advances	- Collective impairment	56,067,239	59,504,744	131,439,562	247,011,545
	- Individual impairment	-	-	190,164,807	190,164,807
Lease rentals receivable	- Collective impairment	4,639,207	(28,650,833)	106,231,237	82,219,611
	- Individual impairment	-	-	(245,267,993)	(245,267,993)
Hire purchase rentals receivable	- Collective impairment	-	-	-	-
	- Individual impairment	-	-	(2,115,481)	(2,115,481)
		60,706,446	30,853,911	180,452,132	272,012,488

SLFRS 09 - Expected Credit Loss Charge for the Year ended 31 March 2025

For the year ended 31st March		Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Loans and advances	- Collective impairment	(27,053,655)	(16,305,480)	(23,456,315)	(66,815,450)
	- Individual impairment	-	-	121,412,854	121,412,854
Lease rentals receivable	- Collective impairment	(10,578,093)	(31,368,171)	(21,706,840)	(63,653,105)
	- Individual impairment	-	-	34,022,246	34,022,246
Hire purchase rentals receivable	- Collective impairment	-	-	-	-
	- Individual impairment	-	-	(677,656)	(677,656)
		(37,631,748)	(47,673,651)	109,594,288	24,288,889

12 PERSONNEL EXPENSES

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Salaries and bonus	**1,817,525,102**	1,547,585,034	**1,833,289,430**	1,562,519,815
Gratuity charge for the year	**95,394,610**	75,387,265	**96,486,403**	76,337,527
Employer's contribution to EPF	**257,657,767**	222,229,624	**259,188,943**	223,594,654
Employer's contribution to ETF	**38,653,600**	33,334,444	**39,036,394**	33,675,702
Staff welfare	**127,982,183**	97,101,955	**128,729,285**	97,964,831
Other allowances & staff related expenses	**110,262,053**	133,820,128	**110,411,794**	133,966,898
	2,447,475,315	2,109,458,450	**2,467,142,249**	2,128,059,427

13 OTHER OPERATING EXPENSES

For the year ended 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Auditors' remuneration				
Audit fee and expenses	**4,450,080**	3,692,500	**4,848,555**	4,055,313
Audit related services and expenses	**1,320,500**	1,346,000	**1,320,500**	1,386,000
Non audit fees and expenses	**1,330,000**	2,594,500	**1,330,000**	2,594,500
Directors emoluments and other expenses (Note 13.1)	**148,148,175**	98,512,811	**151,148,175**	101,712,811
Professional fees	**31,783,503**	28,266,348	**31,862,999**	28,326,418
Office administration & establishment expenses	**1,294,246,025**	1,271,788,256	**1,297,430,734**	1,274,686,060
Advertising & business promotion expenses	**253,072,654**	222,632,987	**253,161,862**	222,726,018
Motor vehicle running & maintenance	**538,407,944**	438,668,547	**544,919,219**	445,309,683
Brokerage	**210,989,525**	179,902,454	**210,989,525**	179,902,454
Credit related fees	**105,270,342**	83,270,797	**107,001,262**	85,027,721
Others	**240,999,850**	233,817,650	**240,999,850**	233,817,650
	2,830,018,598	2,564,492,850	**2,845,012,681**	2,579,544,628

13.1 Directors emoluments and other expenses represent the fees, salaries, allowances and other expenses (except gratuity provision) of both Executive and Non-Executive Directors of the Company.

Notes to the Financial Statements

14 DEPRECIATION AND AMORTIZATION

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Depreciation of property, plant and equipment	240,665,318	201,382,217	241,001,644 ss	201,687,261
Amortization of intangible assets	19,152,763	11,402,112	19,152,763	11,483,847
	259,818,081	212,784,329	260,154,407	213,171,108

15 TAXES ON FINANCIAL SERVICES

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Value added tax on financial services	998,929,491	890,177,534	998,929,491 s	890,177,534
Social security contribution levy	140,295,032	122,087,257	140,295,032	122,087,257
	1,139,224,523	1,012,264,791	1,139,224,523	1,012,264,791

16 PROVISION FOR INCOME TAXATION

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Income Tax expense for the year (Note 16.1)	1,296,022,424	1,275,283,955	1,351,946,465	1,317,743,808
Provision for contingent tax liabilites	22,317,367	76,851,210	22,317,367	76,851,210
Total Income Tax expense for the year	1,318,339,791	1,352,135,165	1,374,263,832	1,394,595,018

16.1 The Major Components of Income Tax Expense

Current Income Tax Expenses	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Current tax on profit for the year (Note 16.2)	1,422,945,999	1,204,804,186	1,476,675,054	1,243,618,687
Under/ (over) provision of current taxes in respect of prior years	(47,986,360)	-	(48,256,164)	2,162,293
	1,374,959,639	1,204,804,186	1,428,418,890	1,245,780,980
Deferred Tax Expenses				
Deferred taxation charge/ (reversal) (Note 16.4)	(78,937,215)	70,479,769	(76,472,425)	71,962,827
	1,296,022,424	1,275,283,955	1,351,946,465	1,317,743,808

Current year income tax expense of the subsidiary Company is LKR 55,924,051/- (LKR 40,508,922/-2024/25)

16.2 A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate for the year ended 31 March is **as** follows;

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Accounting profit before income taxation	**3,356,777,917**	**3,086,968,217**	**3,652,481,323**	3,211,416,523
Total value of non deductible expenses	**2,181,709,667**	1,682,916,244	**2,183,137,786**	1,683,813,145
Total value of other allowable credits	**(499,860,549)**	(533,219,853)	**(583,077,186)**	(533,219,853)
Total value of exempt income	**(303,974,370)**	(250,505,537)	**(380,637,433)**	(277,612,197)
Taxable Proift/Loss	**8,500,664**	29,854,882	**49,090,022**	29,854,882
Other Income			**2,511,332**	
	4,743,153,329	4,016,013,953	**4,920,994,512**	4,114,252,500
Income tax for the year @ 30% (2025/26-30%)	**1,422,945,999**	1,204,804,186	**1,476,298,354**	1,243,618,687
Income tax for the year @15%			**376,700**	
Total Income Tax for the year	**1,422,945,999**	1,204,804,186	**1,476,675,054**	1,243,618,687
Effective Tax rate (with deferred tax)	**38.14%**	41.31%	**38.34%**	40.97%
Effective Tax rate (without deferred tax)	**40.96%**	39.03%	**41.24%**	38.95%

16.3 Applicable Income Tax Rates

	Group	
For the year ended 31st March	2026 LKR	2025 LKR
Alfinco Insurance Brokers (Pvt) Ltd	**30%**	30%
Macbertan (Pvt) Ltd	**30%**	30%

16.4 Deferred Tax Expense/(Reversal)

The following table shows deferred tax expense recorded in the profit or loss due to changes in the deferred tax assets and liabilities.

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Deferred Tax Liabilities				
Lease rentals	**(16,847,345)**	(8,547,387)	**(16,847,345)**	(8,547,387)
Fair Value Gain on Investment Property	**4,896,000**	-	**7,896,000**	2,100,000
Accelerated depreciation - Own assets	**17,339,801**	32,102,848	**17,027,130**	31,922,348
	5,388,456	23,555,461	**8,075,785**	25,474,961
Deferred Tax Assets				
Defined benefit obligation - Profit or Loss	**(11,515,696)**	5,352,763	**(13,412,319)**	5,352,763
Other temporary differences	**(72,809,975)**	41,571,545	**(71,135,891)**	41,135,103
	(84,325,671)	46,924,308	**(84,548,210)**	46,487,866
Total Deferred tax expense / (reversal)	**(78,937,215)**	70,479,769	**(76,472,425)**	71,962,827
Other Comprehensive Income				
Defined benefit obligation	**(68,248,817)**	(15,850,348)	**(84,066,194)**	(16,061,712)
Deferred tax expense adjusted through profit or loss / OCI	**(147,186,032)**	54,629,421	**(160,538,619)**	55,901,116

The deferred tax assets/liabilities of the Company as at 31st March 2026 were computed using the income tax rate of 30%. (2025/2024- 30%)

Notes to the Financial Statements

17 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Amounts Used as the Numerators:				
Net profit for the year attributable to equity shareholders for basic earnings per ordinary share	**2,038,438,126**	1,734,833,052	**2,219,397,744**	1,775,209,071
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted average number of ordinary shares in issue	**33,696,000**	33,696,000	**33,696,000**	33,696,000
Basic earnings per ordinary share (EPS)	**60.49**	51.48	**65.87**	52.68

Diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

18 DIVIDEND PER SHARE

18.1 Declared and Paid During the Year

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Dividends on ordinary shares:				
Final Dividend for 2024/25 - LKR 9.20 (2023/24-LKR 8.40) per Share	**310,003,200**	283,046,400	**310,003,200**	283,046,400
Interim dividend paid for 2024/25 LKR 8.00/- per share 2025	**-**	269,568,072	**-**	269,568,072
	310,003,200	552,614,472	**310,003,200**	552,614,472

18.2 Proposed for Approval at Annual General Meeting

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Final Dividend for 2025/2026 - LKR 10 per share (Final Dividend for 2024/25 - LKR 9.20 per Share)	**336,960,000**	310,003,200	**336,960,000**	310,003,200
Dividend per share	**10.00**	17.20	**10.00**	17.47

19 NET ASSETS VALUE PER ORDINARY SHARE

	Company		Group	
For the year ended 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Amount used as the numerator				
Total equity attributable to equity holders of the Company	**10,974,296,045**	9,349,531,864	**11,356,056,174**	9,550,255,439
Number of ordinary shares used as the denominator				
Total number of ordinary shares	**33,696,000**	33,696,000	**33,696,000**	33,696,000
Net assets value per ordinary share	**326**	277	**377**	283

20 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in SLFRS 9 on 'Financial Instrument Recognition & Measurement' under the headings of the Statement of Financial Position.

20.1 Company

As at 31st March 2026	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,246,680,006	-	1,246,680,006
Repurchase agreements	-	3,250,812,507	-	3,250,812,507
Placements with banks & financial institutions	-	6,480,535,214	-	6,480,535,214
Financial assets recognised through profit or loss -measured at fair value	1,704,716,256	-	-	1,704,716,256
Loans and advances - at amortised cost	-	54,400,096,096	-	54,400,096,096
Lease rentals receivable - at amortised cost	-	23,099,811,895	-	23,099,811,895
Financial assets - fair value through other comprehensive income	-	-	206,373,699	206,373,699
Other financial assets	-	769,678,162	-	769,678,162
Total Financial Assets	1,704,716,256	89,247,613,880	206,373,699	91,158,703,835

As at 31st March 2026		Fair Value Through Profit or Loss	Other Financial Liabilities at amortised cost	Total
		LKR	LKR	LKR
Financial Liabilities				
Due to banks			40,245,642,097	40,245,642,097
Debt Securities Measured at amortised cost			3,149,107,433	3,149,107,433
Due to depositors			37,766,387,023	37,766,387,023
Derivative financial liabilities		14,073,854	-	14,073,854
Other financial liabilities			1,524,973,932	1,524,973,932
Total Financial Liabilities		14,073,854	82,686,110,485	82,700,184,339

As at 31st March 2025	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,475,822,024	-	1,475,822,024
Repurchase agreements	-	1,834,618,154	-	1,834,618,154
Placements with banks & financial institutions	-	4,905,397,835	-	4,905,397,835
Financial assets recognised through profit or loss -measured at fair value	5,271,089,167	-	-	5,271,089,167
Loans and advances - at amortised cost	-	38,342,731,995	-	38,342,731,995
Lease rentals receivable - at amortised cost	-	24,173,323,963	-	24,173,323,963
Financial assets - fair value through other comprehensive income	-	-	175,800,654	175,800,654
Other financial assets	-	566,898,746	-	566,898,746
Total Financial Assets	5,271,089,167	71,298,792,717	175,800,654	76,745,682,538

Notes to the Financial Statements

20 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

As at 31st March 2025			Other Financial Liabilities at amortised cost LKR	Total LKR
Financial Liabilities				
Due to banks			30,341,711,845	30,341,711,845
Debt Securities Measured at amortised cost			1,012,406,801	1,012,406,801
Due to depositors			36,524,836,317	36,524,836,317
Other financial liabilities			1,537,657,682	1,537,657,682
Total Financial Liabilities			69,416,612,645	69,416,612,645

20.2 Group

As at 31st March 2026	Fair Value Through Profit or Loss LKR	Amortised Cost LKR	Fair Value Through Other Comprehensive Income LKR	Total LKR
Financial Assets				
Cash and cash equivalents	-	1,594,762,316	-	1,594,762,316
Repurchase agreements	-	3,250,812,472	-	3,250,812,472
Placements with banks & financial institutions	-	6,526,257,624	-	6,526,257,624
Financial assets recognised through profit or loss -measured at fair value	1,846,221,558	-	-	1,846,221,558
Loans and advances - at amortised cost	-	54,400,096,096	-	54,400,096,096
Lease rentals receivable - at amortised cost	-	23,099,811,895	-	23,099,811,895
Financial assets - fair value through other comprehensive income	-	-	206,373,699	206,373,699
Other financial assets	-	747,077,162	-	747,077,162
Total Financial Assets	1,846,221,558	89,618,817,565	206,373,699	91,671,412,822

As at 31st March 2026		Fair Value Through Profit or Loss LKR	Other Financial Liabilities at amortised cost LKR	Total LKR
Financial Liabilities				
Due to banks			40,313,160,762	40,313,160,762
Debt Securities Measured at amortised cost			3,149,107,433	3,149,107,433
Due to depositors			37,765,505,135	37,765,505,135
Derivative financial liabilities		14,073,854	-	14,073,854
Other financial liabilities			1,547,004,394	1,547,004,394
Total Financial Liabilities		14,073,854	82,774,777,724	82,788,851,578

As at 31st March 2025	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,741,401,080	-	1,741,401,080
Repurchase agreements	-	1,834,617,974	-	1,834,617,974
Placements with banks & financial institutions	-	4,941,814,722	-	4,941,814,722
Financial assets recognised through profit or loss -measured at fair value	5,400,608,853	-	-	5,400,608,853
Loans and advances - at amortised cost	-	38,342,731,995	-	38,342,731,995
Lease rentals receivable - at amortised cost	-	24,173,323,963	-	24,173,323,963
Financial assets - fair value through other comprehensive income	-	-	175,800,654	175,800,654
Other financial assets	-	545,171,168	-	545,171,168
Total Financial Assets	5,400,608,853	71,579,060,902	175,800,654	77,155,470,409

	Other Financial Liabilities at amortised cost	Total
	LKR	LKR
Financial Liabilities		
Due to banks	30,397,669,512	30,397,669,512
Debt Securities Measured at amortised cost	1,012,406,801	1,012,406,801
Due to depositors	36,523,989,296	36,523,989,296
Other financial liabilities	1,609,980,121	1,609,980,121
Total Financial Liabilities	69,544,045,730	69,544,045,730

21 CASH AND CASH EQUIVALENTS

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Cash in hand	**392,369,740**	217,233,207	**392,369,740**	217,233,207
Balances with banks	**854,310,266**	1,258,588,817	**1,202,392,576**	1,524,167,873
	1,246,680,006	1,475,822,024	**1,594,762,316**	1,741,401,080
Less: Bank Overdrafts (Note 37)	**(323,452,124)**	(3,578,665,825)	**(390,970,789)**	(3,634,623,492)
	923,227,882	(2,102,843,801)	**1,203,791,527**	(1,893,222,412)

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and short term deposits as define above.

Notes to the Financial Statements

22 REPURCHASE AGREEMENTS

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Investment in Repurchase agreements	**3,250,812,507**	1,834,618,154	**3,250,812,472**	1,834,617,974
	3,250,812,507	1,834,618,154	**3,250,812,472**	1,834,617,974

23 INVESTMENT IN PLACEMENT WITH BANKS

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Placements with banks & financial institutions	**6,480,535,214**	4,905,397,835	**6,526,257,624**	4,941,814,722
	6,480,535,214	4,905,397,835	**6,526,257,624**	4,941,814,722

24 FINANCIAL ASSETS - RECOGNISED THROUGH PROFIT OR LOSS

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Government of Sri Lanka treasury bills - at fair value	**1,578,893,966**	3,730,914,157	**1,578,893,966**	3,730,914,157
Government of Sri Lanka treasury bonds - at fair value	**109,336,100**	-	**109,336,100**	-
	16,486,190	-	**16,486,190**	-
Quoted equity securities	**-**	1,540,175,010	**141,505,302**	1,669,694,696
Investment Of Unit Trust (Note 24.1)	**1,704,716,256**	5,271,089,167	**1,846,221,558**	5,400,608,853

24.1 INVESTMENT OF UNIT TRUST

As of 31 March 2026

As at the year end, the Company did not hold any investments in unit trusts, as all such investments were fully disposed of during the year.

	Company			Group		
As at 31 March 2025	No. of Units	Cost	Fair Value	No of Units	Cost	Fair value
CAL Investment Grade Fund	14,123,101	509,848,174	513,849,248	17,682,938	626,803,772	643,368,935
JB Vantage Money Market Fund	10,392,176	509,588,652	513,385,953	10,392,176	509,588,652	513,385,953
FC Money Market Fund	152,927	509,200,735	512,939,809	152,927	509,200,735	512,939,809
Total	-	-	1,540,175,010	-	-	1,669,694,697

25 LOANS AND ADVANCES AT AMORTISED COST

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Term loan receivable	31,475,160,556	23,059,507,740	31,475,160,556	23,059,507,740
Gold loans	23,289,633,182	15,403,317,776	23,289,633,182	15,403,317,776
Pledge loans	143,685,589	148,814,341	143,685,589	148,814,341
Micro finance loans	536,728	958,304	536,728	958,304
Loans against fixed deposits	697,678,685	489,682,342	697,678,685	489,682,342
Gross loans and advances receivable	55,606,694,740	39,102,280,503	55,606,694,740	39,102,280,503
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 25.1 (a))	(109,917,464)	(100,043,679)	(109,917,464)	(100,043,679)
Outstanding loans and advances receivable	55,496,777,276	39,002,236,824	55,496,777,276	39,002,236,824
Less : Allowance for impairment losses (Note 25.1 (b), 25.2,25.3 & 25.4)	(1,096,681,181)	(659,504,829)	(1,096,681,181)	(659,504,829)
Net loans and advances	54,400,096,096	38,342,731,995	54,400,096,096	38,342,731,995

25.1 a) Interest Adjustment on NPLs using credit adjusted EIR

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
As at 01st April	100,043,679	82,559,732	100,043,679	82,559,732
Reversed /(credited) to interest income	9,873,785	17,483,947	9,873,785	17,483,947
As at 31 st March	109,917,464	100,043,679	109,917,464	100,043,679

b) Allowances for Impairment Losses

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
As at 01st April	659,504,829	604,907,425	659,504,829	604,907,425
Charge / (Reversal) for the year	437,176,352	54,597,404	437,176,352	54,597,404
As at 31 st March	1,096,681,181	659,504,829	1,096,681,181	659,504,829

25.2 Loan Category wise Allowances for Impairment Losses

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Term loan receivable	901,261,508	462,974,349	901,261,508	462,974,349
Gold loans	76,658,978	90,461,160	76,658,978	90,461,160
Pledge loans	118,262,080	105,530,866	118,262,080	105,530,866
Micro finance loans	498,614	538,454	498,614	538,454
	1,096,681,181	659,504,829	1,096,681,181	659,504,829

Notes to the Financial Statements

25 LOANS AND ADVANCES AT AMORTISED COST (CONTD.)

25.3 Analysis of the Impairment for Expected Credit Losses, Based on the Staging of the Underlying Loans is Given Below:

As at 31st March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Outstanding loans and advances 31st March 2026	47,893,532,098	6,038,815,390	1,564,429,787	55,496,777,275
Less: Provision for collective impairment	(121,644,884)	(130,641,562)	(241,569,494)	(493,855,940)
Less: Provision for individual impairment	-	-	(602,825,240)	(602,825,240)
	47,771,887,214	5,908,173,828	720,035,053	54,400,096,096
Outstanding loans and advances 31st March 2025	32,884,910,596	5,176,616,949	940,709,279	39,002,236,823
Less: Provision for collective impairment	(65,577,646)	(71,136,819)	(107,950,115)	(244,664,578)
Less: Provision for individual impairment	-	-	(414,840,250)	(414,840,250)
	32,819,332,950	5,105,480,130	417,918,914	38,342,731,995

Loans and advances receivables include receivables amounting to LKR 5,003,545,552/- (2024/2025 -LKR 4,260,462,020/-) .That have been assigned under a securitization funding arrangement.

25.4 Company & Group

As at 31st March 2026	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
Outstanding rentals receivables				
Loan rentals	45,917,023,641	8,705,233,374	-	54,622,257,015
Amounts receivable from loans	984,437,724	-	-	984,437,724
	46,901,461,365	8,705,233,374	-	55,606,694,739
Less : Allowance for impairment losses				(1,096,681,181)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(109,917,462)
Total net rentals receivable				54,400,096,096

As at 31st March 2025	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
Outstanding rentals receivables				
Loan rentals	32,067,526,512	6,521,687,492	221,234	38,589,435,238
Amounts receivable from loans	512,845,265	-	-	512,845,265
	32,580,371,777	6,521,687,492	221,234	39,102,280,503
Less : Allowance for impairment losses				(659,504,829)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(100,043,679)
Total net rentals receivable				38,342,731,995

26 LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE AT AMORTIZED COST

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Lease rentals	29,867,604,950	32,070,755,438	29,867,604,950	32,070,755,438
Amounts receivable from Lease	1,717,701,483	2,027,082,340	1,717,701,483	2,027,082,340
Gross rentals receivables	31,585,306,433	34,097,837,778	31,585,306,433	34,097,837,778
Less: Unearned income	(7,482,505,312)	(8,759,418,407)	(7,482,505,312)	(8,759,418,407)
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 26.1 (a))	(120,883,312)	(117,825,793)	(120,883,312)	(117,825,793)
Outstanding rentals receivables	23,981,917,809	25,220,593,578	23,981,917,809	25,220,593,578
Less : Allowance for impairment losses (Note 26.1 (b) & 26.3)	(882,105,914)	(1,047,269,615)	(882,105,914)	(1,047,269,615)
Total net rentals receivable (Note 26.2 & 26.3)	23,099,811,895	24,173,323,963	23,099,811,895	24,173,323,963

26.1 a) Interest Adjustment on NPLs using credit adjusted EIR

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
As at 01st April	117,825,793	99,439,130	117,825,793	99,439,130
Reversed /(credited) to interest income	3,057,519	18,386,663	3,057,519	18,386,663
As at 31st March	120,883,312	117,825,793	120,883,312	117,825,793

b) Allowances for Impairment Losses

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
As at 01st April	1,047,269,615	1,077,578,130	1,047,269,615	1,077,578,130
Charge / (Reversal) for the year	(165,163,701)	(30,308,515)	(165,163,701)	(30,308,515)
As at 31st March	882,105,914	1,047,269,615	882,105,914	1,047,269,615

26.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying leases is given below:

Company & Group

As at 31st March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Outstanding lease and receivables 31st March 2026	16,087,773,265	5,016,236,909	2,877,907,636	23,981,917,810
Less: Provision for collective impairment	(72,290,166)	(109,899,383)	(260,235,703)	(442,425,253)
Less: Provision for individual impairment	-	-	(439,680,662)	(439,680,662)
	16,015,483,099	4,906,337,525	2,177,991,271	23,099,811,895
Outstanding lease and receivables 31st March 2025	16,152,425,755	7,197,002,453	1,869,049,725	25,218,477,933
Less: Provision for collective impairment	(67,650,959)	(138,550,217)	(154,004,466)	(360,205,642)
Less: Provision for individual impairment	-	-	(684,948,328)	(684,948,328)
	16,084,774,797	7,058,452,236	1,030,096,931	24,173,323,963

Notes to the Financial Statements

LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE AT AMORTIZED COST (CONTD.)

