

Stock

Briefing Note



Company Name & Ticker

COMMERCIAL CREDIT AND FINANCE PLC | COCR.N

Industry

CSE | DIVERSIFIED FINANCIALS

Date Published

7TH JANUARY 2026

Fair Value (LKR) : 173.79

Current Price (LKR) : 130.25

AMBEON
SECURITIES

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Executive Summary

Company Overview

Commercial Credit and Finance PLC is a licensed finance company in Sri Lanka, originally incorporated in 1982 in Kandy and now listed on the Colombo Stock Exchange. The company operates under the Finance Business Act No. 42 of 2011 and primarily engages in acceptance of deposits, leasing, hire purchase, term loans, personal and microfinance lending, gold loans, real estate and related financial services. Its head office is located at No. 106, Yatinuwara Veediya, Kandy. Over the years, COCR has transformed from its agricultural lending roots into a process-driven financial institution, strengthened by a principle-centered management approach that emphasizes long-term sustainability and societal contribution.

COCR has a strong national footprint with 133 branches across Sri Lanka, positioning it as a significant player in the country's non-bank financial services sector. The branch network spans all provinces, supporting outreach, financial inclusion and diversified business growth opportunities.

Financially, the Company delivered robust performance in FY 2024/25. Profit After Tax increased to Rs. 6.2 billion from Rs. 3.5 billion in the prior year, supported by higher net interest income and improved asset quality. Return on Assets improved to 5.76%, while Return on Equity strengthened to 24.20%. Total assets reached Rs. 110.1 billion, while shareholder funds increased to Rs. 28.5 billion. The company also maintains strong capital adequacy with Tier 1 and Total Capital Ratios of 25.63% and 25.74%, well above regulatory requirements.

The company's strategic direction remains focused on resilience, risk-managed growth, stakeholder value creation and embedding a strong cultural foundation aligned to shared values. Supported by improving macroeconomic conditions and strengthened governance structures, COCR is positioned to benefit from sector recovery, expanding lending activity and continued performance enhancement going forward.

Valuation Summary

COCR.N presents a significant upside potential of 33.4% at the current price of LKR 130.25, with a weighted average fair value per share of LKR 173.79 derived from peer-based P/E and P/BV valuations. The P/E-based valuation suggests a fair value of LKR 227.54, while the P/BV-based approach indicates LKR 120.03. In addition to its attractive valuation, the stock offers a historical 1-year dividend yield of 4.6%, enhancing its overall investment appeal.

Key Financials

Overall performance in 2Q 2025 reflected resilient earnings on a YoY basis, despite marginal pressure on a QoQ basis. Gross income grew by 6% YoY, supported by a strong 22% YoY expansion in net interest income, indicating improved asset yields and balance sheet repricing. Non-interest income streams also strengthened, with fee and commission income rising 1% YoY and other operating income increasing by 19% YoY, while trading income recovered sharply, swinging to a gain from a loss in the previous quarter and recording a 97% YoY increase. However, on a QoQ basis, gross income and net interest income both declined marginally by 1%, reflecting softer momentum in core earnings during the quarter.

Profitability remained robust on a YoY comparison, with operating profit increasing by a strong 71% YoY, aided by lower impairment charges compared to last year and operating leverage despite a 19% YoY rise in operating expenses. Profit after tax rose significantly by 79% YoY, supported by higher operating profits, although income tax expenses increased by 60% YoY. On a QoQ basis, profitability moderated, with operating profit and PBT declining by 4% and PAT easing by 1%, largely due to higher impairment charges and a modest increase in operating costs. Overall, the results highlight solid

underlying YoY earnings growth, tempered by near-term QoQ pressures driven by cost and provisioning dynamics

LKR Mn	FY2023	FY2024	FY2025	1H FY26
Income	28,998	33,373	31,703	16,029
Net interest income	11,107	14,898	17,884	10,549
Operating profit	5,066	7,214	11,824	8,450
Net profit (Equity holders)	2,616	3,641	6,147	4,230
Total assets	102,193	105,937	110,270	115,827
EPS	8.23	11.45	19.33	26.60*
NAVPS (LKR)	64.06	72.93	89.61	89.61
ROE	13.15%	16.21%	24.20%	28.5%*
ROA	2.66%	3.37%	5.76%	7.48%*

Source: Company reports

*Earnings are annualized

Dashboards

Company Name	Commercial Credit & Finance PLC
Ticker	COCR.N
Market Price (LKR)	130.25
Exchange Listed	Colombo Stock Exchange
GICS Sector	Diversified Financials
Board Listed	Main Board
Listed Date	01 st June 2011
No. of Shares (Mn)	318
MCAP (LKR Mn)	40,873
Public Holding	18.99%
Financial year ends	31 st March

Top 5 Shareholders as of September 2025

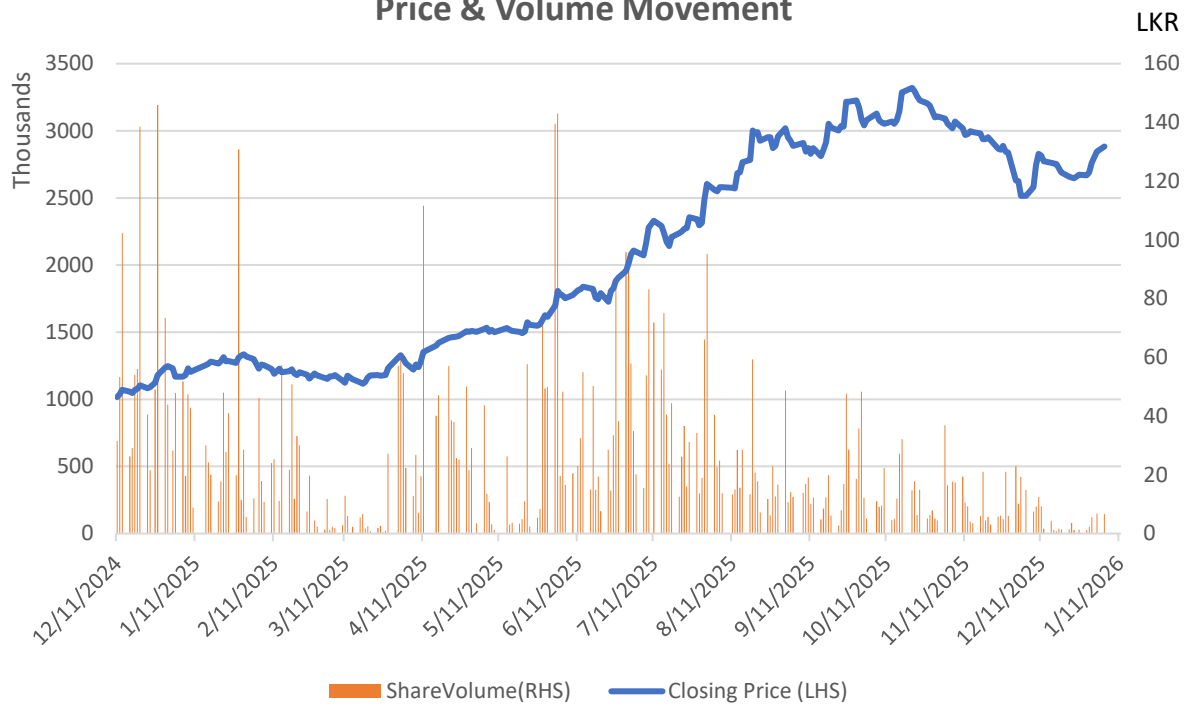
Name	Percentage
Group Lease Holdings PTE LTD (In Liquidation)	29.99%
B G Investments (Pvt) Limited	26.36%
LOLC Finance PLC / B.G Investments (Pvt) Ltd	14.15%
People's Leasing & Finance PLC/ B.G Investments (Pvt) Ltd	9.75%
Seylan Bank PLC/ S.R Fernando	2.81%

The float adjusted market capitalization as of 30.09.2025 was LKR 8.7 Bn.

