

CHIEF EXECUTIVE OFFICER'S REVIEW



*Continued value
creation to
stakeholders*

THIS HAS BEEN A TRANSFORMATIVE YEAR FOR BOTH OUR COMPANY AND THE BROADER ECONOMY A PERIOD OF RENEWED AMBITION AND FOCUSED EXECUTION AS WE STRENGTHENED OPERATIONAL RESILIENCE TO BUILD A FOUNDATION FOR LONG-TERM, SUSTAINABLE GROWTH.

Rs 3,603 Mn
PROFIT AFTER TAX



It is with gratitude and responsibility that I present the Annual Report of People's Leasing & Finance PLC for the financial year 2024/25. This has been a transformative year for both our company and the broader economy a period of renewed ambition and focused execution as we strengthened operational resilience to build a foundation for long-term, sustainable growth.

MACROECONOMIC SNAPSHOT

Sri Lanka's economy rebounded strongly in 2024, posting 5.0% growth the highest in seven years driven by IMF-led reforms, improved investor confidence, and a successful \$25 billion debt restructuring. Key sectors like industry, tourism, and agriculture revived, supporting job creation and foreign exchange inflows, despite ongoing household income pressures from the 2022 crisis.

Inflation declined to -1.7% by year-end, while the Central Bank's shift to an 8% Overnight Policy Rate (OPR) simplified monetary operations, enhancing transparency and predictability for institutions like ours in pricing and liquidity planning.

Lower interest rates and rising economic activity supported credit growth in the NBFi sector. The government's lifting of vehicle import restrictions in February 2025 also revitalized the core leasing business, sparking immediate demand.

However, asset quality remained a concern. Despite modest improvement in the sector's NPL ratio, SME and informal segments continued to struggle with repayment due to lingering economic stress.

MANAGING OPPORTUNITIES AND CHALLENGES

Taking on the role of CEO midway through the financial year, I was acutely aware of the long-standing challenges that had constrained our performance. The Company had faced a period marked by subdued operational momentum, staff disengagement, and a culture that prioritized cost management over innovation and growth.

To turn the tide, we began with a fundamental action: restoring open communication. By actively listening to our employees, we uncovered inefficiencies, identified untapped

opportunities, and laid the groundwork for meaningful transformation.

At the core of our strategy was a renewed focus on people. We championed financial empowerment, reignited employee motivation, and fostered a more inclusive and performance-oriented culture. This cultural realignment not only lifted morale but also helped position the Company for its next phase of growth.

One of our early focus areas was reshaping the marketing function redefining our teams not just as sales professionals, but as empathetic customer partners. Through targeted training and the deployment of digital tools, we enhanced their ability to respond with agility, precision, and care. The result was stronger relationships, higher customer satisfaction, and a renewed sense of brand loyalty.

This people-first philosophy extended to our frontline operations, where we rolled out training and digital enablement initiatives to drive faster response times and improve the customer experience. Together, these actions created a high-impact synergy between people and technology laying a solid foundation for sustainable growth.

We also placed strong emphasis on future-proofing our workforce through initiatives such as mentorship programmes, professional certifications, and upskilling in fintech, data analytics, and digital transformation. These efforts were complemented by enhanced succession planning and leadership development, aimed at cultivating internal talent and fostering a culture of ownership and empowerment across all levels.

To reinforce these structural changes, we prioritized employee well-being through expanded engagement activities, improved health and wellness benefits, and greater attention to work-life balance. This comprehensive people strategy has already yielded visible outcomes: our workforce is now more engaged, aligned, and motivated.

On the business front, we realigned our lending strategy to capitalize on improving macroeconomic conditions, with particular emphasis on high-potential SME segments and revitalized sectors like tourism. These efforts resulted in a remarkable increase in our loans and

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Rs 157 Bn
LEASE AND LOAN PORTFOLIO

20.76%
NET INTEREST INCOME GROWTH

CHIEF EXECUTIVE OFFICER'S REVIEW

advances portfolio, growing from Rs. 104 billion to Rs. 157 billion, surpassing expectations and marking the highest annual growth in our recent history.