26.3 COMPANY & GROUP

As at 31st March 2026	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
Lease rentals	13,866,683,836	16,119,223,269	-	29,985,907,105
Amounts receivable from Lease	1,914,336,937	-	-	1,914,336,937
Outstanding rentals receivables	15,781,020,773	16,119,223,269	-	31,900,244,042
Less: Unearned income	(4,388,934,107)	(3,408,508,815)	-	(7,797,442,922)
Net rentals receivables	11,392,086,666	12,710,714,454	-	24,102,801,120
Less : Allowance for impairment losses				(882,105,914)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(120,883,312)
Total net rentals receivable				23,099,811,895

COMPANY & GROUP

As at 31st March 2025	Within one year LKR	1-5 Years LKR	Over 5 years LKR	Total LKR
Lease rentals	14,572,781,702	17,497,973,735	-	32,070,755,437
Amounts receivable from Lease	2,027,082,340	-	-	2,027,082,340
Outstanding rentals receivables	16,599,864,042	17,497,973,735	-	34,097,837,777
Less: Unearned income	(4,906,633,589)	(3,852,784,818)	-	(8,759,418,407)
Net rentals receivables	11,693,230,453	13,645,188,917	-	25,338,419,370
Less : Allowance for impairment losses				(1,047,269,615)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(117,825,792)
Total net rentals receivable				24,173,323,963

Lease rental receivables include receivables amounting to LKR 323,881,389/- (2024/2025 -LKR 1,408,628,898/-) that have been assigned under a securitization funding arrangement.

27 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Quoted equity securities (Note 27.1)	205,794,449	175,221,404	205,794,449	175,221,404
Unquoted equities (Note 27.2)	579,250	579,250	579,250	579,250
	206,373,699	175,800,654	206,373,699	175,800,654

27.1 Quoted Equities

	2026 Company & Group			2025 Company & Group		
	No of Shares	Cost of Investment LKR	Fair Value LKR	No of Shares	Cost of Investment LKR	Fair Value LKR
Banks, Finance & Insurance						
Sanasa Development Bank	3,592,187	182,085,425	189,308,255	3,592,187	182,085,425	130,037,169
Ceylinco Insurance				33,707	27,413,582	45,184,234
HNB Assurance PLC	-	-	-			
		182,085,425	189,308,255		209,499,007	175,221,403
Diversified Holdings-Energy						
LANKA IOC PLC	117,759	15,774,537	16,486,190		-	-
		15,774,537	16,486,190		-	-
Total Investment		197,859,962	205,794,445		209,499,007	175,221,403

27.2 Unquoted Equities

Company & Group	2026 Cost of Investment LKR	2026 Fair Value LKR	2025 Cost of Investment LKR	2025 Fair Value LKR
Comp trust Equity Fund	200,500	200,500	200,500	200,500
Commercial Fund Management	1,500	1,500	1,500	1,500
Shaw Wallace Ceylon Ltd	11,544	11,544	11,544	11,544
Alliance Agencies Ltd	75,300	75,300	75,300	75,300
Ceylon Japan Industries Ltd	1	1	1	1
Orient Food Processing (Lanka) Ltd	1	1	1	1
Trigem Knitwear Ltd	1	1	1	1
Credit Information Bureau of Sri Lanka	25,400	25,400	25,400	25,400
Finance House Consortium (Pvt) Ltd	200,000	200,000	200,000	200,000
Orient Hotels Ltd	1	1	1	1
Ranwelli Holiday Resorts Ltd	65,001	65,001	65,001	65,001
Nation Lanka Equities (Pvt) Ltd	8,785,740	1	8,785,740	1
Total	9,364,989	579,250	9,364,989	579,250

The Company has fully provided for impairment of the investment in Nation Lanka Equities (Pvt) Ltd

Directors of the Company assessed that fair value of the unquoted share investments held by the Company as at 31st March 2026 and concluded that the carrying value as at that date is a reasonable approximation of fair value.

28 OTHER TRADING STOCKS

As at 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Vehicles stock and Other Stock	174,438,189	67,495,284	174,438,189	67,495,284
	174,438,189	67,495,284	174,438,189	67,495,284

29 OTHER FINANCIAL ASSETS

As at 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Collaboration debtors	29,644,741	20,381,538	29,644,741	20,381,538
Deferred expenses	160,271,014	315,841,926	160,271,014	315,841,926
Other receivables	579,762,407	230,675,282	557,161,407	208,947,704
	769,678,162	566,898,746	747,077,162	545,171,168

30 OTHER NON FINANCIAL ASSETS

As at 31st March	Company 2026 LKR	Company 2025 LKR	Group 2026 LKR	Group 2025 LKR
Pre-paid expenses	185,999,776	230,816,444	186,065,936	230,882,604
Stationery stock account	16,308,193	13,808,633	16,308,193	13,808,633
VAT and Other recoverable	-	-	8,875,055	8,291,913
	202,307,969	244,625,077	211,249,184	252,983,150

Notes to the Financial Statements

31 INVESTMENT IN ASSOCIATES

a) Equity Method

Company	% Holding	Carrying Value 01.04.2025 LKR	Share of profit/ (loss) LKR	Dividend Received LKR	Addition/ adjustment LKR	Carrying Value 31.03.2026 LKR
Macbertan (Pvt) Ltd	9.02%	105,835,751	11,989,443	(3,931,060)	(45,036,379)	68,857,754
Helios P2P (Pvt) Ltd	25.00%	20,666,863	80,362			20,747,225
		126,502,614	12,069,805	(3,931,060)	(45,036,379)	89,604,979

Group	% Holding	Carrying Value 01.04.2025 LKR	Share of profit/ (loss) LKR	Dividend Received LKR	Addition/ adjustment LKR	Carrying Value 31.03.2026 LKR
Macbertan (Pvt) Ltd	22.39%	117,649,995	39,775,959	(13,418,314)	31,626,685	175,634,325
Helios P2P (Pvt) Ltd	25.00%	20,666,863	80,362			20,747,225
		138,316,858	39,856,321	(13,418,314)	31,626,685	196,381,550

The Company holds a 9.02% direct shareholding in Macbertan (Pvt) Ltd, while an additional 20.9% interest is held through Alfinco, resulting in a combined effective interest of 22.39% at the Group level. Based on this effective holding, management has determined that the Company exercises significant influence over Macbertan; accordingly, the investment is classified as an associate and accounted for using the equity method in the financial statements.

Adjustment relating to Investment in Associate

Consolidation adjustments were identified in relation to the accounting for the investment in associate, Macbertan (Pvt) Ltd. In prior years, the share of associate results was recognized based on the associate's separate financial statements. This has been revised in the current year to reflect the associate's consolidated financial results in line with Group policy. In addition, the Company's investment was measured using the Group's effective holding percentage instead of the Company's effective holding percentage. These adjustments resulted in a decrease of LKR 45,036,379 in the Company's investment in associate and an increase of LKR 31,626,685 at the Group level, and were recognized in the current period profit or loss as the impact was assessed as not material.

b) Cost Method- Holding by Company

	No. of Ordinary Shares	2026 LKR Cost of Investment	2025 LKR Cost of Investment
Macbertan (Pvt) Ltd	1,720,000	17,200,000	17,200,000
Helios P2P (Pvt) Ltd	40,314	25,000,000	25,000,000
		42,200,000	42,200,000
Cost Method- Holding by Group			
Macbertan (Pvt) Ltd		66,962,410	66,962,410
		66,962,410	66,962,410

c) Summarized Financial Information of Associate Company

As at 31st March	2026 LKR	2025 LKR
Macbertan Pvt Ltd		
Revenue	**1,047,608,450**	974,252,933
Profit for the period (With consolidated adjustment)	**276,080,314**	94,094,772
Current Assets	**426,164,316**	497,943,330
Non Current Assets (With consolidated adjustment)	**610,634,812**	464,838,611
Current Liabilities	**156,151,801**	157,183,513
Non Current Laibilities	**113,635,809**	269,290,309
Helios P2P (Pvt) Ltd		
Revenue	**15,877,050**	1,544,595
Profit /(Loss) for the period	**321,448**	(8,650,341)
Assets	**16,556,580**	7,208,042
Liabilities	**9,808,418**	781,327
Equity	**6,748,162**	6,426,714

d) Alliance Tech Trading (Pvt) Ltd is an Associate Company (40% holding) and the Company has been dormant and no significant assets or liabilities were carried in its books as at 31st March 2026 and 31st March 2025. Investment in Alliance Tech Trading Pvt Ltd Amount LKR 200,000/-.

32 INVESTMENT IN SUBSIDIARIES

	Principal Activity	% Holding	Cost of Investment
Alfinco Insurance Brokers (Pvt) Ltd	Insurance Brokering	63.93%	18,522,288
			18,522,288

There were no movement in the Investment in Subsidiary during the year ended 31st March 2025.
Alfinco Insurance Brokers (Pvt) Ltd is not quoted in Colombo Stock Exchange.

Summarized Financial Information of Subsidiary

As at 31st March Alfinco Insurance Brokers (Pvt) Ltd	2026 LKR	2025 LKR
Operating income	**295,539,126**	246,914,788
Less: operating expenses	**(104,285,265)**	(103,572,188)
Profit before taxes	**191,253,861**	143,342,600
Less: Taxes	**(55,924,051)**	(48,925,857)
Profit after tax	**135,329,810**	94,416,743
Assets	**814,265,360**	628,063,863
Liabilities	**165,116,195**	144,133,046
Equity	**649,149,165**	483,930,817

Notes to the Financial Statements

33 INVESTMENT PROPERTY

Company	Balance As at 01.04.2025	Fair value gain	Addition	Disposals	Balance As at 31.03.2026
Gross Carrying Amounts	LKR	LKR	LKR	LKR	LKR
Land	187,680,000	16,320,000	-	-	204,000,000
	187,680,000	16,320,000	-	-	204,000,000

Group	Balance As at 01.04.2025	Fair value gain	Addition	Disposals	Balance As at 01.04.2026
Gross Carrying Amounts	LKR	LKR	LKR	LKR	LKR
Land	187,680,000	16,320,000	-	-	204,000,000
Building	115,000,000	10,000,000	-	-	125,000,000
	302,680,000	26,320,000	-	-	329,000,000

33.1 Fair Valuation of Investment Property

The Company revalued its investment properties as at 31st March 2026, adopting an open market comparable basis of valuation by Mr. M.T.H Farook, an independent, professional valuer with recent experience in the location category of the property being valued.

Details of investment properties Stated at Valuation				Company	Group
Location	Date of valuation LKR	Net book Value at valuation LKR	Fair Value LKR	Fair Value Recognised in P & L LKR	Fair Value Recognised in P & L LKR
No.199/11,Obeysekara Crescent Rajagiriya Road, Rajagiriya	31.03.2026	81,880,000	89,000,000	7,120,000	7,120,000
No.199/10, Obeysekara Crescent Rajagiriya Road, Rajagiriya	31.03.2026	105,800,000	115,000,000	9,200,000	9,200,000
No.137,Sir James Pieris Mw, Colombo 02	31.03.2026	115,000,000	125,000,000	-	10,000,000
		302,680,000	329,000,000	16,320,000	26,320,000

33.2 Details of investment properties as at 31st March 2026

Company and Group				
Location	Land extent (perches)	No of Buildings	Extent of the Building	Value LKR
No.199/11,Obeysekara Crescent Rajagiriya Road, Rajagiriya	17.80	-	-	81,880,000
No.199/10, Obeysekara Crescent Rajagiriya Road, Rajagiriya	23	-	-	105,800,000
No.137,Sir James Pieris Mw, Colombo 02	-	-	1654 Square feet	115,000,000

Fair Value

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Company

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch & LKR 5Mn)	The estimated fair value would increase/ (decrease), when market value per perch was higher (lower)

Subsidiary

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Investment method of valuation.	Rent per sq.ft @ LKR 350	The estimated fair value would increase/ (decrease) if Market value per Square Foot was higher (lower)

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in directors opinion, meets the requirements in SLFRS 13 fair Value Measurements

33.3 Title restriction on Investment properties

There were no restriction on the title of land classified as investment properties as at 31st March 2026.

33.4 Rental income earned and expenses incurred on Investment Property

There were no rental income earned and direct expense incurred in relation to the investment property during the financial year.

33.5 Rental income earned from investment property of Subsidiary

An apartment held by Alfinco Insurance Company (a subsidiary), being Apartment No. 39-D at Colombo City Centre, located at No. 137/40-1, Sir James Pieris Mawatha, Colombo 02, is classified as investment property in accordance with LKAS 40 Investment Property.

The investment property is carried at fair value, which amounted to LKR 125 Mn as at 31 March 2026, as recognised in the subsidiary's statement of financial position.

Changes in fair value are recognised in the statement of profit or loss. Accordingly, a fair value gain of LKR 10,000,000 (2024/25: LKR 7,000,000) was recognised for the year ended 31 March 2026.

Notes to the Financial Statements

34 PROPERTY, PLANT AND EQUIPMENT

34.1 Company

Gross Carrying Amounts	Balance As at 01.04.2025 LKR	Additions LKR	Disposals LKR	Balance As at 31.03.2026 LKR
Cost / Valuation				
Freehold Assets				
Land	2,134,060,000			2,134,060,000
Building	455,453,171	2,511,824		457,964,995
Equipment - Office Equipment	647,183,626	169,635,185	64,666,632	752,152,179
Plant, Machinery & cutlery	58,199,271	1,916,517	6,223,989	53,891,799
Computers	309,608,494	56,288,977	64,629,056	301,268,415
Antiques	25,580			25,580
Furniture /fixtures & fittings	153,361,040	29,384,931	14,195,596	168,550,375
Motor vehicles - Hiring Fleet	365,148,106	35,734,746	21,788,393	379,094,459
Motor vehicles & accessories	278,115,103	17,007,002	-	295,122,105
Solar	-	15,436,235	-	15,436,235
	4,401,154,391	327,915,417	171,503,666	4,557,566,142
Depreciation				
Freehold Assets				
Land				-
Building	22,640,563	22,854,065		45,494,628
Equipment - Office Equipment	398,931,380	95,169,092	60,761,223	433,339,249
Plant, Machinery & cutlery	40,547,721	7,979,981	6,207,617	42,320,085
Computers	229,119,718	49,836,135	64,389,894	214,565,959
Antiques	-			-
Furniture /fixtures & fittings	90,800,583	12,578,035	13,371,362	90,007,256
Motor vehicles - Hiring Fleet	32,717,438	22,759,301	7,786,727	47,690,012
Motor vehicles & accessories	195,425,484	28,830,583		224,256,067
Solar System	-	658,126		658,126
	1,010,182,887	240,665,318	152,516,823	1,098,331,382
Net book value				
Land	2,134,060,000			2,134,060,000
Building	432,812,608			412,470,367
Equipment - Office Equipment	248,252,246			318,812,930
Plant, Machinery & cutlery	17,651,550			11,571,714
Computers	80,488,776			86,702,456
Antiques	25,580			25,580
Furniture /fixtures & fittings	62,560,457			78,543,119
Motor vehicles - Hiring Fleet	332,430,668			331,404,447
Motor vehicles & accessories	82,689,619			70,866,038
Solar System				14,778,109
	3,390,971,504			3,459,234,760

34.2 Group

Gross Carrying Amounts	Balance As at 01.04.2025 LKR	Additions LKR	Disposals LKR	Balance As at 31.03.2026 LKR
Cost / Valuation				
Freehold Assets				
Land	2,134,060,000			2,134,060,000
Building	455,453,171	2,511,824		457,964,995
Equipment - Office Equipment	649,712,989	169,635,185	64,666,632	754,681,543
Plant, Machinery & cutlery	58,199,271	1,916,517	6,223,989	53,891,799
Computers	312,897,993	56,288,980	64,629,056	304,557,917
Antiques	25,580			25,580
Furniture /fixtures & fittings	154,606,101	29,384,931	14,195,596	169,795,436
Motor vehicles - Hiring Fleet	365,148,106	35,734,746	21,788,393	379,094,458
Motor vehicles & accessories	278,115,103	17,007,002		295,122,105
Solar	-	15,436,235		15,436,235
	4,408,218,314	327,915,420	171,503,667	4,564,630,068
Depreciation				
Freehold Assets				
Land	-			-
Building	22,640,563	22,854,065		45,494,628
Equipment - Office Equipment	401,392,520	95,175,859	60,761,348	435,807,031
Plant, Machinery & cutlery	40,547,721	7,979,981	6,207,617	42,320,085
Computers	231,827,770	50,165,695	64,389,893	217,603,572
Antiques	-			-
Furniture /fixtures & fittings	91,791,712	12,578,034	13,371,362	90,998,384
Motor vehicles - Hiring Fleet	32,717,438	22,759,301	7,786,727	47,690,012
Motor vehicles & accessories	195,425,484	28,830,583		224,256,067
Solar System		658,126		658,126
	1,016,343,208	241,001,643	152,516,947	1,104,827,904
Net book value				
Land	2,134,060,000			2,134,060,000
Building	432,812,608			412,470,367
Equipment - Office Equipment	248,320,801			318,874,511
Plant, Machinery & cutlery	17,651,550			11,571,714
Computers	81,070,223			86,954,346
Antiques	25,580			25,580
Furniture /fixtures & fittings	62,814,389			78,797,052
Motor vehicles - Hiring Fleet	332,430,668			331,404,446
Motor vehicles & accessories	82,689,619			70,866,038
Solar System				14,778,109
	3,391,875,272			3,459,802,163

Notes to the Financial Statements

34 PROPERTY, PLANT AND EQUIPMENT (Continued)

34.3 Revaluation of Land and Buldings

As per company policy, the Company revalued its land and buildings as of 31st March 2024. In accordance with the policy to revalue land and buildings every 3 to 5 years, the valuation was conducted on an open market comparable basis by Mr. M.T. Hilmy Farook, an independent professional valuer with recent experience in the location and category of the property being valued.

34.3.1 Details of Company's Land Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
				LKR	LKR	LKR
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	1,072,981,930	1,232,700,000	159,718,070
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	308,046,420	359,160,000	51,113,580
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	212,389,850	248,600,000	36,210,150
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	158,144,740	186,080,000	27,935,260
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	41,840,000	60,000,000	18,160,000
No.152,150/1 Batapadura Watta Road, Siyambalagoda	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	24,500,000	29,400,000	4,900,000
No.107/2, Ratnapura Road,Avissawella	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	15,257,521	18,120,000	2,862,479
				1,833,160,461	2,134,060,000	300,899,539

34.3.2 Details of Company's Buildings Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
				LKR	LKR	LKR
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	28,687,500	33,750,000	5,062,500
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	39,430,396	46,580,000	7,149,604
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	21,250,000	25,000,000	3,750,000
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	115,641,225	325,584,000	209,942,775
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	6,915,600	8,136,000	1,220,400
No.107/2, Ratnapura Road,Avissawella	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	12,623,961	13,754,000	1,130,039
				224,548,682	452,804,000	228,255,318

34.3.3 Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease) if - Market value per perch was higher (Lower)

34.4 Revaluation of land and buildings

34.4.1 Carrying value at cost

The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

As at 31st March 2026	Cost LKR	Accumulated Depreciation LKR	Net Book Value LKR
Freehold lands	353,350,807	-	353,350,807
Freehold buildings	222,392,515	102,262,341	120,130,174
	575,743,322	102,262,341	473,480,981

34.4.2 Carrying value at revaluation

The carrying amount of Company's revalued freehold land and buildings, if they were carried at revalued amount less accumulated depreciation, would be as follows:

As at 31st March 2026	Revalued Amount LKR	Additions LKR	Accumulated Depreciation LKR	Net Book Value LKR
Land	2,134,060,000		-	2,134,060,000
Building	452,804,000	5,160,995	45,494,628	412,470,367
	2,586,864,000	5,160,995	45,494,628	2,546,530,367

34.5 Details of Freehold Land and Buildings as at 31st March 2026

Location	Land extent (Perches)	Per perche price LKR	Cost or Revaluation of Land LKR	No of Buildings	Buildings (Square Feet)	Cost or Revaluation of Building LKR	Total Value LKR
No 84 Ward Place Colombo - 7	65P	18,964,615	1,232,700,000	2	6,967	33,750,000	1,266,450,000
No.98, Ward Place, Colombo - 7	19.41 P	18,503,864	359,160,000	1	8,460	49,229,171	408,389,171
No.152,150/1 Batapadura Watta Road, Siyambalagoda	49 P	600,000	29,400,000		-	-	29,400,000
No.720, Kotte Road, Rajagiriya	33.85 P	7,344,165	248,600,000	1		25,000,000	273,600,000
No.722, Kotte Road, Rajagiriya	23.26 P	8,000,000	186,080,000	1	16,660	327,888,024	513,968,024
No.383, Kotugoda Road, Seeduwa	80P	750,000	60,000,000	1	2,712	8,136,000	68,136,000
No.107/2, Ratnapura Road,Avissawella	7.55P	2,400,000	18,120,000	1	2,737	13,961,800	32,081,800
Freehold Land and Building			2,134,060,000			457,964,994	2,592,024,994

Notes to the Financial Statements

34.6 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 327,915,417/- (2025/24 - LKR 406,999,062 /-) and payment made by cash.