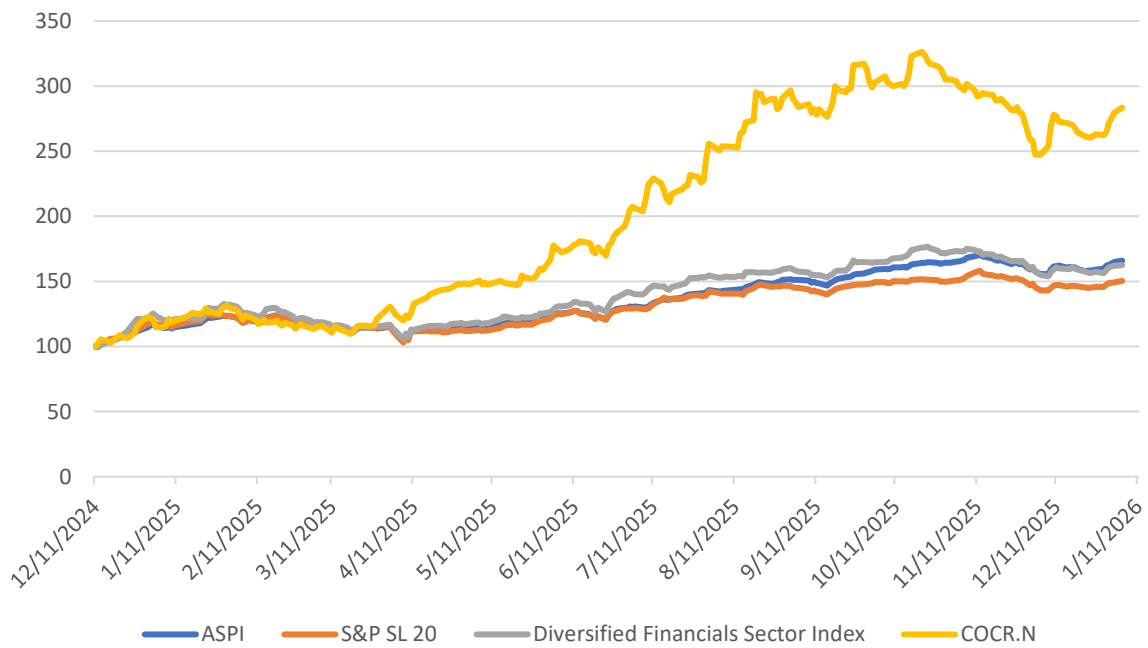
Key Data	
Historical Returns (Dec 2024 – Dec 2025)	
1-year capital gain	180.1%
1-year dividend yield	4.6%
1-year total return	184.7%
Beta	1.6
52 Week high (LKR)	154.75
52 Week low (LKR)	46.80
Valuation Multiples	
PE Ratio	4.9
PB Ratio	1.3
Per Share Data (LKR)	
EPS (TTM)	26.79
NAVPS (Sep 2025)	96.91
DPS (FY25)	6.00
Dividend Payout	22.4%

Sources: CSE, Company reports

Price & Volume Movement



COCR.N & Other Indices



Note: The chart is indexed

Valuation Summary

Valuation upside

COCR.N presents an upside potential of 33.4% based on the weighted average fair value per share derived from peer-based PE and PBV valuations. Additionally, the stock offers a historical 1-year dividend yield of 4.6%.

Peer Based Valuation	LKR
Peer PE based valuation	227.54
Peer PBV based valuation	120.03
Weighted average fair value per share (LKR)	173.79
Current Market Price (LKR)	130.25

PE based valuation

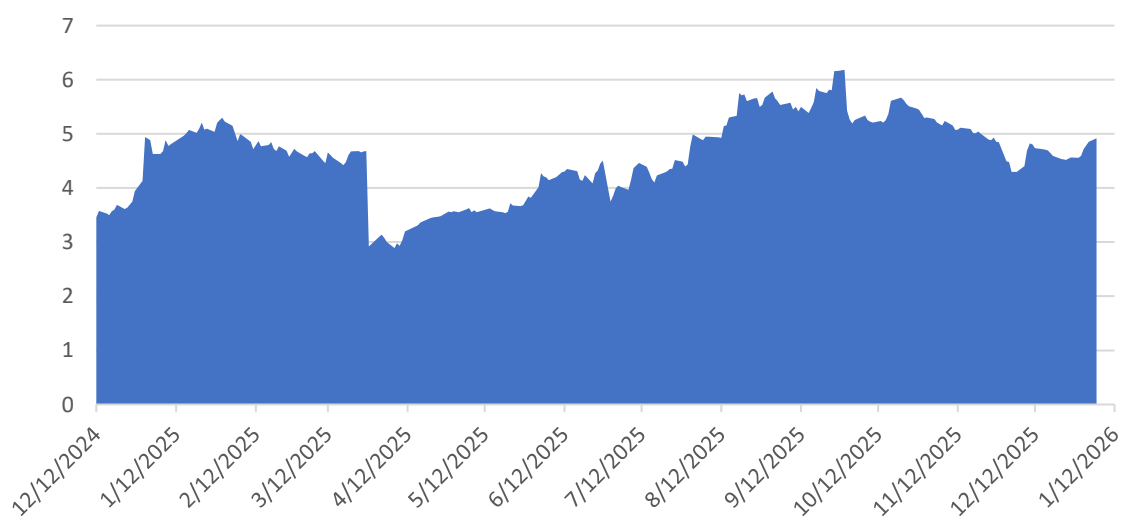
Company	MPS*	TTM EPS**	P/E
LFIN.N	158.25	21.65	7.31
PLC.N	25.20	2.19	11.51
LOFC.N	5.80	1.05	5.52
CFIN.N	278.25	47.64	5.84
VFIN.N	103.75	14.19	7.31
HNBF.N	7.90	0.54	14.63
CDB.N	382.25	62.77	6.09
LOLC.N	567.00	58.23	9.74

Average P/E ratio of peers	8.49
TTM EPS of COCR.N	26.79
Value per share of COCR.N	227.54

* Closing prices as of 6th January 2026, are considered the Market Price per Share

** Earnings Per Share (Trailing Twelve Months) is up to the quarter ended 30th September 2025

Historical PE ratio of COCR.N



Source: Bloomberg

PBV based valuation

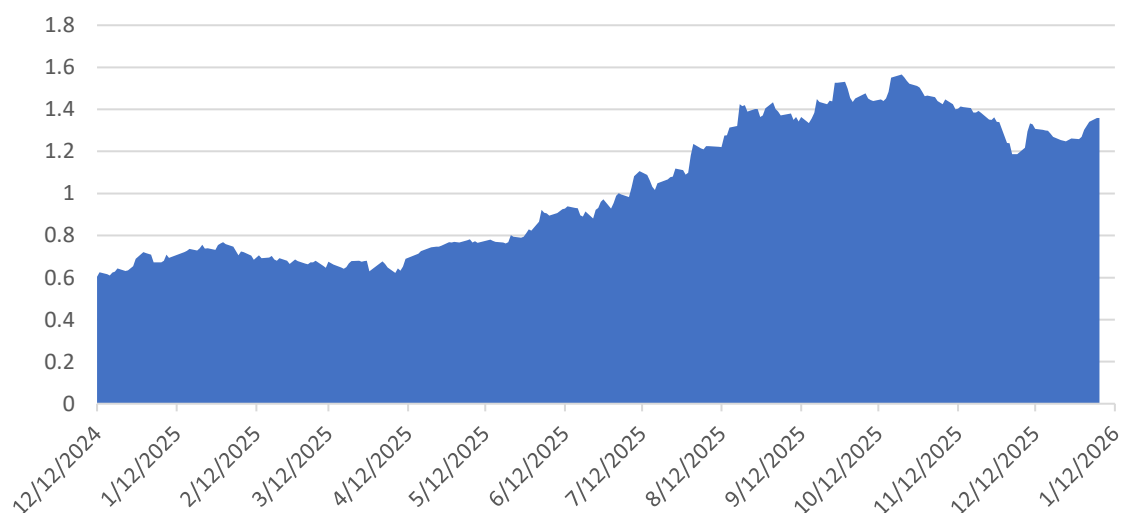
Company	MPS*	NAVPS**	PBV
LFIN.N	158.25	99.53	1.59
PLC.N	25.20	23.27	1.08
LOFC.N	5.80	4.82	1.20
CFIN.N	278.25	360.35	0.77
VFIN.N	103.75	71.54	1.45
HNBF.N	7.90	3.95	2.00
CDB.N	382.25	357.92	1.07
LOLC.N	567.00	764.32	0.74

Average PBV of peers	1.24
NAVPS of COCR.N	96.91
Value per share of COCR.N	120.03

* Closing prices as of 6th January 2026, are considered the Market Price per Share

** Net Asset Value per Share is up to the quarter ended 30th September 2025

Historical PBV ratio of COCR.N



Source: Bloomberg

Return Analysis

Historical Dividends

	FY2022	FY2023	FY2024	FY2025
Dividend per share (LKR)	3.00	1.00	4.00	6.00
Dividend payout ratio	21.1%	12.2%	29.2%	31.0%
Dividend yield*	11.9%	3.8%	11.3%	10.6%

* Dividend yield is based on the closing price of the year

Year	Type	Dividend per share (LKR)	Payment Date
FY2025	Final dividend	6.00	13-Oct-25
FY2024	Final dividend	4.00	07-Aug-24
FY2023	Final dividend	1.00	07-Sep-23
FY2022	First interim	1.00	22-Mar-22
	Final dividend	2.00	30-Sep-22

COCR has maintained a consistent dividend payout ratio over the years; however, the ratio declined in FY2023 primarily due to a 35% reduction in profit before SSCL and VAT on financial services. This decline was driven by lower net operating income, higher operating expenses, and the presence of SSCL during the year, all of which exerted pressure on distributable earnings.

Historical Capital Gains

Historical Price Movements

	Capital Gains	Total Return**
2025(YTD)*	191.39%	191.39%
FY2025	58.87%	69.47%
FY2024	40.64%	51.94%
FY2023	6.12%	9.92%
FY2022	15.07%	26.97%

* Closing prices as of 6th January 2026 are considered for calculating YTD

**Total return includes both capital gains and dividend yield.

Since the beginning of April 2023, the company's share price has gained 40.6% for the year, reflecting renewed investor confidence and positive market sentiment toward its operational performance. This upward momentum was further supported by the post-presidential election environment, which helped restore investor optimism previously affected by political uncertainty. In the financial year 2026 to date(YTD), the company has delivered an even stronger price gain of 191.4%, further aided by the lifting of the vehicle import ban at the beginning of 2025, which significantly strengthened sector demand and investor sentiment. Over the longer horizon, from the commencement of FY2021 to the present, the share price has advanced by approximately 494.7%, underscoring the company's resilience, robust fundamentals, and its consistent ability to create long-term shareholder value.