In tandem, Green Finance continued to be a strategic priority, in alignment with the national sustainability agenda. We gained a first-mover advantage in electric three-wheeler leasing and expanded our solar lease portfolio through partnerships with key players in the solar sector. These initiatives drove a notable rise in monthly disbursements and contributed to year-on-year lending growth, strengthening our commitment to climate-resilient financing.

While we expanded credit, we remained firmly focused on credit quality. Recoveries were not without challenges, as individuals and businesses continued to navigate the lingering impact of the 2022 economic crisis and fiscal adjustments, including increased taxation. In response, we introduced several structural enhancements to our recovery framework, resulting in a reduction of non-performing loans (NPLs) from Rs. 17.82 billion in March 2024 to Rs. 9.56 billion by March 2025.

To address the structural mismatch between short-term deposits and long-term lending, we strategically grew our gold loan portfolio, leveraging our extensive branch network to achieve an 85.13% increase, reaching Rs. 20.29 billion by March 2025. Concurrently, we intensified efforts to mobilize low-cost savings and medium-term deposits. With declining interest rates, we retained deposits by growing our savings base and launched competitive term deposit offerings backed by targeted marketing campaigns. These efforts led to our term deposits surpassing Rs. 100 billion, with strong retention, though achieving product-to-product financing remains a long-term strategic goal.

This year marks a pivotal turning point in our journey. Our performance is not simply a reflection of improved numbers it is a testament to the resilience of our people, the clarity of our purpose, and the power of shared vision. We are building a culture where every team member can grow personally, professionally, and with purpose.

Today, People's Leasing stands as a more agile, inspired, and future-ready organisation. As we continue this journey,

we remain committed to creating a truly happy, high-performing, and fulfilling workplace, while delivering sustainable value to all our stakeholders.

FINANCIAL PERFORMANCE

The financial year 2024/25 marked a period of strong recovery and disciplined growth for People's Leasing & Finance PLC. Despite operating in a volatile interest rate environment, we recorded a significant improvement in core earnings, driven by the strategic expansion of our lending portfolio and focused efforts on operational efficiency.

Net Interest Income (NII) rose by 20.76% to Rs. 14.07 billion, up from Rs. 11.65 billion in the previous year. This was supported by a 7.28% increase in interest income from loans and receivables, primarily due to accelerated loan disbursements in the second half of the year. The full-year impact of this portfolio growth is expected to further strengthen income generation in the year ahead.

Operating expenses increased by 17.21% to Rs. 9.02 billion, reflecting the inflationary backdrop and continued investment in employee development, digital platforms, and branch-level infrastructure to support business scalability. However, our cost-to-income ratio improved over the previous year, as revenue growth outpaced cost escalation an outcome of better productivity and stronger top-line performance.

Notably, we recorded an impairment reversal of Rs. 403.30 million, reflecting our strengthened credit risk practices, improved portfolio quality, and focused recovery efforts.

As a result, Profit After Tax for FY 2024/25 stood at Rs. 3.60 billion, signalling a return to robust profitability.

Our total asset base expanded by 21.69% to Rs. 194.53 billion, while total equity increased to Rs. 42.41 billion reinforcing our long-term solvency and financial strength. Return on Assets (ROA) edged up slightly to 3.27% from 3.25%, while Return on Equity (ROE) recorded a marginal decline to 8.56% from 8.68%, primarily due to the higher equity base.

We continued to maintain a strong capital position with a Tier 1 Capital Ratio of 22.94% and a Total Capital Ratio of

22.68%, well above regulatory thresholds and industry norms. This capital strength enables us to absorb future shocks while supporting responsible growth.

Additionally, our cash flow position improved significantly towards the end of the year, due to proactive resource mobilisation to support planned business expansion. These funds, until fully deployed, are being prudently invested in short-term instruments to ensure liquidity and generate interim returns.

SUSTAINABILITY LEADERSHIP

At People's Leasing, we believe that progress must serve a higher purpose one that transcends financial returns to uplift people, protect the planet, and create lasting value for future generations. This belief has shaped our unwavering commitment to sustainability, driving us to embed Environmental, Social, and Governance (ESG) principles into every layer of our business. Our efforts over the years have focused on ESG-compatible financial products aligned with the Sri

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Rs 19.69
NET ASSETS VALUE PER SHARE

51.56%

PORTFOLIO GROWTH

Lanka Green Finance Taxonomy, to create tangible pathways for customers to transition to clean energy. These initiatives were supported by our drive to harness digital innovation for financial inclusion.