34.7 The cost of the fully depreciated / amortised property, plant and equipment and intangible assets of the Company which are still in use as at the end of the reporting date is as follows:

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Motor vehicles	**136,835,471**	128,745,471	**136,835,471**	128,745,471
Office Equipment	**215,741,581**	234,484,142	**215,741,581**	236,881,216
Furniture & Fittings	**52,656,113**	59,670,868	**53,645,266**	60,660,021
Computers	**133,249,766**	17,551,640	**133,249,766**	17,551,640
Software - Intangible assets	**55,466,804**	178,112,932	**57,594,802**	180,713,901
Plant & Machinary	**14,656,285**	32,102,009	**14,656,285**	34,230,006
	608,606,020	650,667,062	**611,723,171**	658,782,255

34.8 Title restriction on Property Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2026.

34.9 Measurement of fair values

The fair value measurement for freehold lands have been categorized as a Level 3 fair value based on the input to the valuation technique used.

34.10 The Group does not foresee indications of Impairment of Fixed assets as at the reporting date due to the current macro economic situation and each business unit functions under the respective business continuity plans.

34.11 As per LKAS 16 – Property, Plant and Equipment, the Company had no temporarily idle property as at 31st March 2026.

35 INTANGIBLE ASSETS

35.1 Company

Gross Carrying Value	Balance As at 01.04.2025 LKR	Additions LKR	Transfers / Disposals LKR	Balance As at 31.03.2026 LKR
Cost / Valuation				
Computer software - Freehold	147,839,365	208,186,488	32,031,345	**323,994,508**
Computer Software - WIP	136,975,247		88,507,731	**48,467,516**
	284,814,612	208,186,488	120,539,076	**372,462,024**
Amortization				
Computer software - Freehold	100,139,721	19,152,763	15,640,327	**103,652,157**
Computer Software - WIP	-	-	-	**-**
	100,139,721	19,152,763	15,640,327	**103,652,157**
Net book value				
Computer software - Freehold	47,699,644			**220,342,351**
Computer Software - WIP	136,975,247			**48,467,516**
	184,674,891			**268,809,867**

35.2 Group

Gross Carrying Value	Balance As at 01.04.2025 LKR	Additions LKR	Transfers / Disposals LKR	Balance As at 31.03.2026 LKR
Cost / Valuation				
Computer software - Freehold	149,967,362	208,186,488	32,031,345	**326,122,506**
Computer Software - WIP	136,975,247		88,507,731	**48,467,516**
	286,942,609	208,186,488	120,539,076	**374,590,022**
Amortization				
Computer software - Freehold	102,267,719	19,152,763	15,640,327	**105,780,155**
	102,267,719	19,152,763	15,640,327	**105,780,155**
Net book value				
Computer software - Freehold	47,699,643			**220,342,351**
Computer Software - WIP	136,975,247			**48,467,516**
	184,674,890			**268,809,867**

36. RIGHT OF USE ASSETS

36.1 Cost of Right of Use Asset

	Company LKR	Group LKR
Balance as at 01st April 2025	**1,127,789,369**	**1,127,789,369**
Additions and improvements	**186,627,045**	**186,627,045**
Disposal	**(5,870,936)**	**(5,870,936)**
Balance as at 31st March 2026	**1,308,545,478**	**1,308,545,478**
Accumulated Amortisation		
Balance as at 01st April 2025	**663,964,887**	**663,964,887**
Charge for the Year	**167,957,803**	**167,957,803**
Balance as at 31st March 2026	**831,922,690**	**831,922,690**
Net book value as at 31st March 2026	**476,622,788**	**476,622,788**
Net book value as at 31st March 2025	**463,824,482**	**463,824,482**

Notes to the Financial Statements

36.2 Lease Liability

	Company	Group
	LKR	LKR
Balance as at 01st April 2025	446,054,836	446,054,836
Additions and improvements	171,293,045	171,293,045
Accretion of Interest	62,357,844	62,357,844
Disposal	(6,687,723)	(6,687,723)
Payments made during the year	(189,258,919)	(189,258,919)
Balance as at 31st March 2026	483,759,084	483,759,084
Balance as at 31st March 2025	446,054,836	446,054,836

The maturity analysis of contractual lease payments is as follows:

Lease Liability	Less than 1 year	1-5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
2026	28,550,289	360,197,112	95,011,684	483,759,084
2025	15,286,107	345,510,934	85,257,794	446,054,836

Amount recognized in Profit or Loss	Company	Group
	LKR	LKR
Interest Expenses	62,357,844	62,357,844

Lease rentals paid for leases with less than one year lease term Nil (2025-Nil)

37 DUE TO BANKS

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Bank overdrafts	323,452,124	3,578,665,825	390,970,789	3,634,623,492
Securitized borrowings and other facilities (Note 37.1)	39,922,189,973	26,763,046,020	39,922,189,973	26,763,046,020
	40,245,642,097	30,341,711,845	40,313,160,762	30,397,669,512

37.1 Securitized Borrowings

Company and Group	As at 01.04.2025	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2026	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Securitization 06	117,821,794	-	1,016,907	118,838,701	-	48 months	Lease Receivables
Securitization 11	1,062,948,778	-	42,734,303	1,105,683,081	-	24 months	Lease Receivables
Securitization 12	1,137,044,248		187,638,912	442,566,681	882,116,479	36 months	Lease Receivables
Securitization 14	420,914,082		45,005,897	110,640,881	355,279,098	36 months	Gold loan
NDB Trust 01	338,501,497	-	10,299,421	348,800,918	-	24 months	Lease Receivables
NDB Trust 02	612,826,295	-	14,814,187	627,640,482	-	24 months	Gold Loan
NDB Trust 03	304,589,992	-	3,635,523	167,955,132	140,270,383	30 months	Gold Loan
NDB Trust 04		1,000,000,000	19,939,823	-	1,019,939,823	48 Months	Lease & Loan Receivables
Seylan Trust		2,000,000,000	197,344,038	43,021,681	2,154,322,357	48 Months	Lease Receivables
	3,994,646,686	3,000,000,000	522,429,011	2,965,147,557	4,551,928,140		

Company and Group	As at 01.04.2025	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2026	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Direct Bank Borrowings							
Bank of Ceylon		2,000,000,000	79,625,000	233,634,134	**1,845,990,866**	48 months	Lease Receivables
Cargills Bank	262,798,891	1,000,000,000	83,758,642	470,561,232	**875,996,301**	72 months	Lease Receivables
Commercial bank	935,680,718	1,339,500,000	152,512,487	778,506,148	**1,649,187,057**	60 months	Lease Receivables
DFCC Bank	2,154,240,517	1,312,786,863	262,569,670	850,641,654	**2,878,955,396**	60 months	Lease Receivables
Hatton National Bank	1,637,378,735	1,400,000,000	187,049,246	659,492,608	**2,564,935,373**	60 months	Lease Receivables
National Savings Bank	685,881,740		53,416,192	209,616,946	**529,680,986**	60 months	Loan Receivables
National Development Bank	2,558,205,205	3,500,000,000	289,949,087	2,264,521,032	**4,083,633,260**	60 Months	Lease & Gold loan
Nations Trust Bank	1,308,461,583	1,000,000,000	105,911,548	1,607,086,434	**807,286,697**	36 Months	Lease Receivables , Land and Building & Solar Loan Receivable
Pan Asia Bank	200,135,616		16,788,220	216,923,836	**-**	03 Months	Lease Receivables
Sampath bank loan	2,802,316,337	2,000,000,000	281,288,181	1,510,111,607	**3,573,492,911**	60 months	Lease Receivables
Seylan Bank	783,202,851	5,500,000,000	188,760,801	1,133,318,664	**5,338,644,988**	60 Months	Loan & Lease Receivables
Union Bank	1,656,980,781	-	119,614,006	933,270,421	**843,324,366**	36 months	Loan & Lease Receivables
Syndication 02-Sub Debt 01	1,040,994,521	-	83,848,600	123,835,450	**1,001,007,671**	60 Months	Unsecured
Syndication 02-Sub Debt 02	401,903,904	-	69,490,622	69,300,101	**402,094,425**	60 Months	Unsecured
Syndication 02-Sub Debt 03	1,079,457,328	-	160,073,225	88,866,121	**1,150,664,432**	60 Months	Unsecured
	17,507,638,727	19,052,286,863	2,134,655,526	11,149,686,388	**27,544,894,729**		

Company and Group	As at 01.04.2025	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2026	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Foreign Currency Borrowings							
FMO	1,506,649,994	-	53,013,122	757,661,733	**802,001,383**	60 Months	Lease & Loan Receivables
EQ	1,516,231,813	-	116,871,090	418,681,269	**1,214,421,635**	36 Months	Loan Receivables
DWM - Loan 1 (LKR Index)	1,050,739,860	-	124,192,299	123,989,875	**1,050,942,285**	36 Months	Loan Receivables
DWM - Loan 2	1,187,138,993	17,776,270	99,874,389	-	**1,304,789,652**	36 Months	Loan Receivables
DWM - Loan 3	-	429,993,750	24,871,845	7,175,984	**447,689,611**	36 Months	Loan Receivables
TJ - GGSF	-	1,501,395,000	105,419,548	15,911,259	**1,590,903,289**	36 Months	Loan Receivables
TJ - ONF	-	410,372,353	28,556,463	-	**438,928,816**	36 Months	Loan Receivables
TJ - Sub Loan	-	946,617,600	29,072,831	-	**975,690,434**	60 Months	Unsecured
	5,260,760,660	3,306,154,973	581,871,588	1,323,420,120	**7,825,367,104**		
	26,763,046,073	25,358,441,836	3,238,956,125	15,438,254,065	**39,922,189,973**		

Notes to the Financial Statements

38 DEBT SECURITIES MEASURED AT AMORTISED COST

38.1

	As at 01.04.2025	Loans Obtained	Interest Recognized	Interest Payment	As at 31.03.2026
Green Bond	1,012,406,801		109,218,225	109,255,163	**1,012,369,863**
Social Bond		2,000,000,000	137,456,748	719,178	**2,136,737,570**
	1,012,406,801	2,000,000,000	246,674,973	109,974,341	**3,149,107,433**

38.2 Information on Green Bond

Debenture Category	Interest Payable frequency	Effective Rate	Applicable Interest Rate	Interest Rate of comparative government securities (Gross) p.a%	Balance as at 31st March 2026	Market Price (LKR)			Yield Last Traded %
		%	%	%		Highest	Lowest	Last Traded	N/T
Listed, Rated, Guaranteed, Senior, Redeemable Green Bonds	Semi-annually	11.03%	10.75% p.a	9.20%	1,012,369,863	N/T	N/T	N/T	N/T

38.3 Information on Social Bond

Debenture Category	Interest Payable frequency	Effective Rate	Applicable Interest Rate	Interest Rate of comparative government securities (Gross) p.a%	Balance as at 31st March 2026	Market Price (LKR)			Yield Last Traded %
		%	%	%		Highest	Lowest	Last Traded	N/T
Type A	Annually	11.15%	11.15% p.a.	9.75%	2,136,737,570	N/T	N/T	N/T	N/T
Type B	Annually	11.40%	11.40% p.a.	9.80%					

*N/T=Not Traded

38.4 Disclosure Regarding the utilization of fund as per the objectives stated the Green bond and Social bond issue prospectus

38.4.1 Objectives Stated in the Green Bond Issue Prospectus

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Financing rooftop solar energy installations to reduce greenhouse gas emissions and increase renewable energy in Sri Lanka's National grid.	1,000 Mn (Maximum Issuance)	Over a period of 24 months from the Date of Allotment	800 Mn	Approximately 80%	488.68 Mn	61.08%	Funds would be invested in cash equivalents, T-bills, T-bonds, or FDs (excluding greenhouse gas-intensive activities) at the prevailing rates at the time of investments.
2	Financing solar equipment vendors and suppliers to strengthen the supply chain for renewable energy projects, ensuring efficient implementation and growth of solar initiatives.		Over a period of 24 months from the Date of Allotment	200 Mn	Approximately 20%	20 Mn	10%	

38.4.2 Objectives Stated in the Social Bond Issue Prospectus

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	Promoting Micro, Small, and Medium Enterprises (MSMEs) and rural entrepreneurs through value chain financing to stimulate economic growth and create employment opportunities.	Maximum issue of LKR 2,000 Mn (Approximately 75% for the first Objective and 25% for the second Objective)	Over a period of 24 months from the Date of Allotment	1,500 Mn	Approximately 75%	1,500 Mn	100%	Funds would be invested in cash equivalents, T-bills, T-bonds, or FDs
2	Providing microfinance to marginalized and underserved communities who lack access to traditional financial services, empowering them to improve their livelihoods and financial stability. This product is exclusively offered to women borrowers.		Over a period of 24 months from the Date of Allotment	500 Mn	Approximately 25%	500 Mn	100%	

Notes to the Financial Statements

39. DUE TO DEPOSITORS AT AMORTIZED COST

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Fixed deposits	**37,299,872,296**	36,139,391,887	**37,299,872,296**	36,139,391,887
Savings deposits	**466,514,727**	385,444,430	**465,632,839**	384,597,409
	37,766,387,023	36,524,836,317	**37,765,505,135**	36,523,989,296

40. OTHER FINANCIAL LIABILITIES

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Accrued expenses	**450,399,286**	428,817,021	**455,822,847**	429,741,410
Lease Creditors	**172,257,062**	303,571,289	**172,257,062**	303,571,289
Others	**902,317,584**	805,269,372	**918,924,485**	876,667,422
	1,524,973,932	1,537,657,682	**1,547,004,394**	1,609,980,121

41. OTHER NON FINANCIAL LIABILITIES

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
VAT & VAT on FS Payable	**134,515,362**	132,124,837	**134,847,345**	132,124,837
Other tax payables	**71,685,228**	59,693,487	**71,688,153**	59,693,487
	206,200,590	191,818,324	**206,535,498**	191,818,324

42. DERIVATIVE FINANCIAL LIABILITIES

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Foreign currency SWAP	**14,073,854**	**-**	**14,073,854**	**-**
	14,073,854	**-**	**14,073,854**	**-**

The Company enters into currency swap contracts to mitigate foreign currency exchange risks arising from foreign currency borrowings and related settlement obligations.

Currency swap contracts are initially recognized at fair value on the date the contracts are entered into and are subsequently remeasured at fair value at each reporting date. The fair values of the currency swap contracts are determined using valuation techniques based on observable market inputs, including forward exchange rates and interest rate yield curves, and are classified within Level 2 of the fair value hierarchy.

43. INCOME TAX LIABILITY

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Tax refunds and self assessment payments	**(798,765,323)**	(457,852,594)	**(830,516,317)**	(479,981,503)
Current tax liability	**1,422,945,999**	1,204,804,186	**1,476,675,054**	1,243,618,687
Provision for contingent tax liabilities	**304,942,116**	623,172,922	**304,942,116**	623,172,918
(Over)/under provision in respect of previous years	**-**	-	**-**	1,717,261
	929,122,792	1,370,124,514	**951,100,853**	1,388,527,363

43.1 Movement of Income Tax Liability

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Balance as at 01st April	1,370,124,514	928,513,196	1,388,527,363	938,772,456
Current tax based on profit for the year	1,422,945,999	1,204,804,186	1,476,675,054	1,243,618,687
(Over)/under provision in respect of previous years	(47,986,360)	-	(48,256,164)	2,162,294
Provision for contingent tax liabilities	22,317,439	76,851,140	22,317,367	76,851,210
Payment of tax	(1,838,278,800)	(840,044,008)	(1,888,162,766)	(872,877,284)
Balance as at 31st March	929,122,792	1,370,124,514	951,100,853	1,388,527,363

44. RETIREMENT BENEFIT OBLIGATIONS

44.1 Liability Recognized in the Statement of Financial Position

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Balance as at 01st April	87,094,963	52,103,008	92,785,155	56,338,393
Amount charged/(reversed) for the year (Note - 44.2)	375,725,162	128,221,759	376,707,047	129,876,566
Transfer to gratuity trust fund	(87,094,963)	(52,103,008)	(87,094,963)	(52,103,008)
Payments made during the year	(22,748,490)	(41,126,797)	(23,098,490)	(41,326,796)
Balance as at 31st March (Note 44.3 & 44.4)	352,976,672	87,094,963	359,298,749	92,785,155

44.2 Amount charged/(reversed) for the year

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Current service cost for the year	86,249,639	69,134,904	86,771,275	69,635,792
Interest cost for the year	81,824,112	79,032,115	82,394,269	79,481,489
Expected return on plan assets	(72,679,141)	(72,779,754)	(72,679,141)	(72,779,754)
	95,394,610	75,387,265	96,486,403	76,337,527
Amount Recognised in Other Comprehensive Income				
Net actuarial (gains)/ losses	280,330,552	52,834,494	280,220,644	53,539,039
Amount Charged for the year	375,725,162	128,221,759	376,707,047	129,876,566

44.3 Changes in the Present Value of Obligation

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Present value obligation as at 01st April	779,277,256	658,600,962	783,798,913	661,667,812
Interest cost	81,824,112	79,032,115	82,394,269	79,481,489
Current service cost	86,249,639	69,134,904	86,771,275	69,635,792
Benefits paid / payable	(22,748,490)	(41,126,797)	(22,748,490)	(41,326,797)
Actuarial (Gain) / Loss	271,573,650	13,636,072	271,463,742	14,340,617
Present value obligation as at 31st March	1,196,176,167	779,277,256	1,201,679,709	783,798,913

44. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

Notes to the Financial Statements

44.4 Movement in the Present Value of Plan Assets

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Value of plan assets as at 01st April	692,182,293	606,497,954	691,013,758	605,329,419
Expected return on the plan assets for the period	72,679,141	72,779,754	72,679,141	72,779,754
Contribution paid to the plan	87,094,962	52,103,008	87,444,963	52,103,008
Actuarial gain/(loss) on plan assets	(8,756,902)	(39,198,423)	(8,756,902)	(39,198,423)
Value of plan assets as at 31st March	843,199,494	692,182,293	842,380,960	691,013,758
Retirement Benefit Liability	352,976,672	87,094,963	359,298,749	92,785,155

44.5 Assumptions

	Company		Subsidiary Company	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Discount rate	10.50%	10.5%	10%	12%
Salary scale	10.00%	9%	10%	10%
Mortality table	A 1967/70	A 1967/70	A 1967/70	A 1967/70
Staff turnover	21.59%	25.42%	13%	13%
Retirement age	Normal retirement age, or age on valuation date, if greater.			

An actuarial valuation of the gratuity was carried out as at 31st March 2026 by Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by LKAS 19.

The increase in the retirement benefit obligation during the year is primarily due to revisions in actuarial assumptions, including higher expected salary escalation rates, and actual salary increases exceeding prior estimates. Further, the Company maintains a separate fund to meet its gratuity obligations. Based on the latest actuarial valuation of retirement benefit obligation as at the reporting date, a shortfall has been identified between the plan assets and the defined benefit obligation. The Company expects to bridge this gap in the next financial year through necessary contributions to the fund.

The balance relating to the retirement benefit obligation will be transferred to plan assets in the subsequent financial year.

Sensitivity Analysis of Present Value of Defined Benefit Obligation	2026 LKR	2025 LKR
A one percentage point increase (+1%) in the discount rate	1,114,884,348	736,673,083
A one percentage point decrease (-1%) in the discount rate	1,289,138,667	827,275,423
A one percentage point increase (+1%) in the salary/wage increment rate	1,293,500,007	830,683,363
A one percentage point decrease (-1%) in the salary/wage increment rate	1,109,735,872	732,929,766

45. DEFERRED TAX ASSETS AND LIABILITIES

	Company		Group	
	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Deferred tax liability				
Balance as at 01st April	**704,224,787**	663,298,289	**668,778,398**	668,778,398
Recognised in profit & loss	**5,388,457**	23,555,461	**8,075,785**	25,474,962
Recognised in other comprehensive income	**-**	17,371,037	**-**	17,371,037
Balance as at 31st March	**709,613,244**	704,224,787	**676,854,183**	711,624,397
Deferred tax asset				
Balance at 01st April	**135,483,254**	174,526,137	**137,401,676**	175,796,752
Recognised in profit & loss	**100,176,019**	(46,924,308)	**100,176,019**	(46,924,308)
Recognised in other comprehensive income	**68,248,817**	7,881,425	**68,896,624**	8,529,232
Balance as at 31st March	**303,908,091**	135,483,254	**306,474,319**	137,401,676
Net Deferred tax liability / (asset)	**405,705,153**	568,741,533	**370,379,864**	574,222,721

45.1 Composition of Deferred Tax Assets and Liabilities

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Liabilities				
Fair Value Gain on Investment Property	**29,369,100**	24,473,100	**39,822,475**	31,926,475
Lease rentals	**-**	16,847,345	**-**	16,847,345
Recognised in revaluation surplus	**604,884,501**	604,884,501	**604,884,501**	604,884,501
Accelerated depreciation - Own assets	**75,359,643**	58,019,841	**74,993,205**	57,966,075
	709,613,244	704,224,787	**719,700,181**	711,624,396
Assets	**21,793,836**	10,278,140	**23,690,459**	10,278,140
Defined benefit obligation	**198,015,089**	109,354,766	**198,015,089**	111,061,823
Provisions	**84,099,166**	15,850,348	**84,310,531**	16,061,713
Recognised in other comprehensive income	**303,908,091**	135,483,254	**306,016,079**	137,401,676

The deferred tax assets/liabilities of the Company as at 31st March 2026 were computed using income tax rate of 30%. (2024/25 -30%)

46. STATED CAPITAL

46.1 Issued and Fully Paid-Ordinary shares

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Ordinary shares	**613,980,000**	613,980,000	**613,980,000**	613,980,000
	613,980,000	613,980,000	**613,980,000**	613,980,000

46.2 Number of Shares

	Company	Group

Notes to the Financial Statements

	2026 LKR	2025 LKR	2026 LKR	2025 LKR
Balance as at 01 April	33,696,000	33,696,000	33,696,000	33,696,000
	33,696,000	33,696,000	33,696,000	33,696,000

46.3 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled one vote per share at the meeting. All shares rank equally with regard to the Company's residual assets.

Shares in the Company quoted in the Colombo Stock Exchange.