Technical Indicators

Price action eyes key level for a breakout



The market structure has turned bearish following a decisive break below (MSS) the 139.50 level, indicating strong downward momentum. While the price has since found interim support around 113.75, recent price action suggests a lack of strength to reclaim the previous lower high, implying that the move above that level was likely a liquidity sweep rather than a sustained reversal. For bullish support to strengthen, **the price must break and close above (daily candle closure) the key level at 133.00**. Failure to do so could result in further downside movement toward the next identified support levels highlighted in the chart.

Relative Strength Index reflects positive momentum



The Relative Strength Index (RSI) signaled a regular bearish divergence on October 21, with confirmation emerging only after a Market Structure Shift (MSS), which effectively transitioned the previously bullish setup into a bearish one. At present, the RSI stands at 57.42, indicating moderate bullish momentum. In addition, the RSI (blue line) has crossed above its SMA line, signaling renewed upside momentum across the counter.

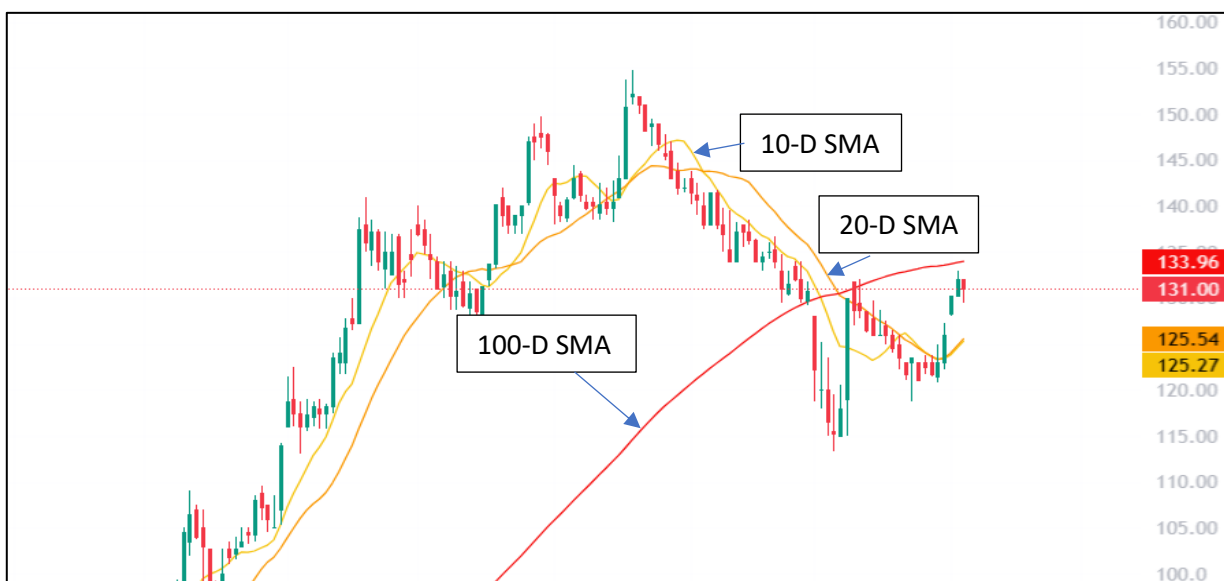
However, based on the most recent corrective leg, a sustained breakout and close above the identified key level would invalidate the current bearish bias and shift the market structure back to bullish. If this scenario unfolds, the next resistance levels are illustrated in the accompanying chart.

MACD indicates strengthening buying momentum



The Moving Average Convergence Divergence (MACD) indicator currently shows the MACD line positioned below the zero level, suggesting that although selling pressure has moderated, the counter remains in bearish territory. On December 10, the MACD line crossed above the signal line while still below the zero level, indicating an initial pickup in buying interest. However, a stronger bullish confirmation would emerge if the MACD histogram reflects sustained positive momentum alongside the MACD line crossing above the zero line, which would signal a shift toward stronger upward momentum in the counter.

Price breaks out above key moving averages



The price has currently closed above the 10-D SMA and 20-D SMA, indicating short-term breakouts in price action. However, if the price manages to close above the 100-D SMA, it would signal a potential long-term trend reversal and structural change in the counter, further reinforcing the emerging bullish sentiment.

Note: TradingView is used for conducting technical analysis

1H Segmental Analysis

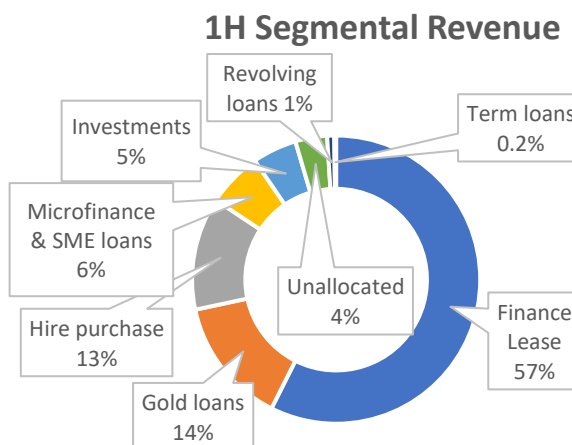
COCR has classified its operating segments into eight operating segments such being Finance Lease, Microfinance & SME loans, Term Loans, Investments, Hire purchase, Gold loan, Revolving loan and Unallocated segment.

Finance Lease segment showed the highest contribution to total revenue

During 1H FY2026, the Finance Lease segment remained the Group’s primary income driver, contributing 57% of total income. This segment includes lease arrangements under which ownership of the underlying asset is transferred to the lessee upon completion of the final instalment, positioning it as a key long-term earnings stream for the Group.

The segment delivered the highest YoY growth of 222%, reflecting a strong rebound in leasing activity, particularly in vehicle financing. This growth was largely supported by the easing of interest rates, which improved affordability and stimulated demand, alongside a gradual recovery in credit appetite across the market.

However, the impact of recent natural disasters introduces a degree of uncertainty regarding asset utilization and near-term portfolio performance, warranting closer monitoring. While finance lease assets are typically subject to mandatory insurance coverage, the overall impact of the disaster remains uncertain, as insurance contracts vary in terms of coverage scope, exclusions, and claim settlement timelines. As a result, recovery outcomes and potential residual risks may differ across portfolios, which could influence earnings visibility and asset quality in the near term.



Second largest contribution to the revenue was made by gold loans segment

Gold Loans emerged as the second-largest contributor to Group revenue in 1H FY2026, supported by rising gold prices amid heightened global market uncertainty, which increased demand for gold-backed financing. Consequently, the Gold Loan portfolio recorded a 14% YoY growth for the six months ended September 2025. Looking ahead, with household disposable income under pressure following recent events, including the impact of natural disaster, pawning-related activity is expected to increase, which may further support segment performance.

The Company maintains a substantial portfolio of pawn brokering-related loans and advances, which are secured primarily by gold articles. A significant decline in local gold prices could reduce the value of collateral and increase the risk of non-redemption, potentially resulting in losses where the realizable value of pledged gold falls below outstanding capital, interest, and charges. To mitigate this risk, the Company closely monitors local and international gold price movements, regularly adjusts loan values per sovereign of gold, ensures close follow-up on capital and interest repayments, and structures facilities to enable timely recovery actions.

Hire Purchase ranked as the third-largest revenue contributor for the period

The Hire Purchase segment contributed 13% to total revenue for the six months ended September 2025. However, the segment recorded the second-largest YoY decline of 70%. This segment comprises assets where ownership does not transfer to the lessee, exposing the portfolio to higher asset-related risks. Considering recent events, including the impact of natural disasters, the segment may face

heightened pressure on leased assets and overall performance. Nevertheless, as these assets are typically insured, potential losses arising from asset damage are expected to be partially mitigated.

The Microfinance & SME Loans segment emerged as the fourth-largest revenue contributor.

The Microfinance & SME Loans segment contributed 6% to total revenue for the six months ended 2025 and recorded a marginal 2% YoY decline. The segment primarily comprises unsecured lending, in line with industry practice both locally and internationally, which inherently exposes the portfolio to elevated credit risk. These risks are mitigated through strict lending controls, including limits on first-time microfinance loans, group-based lending structures, credit history-based loan approvals for higher-value facilities, frequent collection cycles, and close monitoring of portfolio quality indicators such as Portfolio-at-Risk (PAR). However, the segment remains relatively more vulnerable compared to other portfolios, particularly considering recent natural disaster, which has adversely affected SME operations and household income levels.

Other segments contributed minimally to overall revenue

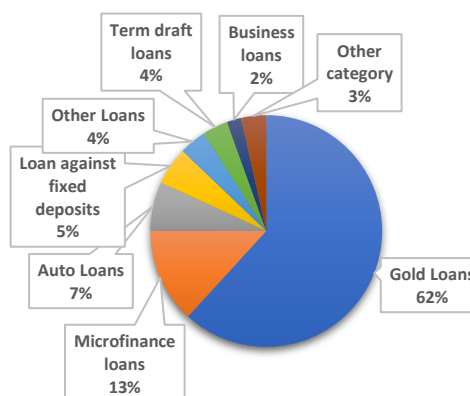
The Other segment comprises investments, revolving loans, term loans, and unallocated segments, collectively making a relatively modest contribution to total revenue. Within this segment, investments emerged as the largest contributor, accounting for 5% of total revenue, followed by the unallocated segment at 4%, with the balance coming from revolving loans and term loans.