Recognising that sustainability must be embedded at the core of our decision-making, we expanded sustainability ambitions in the past year aiming to transform our strategy, and operations to ensure that every step we take is carefully calibrated to deliver long-term value for our business, as well as for people, planet, and the communities we serve.

Looking at sustainability through a 360-degree lens, we began working towards obtaining the SSCI (Sustainable Standards and Certification Initiative) certification, which represents a comprehensive transformation, one that signals our intention to integrate ESG risks and opportunities into our overall strategy, risk management and governance frameworks to build resilience and safeguard our ability to navigate future headwinds. Our ultimate goal through this initiative is to creating a legendary mindset which embodies a relentless pursuit of excellence, driven by purpose, unwavering discipline, and the courage to challenge limits.

In parallel, we also commenced preparations for implementing the SLFRS S1 and S2 standards, which are set to come into effect in the upcoming financial year. Recognising the importance of aligning with these evolving global best practices, we began assessing our current reporting capabilities, identifying key data gaps, and establishing the internal frameworks necessary to meet the rigorous requirements set out under SLFRS S1 and S2. Notably, the SSCI certification which reinforces the integration of ESG principles into our governance and risk management structures, will be instrumental in aiding our transition.

AWARDS AND ACCOLADES

I take immense pride in celebrating another outstanding year for People's Leasing, where we stood as one of Sri Lanka's most trusted and highly awarded financial institutions. Our commitment to excellence was recognised both locally and internationally, highlighted by prestigious accolades such as the Most

Trusted Financial Institution award at the Global Brand Magazine Awards 2024 and the Financial Fortitude – Best Leasing Company of the Year at the Asian Business Leadership Awards. Our innovative efforts were further celebrated at the Technovation Awards 2024, where we were named Financial Institution of the Year for pioneering the adoption of LankaSign Digital Signatures.

Our dedication to transparency and corporate governance was equally acknowledged through multiple honours for our Integrated Annual Report 2023/24. Ranked among the top ten nationally, our report earned a Silver Award at the TAGS Awards, First Runner-Up at the CMA Excellence in Integrated Reporting Awards, and significant international recognition at the ARC Awards in the USA. Additionally, we secured a Joint Bronze at the SAFA Best Presented Annual Report Awards, underscoring our leadership in quality reporting, sustainability, and digital transformation.

The way I see it, every recognition is a reminder that our efforts to build trust, embrace innovation, promote sustainability, and lead with integrity are making a meaningful difference.

OUTLOOK AND PROSPECTS

Sri Lanka's economic outlook is increasingly positive, with forecasts pointing to accelerated growth over the next 12–18 months. Policy reforms and revived investor confidence offer a strong foundation for expansion.

At People's Leasing, we see significant opportunities ahead. To capture them, we will continue to invest in strengthening our digital and physical footprints, especially in underserved markets. We also acknowledge the need to expand our green finance portfolio, which currently remains modest. Our goal is to have at least substantial portion of our lending portfolio comprise environmentally sustainable solutions an ambitious target that will require innovation, conviction, and bold leadership.

We will also prioritise balance sheet strengthening, focusing on reducing maturity mismatches and enhancing liquidity. At the same time, we remain committed to building an organisation where every employee is inspired to grow,

contribute, and thrive a workplace of happiness, fulfilment, and shared success.

APPRECIATION

I wish to express my sincere appreciation to our Board of Directors for their unwavering support and strategic guidance throughout the year.

To the Management team and every member of the People's Leasing family thank you for your resilience, commitment, and passion. Your efforts continue to be the driving force behind our success.

We are also grateful to the Central Bank of Sri Lanka and the Non-Bank Financial Institutions Supervision Department for their ongoing support and regulatory guidance.

Lastly, to our customers, shareholders, and all stakeholders your trust remains our greatest strength. It inspires us to embrace the future with courage, clarity, and purpose.



Sanjeeva Bandaranayake
Chief Executive Officer / General Manager

30 May 2025
Colombo