47. RETAINED EARNINGS

	Company		Group	
As at 31st March	2026 LKR	2025 LKR	2026 LKR	2025 LKR
As at 01st April	**5,656,084,950**	4,509,940,679	**5,856,808,525**	4,675,362,989
Dividend paid	**(310,003,086)**	(552,614,544)	**(310,003,086)**	(561,726,728)
Profit for the year	**2,038,438,126**	1,734,833,052	**2,219,397,744**	1,779,739,681
Transfer of realised share disposal profit from FVTOCI	**50,348,439**	87,651,562	**50,348,439**	87,651,562
Adjustment on actuarial gain / (losses) on defined benefit plan	**(196,231,386)**	(36,984,146)	**(196,154,450)**	(37,477,326)
Transfers to statutory reserve fund	**(101,921,906)**	(86,741,653)	**(101,921,906)**	(86,741,653)
As at 31st March	**7,136,715,137**	5,656,084,950	**7,518,475,266**	5,856,808,525

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

48. RESERVES

	Company			Group		
	2025 LKR	Transfers LKR	2026 LKR	2025 LKR	Transfers LKR	2026 LKR
Fair Value Through OCI (Note 48.1)	(12,317,552)	42,212,087	**29,894,535**	(12,317,552)	42,212,087	**29,894,535**
Capital Reserve - Revaluation Reserve (Note 48.2)	1,568,458,553	-	**1,568,458,553**	1,568,458,553	-	**1,568,458,553**
General reserve	388,258,055	-	**388,258,055**	388,258,055	-	**388,258,055**
Statutory reserve fund (Note 48.3)	1,135,067,858	101,921,906	**1,236,989,764**	1,135,067,858	101,921,906	**1,236,989,764**
	3,079,466,914	144,133,993	**3,223,600,907**	3,079,466,914	144,133,993	**3,223,600,907**

48.1 Fair Value Through OCI

The Fair Value through other Comprehensive income reserve represents the market to market change in the market values of the quoted share investments.

48.2 Capital Reserve - Revaluation Reserve

The Capital Reserves represents the increase in the fair value of the land & buildings at the date of revaluation. The Company revalues its freehold lands and buildings in every three to five years, unless significant changes in fair values indicate it may be necessary to revalue freehold lands and buildings on an earlier date, to ensure that the carrying amounts do not differ materially from the fair values at the end of the reporting date.

The Company treats 50% of the revaluation surplus as supplementary capital in the Total Capital Base in the computation of the Risk Weighted Capital Adequacy Ratio in accordance with the Central Bank of Sri Lanka, Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.03 of 2018 on Capital Adequacy Requirements.

48.3 Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year is transferred to the Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

49. CONTINGENT LIABILITIES AND COMMITMENTS

a. Financial guarantees Issued :
As at 31st March 2026, the Company has provided financial guarantees totalling to LKR 20.9Mn.

b. Tax assessments issued by the Commissioner General of Inland revenue:
For the taxable periods 2018/19 the commissioner Genaral has determine the decision of Administrative Review on 24th Feb 2026 with the Tax liability of Rs.159Mn and 31Mn Penalty.The Compnay has made adequate provision for the settled the tax liability with the minimum penalty within next financial year. For the taxable period 2020/21, the Commissioner General of Inland Revenue has issued an additional tax assessment amounting to LKR 45 Mn, together with a penalty liability of LKR 22.9 Mn. The Company has lodged an appeal against the assessment, and the matter is currently under administrative review.

Furthermore, an additional surcharge tax assessment has been issued for the 2020/21 period, amounting to LKR 892.64 Mn, comprising LKR 628.6 Mn in surcharge tax and LKR 264.02 Mn in interest.

Following a detailed assessment of the applicable tax legislation, management has lodged an appeal based on valid grounds to reconsider the assessment. The appeal is currently under administrative review by the relevent authorities.

There are no significant changes in the nature of the Contingent Liabilities other than disclosed above.

49.1 Litigations Against the Company

Litigation is a common occurrence in the Finance Industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of there transactions.

As of the date of the Statement of Financial Position, twenty four (24) clients have filed cases against the company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

50. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. No circumstances have arisen since the reporting date that would require adjustments or disclosure in the financial statements, except for the dividend declaration by the board of the directors as disclosed below,

The Board of Directors of the Company on 10/06/2026 declared a final cash dividend of LKR 10/-per share for the financial year ended 31st March 2026 subject to the approval of the shareholders at the Annual general meeting. Further company received the central bank approval for the above proposed dividends.

Notes to the Financial Statements

51. SEGMENT REPORT

Group	Leasing and Hire Purchase and Consumer Durable		Loans	
	LKR		LKR	
For the period 31st March	2026	2025	2026	2025
Revenue	7,927,475,827	8,132,507,976	5,498,352,660	3,487,060,793
Segment results	6,612,823,262	6,905,808,438	5,136,721,237	3,193,258,384
Unallocated company expenses				
Operating profit				
Interest expenses	(1,911,855,005)	(2,056,617,656)	(2,603,841,285)	(1,959,767,944)
Share of profits of associates before tax				
Taxes on financial services				
Income taxe expenses				
Profit for the year				
As at 31st March				
Segment assets	22,902,598,950	24,173,323,963	31,192,079,177	23,034,959,985
Investment in associates				
Other assets				
Total assets				
Segment liabilities	21,107,615,208	22,192,465,996	26,716,919,047	19,315,660,377
Other liabilities				
Total liabilities				

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. The amounts are based on the values recognised in the Statement of Financial Position.

Gold Loans		Other		Total	
LKR		LKR		LKR	
2026	2025	2026	2025	2026	2025
3,453,874,093	2,906,987,523	1,537,548,101	1,305,153,834	18,417,250,682	15,831,710,127
3,056,424,979	2,563,209,202	1,477,730,879	1,257,375,726	16,283,700,357	13,919,651,750
				(3,983,500,108)	(3,242,506,849)
				12,300,200,249	10,677,144,901
(1,937,350,591)	(1,302,354,374)	(1,126,930,528)	(1,153,628,836)	(7,579,977,409)	(6,472,368,810)
				71,483,006	18,905,234
				(1,139,224,523)	(1,012,264,791)
				(1,374,263,832)	(1,394,595,018)
				2,278,217,491	1,816,821,516
23,208,017,086	15,307,772,010	13,499,788,529	13,559,663,724	90,802,483,743	76,075,719,681
				196,381,550	138,316,858
				6,094,867,349	5,880,685,482
				97,093,732,642	82,094,722,021
19,878,338,671	12,836,129,321	11,562,959,620	12,382,683,037	79,265,832,546	66,726,938,731
				6,243,413,397	5,647,917,073
				85,509,245,943	72,374,855,804

Notes to the Financial Statements

52.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Company

As at 31st March 2026 Financial Assets	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Toal LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills/bonds	24	-	1,688,230,066	-	1,688,230,066
Quoted equities	24	16,486,190	-	-	16,486,190
Financial Investments - fair value through other comprehensive income					
Unquoted equities	27	-	-	579,250	579,250
Quoted equities	27	205,794,449	-	-	205,794,449
Total Financial Assets		222,280,639	1,688,230,066	579,250	1,911,089,955

As at 31st March 2025 Financial Assets	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills / bonds	24	-	3,730,914,157	-	3,730,914,157
Investments in Unit Trusts	24	1,540,175,010	-	-	1,540,175,010
Financial Investments - fair value through other comprehensive income					
Unquoted equities	27	-	-	579,250	579,250
Quoted equities	27	175,221,404	-	-	175,221,404
Total Financial Assets		1,715,396,414	3,730,914,157	579,250	5,446,889,821

Group

As at 31st March 2026 Financial Assets	Note	Level 1 LKR	Level 2 LKR	Level 6 LKR	Toal LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills /bonds	24	-	1,688,230,066	-	1,688,230,066
Investments in Unit Trusts	24	141,505,302		-	141,505,302
Quoted equities	24	16,486,190			16,486,190
Financial Investments - fair value through other comprehensive income		-		-	-
Unquoted equities	27	-	-	579,250	579,250
Quoted equities	27	205,794,449	-	-	205,794,449
Total Financial Assets		363,785,941	1,688,230,066	579,250	2,052,595,257

As at 31st March 2025 Financial Assets	Note	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills	24	-	3,730,914,157	-	3,730,914,157
Investments in Unit Trusts	24	1,669,694,696	-	-	1,669,694,696
Quoted equities	24	-	-	-	-
Financial Investments - fair value through other comprehensive income					
Unquoted equities	27	-	-	579,250	579,250
Quoted equities	27	175,221,404	-	-	175,221,404
Total Financial Assets		1,844,916,100	3,730,914,157	579,250	5,576,409,507

52.2 Determination of Fair Value and Fair Value Hierarchy

Set out below is the comparison by classes of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

	2026		2025	
Company	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets				
Cash and cash equivalents	**1,246,680,006**	**1,246,680,006**	1,475,822,024	1,475,822,024
Repurchase agreement	**3,250,812,507**	**3,250,812,507**	1,834,618,154	1,834,618,154
Placement with banks & other financial institutions	**6,480,535,214**	**6,480,535,214**	4,905,397,835	4,905,397,835
Loans and advances	**54,400,096,096**	**45,985,082,568**	38,342,731,995	37,310,068,715
Lease rentals receivables	**23,099,811,895**	**27,387,230,189**	24,173,323,963	25,270,985,400
Other financial assets	**769,678,162**	**769,678,162**	566,898,746	566,898,746
Total Financial Assets	**89,247,613,880**	**85,120,018,646**	71,298,792,717	71,363,790,874
Financial Liabilities				
Due to banks	**40,245,642,097**	**40,245,642,097**	30,341,711,845	30,341,711,845
Debt Securities Measured at amortised cost	**3,149,107,433**	**3,149,107,433**	1,012,406,801	1,012,406,801
Due to customers	**37,766,387,023**	**37,956,765,227**	36,524,836,317	36,461,247,045
Financial liabilities	**1,524,973,932**	**1,524,973,932**	1,537,657,682	1,537,657,682
Total Financial Liabilities	**82,686,110,485**	**82,876,488,689**	69,416,612,645	69,353,023,373

Notes to the Financial Statements

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

Group	2026		2025	
	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets				
Cash and cash equivalents	**1,594,762,316**	**1,594,762,316**	1,741,401,080	1,741,401,080
Repurchase agreement	**3,250,812,472**	**3,250,812,472**	1,834,617,974	1,834,617,974
Placement with banks & other financial institutions	**6,526,257,624**	**6,526,257,624**	4,941,814,722	4,941,814,722
Loans and advances	**54,400,096,096**	**45,985,082,568**	38,342,731,995	37,310,068,715
Lease rentals receivables	**23,099,811,895**	**27,387,230,189**	24,173,323,963	25,270,985,400
Other financial assets	**747,077,162**	**747,077,162**	545,171,168	454,171,168
Total Financial Assets	**89,618,817,565**	**85,491,222,331**	71,579,060,902	71,553,059,059
Financial Liabilities				
Due to banks	**40,313,160,762**	**40,313,160,762**	30,397,669,512	30,397,669,512
Debt Securities Measured at amortised cost	**3,149,107,433**	**3,149,107,433**	1,012,406,801	1,012,406,801
Due to customers	**37,765,505,135**	**37,955,883,339**	36,523,989,296	36,460,400,025
Financial liabilities	**1,547,004,394**	**1,547,004,394**	1,609,980,121	1,609,980,121
Total Financial Liabilities	**82,774,777,724**	**82,965,155,928**	69,544,045,730	69,480,456,459

52.3 Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amount of an approximate to their fair value. This assumption is also applied to fixed deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed rate financial instruments

Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. For quoted debt issued the fair value are determined based on quoted market prices.

53. RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of business on agreed commercial terms with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures',

Details of related party transactions which the Company had during the year are as follows,

53.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities for the Company. Such KMPs include the Board of Directors of the Company (include executive and non executive directors), executives who directly report to Board sub committees and other key executives who meet the criteria described above.

53.2 Compensation to Key Management Personnel GRI 2-21

		2026 LKR	2025 LKR
KMP's Emoluments (other than directors)			
	Short term	171,158,014	65,256,451
	Long term	35,316,729	15,928,640
		206,474,743	81,185,091

		2026 LKR	2025 LKR
Remuneration and other expenses of directors			
	Short term	134,244,592	89,467,243
	Long term & post employment benefits	46,437,803	37,959,945
		180,682,395	127,427,188

53.3 Transactions, Arrangements and Agreements Involving KMPs, and their Close Family Members (CFMs)

Close Family Members (CFMs) of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity. They may include KMPs domestic partner and children of the KMP, the children of KMP's domestic partner and dependents of KMP and KMPs domestic partner.

53.4 Transactions involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Statement of Financial Position - Company and Group	2026 LKR	2025 LKR
Liabilities		
Financial Liabilities measured at amortised cost - due to depositors		
Fixed deposits	245,605,671	188,468,210
Savings Deposits	10,894,587	12,037,255
Assets - Company and Group		
Financial assets measured at amortised cost - Loans and advances	25,399,419	13,052,921
Financial assets measured at amortised cost - Lease rentals receivable & stock out of hire	429,133	-
Statement of Profit or Loss - Company & Group		
Interest income	2,804,569	1,391,500
Interest expenses	36,344,899	73,730,840
No of Shares held by KMPs		
Ordinary shares	12,836,175	12,835,175
Other Transactions		
Deposits accepted during the year	275,552,665	238,752,166

Notes to the Financial Statements

53 RELATED PARTY TRANSACTIONS (CONTD.)

53.5 Transaction, arrangements and agreements involving with Entities which are controlled, and /or jointly controlled by the KMP's and their CFMs .

53.5.1 Transactions with Subsidiaries

	Nature of the Relationship	Nature of Transaction / Facility	2026 LKR	2025 LKR
Income statement - transactions during the year				
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Dividend income	-	14,290,042
		Shared service fee income	83,741,907	85,000,000
		Interest expense	3,359	-
Statement of financial position - outstanding as at reporting date				
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Saving deposits	878,945	847,021
		Shared service fee receivable	43,741,905	45,000,000

53.5.2 Transactions with Associates and Other related parties

	Nature of the Relationship	Nature of Transaction / Facility	2026 LKR	2025 LKR
Income statement - transactions during the year				
Macbertan (Pvt) Ltd	Associate	Dividend income	3,931,060	2,734,800
		Other Income	-	991,526
		Other expenses	-	2,162,710
		Hiring Income	600,000	1,100,000
Alliance Management Services (Pvt) Ltd	Other related parties	Secretarial fees	-	1,180,618
		Interest expense	6,365	2,225
Alliance Travel Services Ltd	Other related parties	Interest expense	31,782	6,694
Alliance Ventures (Pvt) Ltd	Other related parties	Interest expense	3,185	1,044
Alliance Agencies Ltd	Other related parties	Dividend income	-	66,683
		Interest expense	354,372	81,187
Alliance Graphic Services (Pvt) Limited	Other related parties	Interest expense	202,929	2,654,816
Alliance Auto Care Ltd	Other related parties	Vehicles maintenance	38,950	108,080
Heshia Shipping (Pvt) Limited	Other related parties	Interest expense	2,621,204	1,964,234

	Nature of the Relationship	Nature of Transaction / Facility	2026	2025
			LKR	LKR
Drive One (Pvt) Limited	Other related parties	Interest expense	-	117,292
		Vehicles maintenance	739,185	1,800,830
Sri Lanka Institute of Credit Management	Other related parties	Sponsorships	412,500	260,000
The Finance Houses Association of Sri Lanka	Other related parties	Annual Subscription & Other expenses	387,000	350,000
Statement of financial position - outstanding as at reporting date				
Alliance Management Services (Pvt) Ltd	Other related parties	Fixed deposits	2,186,648	2,338,674
		Saving deposits	29,720	28,652
Alliance Travel Services Ltd	Other related parties	Fixed deposits	5,916,534	5,505,252
		Saving deposits	366,344	329,277
Alliance Tech Trading	Other related parties	Investment	200,000	200,000
Alliance Ventures (Pvt) Ltd	Other related parties	Fixed deposits	995,105	992,306
		Saving deposits	75,252	44,594
Alliance Agencies Ltd	Other related parties	Fixed deposits	112,500,000	125,670,367
		Saving deposits	2,432,627	630,593
		Share investment	75,300	75,300
Alliance Graphic Services (Pvt) Ltd	Other related parties	Fixed deposits	13,372,391	9,695,112
Heshia Shipping (Pvt) Ltd	Other related parties	Fixed deposits	4,889,319	4,805,849
Drive One (Pvt) Ltd	Other related parties	Fixed deposits	-	40,772,834
		Saving deposits	519	-
Sanasa Development Bank PLC	Other related parties	Share investment	182,085,425	182,085,425
Other transactions during the year				
New deposits accepted during the year			142,927,728	191,966,976

Notes to the Financial Statements

53 RELATED PARTY TRANSACTIONS (CONTD.)

53.6 Parent and Ultimate Controlling Party

The Company does not have an identifiable parent of its own.

53.7 There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the company which require additional disclosures under the Colombo Stock Exchange Listing Rule 9.14.7.

53.8 There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue in the financial statements ending March 31, 2026, which require additional disclosures in the 2025/26 annual report under the Colombo Stock Exchange Listing Rule 9.14.8.

53.9 There are no related parties or related party transactions other than those disclosed in Note 52 to the Financial Statements.

54. FINANCIAL RISK MANAGEMENT

54.1 Introduction

Constantly assessing and being cognizant of the concept of risk is fundamental to the managerial philosophy of Alliance Finance Company PLC.

Consequent to the global, economic and financial crises, companies are placing greater emphasis on risk management by adopting comprehensive risk management framework to increasingly safeguard stakeholder interest. Due to diversified and geographic spread of the portfolio of businesses, Alliance Finance maintains a holistic risk management system that continuously monitors primary risk factors Risk mitigation actions are also built in to the day - to day operations of the Company. The Company's business divisions are closely monitored through a comprehensive computerized information system and employees, ranging from managerial credit and other officers, have been apprised and trained to adopt risk management practices as an integral part of their decision making.

Risk Coverage

The Company's Comprehensive risk management framework covers three major areas that comprise credit risk, liquidity risk, and market risk management.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, analysis, measurement and continuous monitoring, subject to the risk limits and their controls.

54.2 Credit Risk

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to discharge their contractual obligations and arises principally from the loans and advances to the customers comprehensive Credit Risk Management Policy serves as the backbone to manage both credit counterparty and credit concentration risks The Credit risk management Policy and the Credit Operations Manual which together provide clear direction to enable risk owners (first line of defence) to focus on prudent lending that will ultimately minimise credit risk. These efforts are further supported by a well established set of internal procedures and directives, outlining detailed procedures and segregation of duties for each step of the lending process from loan origination, pre-credit evaluation and credit administration to post-credit monitoring Similarly post-credit monitoring too is viewed as a key facilitator in mitigating credit risk, prompting the AFC to adopt a range of strategies to closely monitor credit risk, post disbursement.

54.2.1 Credit quality analysis

The Company has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counter parties, including regular collateral revisions, products , assets , sectors and demographich location . Actual credit limits are compared as against the limits set out in appetite.

Impairment assessment

For accounting purposes, the Company uses an expected loss model for the recognition of losses on impaired financial assets. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Triggering events include the following:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including hire purchases, lease receivables, other loans and advances and consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

Company include macroeconomic factors within its expected credit loss assessments. The Company relies on a broad range of forward looking information as economic inputs, such as GDP growth, unemployment rates, interest rates, inflation rate and etc. (Note 4.5.7).

Analysis of Credit Risk Exposure

The following tables shows the maximum exposure to credit risk by class of financial asset.

	Note	Maximum Exposure to Credit Risk			
		Company		Group	
		2026 LKR	2025 LKR	2026 LKR	2025 LKR
Cash and cash equivalents	21	1,246,680,006	1,475,822,024	1,594,762,316	1,741,401,080
Repurchase agreements	22	3,250,812,507	1,834,618,154	3,250,812,472	1,834,617,974
Placements with banks & financial institutions	23	6,480,535,214	4,905,397,835	6,526,257,624	4,941,814,722
Financial assets recognised through profit or loss	24	1,704,716,256	5,271,089,167	1,846,221,558	5,400,608,853
Loans and advances (Gross)	25	55,606,694,740	39,102,280,503	55,606,694,740	39,102,280,503
Lease rentals receivable & stock out on hire (Gross)	26	24,102,801,121	25,340,534,851	24,102,801,121	25,340,534,851
Hire purchase rentals receivable & stock out on hire	26	-	2,115,480	-	2,115,480
Financial assets- fair value through other comprehensive income	27	206,373,699	175,800,654	206,373,699	175,800,654
		92,598,613,543	78,107,658,668	93,133,923,530	78,539,174,116

The following table shows the classification of Financial Assets based on the three stage approach.

As at 31st March 2026

Company	Note	12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
		LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	21	1,246,680,006	-	-	-	1,246,680,006
Repurchase agreements	22	3,250,812,507	-	-	-	3,250,812,507
Placements with banks & financial institutions	23	6,480,535,214	-	-	-	6,480,535,214
Financial assets recognised through profit or loss	24	1,704,716,256	-	-	-	1,704,716,256
Loans and advances (Gross)	25	47,893,532,098	6,038,815,390	1,564,429,787	-	55,496,777,275
Less :ECL Allowance	25	(121,644,884)	(130,641,562)	(844,394,733)	-	(1,096,681,180)
Lease rentals receivable & stock out on hire (Gross)	26	16,087,773,265	5,016,236,909	2,877,907,635	-	23,981,917,808
Less :ECL Allowance	26	(72,290,166)	(109,899,383)	(699,916,365)	-	(882,105,915)
Financial assets- fair value through other comprehensive income	27	205,794,449	-	-	579,250	206,373,699
		76,675,908,746	10,814,511,353	2,898,026,324	579,250	90,389,025,671

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2.1 Credit quality analysis

Company	Note	As at 31st March 2025				
		12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
		LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	21	1,475,822,024	-	-	-	1,475,822,024
Repurchase agreements	22	1,834,618,154	-	-	-	1,834,618,154
Placements with banks & financial institutions	2	4,905,397,835	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	24	5,271,089,167	-	-	-	5,271,089,167
Loans and advances (Gross)	25	32,884,910,596	5,176,616,949	940,709,279	-	39,002,236,823
Less :ECL Allowance	25	(65,577,646)	(71,136,819)	(522,790,365)	-	(659,504,829)
Lease rentals receivable & stock out on hire (Gross)	26	16,152,425,755	7,197,002,453	1,869,049,725	-	25,218,477,933
Less :ECL Allowance	26	(67,650,959)	(138,550,217)	(838,952,959)	-	(1,045,154,135)
Hire purchase rentals receivable & stock out on hire	26	-	-	2,115,480	-	2,115,480
Less :ECL Allowance	26	-	-	(2,115,480)	-	(2,115,480)
Financial assets- fair value through other comprehensive income	27	175,221,404	-	-	579,250	175,800,654
		62,566,256,330	12,163,932,367	1,448,015,680	579,250	76,178,783,626

ECL allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of Loan portfolio.
Movement in Allowance for Expected Credit Losses (Stage Transition)

	Note	As at 31st March 2026			
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total ECL
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year	25 &26	100,110,300	218,496,612	1,606,037,004	1,924,643,917
Transferred from 12 Month ECL		69,372,996	(25,183,332)	(44,189,664)	-
Transferred from LifeTime ECL not-credit impaired		(13,315,281)	17,628,952	(4,313,671)	-
Transferred from LifeTime ECL credit impaired		(3,731,947)	(27,535,315)	31,267,263	-
Net remeasurement of loss allowance		(659,489)	242,171,225	43,432,056	284,943,792
Balance as at the end of the year	25&26	151,776,579	425,578,142	1,632,232,988	2,209,587,709

	Note	As at 31st March 2025			
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total ECL
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year	25&26	84,668,372	152,103,042	1,627,713,002	1,864,484,416
Transferred from 12 Month ECL		33,399,254	(22,392,118)	(11,007,136)	-
Transferred from LifeTime ECL not-credit impaired		(14,469,229)	33,714,611	(19,245,381)	-
Transferred from LifeTime ECL credit impaired		(1,238,521)	(12,133,758)	13,372,279	-
Net remeasurement of loss allowance		(2,249,575)	67,204,835	(1,953,276,764)	60,159,500
Balance as at the end of the year	25&26	100,110,301	218,496,612	(342,444,000)	1,924,643,916

Sensitivity Analysis of Expected Credit Loss (ECL) Allowances

The Company has estimated the expected credit loss allowances as at 31 March 2026 based on various assumptions. Changes in these assumptions may result in changes to the impairment provision recorded in the Statement of Financial Position. The sensitivity of the Company's impairment provision as at 31 March 2026 to reasonably possible changes in Probability of Default (PD) and Loss Given Default (LGD) is presented in the following table.