From a performance perspective, the investment segment demonstrated steady momentum, recording an 18% YoY growth, while revolving loans outperformed with a robust 32% YoY increase, indicating improving demand and utilization. In contrast, the term loans segment experienced a sharp contraction, posting a significant 91% YoY decline, which weighed on the overall performance of the other segment for the six months ended September 2025.

Gold loans contributed mostly to the gross loans and receivables

In FY2025, Gold Loans dominated the loans and advances portfolio, accounting for 62% of total loans and advances, underscoring the Group’s strong exposure to gold-backed lending. Microfinance loans represented the second-largest portion at 13%, followed by the Auto Loans segment, which contributed 7% of the total portfolio. Loans against fixed deposits accounted for 5%, while the ‘Other Loans’ segment contributed 4%. Business loans comprised a smaller share of 2%. The remaining 4% of the portfolio consisted of short-term loans, Abhivurdhi SME loans, staff loans, education loans, and factoring receivables.

Loans & advances for the FY 2025

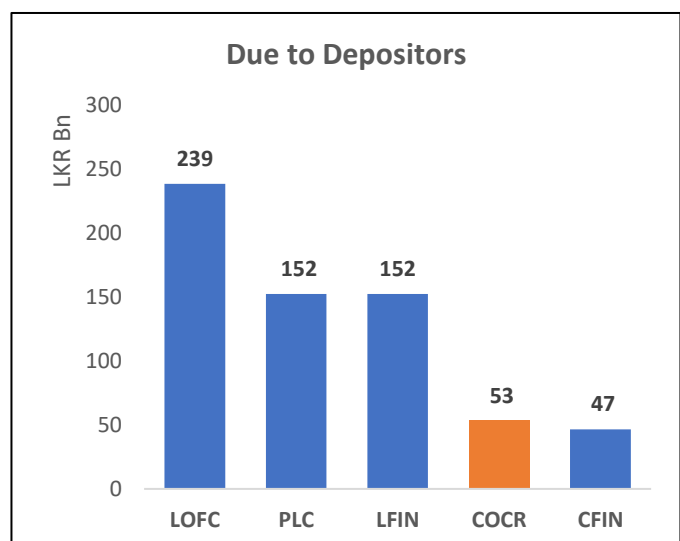
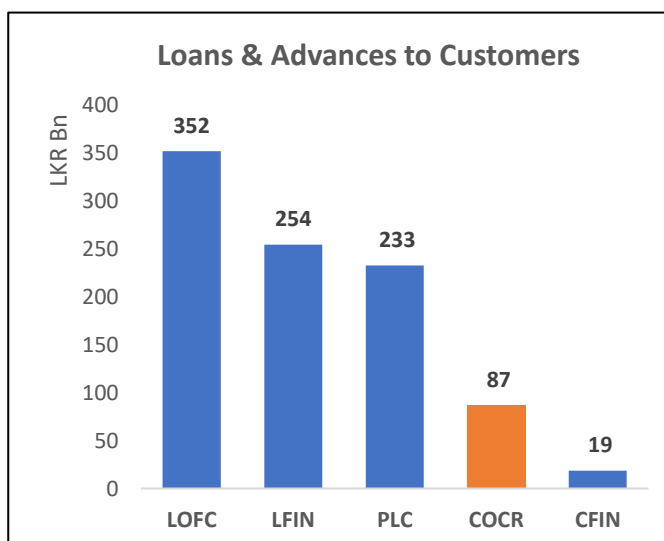
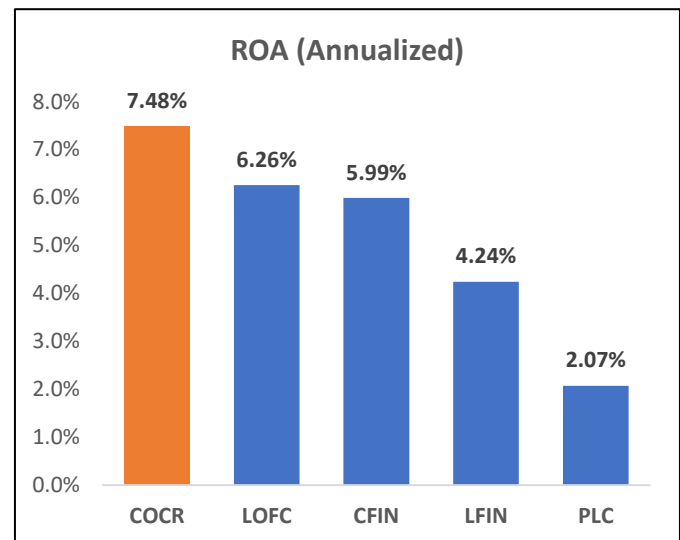
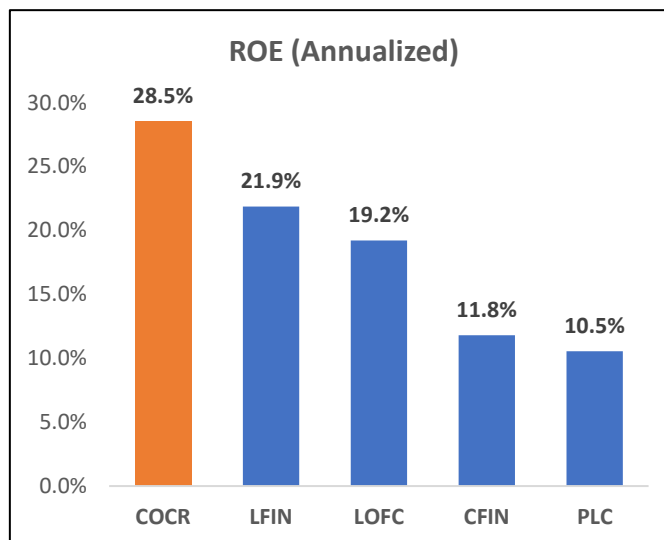
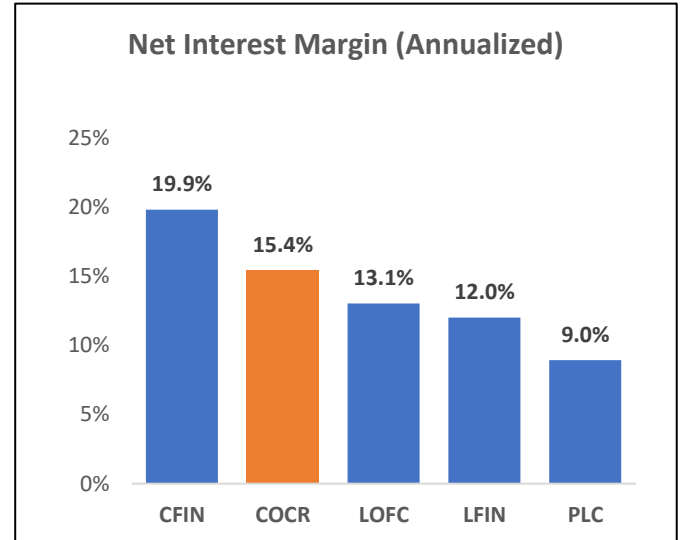
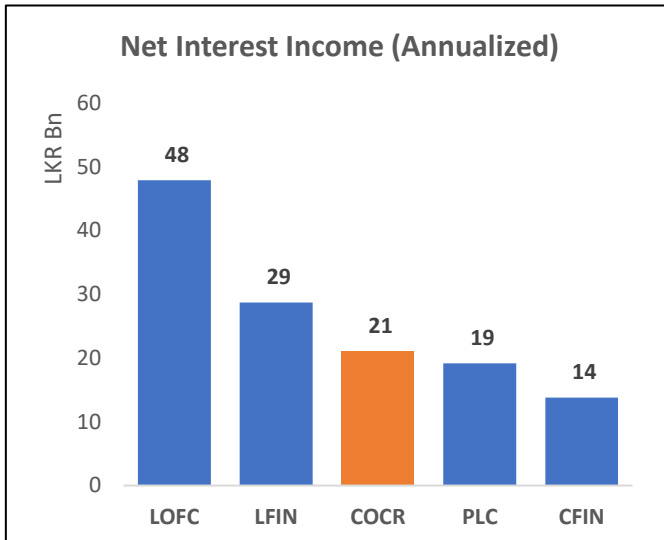


The loans and receivables portfolio contracted by 6%. Business Loans recorded the strongest growth in FY2025, expanding by 42% YoY, indicating increased appetite for business expansion and new enterprise formation. The Other Loans segment also posted a healthy 12% YoY growth, while Abhivurdhi SME Loans increased by 11% YoY, reflecting continued entrepreneurial activity. However, growth momentum in these segments may moderate in the near term due to the impact of recent events.

In contrast, Gold Loans, despite being the largest contributor to total loans and advances in FY2025, recorded a modest 2% YoY growth. The Term Draft Loans segment experienced the steepest contraction, declining by 52% YoY, while Auto Loans fell by 26% YoY. Additionally, the broader other category, which includes short term loans, staff loans, education loans, and factoring receivables,

declined by 14% YoY. The Microfinance Loans segment also recorded an 8% YoY decline, reflecting pressure on borrower cash flows during the period. Loans and reciveables showed 34% YoY growth for the quarter ended September 2025.

Peer Comparison



Note: Based on September ended 2025 Quarterly report

Financial Review

Major changes compared with the previous year (FY25 vs FY24):

Favourable Changes

- Net interest income grew by 20%, rising from LKR 14.89 Bn to LKR 17.88 Bn.
- Operating profits increased by 64%, climbing from LKR 7.37 Bn to LKR 8.69 Bn.
- Profits attributable to equity holders rose by 69%, from LKR 3.64 Bn to LKR 6.15 Bn.
- Impairment charges dropped significantly by 61%, declining from LKR 4.24 Bn to LKR 1.66 Bn.
- Net interest margin increased from 15.45% to a healthy 17.34%.

Unfavourable Changes

- Net trading income fell by staggering 702%, further increasing the previous year's loss of LKR 3.08 Mn to LKR 24.74 Mn.
- Other operating income dropped by 5%, decreasing from LKR 981 Mn to LKR 930 Mn.
- Operating expenses rose by 18%, increasing from LKR 7.37 Bn to LKR 8.69 Bn.
- Income tax expenses surged by 66%, from LKR 2.09 Bn to LKR 3.48 Bn.
- Total operating expenses grew by 20%, rising from LKR 7.43 Bn to LKR 8.94 Bn.

Major changes compared with the previous quarter (2Q FY26 vs 1Q FY26):

Favourable Changes

- Fee & commission income rose by 6%, from LKR 613 Mn to LKR 649 Mn.
- Net gain/(loss) from trading has increased by 299%, from LKR 8.5 Mn to LKR 34 Mn.
- Other operating income is up by 15%, increasing from LR 216 Mn to LKR 248 Mn.
- Income tax expenses declined by 11%, from LKR 1.28 Bn to LKR 1.14 Bn.

Unfavourable Changes

- Net interest income fell by 1%, from LKR 5.30 Bn to LKR 5.25 Bn.
- Net income from real estate fell by 43%, from LKR 0.8 Mn to LKR 0.5 Mn.
- Operating expenses rose by 2%, from LKR 2.39 Bn to LKR 2.43 Bn.
- Profit for the period declined by 1%, from LKR 2.13 Bn to LKR 2.10 Bn.

FY2025 performance reflected a modest contraction in total income

For the financial year ended 2025, total income recorded a marginal decline of 5%, easing from LKR 33 Bn to LKR 32 Bn. This moderation was primarily driven by a sharp deterioration in trading performance, with net trading losses widening significantly from LKR 3 Mn in the previous year to LKR 24 Mn in FY2025. The substantial increase in trading-related losses reflects weaker market conditions and heightened volatility during the period, which weighed on overall income generation.

In addition, other operating income declined by 5% YoY, further pressuring topline performance. The combined impact of higher trading losses and softer ancillary income streams resulted in the overall contraction in total income for the year, despite stable performance across core operating segments.

Net interest income grew in FY2025 from lower interest expenses

In FY2025, interest income declined by 7% YoY, while interest expenses fell sharply by 34% YoY, resulting in a 20% YoY increase in net interest income. Interest income was primarily generated from financial assets measured at amortized cost and financial assets measured at fair value through profit or loss, largely comprising government securities.

Within the interest income mix, lease rentals receivable and stock out on hire were the largest contributors, accounting for 65% of total interest income. Loans and advances followed as the second-largest contributor with a 30% share. Income from placements with banks and other financial institutions, together with government securities, contributed 4%, while income from reverse repurchase agreements remained marginal at 1% of total interest income.

Based on the latest performance, net interest income declined marginally by 1% on a QoQ basis, while on a YoY basis it recorded a strong increase of 22%, reflecting a notable improvement in underlying interest margins over the year.

Operating profits saw significant improvement in FY 2025

Operating profit recorded a robust YoY increase of 64%, rising from LKR 7.21 Bn to LKR 11.82 Bn, underpinned by a significant expansion in operating profit margins from 22% to 37%. This margin improvement reflects enhanced cost efficiencies during the period.

On a QoQ basis, operating profit moderated by 4%, indicating some normalization following a strong prior quarter. Nevertheless, on a YoY basis, operating profit growth remained strong at 71%, highlighting sustained improvements in operational performance and profitability over the year.

FY 2025 Reported Net loss from trading

In FY2025, the Company recorded a significant YoY deterioration of 702% in this line item, resulting in an increased loss of LKR 27.8 Mn compared to the previous year. This was primarily driven by a decline in fair value gains recognized through profit or loss.

Despite this sharp YoY contraction, the latest quarterly performance showed a notable recovery, with gains improving by 299% on a QoQ basis, reversing from a loss of LKR 8.53 Mn to a gain of LKR 35.04 Mn. This rebound reflects improved market conditions and a recovery in fair value movements during the quarter.

Operating expenses up by 18% for the FY 2025

During FY2024, operating expenses increased by 18% YoY, rising from LKR 7.37 Bn to LKR 8.69 Bn. This increase was primarily driven by a 19% YoY rise in personnel costs, which remained the largest cost component. Other operating expenses also contributed to the increase, recording an 18% YoY growth, while depreciation and amortization expenses rose by 12% YoY, reflecting higher asset utilization and capital expenditure.

In 2Q FY2026, personnel costs continued to exert the greatest pressure on operating expenses, recording a sharp 54% YoY increase, although they declined by 5% on a QoQ basis, suggesting some easing in cost momentum. Depreciation and amortization declined on both a YoY and QoQ basis by 9% and 5%, respectively. Meanwhile, other operating expenses increased by 12% QoQ, although they recorded a marginal 1% YoY decline, indicating mixed cost dynamics during the quarter.

FY 2025 Impairment Charges saw 61% decline

In FY2025, impairment charges declined by 61% YoY, primarily driven by the absence of impairment charges on loans and receivables, which declined by 11% compared to the previous year. Additionally, impairment charges relating to lease rentals receivable and stock out on hire were largely absent, recording a 68% reduction YoY. Meanwhile, impairment on other financial assets recorded a significant improvement, turning into a gain of 3,540% YoY compared to the prior year.

On a quarterly basis, impairment charges declined by 31% QoQ, reflecting improved asset quality in the latest period. However, on a YoY comparison, impairment charges increased by 155%, shifting from an impairment cost of LKR 707 Mn in the corresponding period last year to an impairment charge of LKR 392 Mn in the current period, indicating elevated credit risk recognition over the year despite recent quarterly improvement.

Total assets edged up slightly during FY2025

During FY2025, total assets expanded by 4% YoY, reflecting moderate balance sheet growth. Cash and cash equivalents increased significantly by 119% YoY, rising from LKR 2.16 Bn to LKR 4.73 Bn, highlighting a marked improvement in the Group's liquidity position. Financial assets measured at amortized cost, comprising loans and receivables, lease rentals receivable and stock out on hire, and debt and other instruments, recorded a marginal 1% YoY decline. Meanwhile, the investment property segment recorded a substantial 73% YoY increase, indicating higher exposure to property-related assets.

In 2Q FY2026, total assets grew by 8% on a QoQ basis and 5% YoY, supported by an expansion across key asset classes. Cash and cash equivalents increased by 9% QoQ, although they declined by 26% YoY, reflecting quarter-end liquidity management. Financial assets at amortized cost increased by 12% QoQ and 10% YoY, signaling a recovery in lending activity. Additionally, deferred tax assets rose by 29% QoQ, while recording a 23% YoY decline, reflecting changes in temporary differences during the period.

FY2025 saw a slight contraction in total liabilities

During FY2025, total liabilities declined marginally by 1% YoY. Liabilities due to banks increased by 20% YoY, reflecting higher reliance on bank borrowings. In contrast, liabilities due to customers declined by 10% YoY, indicating a contraction in deposit balances. Other financial liabilities increased by 28% YoY, while current tax liabilities rose sharply by 62% YoY compared to the previous year.

In 2Q FY2026, total liabilities increased by 11% on a QoQ basis and by 4% YoY. Liabilities due to banks rose by 34% QoQ, while the YoY increase remained moderate at 8%. Liabilities due to customers recorded a marginal 2% QoQ increase, although they declined by 4% YoY. Other financial liabilities increased significantly by 125% QoQ and 181% YoY, reflecting higher short-term obligations. Meanwhile, current tax liabilities declined by 35% QoQ, while recording a marginal 1% YoY increase.

Environment, Social and Governance

Social Impact and Responsible Lending

The Company's Social profile is underpinned by its strong emphasis on financial inclusion, particularly through microfinance, Abhivurdhi SME loans, gold-backed lending, and leasing products. As disclosed in the report, microfinance facilities are extended without collateral, consistent with both Sri Lankan and international industry practices, enabling access to credit for low-income and underserved segments that would otherwise remain excluded from formal financial systems. Abhivurdhi SME loans are primarily granted to borrowers with satisfactory microfinance repayment histories, supporting small business expansion and income generation.