	2026				
Lease and Loan Scenario	Stage 1	Stage 2	Stage 3	Total	Income Statement Effect
PD 1% Increase	**45,406,416**	**16,001,311**	**-**	**61,407,727**	**(61,407,727)**
PD 1% Decrease	**(45,406,416)**	**(16,001,311)**	**-**	**(61,407,727)**	**61,407,727**
LGD 1% Increase	**12,992,684**	**19,045,416**	**29,947,741**	**61,985,841**	**(61,985,841)**
LGD 1% Decrease	**(12,992,684)**	**(19,045,416)**	**(29,947,741)**	**(61,985,841)**	**61,985,841**

	2025				
Lease and Loan Scenario	Stage 1	Stage 2	Stage 3	Total	Income Statement Effect
PD 1% Increase	26,132,351	12,007,906	-	38,140,258	(38,140,258)
PD 1% Decrease	(26,132,351)	(12,007,906)	-	(38,140,258)	38,140,258
LGD 1% Increase	15,908,761	28,926,190	15,077,598	59,912,549	(59,912,549)
LGD 1% Decrease	(15,908,761)	(28,926,190)	(15,077,598)	(59,912,549)	59,912,549

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2.1 Credit quality analysis

Stage Transition on Lending Portfolio

The following tables show reconciliations from the opening to the closing balance of the lending portfolio (gross) based on three stage approach.

		As at 31st March 2026			
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total Portfolio (Gross)
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year		49,037,336,348	12,373,619,402	3,029,744,120	64,440,699,870
Transferred from 12 Month ECL		1,944,525,647	(1,774,665,152)	(169,860,495)	-
Transferred from LifeTime ECL not-credit impaired		(3,934,938,223)	3,969,279,975	(34,341,752)	-
Transferred from LifeTime ECL credit impaired		(1,025,012,860)	(1,844,026,743)	2,869,039,603	-
Other Changes in the portfolio		18,035,359,687	(1,669,155,184)	(1,097,408,507)	15,268,795,996
Balance as at the end of the year	25&26	64,057,270,600	11,055,052,298	4,597,172,968	79,709,495,866

		As at 31st March 2025			
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total Portfolio (Gross)
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year		31,461,086,694	11,873,445,108	4,498,489,834	47,833,021,636
Transferred from 12 Month ECL		1,755,083,135	(1,562,001,011)	(193,082,124)	-
Transferred from Life time ECL not-credit impaired		(3,768,052,833)	4,203,114,303	(435,061,470)	-
Transferred from Life time ECL credit impaired		(306,792,481)	(805,882,163)	1,112,674,644	-
Other Changes in the portfolio		19,896,011,833	(1,335,056,834)	(1,953,276,764)	16,607,678,234
Balance as at the end of the year	25& 26	49,037,336,348	12,373,619,403	3,029,744,120	64,440,699,870

54.2.2 Concentrations of Credit Risk

The Company monitors concentration of credit risk by sector exposures.

Industry wise concentration

The following table shows the risk of concentration by industry for the financial assets measured at amortised cost.

Sector wise Breakdown	Cash and Bank Balances	Financial assets - fair value through profit or loss	Financial assets - fair value through OCI	Other financial assets	Total Financial Assets
	LKR	LKR	LKR	LKR	LKR
Financial services	1,246,680,006	-	-	6,480,535,214	7,727,215,220
Government	-	1,688,230,066	-	3,250,812,507	4,939,042,573
Services	-	-	-	769,678,162	769,678,162
Other	-	-	206,373,699	-	206,373,699
Total	1,246,680,006	1,688,230,066	206,373,699	10,501,025,883	13,642,309,654

Segment Concentration

Concentration of net loans and advances by segment is given below as at 31st March

	Net Portfolio	
	2026	2025
Segment	LKR	LKR
Equipment	1,156,379,582	483,583,665
Heavy Vehicles and Motor Lorry	1,812,426,070	3,271,871,003
Agricultural Equipments	5,520,181	2,492,135
Tractor	170,108,458	284,123,442
Two - Wheelers -2W	2,243,508,683	2,419,486,392
Three Wheelers -3W	12,347,814,101	12,362,747,968
Transport Vehicles: W-4<=1Mn	2,270,473,888	2,452,898,778
Transport Vehicles: W-4>1Mn	15,702,717,517	12,401,714,907
Mortgage Loans<=2.5Mn	11,976,039	25,008,332
Mortgage Loans>2.5Mn	107,153,610	207,977,705
Personal Loans (Guarantees & Other)	290,488,505	148,818,186
Speed Cash	16,889,130,374	12,339,342,437
Gold loans	23,652,688,575	15,477,400,017
Pledge loans	-	25,257,593
Micro finance loans	141,843,884	97,702,169
Loans against fixed deposits	697,678,684	489,682,342
	77,499,908,151	62,490,107,071

Geographical concentration

Concentration of loans and advances by location is given below.

	2026		2025	
Province	LKR	%	LKR	%
Western Province	21,295,028,932	27%	18,313,575,508	29%
Central Province	9,488,954,209	12%	7,943,350,363	13%
Southern Province	5,767,233,246	7%	4,483,005,303	7%
Northern Province	12,034,267,251	16%	8,692,398,541	14%
Eastern Province	5,483,136,831	7%	4,089,335,383	7%
North Western Province	9,751,989,253	13%	7,903,664,004	13%
North Central Province	3,897,205,392	5%	3,312,007,905	5%
Uva Province	5,889,825,931	8%	4,563,166,862	7%
Sabaragamuwa Province	3,892,267,106	5%	3,189,603,203	5%
	77,499,908,152	100%	62,490,107,072	100%

Concentraion by location for loans and advances is measured based on the location of the customer centre that granted the facility, which has a high correlation with the location of the borrower.

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.2.2 Concentrations of Credit Risk

Products Concentration of Gross Portfolio

As at 31st March	2026		2025	
	LKR	%	LKR	%
Lease	24,102,801,121	30.24%	25,336,303,726	39.32%
Loan	31,619,382,879	39.67%	23,209,280,386	36.02%
Hire Purchase	-	0.00%	2,115,645	0.00%
Gold Loan	23,289,633,182	29.22%	15,403,317,775	23.90%
Fixed Deposit Against Loan	697,678,685	0.88%	489,682,342	0.76%
	79,709,495,867	100.00%	64,440,699,874	100.00%

Collateral held as security and other credit enhancements

The Company holds collateral and other credit enhancements against its credit exposures. The following table sets out the principal types of collateral held against different types financial assets.

Type of Credit Exposure	Percentage of exposure that is subject to collateral requirements		Principal type of Collateral Held
	2026	2025	
Loans and Receivables to Other Customers			
Loans & Other Advances	100	100	Vehicles,Property and equipment
Loans against Fixed Deposits	100	100	Fixed Deposits
Pledged Loans	100	100	Mortgages
Micro Finance Loans	100	100	Personal Guarantees
Gold Loans	100	100	Gold articles

Lease Rental and Hire Purchase Receivables	Percentage of exposure that is subject to collateral requirements		Principal type of Collateral Held
Lease Rental Receivables	100	100	Vehicles,Property and equipment
Hire Purchase Receivables	100	100	Vehicles,Property and equipment

There was no change in the Company's collateral policy during the year. Further, the Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company does not provide for any allowances for ECL against financial assets secured by deposits held within the Company. Further, no allowance for ECL has been recognised for government securities, treasury bills and treasury bonds. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost.

54.2.3 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified; in particular, to individual counterparties and groups, and to industries and geographical locations.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to quarterly or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Credit Committee.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default. The Company doesn't have significant financial guaranteed contract as of of the year ended 31st March 2026 & 31st March 2025.

Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of a security for funds advanced. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The general creditworthiness of customer tends to be the most relevant indicator of the credit quality of a loan.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlining agreement. The company pursue timely realisation of the collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding claim.

Credit Quality Analysis of Placements with Banks and Other Listed Companies

The following table sets out the credit quality of Placements with Banks and other Finance Companies. The analysis is based on credit ratings.

As at	2026	2025
Placements with Banks	**LKR**	**LKR**
Rated AA- to AA+	**2,185,737,128**	1,920,530,599
Rated A- to A+	**4,101,983,334**	2,857,748,118
Rated BBB + and below	**103,734,763**	82,686,797
	6,391,455,225	4,860,965,514

54.3 Liquidity Risk

Liquidity risk refers to the unavailability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments, debt obligations associated with its financial liabilities due to lack of funds or having to meet these obligations at excessive cost. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Management of Liquidity Risk

The objective of the Company liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and that market access remains cost effective. The Company's liquidity management process is monitored by a separate team and includes;

- Maintaining a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Maintaining lines of credit that it can access to meet liquidity needs.
- Maintaining the liquidity ratio prescribed by Central Bank of Sri Lanka.
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the Statement of Financial Position against internal and regulatory requirements and reviewing the gaps by Assets and Liability Committee.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting daily, weekly and monthly cash flow requirements respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
- Monitoring unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

54.3.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 01 of 2009, Company has to maintain minimum liquid assets, not less than the total of,

(i) Ten per cent of,

(a) the outstanding value of the time deposits received by the finance company at the close of the business on such day,

(b) the face value of certificate of deposits issued by the finance company; as appearing on the books of the finance company at the close of the business of such day and

(ii) Fifteen per cent of the outstanding value of savings deposits accepted by such company, at the close of the business on such day.

As at 31st March 2026, the Company maintained Statutory Liquid Asset ratio at 15.46% (2025 : 17.66 %).

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3.2 Analysis of Total Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Company's total assets and liabilities as at 31 March 2026.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31st March 2026	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Total Assets							
Cash and cash equivalents	1,246,680,006						1,246,680,006
Repurchase agreements	642,138,776	2,608,673,731					3,250,812,507
Placements with banks & financial institutions	158,641,200	2,915,015,497	3,401,878,516	-	5,000,000	-	6,480,535,214
Financial assets recognised through profit or loss	-	16,486,190	1,588,230,066	-	-	100,000,000	1,704,716,256
Loans and advances - at amortised cost	3,794,996,101	23,910,786,611	17,989,080,176	6,364,306,262	2,340,926,947	-	54,400,096,096
Lease rentals receivable & stock out on hire - at amortised cost	911,394,381	2,509,544,802	6,968,158,258	10,669,124,999	2,041,589,456	-	23,099,811,895
Financial assets- fair value through other comprehensive income	-	205,794,449	-	-	-	579,250	206,373,699
Other trading stocks	-	174,438,189	-	-	-	-	174,438,189
Other financial assets	-	420,321,137	212,283,184	136,697,809	-	376,031	769,678,162
Other non financial assets	-	75,586,673	83,924,683	39,487,739	14,688,111	(11,379,236)	202,307,969
Investments in associates	-	-	-	-	-	89,604,979	89,604,979
Investments in subsidiaries	-	-	-	-	-	18,522,288	18,522,288
Investment property	-	-	-	-	-	204,000,000	204,000,000
Property, plant & equipment	-	66,492,002	186,463,408	342,327,286	184,630,510	2,679,321,553	3,459,234,760
Intangible assets	-	6,708,409	20,032,926	50,923,896	48,422,357	142,722,278	268,809,867
Right of use asset	-	1,082,952	24,744,795	100,494,261	258,626,252	91,674,529	476,622,788
Deferred tax assets	-	-	-	303,908,091	-	-	303,908,091
Total Assets	6,753,850,464	32,910,930,643	30,474,796,012	18,007,270,342	4,893,883,632	3,315,421,672	96,356,152,765
Total Liabilities							
Due to banks	338,534,439	4,335,059,812	12,142,652,339	16,788,589,806	6,599,139,035	41,666,667	40,245,642,097
Debt Securities Measured at amortised cost	-	-	149,107,433	1,000,000,000	2,000,000,000	-	3,149,107,433
Due to depositors - at amortised cost	1,117,768,660	9,368,220,474	15,528,177,069	10,586,206,411	1,166,014,410	-	37,766,387,023
Debt instruments issued and other borrowed funds	-	-	-	-	-	-	-
Other financial liabilities	-	910,780,808	303,426,033	218,311,819	92,455,272	-	1,524,973,932
Other non financial liabilities	-	206,200,590	-	-	-	-	206,200,590
Derivative financial liabilities	-	-	-	-	-	14,073,854	14,073,854
Income tax liabilities	-	262,443,573	528,794,175	137,885,044	-	-	929,122,792
Retirement benefit obligations	-	352,976,672	-	-	-	-	352,976,672
Deferred tax liabilities	-	-	-	709,613,244	-	-	709,613,244
Lease Liability	-	1,184,975	27,365,314	110,210,222	249,986,889	95,011,684	483,759,084
Total Liabilities	1,456,303,098	15,436,866,904	28,679,522,363	29,550,816,546	10,107,595,606	150,752,205	85,381,856,721
Total Net Assets/ (Liabilities)	5,297,547,366	17,474,063,739	1,795,273,649	(11,543,546,204)	(5,213,711,974)	3,164,669,467	10,974,296,044

As at 31st March 2025	On Demand	Less than 03 Months	3-12 Month	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Total Assets							
Cash and cash equivalents	1,475,822,024						1,475,822,024
Repurchase agreements	500,328,893	1,334,289,296					1,834,618,189
Placements with banks & financial institutions	46,171,432	942,886,471	3,916,339,932	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	11,482,146	2,010,870,112	3,248,736,909	-	-	-	5,271,089,167
Loans and advances - at amortised cost	3,749,437,148	13,273,046,100	14,798,350,228	4,752,683,549	1,769,003,942	211,027	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	1,106,321,672	2,411,638,089	7,010,175,285	11,361,391,791	2,283,797,126	-	24,173,323,963
Financial assets- fair value through other comprehensive income	-	175,221,404	-	-	-	579,250	175,800,654
Other trading stocks	-	342,194	67,153,090	-	-	-	67,495,284
Other financial assets	(16,007)	214,041,898	169,840,169	159,199,700	23,832,986	-	566,898,746
Other non financial assets	10,580,500	46,257,425	77,427,061	34,794,026	20,818,106	54,747,959	244,625,077
Investments in associates	-	-	-	-	-	126,502,614	126,502,614
Investments in subsidiaries	-	-	-	-	-	18,522,288	18,522,288
Investment property	-	-	-	-	-	187,680,000	187,680,000
Property, plant & equipment	-	36,594,461	98,216,117	196,962,629	117,795,372	2,941,402,925	3,390,971,504
Intangible assets	-	1,061,859	3,132,419	6,456,248	3,959,904	170,064,461	184,674,891
Right of use asset	-	420,491	11,986,469	98,353,563	260,389,031	92,674,891	463,824,445
Deferred tax assets	-	-	-	135,483,254	-	-	135,483,254
Total Assets	6,900,127,808	20,446,669,799	29,401,357,681	16,745,324,762	4,479,596,467	3,592,385,415	81,565,461,932
Total Liabilities							
Due to banks	3,594,722,385	3,477,080,482	6,679,241,193	12,826,134,674	3,764,533,111	-	30,341,711,845
Debt Securities Measured at amortised cost	-	-	-	12,406,801	1,000,000,000	-	1,012,406,801
Due to depositors - at amortised cost	1,088,690,380	10,692,683,217	16,557,419,232	7,279,748,106	906,295,382	-	36,524,836,317
Debt instruments issued and other borrowed funds	-	-	-	-	-	-	-
Other financial liabilities	20,463,191	1,384,294,752	98,899,738	-	-	34,000,000	1,537,657,682
Other non financial liabilities	2,849	191,815,475	-	-	-	-	191,818,324
Derivative financial liabilities	-	-	-	-	-	-	-
Income tax liabilities	-	-	881,410,763	488,713,751	-	-	1,370,124,514
Retirement benefit obligations	-	87,094,962	-	-	-	-	87,094,962
Deferred tax liabilities	-	-	-	704,224,775	-	-	704,224,775
Lease Liability	-	618,054	14,668,053	105,883,671	239,627,263	85,257,793	446,054,835
Total Liabilities	4,703,878,806	15,833,586,943	24,231,638,979	21,417,111,778	5,910,455,756	119,257,793	72,215,930,068
Total Net Assets/ (Liabilities)	2,196,249,002	4,613,082,856	5,169,718,702	(4,671,787,016)	(1,430,859,289)	3,473,127,622	9,349,531,863

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.3.3 Analysis o Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at 31 March 2026.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31st March 2026	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets							
Cash and cash equivalents	1,246,680,006						1,246,680,006
Repurchase agreements	642,138,833	2,608,673,674					3,250,812,507
Placements with banks & financial institutions	158,641,200	2,915,015,497	3,401,878,516	-	5,000,000	-	6,480,535,214
Financial assets recognised through profit or loss	-	16,486,190	1,588,230,066	-	-	100,000,000	1,704,716,256
Loans and advances - at amortised cost	3,794,996,101	23,910,786,611	17,989,080,177	6,364,306,262	2,340,926,946	-	54,400,096,096
Lease rentals receivable & stock out on hire - at amortised cost	911,394,381	2,509,544,802	6,968,158,258	10,669,124,999	2,041,589,456	-	23,099,811,895
Financial assets- fair value through other comprehensive income	-	205,794,449	-	-	-	579,250	206,373,699
Other financial assets	-	420,321,137	212,283,184	136,697,809	-	376,031	769,678,162
Total Financial Assets	6,753,850,521	32,586,622,361	30,159,630,201	17,170,129,070	4,387,516,401	100,955,281	91,158,703,834
Financial Liabilities							
Due to banks & other borrowings	338,534,439	4,335,059,812	12,291,759,772	17,788,589,806	8,599,139,035	41,666,667	43,394,749,530
Due to depositors - at amortised cost	1,117,768,660	9,368,220,474	15,528,177,069	10,586,206,411	1,166,014,410	-	37,766,387,023
Other financial liabilities	-	910,780,808	303,426,033	218,311,819	92,455,272	-	1,524,973,932
Lease Liability	-	1,184,975	27,365,314	110,210,222	249,986,889	95,011,684	483,759,084
Derivative financial liabilities	-	-	-	-	-	14,073,854	14,073,854
Total Financial Liabilities	1,456,303,098	14,615,246,069	28,150,728,188	28,703,318,258	10,107,595,606	136,678,351	83,183,943,424
Total Net Financial Assets/(Liabilities)	5,297,547,423	17,971,376,292	2,008,902,013	(11,533,189,188)	(5,720,079,205)	(35,723,070)	7,974,760,410

As at 31st March 2025	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets							
Cash and cash equivalents	1,475,822,024						1,475,822,024
Repurchase agreements	500,328,824	1,334,289,330					1,834,618,154
Placements with banks & financial institutions	46,171,432	942,886,471	3,916,339,932	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	11,482,146	2,010,870,112	3,248,736,909	-	-	-	5,271,089,167
Loans and advances - at amortised cost	3,749,437,148	13,273,046,100	14,798,350,228	4,752,683,549	1,769,003,942	211,027	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	1,106,321,672	2,411,638,089	7,010,175,285	11,361,391,791	2,283,797,126	-	24,173,323,963
Financial assets- fair value through other comprehensive income	-	175,221,404	-	-	-	579,250	175,800,654
Other financial assets	(16,007)	214,041,898	169,840,169	159,199,700	23,832,986	-	566,898,746
Total Financial Assets	6,889,547,239	20,361,993,404	29,143,442,523	16,273,275,041	4,076,634,055	790,277	76,745,682,539
Financial Liabilities							
Due to banks & other borrowings	3,594,722,385	3,477,080,482	6,679,241,193	12,838,541,475	4,764,533,111	-	31,354,118,646
Due to depositors - at amortised cost	1,088,690,380	10,692,683,217	16,557,419,232	7,279,748,106	906,295,382	-	36,524,836,317
Other financial liabilities	20,463,191	1,384,294,752	98,899,738	-	-	34,000,000	1,537,657,682
Lease Liability	-	618,052	14,668,053	105,883,672	239,627,263	85,257,795	446,054,835
Derivative financial liabilities			-	-	-	-	-
Total Financial Liabilities	4,703,875,957	15,554,676,504	23,350,228,216	20,224,173,253	5,910,455,756	119,257,795	69,862,667,480
Total Net Financial Assets/ (Liabilities)	2,185,671,282	4,807,316,900	5,793,214,307	(3,950,898,212)	(1,833,821,701)	(118,467,517)	6,883,015,059

Assets held for managing liquidity risk

The Company holds a diversified portfolio of cash and high-quality ,highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

Cash and balances with central banks;

Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and Secondary sources of liquidity in the form of highly liquid instruments in the Company's trading portfolios.

Notes to the Financial Statements

54.4 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 classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. Trading portfolio includes financial assets and liabilities that are managed on a fair value basis. Non trading portfolio is managed in accordence with the purpose and strategic benefits of such investments, rather than purely on fair value basis.

54.5 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

To manage the interest rate risk, company has established limits on the non–trading interest rate gaps for stipulated periods. The Company's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits which is supplimented by monitoring the sensitivity of the company's financial assets and liabilities to various rate senarios. Net interest yeilds are also calculated for each product to ensure adequate margins are kept.

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity. Impact on Net Interest Income due to a parallel rate shock of 100 basis points (bps) on the rate sensitive assets and liabilities is shown below.

Currency of Borrowings/ Advance	Increase (Decrease) in 100 basis points	Sensitivity of Net Interest Income			
		2026		2025	
		LKR('000)		LKR('000)	
Borrowing at floating Rate	+100/ (-100)	(159,968)	159,968	(150,392)	150,392

54.5.1 As at 31st March 2026

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31st March 2026	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total LKR
Assets						
Cash and cash equivalents	1,024,569,566	-	-	-	222,110,440	1,246,680,006
Repurchase agreements	2,608,673,674	-	-	-	-	2,608,673,674
Placements with banks & financial institutions	3,073,656,698	3,401,878,516	-	-	-	6,475,535,214
Financial assets recognised through profit or loss	16,486,190	1,588,230,066	-	-	-	1,604,716,256
Loans and advances - at amortised cost	27,705,782,712	17,989,080,177	8,705,233,207	-	-	54,400,096,096
Lease rentals receivable & stock out on hire - at amortised cost	3,420,939,183	6,968,158,258	12,710,714,454	-	-	23,099,811,895
Financial assets- fair value through other comprehensive income	205,794,449	-	-	-	206,373,699	412,168,148
Other financial assets	420,321,137	212,283,184	136,697,809	-	-	769,302,131
Total Financial Assets	38,476,223,608	30,159,630,201	21,552,645,471	-	428,484,139	90,616,983,419
Financial Liabilities						
Due to banks	4,673,594,250	12,291,759,772	26,387,728,840	41,666,667	-	43,394,749,530
Due to depositors - at amortised cost	10,485,989,134	15,528,177,069	11,752,220,821	-	-	37,766,387,023
Other financial liabilities	910,780,808	303,426,033	310,767,091	-	-	1,524,973,932
Derivative financial liabilities	-	-	-	-	-	-
Total Financial Liabilities	16,070,364,192	28,123,362,874	38,450,716,752	41,666,667	-	82,686,110,486
Interest Sensitivity Gap	22,405,859,416	2,036,267,327	(16,898,071,281)	(41,666,667)	428,484,139	7,930,872,933

As at 31st March 2025	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non Interest Bearing	Total
Assets						
Cash and cash equivalents	1,253,711,584	-	-	-	222,110,440	1,475,822,024
Repurchase agreements	1,334,289,330	-	-	-	-	1,334,289,330
Placements with banks & financial institutions	989,057,903	3,916,339,932	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	2,022,352,259	3,248,736,909	-	-	-	5,271,089,167
Loans and advances - at amortised cost	17,022,483,247	14,798,350,228	6,521,687,492	211,027	-	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	3,517,959,761	7,010,175,285	13,645,188,917	-	-	24,173,323,963
Financial assets- fair value through other comprehensive income	175,221,404	-	-	-	175,800,654	351,022,059
Other financial assets	214,025,890	169,840,169	183,032,687	-	-	566,898,746
Total Financial Assets	26,529,101,379	29,143,442,523	20,349,909,095	211,027	397,911,094	76,420,575,119
Financial Liabilities						
Due to banks	7,071,802,867	6,679,241,193	17,603,074,586	-	-	31,354,118,646
Due to depositors - at amortised cost	11,781,373,597	16,557,419,232	8,186,043,488	-	-	36,524,836,317
Other financial liabilities	1,404,757,944	98,899,738	-	34,000,000	-	1,537,657,682
Total Financial Liabilities	20,257,934,408	23,335,560,163	25,789,118,073	34,000,000	-	69,416,612,645
Interest Sensitivity Gap	6,271,166,971	5,807,882,360	(5,439,208,978)	(33,788,973)	397,911,094	7,003,962,474

54.5.2 Exchange rate risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local exchange rate with other major currencies

The following significant exchange rates were applied during the year

	Average Rate	Reporting date spot rate	
	2026	2026	2025
USD/ LKR	305.23	315.54	296.32

Notes to the Financial Statements

The Company's exposure to foreign currency risk is as follows;

As at 31st March 2026

	LKR	USD / LKR	Total (USD)
Cash & Cash Equivalents/Placements with banks	6,051,219,690	315.54	19,177,394
Borrowings	7,624,254,970	310.94	24,520,000
	13,675,474,660		43,697,394

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.5.2 Exchange rate risk (Contd.)

Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st March 2026.

	Effect on profit or loss (LKR)	Effect on equity (LKR)
USD depreciated against LKR by 5%	683,773,733	683,773,733
USD appreciated against LKR by 5%	(683,773,733)	(683,773,733)

54.5.3 Commodity price risk

Commodity price risk refers to the uncertainties of future market values and of the size of future income , caused by the fluctuation in the prices of commodoties. Given the significance of the Gold Loans business to the Company's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk is the primary source of credit risk associated with this product. The company manage gold commodity risk bys concentarting short term products and revise LTV at routine intervels.

	Current Status					If Price Drop by 5%			If Price Drop by 10%		
	Portfolio Value (Gross) LKR '000	Market Value LKR '000	Margin of Safety (Cushion)	Gross Value LTV (Based on Market Value)	Capital LTV(Based on Market Value)	Market Value LKR '000	Margin of Safety (Cushion)	LTV (Based on Market Value)	Market Value LKR '000	Margin of Safety (Cushion)	LTV (Based on Market Value)
31st March 2026	23,290	38,195	39.02%	60.98%	59.46%	36,286	35.81%	64.19%	34,376	32.2%	67.8%
31st March 2025	15,403	23,245	33.73%	66.27%	64.44%	22,083	30.25%	69.75%	20,920	26.4%	73.6%

54.5.4 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

54.6 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

Business were stress tested with multiple operating scenarios to ascertain the impact on the ability to sustain its operations with liquidity reserves in place. With the assumptions and different levels of operations the company satisfied of the ability of the business manage its operations even an extreme tested scenarios.

54.7 Capital

The Company maintains an activity managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka . The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financing markets where the entities within the Company operate;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's management, employing techniques based on the guidelines developed by the Central Bank of Sri Lanka, for supervisory purposes. The required returns are filed on a monthly basis.

Notes to the Financial Statements

54. FINANCIAL RISK MANAGEMENT (CONTD.)

54.7 Capital

The Company maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the Authority which takes into account the risk profile of the Company.

The regulatory capital requirements are strictly observed when managing economic capital. The Company's regulatory capital is managed by each month by the Board of Directors and comprises two tiers:

For a financial institution capital is a buffer against insolvency. It is available to absorb unforeseen losses which asserts the Company's ability to continue operations in to the foreseeable future. The more capital the company has relative to the risks it takes, the more confident the stakeholders are that it will meet its obligations to them. Company's capital management process is steered with the aim of holding sufficient capital to support the Company's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements.'

Tire 1' Capital is capital which is permanently and freely available to absorb losses without a finance company being obliged to cease trading. Tier 1' Capital consists of paid up ordinary share capital, free reserves, statutory reserve fund and audited retained earnings. Tier 1' Capital is important because it safeguards both the survival of a finance company and stability of the financial system.

Tier 2 Capital is capital which generally absorbs losses only in the event of a winding up of a finance company, and so provides a lower level of protection for depositors and other creditors Tier - 2' Capital includes revaluation reserve, general provisions and hybrid capital instruments and approved subordinated term debts.

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

Measures taken to consider capital adequacy requirements of the Company

1 The Company prepares the Corporate Plan and Budget on a rolling basis covering a period of 5 years which includes the computation of Capital Adequacy ratios (CARs).

2 The Company carefully analyses the CARs against increases in risk-weighted assets underlying the budgeted expansion of business volumes.

3 The Company has set up an internal guideline on minimum CARs and ensures that appropriate measures are employed to improve the CARs are also built into the budget. Budgeting process of the Company encapsulates all future capital requirements and this process invariably captures estimated capital expenditure and the business growth in determining the optimum level of capital to be maintained.

4 The Company has addressed all material risk exposures when formulating strategic plan and has a well-diversified assets portfolio which is neither overly exposed to any counterparty nor to any sector. Ways and means of improving the CARs are being monitored on an ongoing basis.

5 The Company always strives to achieve a reasonable growth in profit and is also mindful to pay a consistent stream of dividends to the shareholders Part of the profit generated is retained for future business expansion. Given the size of the Company, capital generated through retained profits over the years could be considered as one of the primary sources of internal capital to the Company.

Capital management objectives
The objectives of the Company's Capital Management efforts include:

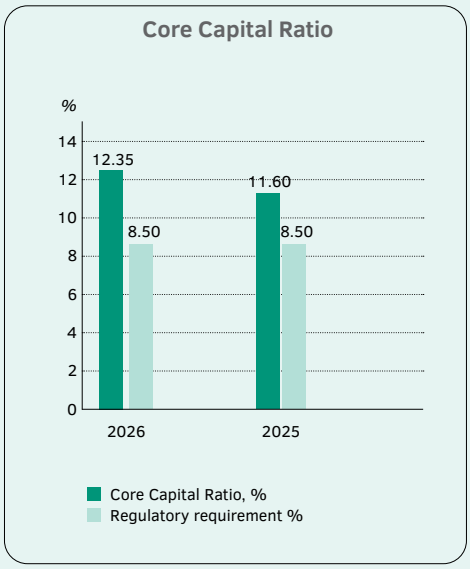
- Compliance with the regulatory requirements
- Maintaining internal capital targets which are more stringent than the regulatory requirements
- Optimum capital usage for maximum profitability (which meets investor expectations)
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended 31 March 2026 and 2025. During those two years, the Company has complied with all of the externally imposed capital requirements to which they are subjected.

54.7 Capital

Capital Adequacy Ratios

As at 31st March	2026	2025
	LKR ('000)	LKR ('000)
Tier 1 Capital	8,879,987	7,392,616
Total Capital	12,494,944	10,232,153
Total Risk Weighted Amount	71,927,521	63,725,337
Risk Weighted Amount for Credit Risk	62,382,741	55,872,220
Risk Weighted Amount for Operational Risk	9,544,780	7,853,118
Core Capital Ratio, %	12.35	11.60
Regulatory requirement	8.50	8.50
Total Capital Ratio, %	17.37	16.06
Regulatory requirement	12.50	12.50





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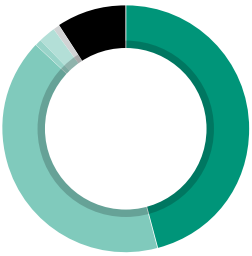
CONTRIBUTION TO NATIONAL ECONOMY

Sources and Utilisation of Income - Company

For the year ended 31st March	2026		2025	
	LKR	%	LKR	%
Sources of Income				
Loans and Advances	8,443,990,505	46%	5,882,301,949	38%
Lease, Hire purchases and Consumer Durables	7,450,560,627	41%	7,647,117,204	49%
Government Securities	235,825,636	1%	429,549,180	3%
Placements with Banks & Financial Institutions	308,342,314	2%	195,664,137	1%
Other Investments	172,106,041	1%	81,706,588	1%
Other Income	1,580,161,972	9%	1,436,779,817	9%
Total Income	18,190,987,095	100%	15,673,118,875	100%
To Employees				
Personnel Expenses	2,447,475,315	13%	2,109,458,450	13%
To Suppliers				
Interest paid	7,579,964,991	42%	6,472,265,408	41%
Other Expenses	2,830,018,598	16%	2,564,492,850	16%
Depreciation	259,818,081	1%	212,784,329	1%
Impairment for loans and other losses	544,741,096	6%	233,790,064	1%
	11,214,542,766	62%	9,483,332,650	61%
To Government				
Value added Tax & Other Taxes	1,139,224,523	6%	1,012,264,791	6%
Income Tax	1,318,339,791	7%	1,352,135,165	9%
	2,457,564,314	14%	2,364,399,967	15%
To Shareholders				
Dividends	310,003,086	2%	552,614,544	4%
Invested in the business	1,761,401,614	10%	1,163,313,274	7%
	2,071,404,700	11%	1,715,927,808	11%
	18,190,987,095	100%	15,673,118,875	100%

Souces of Income - 2025/26



Loans and Advances	46%
Lease, Hire purchases and Consumer Durables	41%
Government SecuritieS	1%
Placements with Banks & Financial Institutions	2%
Other Investments	1%
Other Income	9%

Value Distribution- 2025/26



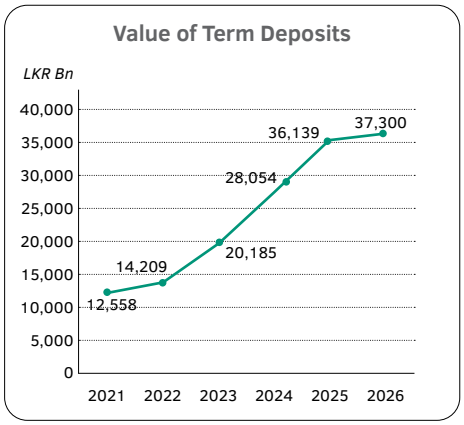
To Employees	13%
To Government	14%
To Shareholders	11%
To suppliers	62%

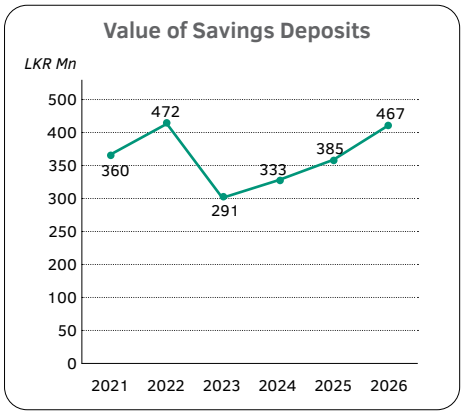
DEPOSITORS' INFORMATION

ANALYSIS OF DEPOSIT BASE

a) Value of Deposit Base

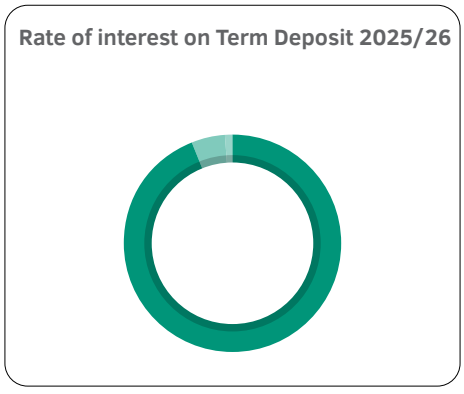
Value of Deposits	2019	2020	2021	2022	2023	2024	2025	2026
	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn	LKR Mn
Value of Term Deposits	11,955	11,979	12,558	14,209	20,185	28,054	36,139	37,300
Value of Savings Deposits	539	369	360	472	291	333	385	467
	12,494	12,347	12,919	14,681	20,476	28,387	36,525	37,766

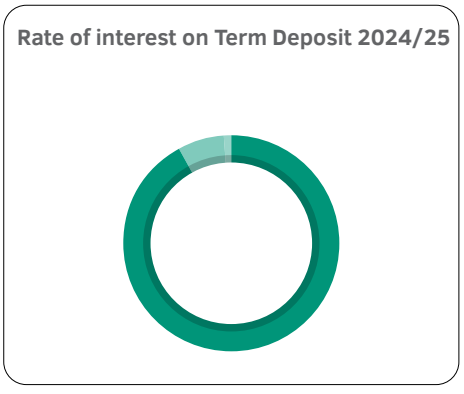




b) Rate of Interest Basis on Term Deposits

	As at 31st March 2026			As at 31st March 2025		
	No.of Deposits	Value LKR Mn	% of Total	No.of Deposits	Value LKR Mn	% of Total
Less than 15%	18,367	33,855	93.86%	15604	33,166	91.68%
More than or equal to 15% and less than 20%	501	1,898	5.26%	712	2,388	6.60%
More than or equal to 20% and less than 25%	100	257	0.71%	138	495	1.37%
More than or equal to 25% and less than 30%	54	60	0.17%	74	126	0.35%
More than or equal to 30%	-	-	0.00%	-	-	0.00%
Total	19,022	36,071	100%	16,528	36,174	100%

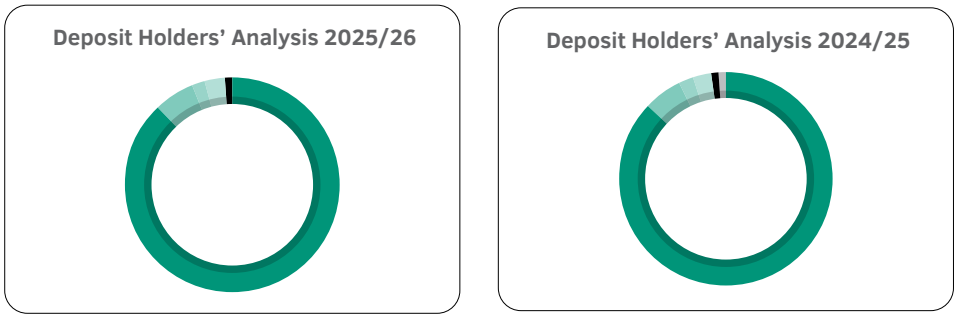




	2026	2025
Less than 15%	93.86%	91.68%
More than or equal to 15% and less than 20%	5.26%	6.6%
More than or equal to 20% and less than 25%	0.71%	1.37%
More than or equal to 25% and less than 30%	0.17%	0.35%
More than or equal to 30%	0%	0%

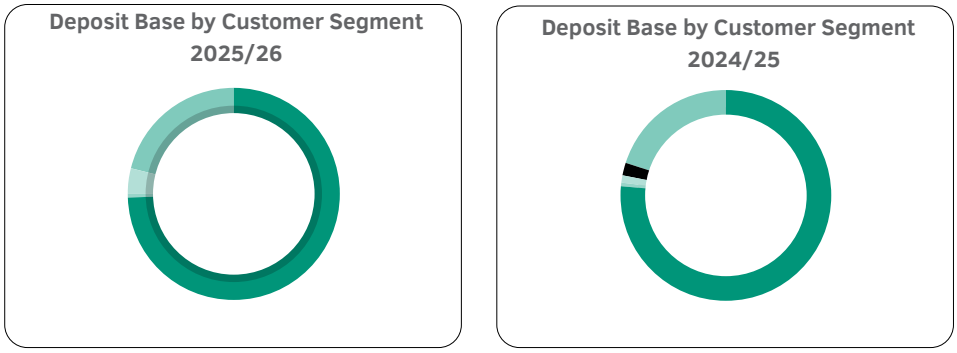
C) Capital Range on Term Deposits

	As at 31st March 2026			As at 31st March 2025		
	No. of Deposits	Value LKR Mn	%	No. of Deposits	Value LKR Mn	%
1 - 100,000	5,661	108	0.30%	2,109	123	0.34%
100,001 - 250,000	1,874	336	0.93%	2,128	392	1.08%
250,001 - 500,000	2,459	1,007	2.79%	2,820	1,191	3.29%
500,001 - 750,000	1,168	723	2.00%	1,294	839	2.32%
750,001 - 1,000,000	2,124	2,031	5.63%	2,237	2,214	6.12%
Over 1,000,000	5,736	31,865	88.34%	5,940	31,416	86.85%
	19,022	36,071	100%	16,528	36,174	100.00%



d) Deposits Term Analysis

	As at 31st March 2026		As at 31st March 2025	
	LKR Mn	%	LKR Mn	%
Individuals	26,992	74.83%	27,985	77%
Subsidiaries / Associate Companies	140	0.39%	195	1%
Other Companies	1,463	4.06%	773	2%
Pensions, Provident Funds, Clubs etc.	7,476	20.73%	7,220	20%
	36,071	100%	36,174	100%



TEN YEARS AT A GLANCE

For Year Ended 31 March (In LKR Mn)	2017	2018	2019	2020
OPERATING RESULTS				
Income	5,331	6,731	7,029	7,501
Profit Before Tax	834	810	600	532
Income Tax	185	82	294	323
Profit After Tax	649	728	306	209
BALANCE SHEET				
Assets				
Cash,Cash Equivalent & Deposits	1,645	1,626	1,224	2,253
Receivables	1,307	1,435	3,279	4,138
Stocks	22,866	25,019	24,863	24,790
Investments	2,081	2,019	1,020	1,071
Property,Plant & Equipment	2,123	1,682	1,746	1,694
Total Assets	30,022	31,781	32,132	33,945
Liabilities				
Term Deposit	10,088	13,257	12,494	12,347
Bank Overdraft/Loans	15,154	13,144	14,190	16,217
Provisions & Other Liabilities	715	1,081	937	769
Total Liabilities	25,957	27,482	27,621	29,332
Shareholders' Funds	4,065	4,299	4,510	4,613
CHANGES IN FINANCIAL POSITION				
Sources of Funds				
Operations	796	1,534	38	782
Sale of Fixed Assets	25	40	7	8
Term Deposits	(376)	3,169	(763)	(146)
Bank Overdraft/Loans	2,890	(1,572)	728	1,935
Others	(102)	(120)	(106)	(119)
Grand Total	3,234	3,052	(96)	2,460
Application of Funds				
Capital Expenditure	70	208	207	99
Portfolio Disbursements	2,848	2,179	191	705
Deposits	37	(334)	(95)	478
Income Tax	180	126	148	413
Dividends	183	214	76	34
Other	(192)	399	(395)	27
Changes in Available Resources	106	260	(229)	705
Grand Total	3,234	3,052	(96)	2,460
NO. OF SHARES	33,696,000	33,696,000	33,696,000	33,696,000

	2021	2022	2023	2024	2025	2026
	7,527	8,442	12,421	13,926	15,673	**18,191**
	1,296	2,364	951	1,698	3,087	**3,357**
	735	901	446	781	1,352	**1,318**
	561	1,463	505	917	1,735	**2,038**
	1,781	1,333	5,723	5,246	8,216	**10,978**
	2,586	3,176	2,567	2,581	2,236	**1,649**
	26,249	40,266	37,382	44,545	61,376	**77,277**
	1,129	863	3,980	4,600	6,346	**2,993**
	2,378	2,502	2,595	3,203	3,391	**3,459**
	34,122	48,140	52,248	60,175	81,565	**96,356**
	12,919	14,681	20,476	28,387	36,525	**37,766**
	14,098	25,096	23,455	21,440	31,879	**41,771**
	1,289	1,681	1,359	2,218	3,812	**5,845**
	28,306	41,459	45,290	52,046	72,216	**85,382**
	5,816	6,681	6,958	8,129	9,350	**10,974**
	1,973	2,325	(468)	1,723	1,988	**7,472**
	(24)	1,380	285	21	(14)	**89**
	571	1,763	5,794	7,912	8,137	**1,242**
	(2,123)	9,848	(4,149)	(212)	6,021	**11,621**
	(123)	(67)	(200)	(382)	2,346	**3,060**
	274	15,248	1,262	9,062	18,478	**23,484**
	123	379	291	443	724	**619**
	418	14,761	(1,352)	7,112	16,415	**15,207**
	(244)	(357)	4,020	(1,375)	2,147	**2,471**
	255	793	683	545	881	**1,861**
	-	404	270	168	553	**310**
	(44)	(684)	732	(501)	(421)	**(10)**
	(234)	(48)	(3,382)	2,669	(1,820)	**3,026**
	274	15,248	1,262	9,062	18,478	**23,484**
	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	**33,696,000**