Given the unsecured nature of these exposures, the Company has implemented robust borrower protection and credit discipline mechanisms. These include strict limits on first-time microfinance loans, group-based lending structures where group members jointly guarantee each other's obligations, and detailed assessments of loan purpose and repayment capacity prior to disbursement. In addition, the weekly and fortnightly collection model allows for close engagement with borrowers and early identification of repayment stress. Portfolio quality is further monitored through key risk indicators such as Portfolio-at-Risk (PAR), ensuring timely intervention where credit deterioration emerges. Collectively, these practices demonstrate a balanced approach to social outreach and risk containment, particularly important in an environment where household incomes and SME cash flows are under pressure due to recent economic disruptions.

Governance and Risk Management Framework

From a Governance perspective, the Company exhibits a disciplined and structured risk management framework across its key lending portfolios, particularly in gold loans and leasing operations. The report highlights that gold-backed lending is supported by continuous monitoring of local and international gold prices, with frequent adjustments to loan values per sovereign to manage collateral coverage risk. Furthermore, the Company actively monitors repayment behavior and structures facilities to ensure timely recovery actions in the event of non-redemption. Leasing and hire purchase portfolios are also subject to asset-level risk controls, including insurance coverage, which partially mitigates potential losses arising from external shocks such as natural disasters. The presence of detailed impairment monitoring across loans, leases, and other financial assets further reinforces governance strength, demonstrating transparency and responsiveness in credit quality assessment. Overall, governance practices are anchored by conservative credit controls, impairment discipline, and adherence to regulatory expectations, although the report indicates limited disclosure on formal ESG governance structures at the Board level.

The company upholds corporate governance by complying with regulations
Board of Directors

Name	Directorship Status	Skills and Expertise
Mr. G. B. Egodage	Non-Executive, Non-Independent (Chairman until 30.09.2024)	Extensive experience in financial services and corporate leadership. Demonstrated expertise in strategic oversight, governance, and risk management within regulated financial institutions. Board-level experience across multiple committees.
Mr. L. L. S. Wickremasinghe	Senior Director, Non-Executive, Independent (w.e.f. 26.02.2025)	Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA). Strong expertise in accounting, auditing, financial reporting, corporate governance, and regulatory compliance. Chairs Audit-related committees, reflecting deep financial oversight capability.
Mr. R. S. Egodage	Executive Director (CEO)	Senior executive experience in financial services operations, strategic execution, credit management, and institutional leadership. Proven track record in managing large-scale lending portfolios and regulatory compliance in the non-bank financial sector.
Ms. G. R. Egodage	Executive Director	Experience in operational management, financial services administration, and business oversight. Involved in executive decision-making and implementation of company strategy.
Mr. P. S. R. Casie Chitty	Executive Director	Expertise in finance company operations, credit administration, and business development. Experience in managing lending activities and operational execution within a regulated financial environment.
Ms. T. M. L. Paktsun	Non-Executive, Independent (resigned w.e.f. 24.02.2025)	Professional background with experience in governance, compliance, and oversight functions. Served on multiple Board sub-committees, contributing to risk management and governance processes.
Ms. G. A. M. Edwards	Non-Executive, Independent	Strong background in governance, human resource management, and board-level oversight. Chairs the Human Resource and Remuneration Committee. Experience in policy formulation, ethical governance, and executive remuneration frameworks.
Mr. F. A. P. L. Solbani	Non-Executive, Non-Independent	Experience in business management and corporate governance. Contributes to Board deliberations through industry exposure and strategic insight.
Mr. W. D. Barnabas	Non-Executive, Independent (retired w.e.f. 03.05.2025)	Significant experience in governance and regulatory oversight. Served on key Board committees, contributing to independent judgment and risk governance.
Dr. (Ms.) J. P. Kuruppu	Non-Executive, Independent	Holds a doctoral qualification. Expertise in professional, academic, and governance-related fields. Provides independent oversight with strong analytical and regulatory understanding, particularly in committee-level governance functions.

Board Sub Committees

Sub-committees	Members
Mandatory Committees	
Board Audit Committee	<ul style="list-style-type: none"> Mr. L.L.S. Wickramasinghe- Chairperson Mr. G.B. Egodage Ms. G.A.M. Edwards
Board Human Resources & Remuneration Committee	<ul style="list-style-type: none"> Ms. G.A.M. Edwards- Chairperson Mr. G.B. Egodage Dr. (Ms) J.P. Kuruppu
Board Nominations & Governance Committee	<ul style="list-style-type: none"> Mr. L.L.S. Wickramasinghe - Chairperson Mr. G.B. Egodage Ms. G.A.M. Edwards
Board Integrated Risk Management Committee	<ul style="list-style-type: none"> Mr. L.L.S. Wickramasinghe - Chairperson Mr. G.B. Egodage Ms. G.A.M. Edwards Mr. W.D. Barnabas Dr. (Ms) J.P. Kuruppu
Board Related Party Transactions Review Committee	<ul style="list-style-type: none"> Ms. G.A.M. Edwards- Chairperson Mr. L.L.S. Wickramasinghe Mr. G.B. Egodage

Environmental, Social & Governance (ESG) Score
Environmental (E)- Score: 2.8/5

Indicator	Evidence from Report	Score
Energy usage & efficiency	No quantified disclosures on energy consumption or efficiency improvements	2
Environmental risk management	Exposure to climate-related risks indirectly discussed (natural disasters impacting operations)	3
Resource usage	No detailed disclosures on water, waste, or emissions	2
Environmental compliance	No reported environmental penalties or violations	3
Environmental initiatives	No formal sustainability targets or transition plans disclosed	2

The Company acknowledges indirect environmental risks, particularly the impact of natural disasters on lending portfolios. However, the absence of quantified environmental metrics and sustainability targets limits transparency.

Social (S)- Score: 3.4/5

Indicator	Evidence from Report	Score
Financial inclusion	Strong exposure to microfinance, SME loans, and gold loans supporting underserved segments	4
Customer protection	Group-based lending, loan limits, close monitoring of repayment capacity	4
Employee costs & welfare	Rising personnel costs disclosed; no adverse labour issues reported	3
Community impact	Lending supports SMEs and self-employment, especially during income stress periods	4
Health & safety	No explicit disclosures	2

The Company demonstrates a strong social footprint through microfinance, SME lending, and gold loans, supporting financial inclusion during periods of economic stress. Risk controls are clearly articulated, strengthening borrower protection.

Governance (S)- Score: 3.2/5

Indicator	Evidence from Report	Score
Risk management	Detailed credit risk frameworks for microfinance, gold loans, and leasing	4
Asset quality monitoring	Use of PAR ratios, impairment monitoring, collateral valuation controls	4
Transparency	Clear segmental disclosures across income, assets, and impairments	3
Regulatory compliance	No reported regulatory breaches; aligned with industry practices	3
Board & governance disclosures	Limited qualitative detail in the report	2

Governance strength lies primarily in risk management and credit discipline, especially for unsecured and collateral-based lending. Board-level ESG governance and independence disclosures could be enhanced.

The following criteria have been used to assess the Company’s ESG scores,

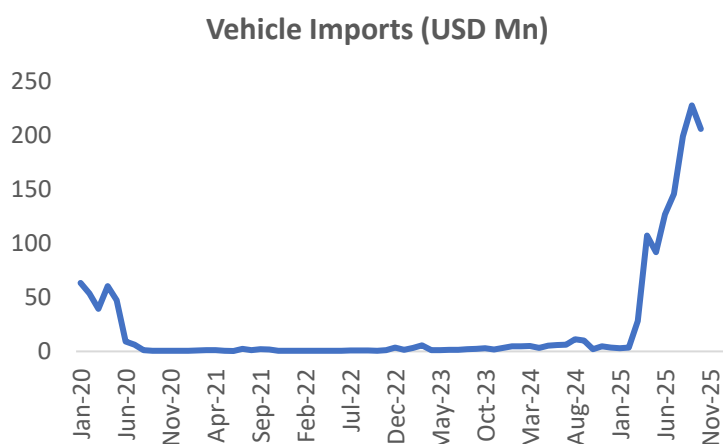
Score	Definition
0	Not disclosed / No evidence
1	Very weak disclosure or practice
2	Basic qualitative disclosure
3	Moderate, consistent practice with partial evidence
4	Strong, well-documented practice
5	Best-in-class, measurable targets & outcomes

Based on the above information, the overall ESG score is 3.1 out of 5, which can be classified as a **moderate** ESG score. (Scoring Scale: 0 = Not disclosed | 1 = Weak | 2 = Basic | 3 = Moderate | 4 = Strong | 5 = Best Practice)

Industry & Macroeconomic Analysis

Vehicle imports normalize, easing leasing and NBF1 growth

At the beginning of 2025, the vehicle import ban was lifted, resulting in a significant increase in vehicle imports. For the first ten months of the year, cumulative vehicle imports reached USD 1,465 million, reflecting pent-up demand following the previous restrictions. However, it is important to note that this surge was primarily driven by the temporary effects of lifting the import ban, rather than a sustained increase in underlying demand.