Ten Years at a Glance

For Year Ended 31 March (In LKR Mn)	2017	2018	2019	2020
INDICATORS OF PERFORMANCE				
Return on Shareholders Funds % (After Tax)	19.14	17.42	6.95	4.57
Return on Total Assets % (After Tax)	2.33	2.36	0.96	0.63
Earnings per Share (LKR)	19.85	21.62	9.09	6.19
Market Value per Share (LKR)	55.00	65.70	53.60	34.40
Price Earning Ratio %	2.77	3.04	5.90	5.56
Rate of Dividend %	32.38	35.12	5.49	-
Dividend per Share (LKR)	5.90	6.40	1.00	-
Gross Dividend LKR Mn	198.81	215.65	33.70	-
Dividend Cover (Times)	3.36	3.38	9.09	-
Dividend Payout %	29.73	29.60	11.01	-
Net Assets per Share (LKR)	120.63	127.58	133.85	136.90
MARKET VALUE PER SHARE DURING THE YEAR				
Highest Value Recorded During the Year (LKR)	1,300.00	79.40	72.50	54.50
Lowest Value Recorded During the Year (LKR)	52.30	53.00	50.00	30.00
Market Value as at 31st March (LKR)	55.00	65.70	53.60	34.40
FINANCIAL HIGHLIGHTS				
Assets LKR Mn	30,022	31,781	32,132	33,945
Liabilities LKR Mn	25,957	27,482	27,621	29,332
Shareholders Funds LKR Mn	4,065	4,299	4,510	4,613

	2021	2022	2023	2024	2025	2026
	10.76	23.41	7.40	12.15	19.85	**20.06**
	1.65	3.56	1.01	1.63	0.02	**2.29**
	16.65	43.42	14.98	27.21	51.48	**60.49**
	49.50	70.40	66.80	90.40	180.50	**315.00**
	2.97	1.62	4.46	3.32	3.51	**5.21**
	30.18	65.86	27.44	46.10	94.40	**54.88**
	5.50	14.50	5.00	8.40	17.20	**10.00**
	185.33	488.59	168.48	283.05	579.57	**336.96**
	3.03	2.99	3.00	3.24	2.99	**6.05**
	33.04	33.39	33.38	30.87	33.41	**16.53**
	172.61	198.28	206.50	241.25	277.47	**325.69**
	59.00	116.50	92.00	120.00	215.00	**494.00**
	30.00	59.10	42.00	67.60	90.50	**167.50**
	49.50	70.40	66.80	90.40	180.50	**315.00**
	34,122	48,140	52,248	60,175	81,565	**96,356**
	28,306	41,459	45,290	52,046	72,216	**85,382**
	5,816	6,681	6,958	8,129	9,350	**10,974**

SHAREHOLDER INFORMATION

DISTRIBUTION OF SHARES

Holdings	31st March 2026			31st March 2025		
	No of Shareholders	Total No. of Shares	%	No of Shareholders	Total No. of Shares	%
1-1000	**1,699**	**329,648**	**1.0**	1,251	194,703	0.6
1001 - 10000	**444**	**1,455,079**	**4.32**	465	1,381,710	4.10
10001 - 100000	**128**	**4,037,759**	**11.98**	133	4,048,054	12.01
100001 - 1000000	**20**	**5,376,382**	**15.96**	25	5,593,401	16.60
Over 1000000	**5**	**22,497,132**	**66.76**	5	22,478,132	66.71
	2,296	**33,696,000**	**100.00**	1,879	33,696,000	100.00

PUBLIC HOLDINGS

Public holding as at 31st March 2026 is 35.26% (31st March 2025 is 35.33%)
No. of Shareholders representing public holding - 2296

FLOAT ADJUSTED MARKET CAPITALIZATION

Float Adjusted Market Capitalization as at 31st March 2026 is Rs.4,200,490,262.50 (31/03/2025 - Rs.2,148,775,787.50)
The Company is compliant with option 5 of the Listing Rules 7.13.1 (i) (a) - Less than LKR 2.5 Bn. Float Adjusted Market Capitalization which requires 20% minimum public holding.

TWENTY MAJOR SHAREHOLDERS

As at 31st March

	2026			2025		
No.	Name of Shareholder	No. of Shares	%	Name of Shareholder	No. of Shares	%
1	Mr.R.K.E.P. de Silva	12,423,830	36.87	Mr.R.K.E.P. de Silva	12,423,830	36.87
2	Motor Service Station (Pvt) Ltd.,	4,647,133	13.79	Motor Service Station (Pvt) Ltd.,	4,647,133	13.79
3	Mrs D.M.E.P. Perera	2,583,862	7.67	Mrs D.M.E.P. Perera	2,564,862	7.61
4	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera (Joint)	1,483,984	4.40	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera (Joint)	1,483,984	4.40
5	Orient Hotels Ltd.,	1,358,323	4.03	Orient Hotels Ltd.,	1,358,323	4.03
6	Mrs.S.E. Canekeratne	612,268	1.82	Mrs.S.E. Canekeratne	612,268	1.82
7	J B Cocoshell (Pvt) Ltd.	475,309	1.41	J B Cocoshell (Pvt) Ltd.	596,066	1.77
8	Mr.D.L.S.R. Perera	412,266	1.22	Mr.D.L.S.R. Perera	412,266	1.22
9	Mrs.P.N. Weththasinghe & Mrs.A.S. Weththasinghe	401,051	1.19	Mrs.C.R. de Silva	374,400	1.11
10	Ms.D.C.M.A. Perera	374,542	1.11	Mr. D.F.W. Perera	363,243	1.08
11	Mrs.C.R. de Silva	374,400	1.11	Ms.D.C.M.A. Perera	361,042	1.07
12	Mr. D.F.W. Perera	363,243	1.08	Hatton National Bank PLC/Mr.K.K. Shujeevan	334,434	0.99
13	People's Leasing & Finance PLC/Mr.K.K. Shujeevan	336,976	1.00	Ms.D.D.P.T. Perera	319,384	0.95
14	Ms.D.D.P.T. Perera	326,884	0.97	Mrs.P.N. Weththasinghe	299,975	0.89
15	Mr.W.G.D.C. Ranaweera	254,891	0.76	Mr.G.P. Kapilasena	201,180	0.60
16	Mrs.K.G.G.S.L. Perera	201,066	0.60	Mrs.K.G.G.S.L. Perera	201,066	0.60
17	Mrs.N.U. Silva	172,105	0.51	Mrs.N.U. Silva	172,105	0.51
18	Mrs.C. Yogagopalakrishnan & Mrs.Y. Thirukumar	155,920	0.46	Mrs.C. Yogagopalakrishnan & Mrs.Y. Thirukumar	155,920	0.46
19	Mr.G.P. Kapilasena	201,180	0.60	Mr.W.G.D.C. Ranaweera	149,384	0.44
20	Mr.D.L.S.R. Perera & Mrs. D.C.M.A Perera	146,290	0.43	Mr.D.L.S.R. Perera & Mrs. D.C.M.A Perera	146,290	0.43
		27,305,523	81.03		27,177,155	80.65

DIRECTORS' SHAREHOLDING

Instituional and Individual shareholders as at	31/03/2026			31/03/2025		
	No of shareholder	No of Shares	%	No of shareholder	No of Shares	%
Instituion	31	3,789,393	11.16%	32	7,010,230	20.80%
Individuals	2265	30,179,607	88.84%	1846	26,685,770	79.20%
	2296	33,969,000	100.00%	1878	33,969,000	100.00%

GRI INDEX TABLE

Statement of use	**ALLIANCE FINANCE PLC has reported the information cited in this GRI content index for the period 01ST APRIL 2025 TO 31ST MARCH 2026 with reference to the GRI Standards.**
GRI 1 used	**GRI 1: Foundation 2021**

GRI STANDARD	DISCLOSURE	PAGE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	2, Inner Back Cover	About Our Integrated Report, Corporate Information
	2-2 Entities included in the organization's sustainability reporting	2	About Our Integrated Report
	2-3 Reporting period, frequency and contact point	2, 5	About Our Integrated Report, Feedback
	2-4 Restatements of information	5	Forward-Looking Statements
	2-5 External assurance	5	Combined Assurance
	2-6 Activities, value chain and other business relationships	42, 139, 164	Value Creation Model, Suppliers, Strategic Business Partners
	2-7 Employees	150	Human Capital
	2-8 Workers who are not employees	153	Attracting And Retaining Talent
	2-9 Governance structure and composition	182	Corporate Governance Report
	2-10 Nomination and selection of the highest governance body	189	Board Refreshment
	2-11 Chair of the highest governance body	191,192	Division Of Responsibilities
	2-12 Role of the highest governance body in overseeing the management of impacts	183	The Board
	2-13 Delegation of responsibility for managing impacts	193	Board Sub-Committees
	2-14 Role of the highest governance body in sustainability reporting	188	Esg Governance
	2-15 Conflicts of interest	190	Conflict Of Interest
	2-16 Communication of critical concerns	196	Corporate Governance Report
	2-17 Collective knowledge of the highest governance body	188	Board Composition
	2-18 Evaluation of the performance of the highest governance body	195	Board And Board Sub Committee Evaluation
	2-19 Remuneration policies	191	Directors Remuneration
	2-20 Process to determine remuneration	191	Directors Remuneration
	2-21 Annual total compensation ratio	355	Compensation To Key Management Personnel
	2-22 Statement on sustainable development strategy	8	The Alliance Finance Co. Plc
	2-23 Policy commitments	150, 182	Human Capital, Corporate Governance Report
	2-24 Embedding policy commitments	150, 182	Human Capital, Corporate Governance Report
	2-25 Processes to remediate negative impacts	44, 139, 158	Stakeholder Engagement, Customer Complaints, Career Development
	2-26 Mechanisms for seeking advice and raising concerns	139, 158, 182	Customer Complaints, Career Development, Corporate Governance Report
	2-27 Compliance with laws and regulations	150, 158, 184	Human Capital, Business Conduct And Ethics, Key Board Responsibilities
	2-28 Membership associations	165	Memberships And Affiliations
	2-29 Approach to stakeholder engagement	44	Stakeholder Engagement
	2-30 Collective bargaining agreements	150	Human Capital

GRI STANDARD	DISCLOSURE	PAGE	LOCATION
GRI 3: Material Topics 2021	3-1 Process to determine material topics	49	Materiality Assessment
	3-2 List of material topics	49	Materiality Assessment
	3-3 Management of material topics	49	Materiality Assessment
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	24	Value Added Statement - Company
	201-2 Financial implications and other risks and opportunities due to climate change	62	Slfrs S1 & S2 Conformity
	201-3 Defined benefit plan obligations and other retirement plans	151	Diversity, Equality And Inclusion (DEI)
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	151	Diversity, Equality And Inclusion (DEI)
	202-2 Proportion of senior management hired from the local community	151	Diversity, Equality And Inclusion (DEI)
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	142	Community Investment
	203-2 Significant indirect economic impacts	141	Community
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	139	Suppliers
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	90, 184	Managing Risks And Opportunities, Key Board Responsibilities
	205-2 Communication and training about anti-corruption policies and procedures	141	Supplier Management Framework
	205-3 Confirmed incidents of corruption and actions taken	44	Stakeholder Engagement
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	67	Industry Based Sustainability Disclosure Topics & Metrics
GRI 207: Tax 2019	207-1 Approach to tax	313	Value Added Tax On Financial Services
	207-2 Tax governance, control, and risk management	313	Value Added Tax On Financial Services
	207-3 Stakeholder engagement and management of concerns related to tax	46	Regulators
GRI 302: Energy 2016	302-1 Energy consumption within the organization	170	ENERGY (Natural Capital)
	302-3 Energy intensity	170	ENERGY (Natural Capital)
	302-4 Reduction of energy consumption	170	ENERGY (Natural Capital)
	302-5 Reductions in energy requirements of products and services	68, 170	Targets and Metrics, ENERGY (Natural Capital)
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	172	Water
	303-2 Management of water discharge-related impacts	172	Water
	303-5 Water consumption	172	Water
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	83,174	Biodiversity & Ecosystems Restoration, Environmental Project

GRI Index Table

GRI STANDARD	DISCLOSURE	PAGE	LOCATION
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	68	Targets and Metrics, Natural Capital (Emission)
	305-2 Energy indirect (Scope 2) GHG emissions	68	Targets and Metrics , Natural Capital (Emission)
	305-3 Other indirect (Scope 3) GHG emissions	68	Targets and Metrics, Natural Capital (Emission)
	305-4 GHG emissions intensity	172	Natural Capital
	305-5 Reduction of GHG emissions	68	Targets and Metrics
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	68	Targets and Metrics
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	173	Waste
	306-2 Management of significant waste-related impacts	173	Waste
	306-3 Waste generated	173	Waste
	306-4 Waste diverted from disposal	173	Waste
	306-5 Waste directed to disposal	173	Waste
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	141	Supplier Management Framework
	308-2 Negative environmental impacts in the supply chain and actions taken	141	Supplier Management Framework
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	153	Attracting and Retaining Talent
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	154	Comprehensive Remuneration And Benefits
	401-3 Parental leave	154	Parental Leave
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	158	Career Development
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	158	Safety and Wellbeing
	403-2 Hazard identification, risk assessment, and incident investigation	158	Safety and Wellbeing
	403-3 Occupational health services	158	Safety and Wellbeing
	403-4 Worker participation, consultation, and communication on occupational health and safety	158	Safety and Wellbeing
	403-5 Worker training on occupational health and safety	158	Safety and Wellbeing
	403-6 Promotion of worker health	158	Safety and Wellbeing
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	158	Safety and Wellbeing
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	158	Learning and Development
	404-2 Programs for upgrading employee skills and transition assistance programs	158	Learning and Development
	404-3 Percentage of employees receiving regular performance and career development reviews	155	Performance Management

GRI STANDARD	DISCLOSURE	PAGE	LOCATION
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	152	Employees By Type
	405-2 Ratio of basic salary and remuneration of women to men	151	Comprehensive Remuneration and Benefits
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	151	Diversity, Equality And Inclusion (DEI)
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	150	Principle 3: Freedom Of Association and Collective Bargaining
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	151	Principle 5: Abolition Of Child Labour
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	151	Principle 4: Elimination Of Forced And Compulsory Labour
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	142	Community Engagement
	413-2 Operations with significant actual and potential negative impacts on local communities	141	Community Investment
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	141	Supplier Management Framework
	414-2 Negative social impacts in the supply chain and actions taken	141	Supplier Management Framework
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	136	Customers
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	136	Customers
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	137	Product Disclosures
	417-2 Incidents of non-compliance concerning product and service information and labeling	137	Product Disclosures
	417-3 Incidents of non-compliance concerning marketing communications	137	Marketing and Promotions
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	139	Data Privacy

ALIGNMENT TO SLFRS S1 AND S2

Alignment to SLFRS Standards (S1 And S2)

SLFRS S1 (CORE CONTENT)		
SLFRS No.	SLFRS S1 CORE CONTENT (CLAUSES 25 to 53 OF SLFRS S1)	Location
Governance		
26	-	62,63
27	a, a-i, a-ii, a-iii, a-iv, a-v, b, b-i, b-ii	
Strategy		
28		N/A
29	a, b, c, d, e	
30	a, b, c	
31	-	
32	a, b	
33	a, b, c	
34	a, b	
35	a, b, c, c-i, c-ii, d	
36	-	
37	a, b	
38	a, b	
39	-	
40	a, b, c	
41	-	
42	-	
Risk Management		
43	a, b	64
44	a, a-i, a-ii, a-iii, a-iv, a-v, a-vi, b, c	
Metrics and Targets		
45	-	N/A
46	a, b, b-i, b-ii	
47	-	
48	-	
49	-	
50	a, b, c, d	
51	a, b, c, d, e, f, g	
52	-	
53	-	

IFRS S2 (CORE CONTENT)		
SLFRS No.	SLFRS S2 CORE CONTENT (CLAUSES 05 to 37 OF SLFRSS2)	Location
Governance		
5	-	62,63
6	a, a-i, a-ii, a-iii, a-iv, a-v, b, b-i, b-ii	
7	-	
Strategy		
8	-	64, 65, 70, 71, 79-82
9	a, b, c, d, e	
10	a, b, c, d	64, 65, 70, 71, 79-82
11	-	64, 65, 70, 71, 79-82
12	-	67,68
13	a, b	70-73, 77-80
14	a, a-i, a-ii, a-iii, a-iv, a-v, b, c	64, 70-73
15	a, b	71-73
16	a, b, c, c-i, c-ii, d	
17	-	
18	a, b	
19	a, b	
20	-	
21	a, b, c	
22	a, a-i, a-ii, a-iii, b, b-i, b-ii , b-iii	77-80
23	-	
Risk Management		
24	-	64,70, 73-82
25	a, a-i, a-ii, a-iii, a-iv, a-v, a-vi, b, c	
26	-	
Metrics and Targets		
27	-	67-70
28	a, b, c	
Climate-Related Metrics		
29	a, a-i, a-ii, a-iii, a-iv, a-v, a-vi, b, c, d, e, f, f-i, f-ii, g, g-I, g-ii	67-70
30	-	
31	-	
32	-	
Climate-Related		
33	a, b, c, d, e, f, g, h	67-70
34	a, b, c, d	
35	-	
36	a, b, c, d, e, e-i, e-ii, e-iii, e-iv	
37	-	

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURE

Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s)
Commercial banks	Data security	(1) Number of data breaches, (2) percentage that are personal data breaches, (3) number of account holders affected	FN-CB-230a.1	Page 67
		Description of approach to identifying and addressing data security risks	FN-CB-230a.2	Page 67 Page 103
	Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding that qualify for programmes designed to promote small business and community development	FN-CB-240a.1	Page 56 Page 67
		(1) Number and (2) amount of past due and nonaccrual loans or loans subject to forbearance that qualify for programmes designed to promote small business and community development	FN-CB-240a.2	Page 56 Page 67
		Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	Page 67
		Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	Page 67
	Incorporation of Environmental, Social, and Governance factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	FN-CB-410a.1	Page 94 - 95 Page 67 - 68 Page 79 - 81
	Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	FN-CB-410b.1	Page 67 - 70 Page 82 - 83
		Gross exposure for each industry by asset class	FN-CB-410b.2	Page 67 - 70 Page 82 - 83
		Percentage of gross exposure included in the financed emissions calculation	FN-CB-410b.3	Page 67 - 70 Page 82 - 83
		Description of the methodology used to calculate financed emissions	FN-CB-410b.4	Page 67 - 70 Page 82 - 83
	Business ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations5	FN-CB-510a.1	Page 68
		Description of whistleblower policies and procedures	FN-CB-510a.2	Page 65 Page 107
	Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category6	FN-CB-550a.1	N/A
		Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	Page 90 - 93 Page 68

INDEPENDENT LIMITED ASSURANCE REPORT- GRI, SLFRS S1 AND S2, AND SASB STANDARDS

Deloitte.

Deloitte Associates
No 100, Braybrooke Place
Colombo 02
Sri Lanka

Tel. +94 11 5444400, +94 11 2580409,
+94 11 2503262,
Fax: +94 112582452
www.deloitte.com

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF THE DIRECTORS OF ALLIANCE FINANCE COMPANY PLC ON THE INFORMATION PRESENTED WITH REFERENCE TO THE GRI, SLFRS S1 and S2, AND SASB STANDARDS IN THE INTEGRATED ANNUAL REPORT – 2025/2026

SCOPE

We have been engaged by the management of Alliance Finance Company PLC ("the Company") to perform an independent limited assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative), SLFRS S1 and S2 and SASB (Sustainability Accounting Standards Board) Standards ("Information") in its Integrated Annual Report for the year ended 31 March 2026 (the "Report").

MANAGEMENT'S RESPONSIBILITY

Management of the Company is responsible for preparation and presentation of the information with reference to the GRI, SLFRS S1 and S2 and SASB standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the information that is free from material misstatement, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The firm applies Sri Lanka Standards on Quality Management and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the information presented in Report with reference to the GRI, SLFRS S1 and S2 and SASB standards. We conducted our limited assurance engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("SLSAE 3000 - Revised") issued by the Institute of Chartered Accountants of Sri Lanka. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the information is free from material misstatement.

A limited assurance engagement undertaken in accordance with SLSAE 3000 (Revised) involves assessing the risks of material misstatement of the information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the information.
A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and were included,

- Comparing of the content of the Report against the GRI, SLFRS S1 and S2 and SASB standards.
- Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation, and presentation of data.
- Cross checking the sustainability disclosures with the supporting documents and schedules maintained by the Company.
- Cross checking the financial information presented in the Report with the audited financial statements of the Company for the financial reporting period ended 31 March 2026.

G J David FCA, **T U Jayasinghe** FCA, **P D R Bharatha** FCA, **W A D Gayan** ACA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **S Y Kodagoda** ACA, **M M M Manzeer** FCA

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- Checking the calculations performed by the organization on a sample basis through recalculation.
- Independently reviewing the content of the sustainability disclosures and request changes if required.
- Reviewing Board minutes to ensure consistency with the content of the Sustainability disclosures.
- Obtaining a letter of representation from management dated on the issuance of assurance report, content of the sustainability disclosures.

CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information, as defined above, for the year ended 31 March 2026, is not presented, in all material respects, with reference to the GRI, SLFRS S1 and S2 and SASB standards.

DISCLOSURES COVERED BY OUR LIMITED ASSURANCE ENGAGEMENT

The selected disclosures covered by our limited assurance engagement are:

Sustainability related disclosures	Alliance Finance Company PLC's sections	Page number
GRI Standards	GRI content index	386 - 389
SLFRS S1 and S2 Standards	SLFRS S1 and S2 content index	390
SASB Standards	SASB content index	391

OTHER MATTER

Our assurance is not extending to the prospective/comparative information, or any other information presented in the Report other than based on the GRI, SLFRS S1 and S2 and the SASB standards. We do not provide any assurance on the assumptions and achievability of prospective information presented in the Report including forward-looking statements and growth-related projections. Also, we do not provide assurance over the Energy and Emissions related data as it is not within the scope of this engagement.

Deloitte Associates.

Deloitte Associates
Chartered Accountants
Colombo
26 June 2026

INDEPENDENT LIMITED ASSURANCE REPORT - GREEN BOND ISSUANCE

Deloitte.

Deloitte Associates
No 100, Braybrooke Place
Colombo 02
Sri Lanka

Tel. +94 11 5444400, +94 11 2580409,
+94 11 2503262,
Fax: +94 112582452
www.deloitte.com

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF THE DIRECTORS OF ALLIANCE FINANCE COMPANY PLC ON THE INFORMATION CONTAINING IN THE IMPACT AND ALLOCATION REPORT AS AT 31 DECEMBER 2025 PERTAINING TO THE 2025 GREEN BOND ISSUANCE.

SCOPE AND OBJECTIVES

Alliance Finance Company PLC (the "Company") issued a Green Bond for its pool of eligible projects under its 2025 Green Bond Framework, on 17th February 2025, and is outstanding as of 31 December 2025.

Alliance Finance Company PLC used the proceeds of the Green Bond to finance the nominated projects falling under the following eligible green project categories as detailed in the 2025 Green Bond Framework (February 2025):

Financing rooftop solar energy installations to reduce greenhouse gas emissions and increase renewable energy in Sri Lanka's National grid. For this objective, the Company intended to allocate approximately 80% of the funds raised via the Green Bond Issue.

Financing solar equipment vendors and suppliers to strengthen the supply chain for renewable energy projects, ensuring efficient implementation and growth of solar initiatives. For this objective, the Company intended to allocate approximately 20% of the funds raised via the Green Bond Issue.

We have been engaged by Alliance Finance Company PLC (the "Company") to perform a limited assurance engagement, as defined by Sri Lanka Standard on Assurance Engagements, to report on the alignment of the impact report and the allocation report ("Subject Matter") to the 2025 Green Bond Framework ("Criteria") issued by the Company.

No assurance is provided regarding the financial performance of the green bonds or the long-term environmental impact of the transactions. Our objective is to provide an assurance statement for allocation and use of proceeds up to 31 December 2025 from the green bond issued by the Company on 17th February 2025.

The assessment is limited to data and information within the defined Reporting Period. Any data outside this period is not considered within the scope of assurance.

CRITERIA APPLIED BY THE COMPANY

In preparing the Impact report and allocation report as of 31 December 2025 pertaining to the Alliance Finance Company PLC Green Bond Framework, the company applied the 2025 Green Bond Framework ("Criteria") issued by the company.

MANAGEMENT'S RESPONSIBILITY

The Company's management is responsible for the reporting on the use of proceeds, process for project evaluation and selection, management of proceeds, in accordance with the 2025 Green Bond Framework in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error. The management of Alliance Finance Company PLC has provided the information and data used by us during the delivery of this assurance.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Institute of Chartered Accountants of Sri Lanka. The standard require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

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

Deloitte.

The firm applies Sri Lanka Standard on Quality Management (SLSQM) 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.

DESCRIPTION OF PROCEDUERS PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance. Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the impact report and the allocation report pertaining to the 2025 Green Bond Framework issued by the company and related information, and applying other appropriate procedures.

OUR PROCEDURES INCLUDED:

Checked the 2025 Green Bond Framework of the Company, that provides guidelines and internal process for proceeds management and utilization adopting components and requirements of Green Bond Principles of International Capital Market Association (ICMA) (GBP June 2021). The framework provides list of eligible projects for financing through the Green Bond issuance. Conducted interviews with personnel to understand the business and reporting process.

Conducted interviews with key personnel and inspect related documentations to understand and verify the process for collecting, collating, and reporting the Information containing in the Subject Matter.

Assessment of documentary evidence provided by the Company in relation to the Green Bond and review of internal tracking systems and allocation of funds from the Green Bond proceeds to eligible projects.

Review of the list of eligible projects and assets to which the Green Bond proceeds have been allocated as of 31st December 2025, ensuring their alignment and conformance with the 2025 Green Bond Framework issued by the Company.

Assessment of suitability of Criteria used by the issuer in preparing the impact report and allocation report.

We also performed such other procedures as we considered necessary in the circumstances.

CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter has not been presented, in all material respects, fairly and in accordance with the Criteria defined.

Deloitte Associates.

Deloitte Associates
Chartered Accountants
03 June 2026

DISCLOSURE ON CA SRI LANKA GENDER PARITY REPORTING

Main section	Strategies and Goals for Gender Parity	Page number	Remarks
Enablers	Gender Policy Policies		
	Diversity & Inclusion policies		
	Gender pay equity policy		
	Specific policies on sexual harassment in the workplace		
	Systems and Processes		
	Process to handle grievance mechanisms for sexual harassment		
	Workplace practices to promote gender parity		
Composition	Composition		
	Board of Directors/ Governing Body		
	Senior Leadership		
	Middle Management		
	The Major Employment Categories		
	Recruitment		
	Promotions		
	Key departments		
	Major geographic locations		
	Exits		
Gender Gap Indicators	Gender Analysis in Each Pay Quartile		
	Raw Mean Gender Pay Gap		
	Median Gender Pay Gap		
	Proportion of Women Who Received Training		
	Training Hours Analysed by Gender		
	Retention of Women 12 Months After Maternity Leave		
	Proportion of Females who received Performance Bonus		
	Women in IT, Engineering, Production Related Activities		We have six female employees in IT engineering and production related activities are not applicable to our operations.
Responsible Brand	Evaluation of gender bias in advertising and communications		We do not consider/understand gender bias in advertising; this is not applicable to our communications.
	Activities that support gender parity in the supply chain		No screening or selection in supply chain processes; therefore no discrimination based on gender.

ABBREVIATIONS

AADFI Association of African Development Finance Institutions

ACCA Association of Chartered Certified Accountants

ADFIAF Association of Development Finance Institutions in Asian and the Pacific

AFC Alliance Finance Company

AGM Assistant General Manager

BCMS Business Continuity Management System

CA Charted Accountants

CBSL Central Bank of Sri Lanka

CCA Customer Care Agents

CCPI Colombo Consumer Price Index

CMA Charted Management Accountants

CRM Customer Relationship Management

CSE Colombo Stock Exchange

CSR Corporate Social Responsibility

CXO Chief Executive Officer

DF Development Finance

DR Disaster Recovery Site

DWM Developing World Markets

EA Enterprise Asia

EDS Entrepreneur Development Services

EOSD European Organisation for Sustainable Development

EPS Earnings Per Share

ESMS Environmental and Social Management System

ESG Environmental, Social, and Governance

EVP Employee Value Proposition

FHASL Finance Houses Association of Sri Lanka

FMO Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

GDP Gross Domestic Product

GRI Global Reporting Initiative

H/Os Head Office

HP Hire Purchase

HR Human Resource

HRIS Human Resource Information System

ICASL Institute of Chartered Accountants of Sri Lanka

IFC International Finance Corporation

IIRC International Integrated Reporting council

IUCN International Union for Conservation of Nature

KMP Key Management Personnel

KPI Key Performance Indicator

LINN Lanka Impact Investing Network

LKAS Sri Lanka Accounting Standard

MSME Micro, Small and Medium Enterprises

NBFI Non Banking Financial Institutions

NPL Non Performing Loan

PCB Polychlorinated biphenyl

RAC Risk-Acceptance-Criteria

RFS Regional Financial Services

SDG Sustainable Development Goals

SLICM Sri Lanka Institute of Credit Management

SLFRS Sri Lanka Financial Reporting Standard

SME Small and Medium Enterprises

SSCI Sustainability Standards and certification Initiative

RDA Road Development Authority

ROE Return on Investment

USP Unique Selling Proposition

COVID-19 Corona Virus Disease 2019

GLOSSARY

A

ACCOUNTING POLICIES
The specific principles, bases,conventions, rules and practices adopted by a company in preparing and presenting Financial tatements

ACCOUNTING
The profit or loss for a period before deducting tax expense

ACCRUAL BASIS OF ACCOUNTING
The effects of transactions and other events are recognised when they are occurred (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the Financial Statements of the periods to which they relate.

AMORTISATION (DEPRECIATION)
The systematic allocation of the depreciable amount of an asset over its useful life

ALLOWANCE FOR IMPAIRMENT
A provision held on the Statement of Financial Position as a result of a raising of a charge against profit for the incurred loss.

C

CARRYING AMOUNT
The amount at which an asset is recognized in balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses

CASH EQUIVALENTS
Short-term, highly-liquid investments that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

CONTINGENCIES
Conditions or situation at the balance sheet date and the financial effects of which are to be determined by the future events that may or may not occur

COLLECTIVE IMPAIRMENT
Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at a reporting date.

CORPORATE GOVERNANCE
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability of owners and others.

COST TO INCOME RATIO
Personal and Other Non-Interest Expenses divided by the sum of Net Interest Income & Non-Interest Income

CURRENT TAX
The amount of tax payable in respect of taxable income for the period

D

DEALING SECURITIES
Marketable securities that are acquired and held with the intention of reselling them in the short-term

DEFERRED TAX LIABILITIES
The amounts of income tax payable in future periods in respect of taxable temporary differences

DEFINED BENEFIT PLANS
Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and completed years of service

DISBURSEMENTS
Another term for investments

DISCRETIONARY PROVISION
This includes provision for bonuses and incentives

DIVIDENDS
Distribution of profits to holders of equity investments, in proportion to their holdings of a particular class of capital

DIVIDEND COVER
Profit after tax divided by gross dividend. The ratio measures the number of times dividend is covered by current years' distributable profits

DIVIDEND PER SHARE (DPS)
Gross dividend divided by the number of shares in issues

E

EARNINGS PER SHARE (EPS)
Profit for the period attributable to ordinary shareholders(the numerator) divided by the weighted average number of ordinary shares in issue during the period (the denominator)

G

GENERAL RESERVES
Reserves set aside for future

GROSS NPA (NPL) RATIO
Total non-performing accommodations (loans) after deducting for initial rentals received and unearned income, divided by gross accommodations (loans) after deducting for initial rentals received and unearned income.

GROSS DIVIDEND
The portion of profits distributed to the shareholders including the tax withheld

I

IMPAIRMENT
This occurs when recoverable amount of asset declines below its carrying amount

INDIVIDUAL IMPAIRMENT
Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

INVESTMENTS
Value of facilities granted during a specific period

INVESTMENTS SECURITIES
Securities acquired and held for yield or capital growth purposes; usually held to maturity

L

LIQUIDITY
The availability of sufficient funds to meet deposit withdrawals and other financial commitments as they fall due

LIQUID ASSETS
Cash and cash equivalents, repurchase agreements,placements in banks and other financial institutions and treasury bills

LIQUID ASSETS RATIO
Liquid assets as a percentage of total deposits

M

MATERIALITY
Information is material if its non-disclosure could influence the economic decisions of users taken on the Financial Statements

MARKET VALUE PER SHARE
Market capitalization divided by the number of ordinary shares in issue

N

NON - BANKING FINANCIAL INSTITUTIONS (NBFI)
An institution that does not have the full banking license and undertakes banking services permitted by the license.

NON - PERFORMING LOANS (NPL)
Loans and advances which are 180 days or more in arrears of due principal and/or interest payments

NET ASSETS VALUE PER SHARE
Shareholders' funds excluding preference shares if any,divided by the weighted average number of ordinary shares in issue

NET NPA RATIO
Total non-performing accommodations excluding initial rentals received, unearned income and provision for loan losses, divided by gross loans after deducting for initial rentals received, unearned income and provision for loan losses

NET INTEREST INCOME
The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities
used for funding the interest bearing assets

NET INTEREST MARGIN
Net interest income divided by total average assets

O

OFF BALANCE SHEET TRANSACTIONS
Transactions that are not recognized as assets or liabilities in the balance sheet but which may give rise to contingencies and commitments

P

PORTFOLIO
Total rentals and other receivables on loans and advances after deducting for unearned interest in suspense and initial rentals paid

PRICE EARNING (P/E) RATIO
The market price of an ordinary share divided by the Earnings per Share

PROVISION FOR LOAN LOSSES
Amounts set aside against possible losses on net receivable of facilities granted to customer as a result of them becoming party or wholly uncollectible

R

RETURN ON ASSETS (ROA)
Profit before tax expressed as a percentage of average total assets; used along with ROE as a measure of profitability and as a basis of intra-industry performance comparison

RETURN ON SHAREHOLDERS' FUND/ EQUITY (ROE)
Profit before tax expressed as a percentage of average total assets; used as a measure of profitability and as a basis of intra-industry performance comparison

REVALUATION
Restatement of assets and liabilities

RATE OF DIVIDEND
Gross dividend as a percentage of total par value of shares

S

SBU
Strategic Business Unit

SEGMENT REVENUE
Revenue reported in the Company's income statement that is directly attributable to a segment and the relevant portion of the Company's revenue that can be allocated on a reasonable basis to a segment

SHAREHOLDERS' FUNDS
Shareholders' Funds consist of issued and fully-paid ordinary share capital plus capital and revenue reserves

SOCIAL PERFORMANCE
MANAGEMENT SYSTEM (SPMS)
SPMS is a set of policies, procedures, tools and internal capacity to identify and manage the institution's exposure to the environmental and social risks of its clients/ investees and the impact of the institution on society and environment.

SUSTAINABILITY DEVELOPMENT GOALS
A collection of 17 global goals set by the United Nations that covers a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

GLOSSARY

T

TAXABLE PROFIT/ (TAX LOSS)
The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which the income tax is payable/ (recoverable)

'TIER 1' CAPITAL
Core capital representing permanent shareholders' equity and reserves created or increased by appropriation of retained earnings or other surplus

'TIER 2' CAPITAL
Supplementary capital representing revaluation reserve,general provisions and other capital instruments which combine certain characteristics of equity debt such as hybrid capital instruments and subordinated term debts

V

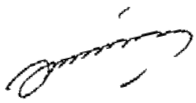
VALUE ADDED
Value Added is the wealth created by providing services less cost of providing such services. The value added is allocated amongst the employees, the providers of capital and to the Government by way of taxes and retained for expansion and growth.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventieth Annual General Meeting of Alliance Finance Company PLC, will be held on Friday, 24th July 2026 at 9.30 a.m., at No.722, Kotta Road, Rajagiriya, Sri Lanka for the following purposes;

1) To receive and consider the Annual Report of the Board of Directors including the Financial Statements for the financial year ended 31st March 2026, together with the Report of the Auditors thereon.
2) To declare the First and Final Dividend of LKR 10/- per share for the financial year ended 31.03.2026
3) To re-elect Mr. L.J.H. de Silva who retires by rotation in terms of Articles 131,132 and 133 the Articles of Association of the Company.
4) To re-elect Mrs. D.M.S.D.De Zoysa S. Ellepola as a Director in terms of Article 136 of the Articles of Association of the Company.
5) To elect Mr. A.P. Rodrigo as a Director in terms of Article 136 of the Articles of Association of the Company.
6) To appoint Messrs Deloitte Associates, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No.07 of 2007.
7) To authorize the Directors to determine and make donations.

By Order of the Board of Directors
ALLIANCE FINANCE COMPANY PLC



Priyanga P. Peiris (Mrs)
Company Secretary

Colombo
30 June 2026

Note:

(i) A shareholder is entitled to appoint a proxy to attend and vote instead of his/her place and a proxy need not be a member of the Company.

(ii) A shareholder wishing to vote by proxy at the meeting may use the Form of Proxy enclosed

(iii) The completed Form of Proxy is enclosed for this purpose must be submitted to the Company not later than 9.30a.m., on 22/07/2026 via e-mail registrar@alliancefinance.lk or by hand or post to the registered office of the Company, “Alliance House”, No.84, Ward Place, Colombo-07, Sri Lanka.

(iv) A person representing a corporation is required to carry a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.

(v) A Shareholder/Proxy holder is requested when attending the Annual General Meeting to bring with them their National Identity Cards or any other form of valid identification.

(vi) A Shareholders appointing proxies (other than Directors) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holders on the Form of Proxy.

(vii) The Annual Report of the Company for 2025/2026 is available on the Corporate website www.alliancefinance.lk and on the Colombo Stock Exchange website www.cse.lk

(viii) A shareholder who requires a hard copy of the Annual Report must post or hand over duly completed “Form of Request – Annexure A” to the office of the Company Secretary

NOTE

FORM OF PROXY

I/We .....

(in block letters) of .....
being a member/members of the above-named Company hereby appoint Gopa Sarojini Tamara Dharmakirti-Herath or failing her, Romani Kumar Eardley Patrick de Silva or failing him, Michael Joseph Benedict or failing him, Aruna Prasanna Rodrigo or failing him, Priyanthi de Silva or failing her, Lloyd John Hiran de Silva or failing him, Don Lasantha Ivers Hettarachchi or failing him, Dissanayakage Fredrick Wiyan Perera or failing him, Degiri Marini Shobana Devika De Zoysa Samarasekera Ellepola or failing her.....
....
.....of.....
.....
NIC No. ..... as my/our proxy to represent me/us and to *vote for me/us on my/our behalf at the Seventieth Annual General Meeting of the Company to be held on 24th July 2026 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1)	To receive and consider the Annual Report of the Board of Directors Including Financial Statements for the financial year ended 31/03/2026		
2)	To declare the First and Final Dividend of LKR10/- per share for the financial year ended 31.03.2026		
3)	To re-elect Mr. L.J.H. de Silva who retires in terms of Articles 131,132 and 133 of the Articles of Association of the Company		
4)	To re-elect Mrs. D.M.S.D.De Zoysa S. Ellepola in terms of Article 136 of the Articles of the Articles of Association of the Company		
5)	To re-elect Mr. A.P. Rodrigo in terms of Article 136 of the Articles of Association of the Company		
6)	To appoint Messrs. Deloitte Associates, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No.07 of 2007.		
7)	To authorize the Directors to determine and make donations.		

Signed this .....day of .....Two Thousand and Twenty-Six (2026).

....
Shareholder N.I.C. No./Co. Reg. No./P.P. No. Signature/s

Note:
a) * Please delete the inappropriate words
b) A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion
d) Instructions as to completion of Form of Proxy given overleaf

Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1) A Proxy holder need not be a shareholder of the Company.
2) The Full Name and the Address of the Proxy holder and of the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy. Please perfect the Form of Proxy, by signing in the space provided and filling in the date.
3) To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, "Alliance House" No.84, Ward Place, Colombo 7, 48 hours before the time appointed for the holding of the meeting.
4) Article 94 of the Articles of Association of the Company provided that: In the case of a Company or a Corporate Body, the Form of Proxy should be executed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5) If the Form of Proxy has been signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6) If there is any doubt as to how the vote is to be exercised by reason of the manner in which the Form of Proxy has been completed, the Proxy holder will vote as thought fit.

CORPORATE INFORMATIONS

Name of the Company
Alliance Finance Company PLC

Statutory Status
The Company was incorporated under the Companies Ordinance No.51 of 1938 on 18th July 1956 and re-registered under the Companies Act No.07 of 2007 on 22nd November 2007. The Ordinary Shares of the Company were listed on Main Board of the Colombo Stock Exchange (formerly known as Colombo Stockbrokers Associations) on 1st January 1959.

Approved and registered under the
- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- An approved Credit Agency under the Mortgage Act No.6 of 1949
- Trust Receipt Ordinance No.12 of1947

Date of Incorporation
18th July 1956

Company Registration Number
PQ 93

Principal Activities
Providing finance lease, gold loans, Vehicle Trade-In, acceptance of fixed deposits, savings mobilization, other credit facilities and services.

Registered Office
"Alliance House"
No.84, Ward Place, Colombo 07, Sri Lanka.
Tel: (+94) 11 2673673
Fax: (+94) 11 2697205
E-mail: info@alliancefinance.lk

Website
www.alliancefinance.lk

Credit Rating
BBB (lka) with a Stable outlook by Lanka Rating Agencies Limited (LRA)

Board of Directors
Mrs. G.S.T. Dharmakirti-Herath -Chairperson
Mr. R.K.E.P. de Silva - Deputy Chairman & Managing Director
Mr. W.P.K. Jayawardana –Deputy Managing Director (Resigned w.e.f. 31.03.2026)
Mr. M.J. Benedict – Executive Director
Mr. A.A.P Rodrigo – Executive Director (Appointed w.e.f. 01/04/2026)
Mrs. P. de Silva - Independent Non-Executive Director
Mr. L.J.H. de Silva – Non-Independent, Non-Executive Director
Dr. D.L.I. Hettiarachchi– Independent, Non-Executive Director
Mr. D.F.W. Perera – Non-Independent, Non-Executive Director
Dr. S.L.N. Wickremasooriya - Non-Independent, Non Executive Director (Retired w.e.f. 09.12.2025)
Mrs. D.M.S.D.De Z.S. Ellepola – Non-Independent, Non-Executive Director (Appointed w.e.f. 16.01.2026)

Board Audit Committee
Mrs. P. de Silva – Chairperson
Mrs. G.S.T. Dharmakirti-Herath– Member
Mr. L.J.H. de Silva – Member

Board Integrated Risk Management Committee
Mrs. P. de Silva – Chairperson
Mrs. G.S.T. Dharmakirti-Herath – Member
Mr. L.J.H. de Silva – Member

Board Related Party Transactions Review Committee
Mr. D.L.I. Hettiarachchi – Chairman
Mrs. G.S.T. Dharmakirti-Herath – Member
Mr. L.J.H. de Silva – Member

Board Human Resources & Remuneration Committee
Mr. D.L.I. Hettiarachchi – Chairman
Mrs. G.S.T. Dharmakirti-Herath– Member
Mr.L.J.H. de Silva

Board Nomination & Governance Committee
Mr. D.L.I. Hettiarachchi – Chairman
Mrs. G.S.T. Dharmakirti-Herath– Member
Mr.L.J.H. de Silva

Board Sustainability Committee
Mrs. G.S.T. Dharmakirti-Herath– Chairperson
Mr. R.K.E.P. De Silva – Member
Mr. A.A.P. Rodrigo – Member

Subsidiaries
Alfinco Insurance Brokers (Pvt) Ltd.

Auditors
M/s. Deloitte Associates
Chartered Accountants
No.100, Braybrooke Place, Colombo – 02.

Advisory Council
Mr. B. Ponnambalam
Mrs. K.S.K. de Silva
Mr. K. KanagIsvaran LLB (London)
Lincoln's Inn Barrister -
(President's Counsel)

Legal Consultants
Gunawardena & Ranasinghe Associates

Company Secretary
Mrs. Priyanga P. Peiris
No. 84 Ward Place, Colombo 07.

Bankers
Sampath Bank PLC
Seylan Bank PLC
Public Bank Berhad
People's Bank
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon
Nations Trust Bank PLC
NDB Bank PLC
Cargills Bank
DFCC Bank PLC
National Savings Bank

Corporate memberships and associations
- The Finance Houses Association of SriLanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman-Sri Lanka
- Biodiversity Sri Lanka (PatronMember) {Business and Biodiversity platform}
- CSR Sri Lanka
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP), The Philippines

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www.optimadesigns.lk



Alliance Finance Co. PLC

Make the world a better place through sustainable finance