Customs revenue demonstrated a strong recovery, with officials noting a significant year-on-year increase driven primarily by the resurgence in vehicle imports. As of 14 October 2025, vehicle imports had contributed Rs. 587.11 billion, representing 37% of total customs revenue. During the period, the importation of 55,447 motor cars

generated Rs. 474.26 billion, underscoring the dominant role of passenger vehicles in revenue collection. Meanwhile, 7,331 goods transport vehicles contributed Rs. 48.67 billion, reflecting improving commercial and logistics sector demand. Additionally, 142,524 motorcycles and 15,035 three-wheelers generated Rs. 30.37 billion and Rs. 15.10 billion, respectively, while the importation of 1,679 passenger buses and vans accounted for Rs. 12.66 billion. According to the Central Bank of Sri Lanka, the value of motor vehicle imports is expected to reach USD 1.5 billion this year, up from its earlier projection of USD 1.2 billion, further highlighting the sector’s renewed momentum and its material impact on government revenue.

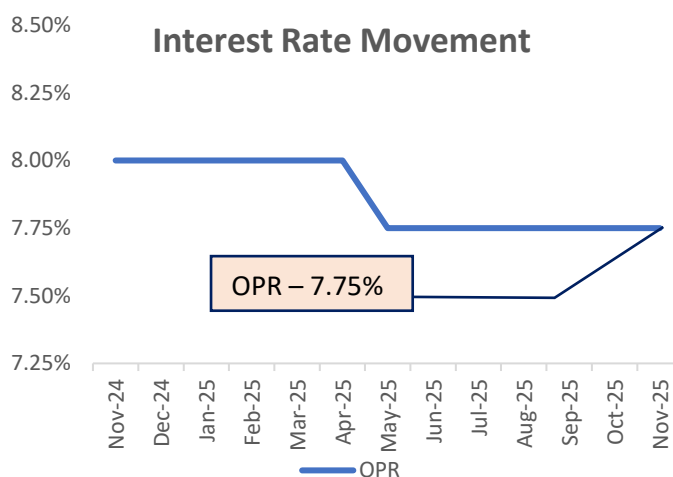
However, during the month of October vehicle imports declined by 10% compared to the previous month, signaling a gradual return to more normalized import levels. This moderation in import activity suggests that the initial spike is stabilizing, and the vehicle market is entering a more steady phase. As a result, related sectors such as vehicle leasing, financing, and other ancillary services may experience slower growth or a modest contraction in the near term.

Looking ahead, the continuation of this trend is likely, which could have implications for non-bank financial institutions (NBFIs) and other stakeholders exposed to vehicle-related credit and leasing activities. Overall, while the easing of restrictions initially boosted imports, the subsequent normalization indicates a more cautious outlook for the sector.

Source: CBSL

Stable policy rates amid disaster risks may lead to cautious NBF lending

From May 2025 to November 2025, the Overnight Policy Rate (OPR) remained unchanged at 7.75%, reflecting a stable monetary policy stance aimed at supporting economic activity while maintaining price stability. However, the recent natural disaster is likely to exert pressure on asset quality across the non-bank financial institution (NBF) sector, particularly through a potential increase in non-performing loans as households and SMEs face disruptions to income and cash flows.

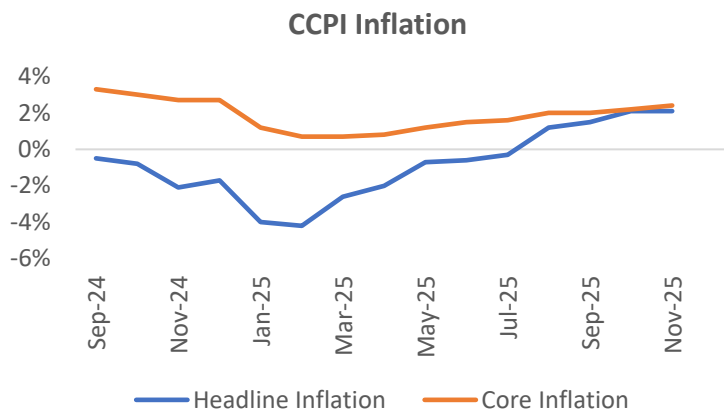


In such an environment, NBFIs may also encounter liquidity pressures, especially in converting portions of their asset base into cash in a timely manner, given the relatively illiquid nature of leasing, hire purchase, and microfinance portfolios. Although policy rates remain stable, credit risk transmission from disaster-affected borrowers could weigh on balance sheet flexibility and funding dynamics. Consequently, institutions such as COCR may adopt a more cautious lending approach, including tighter credit underwriting standards, slower loan disbursements, and enhanced monitoring of vulnerable portfolios. These precautionary measures would aim to preserve asset quality, safeguard liquidity, and maintain capital adequacy amid heightened uncertainty, even in the absence of immediate changes to interest rates.

Source: CBSL

Inflation expected to edge up following recent natural disaster

In November 2025, headline inflation remained subdued at 2.10%, while core inflation edged up to 2.40%, indicating a gradual firming in underlying price pressures. While inflation remains within a manageable range, recent natural disaster-related supply-side disruptions present upside risks to the inflation outlook, particularly through higher food prices, transport bottlenecks, and disruptions to informal economic activity. In this context, maintaining a cautious and supportive policy environment remains critical, especially for the non-bank financial sector, which has greater exposure to retail, SME, and microfinance borrowers.

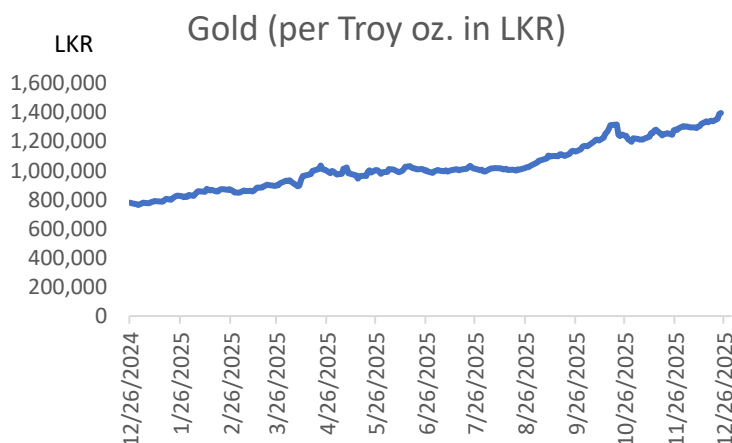


For NBFIs, prolonged supply disruptions and rising living costs could place pressure on household disposable incomes and SME cash flows, potentially weakening debt servicing capacity across leasing, hire purchase, microfinance, and gold-backed lending portfolios. This environment heightens the risk of asset quality deterioration, with possible increases in delinquencies, restructurings, and non-performing loans.

Source: CBSL

Gold loan demand is likely to rise amid higher gold prices

Gold prices continue to rise amid political uncertainty, which has led to an increase in gold-backed loans. The recent surge in gold prices, combined with a decline in disposable income, has prompted individuals to rely more heavily on gold as a source of liquidity.



Currently, the gold loan segment accounts for 62% of total loans and advances and contributes approximately 14% to overall revenue. Given the continued upward trend in gold prices, there is potential for further growth in gold-backed lending. Additionally, the recent natural disaster may drive increased gold pawning activity as households seek immediate financial relief, further supporting the expansion of gold loans.

Overall, the gold loan segment remains a critical component of the lending portfolio, and rising gold prices, coupled with disaster-related factors, are likely to sustain demand for gold-backed financing in the near term.

Source: CBSL

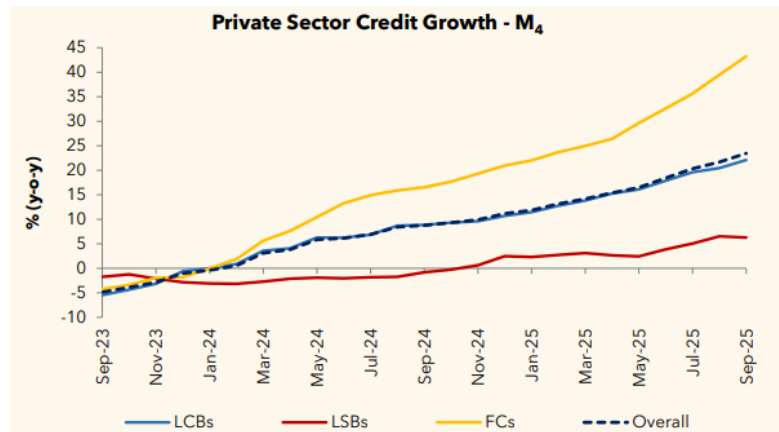
CBSL tightens vehicle financing norms with lower LTV limits

The Central Bank of Sri Lanka (CBSL) has further tightened credit conditions for vehicle financing by reducing maximum loan-to-value (LTV) ratios, effective 8 November 2025, under Directions No. 03 of 2025 issued by Governor Dr. Nandalal Weerasinghe. Under the revised framework, LTV ratios for commercial vehicles have been lowered to 70% from 80%, while motor cars, vans, and SUVs are now capped at 50%, down from 60%. LTV limits for three-wheelers remain unchanged at 50%, while all other vehicle categories have been reduced to 50% from 70%. These measures apply across Licensed Commercial Banks, Licensed Specialized Banks, Licensed Finance Companies, and Registered Finance Leasing Establishments, replacing the earlier Directions No. 02 of 2025. While transitional provisions

allow higher LTVs for vehicles imported under Letters of Credit opened prior to implementation, the revised regulations are expected to moderate near-term vehicle financing growth, potentially impacting leasing volumes and asset origination momentum across the NBFi sector.

Private Credit Growth Driven by Policy Stimulus and Reconstruction

The private sector continues to record positive credit growth across key segments, with Licensed Commercial Banks maintaining a strong positive correlation with overall sector trends. Finance companies remain the dominant contributors to credit expansion, while Licensed Specialized Banks have exhibited comparatively slower momentum. Between August 2025 and September 2025, sector credit grew by 1.7%, with year-on-year growth rising from 21.7% to 23.4%. On a monthly basis, this reflects an increase of LKR 9.4 billion. Looking ahead, credit growth is expected to strengthen further, supported by government initiatives aimed at assisting businesses affected by the recent floods, as well as increased construction activity stemming from disaster recovery efforts. Additionally, historically low interest rates are likely to provide further stimulus to private sector borrowing.



Source: CBSL

Financial Snapshot

Income statement - Annual

<i>LKR' Millions</i>	FY2021	FY2022	FY2023	FY2024	FY2025
Income	18,192	21,820	28,998	33,373	31,703
Net interest income	9,035	11,949	11,107	17,884	14,898
Fee and commission income	1,073	1,797	2,968	2,572	2,645
Net operating income	9,517	13,661	20,183	14,581	20,513
Operating profit	4,054	7,803	5,066	14,521	18,965
Profit before taxation	3,192	6,391	11,721	5,739	9,622
Income tax	858	1,871	1,270	2,098	3,475
Profit for the year (equity holders)	2,335	4,520	2,616	6,147	3,641

Income statement - Quarterly

<i>LKR' Millions</i>	FY24Q2	FY25Q3	FY25Q4	FY26Q1	FY26Q2
Income	7,493	6,584	10,478	8,064	7,965
Net interest income	4,298	3,433	6,442	5,304	5,245
Fee and commission income	642	678	856	613	649
Net operating income	4,460	2,575	10,349	6,691	6,570
Operating profit	2,420	776	7,657	4,308	4,142
Profit before taxation	1,880	577	6,473	3,405	3,238
Income tax	709	246	2,730	1,275	1,138
Profit for the year (equity holders)	1,171	331	3,743	2,129	2,101

Statement of financial position - Annual

<i>LKR' Millions</i>	FY2021	FY2022	FY2023	FY2024	FY2025
Assets					
Cash and Cash Equivalents	2,240	2,632	2,455	2,163	4,732
Loans and Receivables	18,601	18,990	21,028	23,797	22,164
Rentals Receivable and Stock out on Hire	49,966	55,003	55,142	55,791	47,721
Debt & other instruments	253	-	-	588	9,381
Other Financial Assets	644	462	203	171	232
Total Assets	91,130	93,630	102,193	105,937	110,270
Liabilities and Equity					
Due to Banks	22,593	19,229	16,260	12,607	15,116
Due to Depositors	47,990	48,078	59,244	62,121	55,682
Total Liabilities	75,734	74,437	81,817	82,741	81,768
Total Equity Attributable to Equity Holders of the Company	15,396	19,193	20,376	23,197	28,502

Statement of financial position – Quarterly

LKR' Millions	FY24Q2	FY25Q3	FY25Q4	FY26Q1	FY26Q2
Assets					
Cash and Cash Equivalents	4,162	4,048	4,732	3,202	3,483
Loans and Receivables	21,994	21,717	22,164	24,717	29,566
Rentals Receivable and Stock out on Hire	55,184	50,075	47,721	49,057	56,516
Debt & other instruments	300	205	9,381	3,788	891
Other Financial Assets	382	381	232	352	372
Total Assets	109,790	106,442	110,270	107,022	115,827
Liabilities and Equity					
Due to Banks	17,915	17,007	15,116	12,254	15,116
Due to Depositors	58,311	57,477	55,682	52,107	55,682
Total Liabilities	84,840	81,161	81,768	76,390	81,768
Total Equity Attributable to Equity Holders of the Company	24,949	25,280	28,502	30,632	28,502

Key Ratios - Annual

	FY2021	FY2022	FY2023	FY2024	FY2025
Net interest margin	11.20%	14.80%	13.10%	11.94%	17.34%
ROA	2.58%	4.89%	2.66%	3.37%	5.76%
ROE	15.62%	26.14%	13.15%	16.21%	24.20%
EPS (LKR)*	7.34	14.21	8.23	11.45	19.33
Net interest margin	11.20%	14.80%	13.10%	11.94%	17.34%
Equity to total assets	16.89%	20.50%	19.93%	21.77%	25.78%
Gross Stage 3 Loans Ratio	5.39%	4.67%	11.07%	41.75%	26.07%
Net Stage 3 Loans Ratio	-2.94%	-4.09%	1.17%	30.52%	13.39%
Stage 3 Impairment Coverage Ratio	NA	NA	NA	26.90%	48.63%
Total Impairment Coverage Ratio	NA	NA	NA	15.18%	18.10%
Capital Funds to Deposits	32.08%	39.92%	34.36%	16.21%	24.20%
NAVPS (LKR)*	48.40	60.34	64.06	72.93	89.61
Core Capital Ratio	13.45%	17.61%	17.49%	14.87%	25.63%
Total Risk Weighted Capital Ratio	14.55%	19.22%	18.66%	14.96%	25.74%
Gross income growth (YoY)	-20.76%	19.94%	32.89%	15.09%	-5.00%
Net interest income growth (YoY)	-17.20%	32.25%	-7.05%	34.13%	20.04%
PAT growth (YoY)	16.43%	93.61%	-42.12%	39.16%	68.84%
Assets growth (YoY)	1.41%	2.74%	9.15%	3.66%	4.09%
Loan growth (YoY)	-3.32%	7.52%	2.94%	5.26%	-1.14%
Deposit growth (YoY)	-1.96%	0.18%	23.22%	4.86%	-10.37%
Gross income per employee (LKR Mn)	6.21	7.57	10.30	11.13	10.24
Net income per employee (LKR Mn)	0.80	1.57	0.93	1.21	1.99
Gross income per branch (LKR Mn)	144.38	169.15	218.03	250.92	238.37
Net income per branch (LKR Mn)	18.53	35.04	19.67	27.37	46.22

*Based on the latest no. of shares

Key Ratios - Quarterly

	FY25Q2	FY25Q3	FY25Q4	FY26Q1	FY26Q2
ROA (Annualized)	4.27%	1.24%	13.58%	7.96%	7.25%
ROE (Annualized)	30.42%	6.89%	73.47%	36.72%	29.48%
EPS (Annualized) (LKR)*	14.73	4.16	47.07	26.78	26.42
Equity to total assets	22.72%	23.75%	25.85%	28.62%	24.61%
Deposits to total assets	53.11%	54.00%	50.50%	48.69%	48.07%
Cash to total assets	3.79%	3.80%	4.29%	2.99%	3.01%
Net loans to total assets	70.57%	67.64%	71.88%	72.47%	75.09%
Loans to customer deposits	132.87%	125.27%	142.35%	148.85%	156.20%
Equity to deposits	42.79%	43.98%	51.19%	58.79%	51.19%
NAVPS*	78.44	79.48	89.61	96.30	89.61
Gross income growth (QoQ)	8.79%	-12.13%	59.14%	-23.04%	-1.24%
Net interest income growth (QoQ)	24.39%	-20.12%	87.64%	-17.67%	-1.11%
PAT growth (QoQ)	70.66%	-71.76%	1031.58%	-43.10%	-1.36%
Assets growth (QoQ)	1.41%	2.74%	9.15%	3.66%	4.09%
Loan growth (QoQ)	-3.94%	-1.26%	2.05%	11.52%	19.62%
Deposit growth (QoQ)	0.65%	-1.43%	-3.12%	-6.42%	6.86%
Gross income per branch (LKR Mn)	56.34	49.50	78.78	60.63	59.88
Net income per branch (LKR Mn)	8.80	2.49	28.14	16.01	15.79

*Based on the latest no. of shares

News and Corporate Actions

27th June 2025

COCR appoints an independent non-executive director

Ms. Christine Shiromi Jesudian was appointed as an Independent Non-Executive Director to the Board of Commercial Credit and Finance PLC on 13 June 2025. She brings over 20 years of experience in the banking and finance sector, including more than 11 years in senior management roles at National Savings Bank, where she contributed to key committees such as Asset and Liability Management, Product Development, and Strategic Planning. Her professional expertise spans portfolio management, debt structuring, and corporate finance, supported by her prior role as Head of Operations at Bartleet Asset Management (Pvt) Ltd. In addition, she has extensive academic involvement as a visiting lecturer at leading universities and professional institutions. Ms. Jesudian holds an MBA from the University of Colombo and a BSc (Hons) in Business Administration from the University of Sri Jayewardenepura, strengthening the Board's depth in financial and strategic oversight.

24th April 2025

Lanka Rating Agency updates credit ratings of Commercial Credit and Finance PLC

In accordance with Section 8 of the Colombo Stock Exchange Listing Rules, the Company disclosed that Lanka Rating Agency Limited has upgraded the instrument rating of its senior, listed, redeemable, rated, guaranteed debenture amounting to LKR 1,278 million to "AA-" with a stable outlook, from the previously assigned rating of "A" with a stable outlook. In addition, the Company's long-term entity rating has been reaffirmed at "BBB" with a stable outlook, revised from the earlier "BBB" with a positive outlook.

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