

Subsidiary Review

PEOPLE'S INSURANCE PLC

OPERATING CONTEXT

In 2024, the Sri Lankan economy showed encouraging signs of recovery following a prolonged period of turbulence. GDP growth reached 5% and inflation contained within the 4%–6% range, while prudent monetary policy helped stabilise interest rates. The Sri Lankan Rupee appreciated by 10.7% against the US dollar, collectively signalling the beginning of a long-awaited economic correction.

Amidst this backdrop of economic resurgence, Sri Lanka's general insurance industry demonstrated resilience, recording a 6.9% increase in Gross Written Premiums (GWP) during the year. Growth was led by the non-motor segment, particularly medical insurance, which saw a 17% expansion. In contrast, the motor segment remained subdued due to the continuation of import restrictions imposed in 2020, resulting in modest growth. Despite this, the motor segment still accounted for the majority share of overall GWP. On the claims side, the lingering effects of the 2022 economic crisis were evident, with inflation-driven increases in medical and motor claims placing significant pressure on underwriting profits. The situation was further exacerbated by the government-mandated 100% cession of SRCCT premiums to the National Insurance Trust Fund (NITF), contributing to an overall decline in industry profitability.

STRATEGY AND FOCUS

In light of the severe price competition induced by competitive pressures, PI adopted a risk-based pricing model and reinforced its data-driven underwriting approach to enhance pricing accuracy and risk assessment. Instead of competing solely on price, the Company differentiated itself through superior customer service, innovative product offerings, and efficient claims management.

To complement this, significant investments were made in digital technology to enhance service delivery, including improvements to the assessor application and the introduction of a direct claim payment mechanism to customers' bank accounts. A new online onboarding platform for motor



insurance policies was also launched, streamlining the policy acquisition process. Furthermore, the sales force was expanded and up-skilled to drive personalised door-to-door service as a key differentiator.

Meanwhile, capitalising on the revival of the tourism sector, several new tailored insurance products were launched in partnership with travel and hospitality entities. The company also pursued partnerships with financial institutions to expand its distribution network and cross-sell insurance products, applying localised strategies to match regional needs and preferences.

AWARDS AND ACCOMPLISHMENTS

In recognition of its strong performance, customer-centric approach, and ongoing innovation, People's Insurance PLC received several prestigious accolades in 2024. At the Global Banking and Finance Awards, PI was named Non-Life Insurance Brand of the Year – Sri Lanka and won the Best Auto Insurance Process (Call & Go) – Sri Lanka award, highlighting the Company's technological excellence in streamlining customer experience.

At the Global Economics Awards, PI was honoured as the Non-Life Insurer of the Year – Sri Lanka, further validating its status as a market leader. Additionally, the Iconic Awards Sri Lanka recognised the Company's outstanding commitment to service excellence, with the award as the Best Customer Service in General Insurance – People's Excellency Award 2024.

Further, PI was recognized for excellence in financial reporting with Gold Award for Insurance Sector (Gross Premium up to Rs. 10 Bn) under insurance sector at the TAGS Award 2024 organised by the Institute of Chartered Accountants of Sri Lanka and a Merit Award at the CMA Excellence in Integrated Reporting Awards 2024.

IMPACT SCORECARD

Contribution to Consolidated Revenue

17.01%

Share of Group Assets

6.12%

Addressing Stakeholder Expectations through Material Themes

- ⊙ Geopolitical and Socio Economic Uncertainty
- ⊙ Business Model Flexibility in an Environment that is Continually Changing
- ⊙ Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds
- ⊙ Increase Customer Awareness through Responsible Communication

Supporting broader national priorities

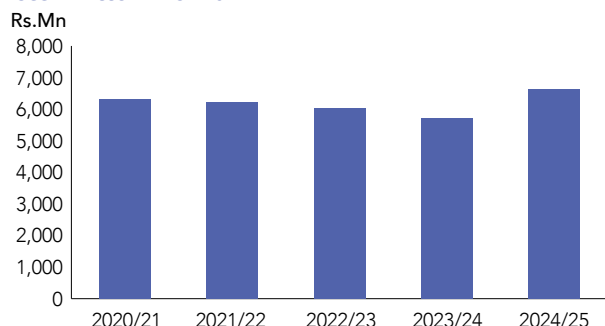
- ⊙ Promoting financial inclusion
- ⊙ SME sector growth
- ⊙ Boosting Tourism Sector Recovery
- ⊙ Advancing Digital Transformation
- ⊙ Enhancing Climate and Disaster Resilience

Contribution to the achievement of the Sustainable Development Goals

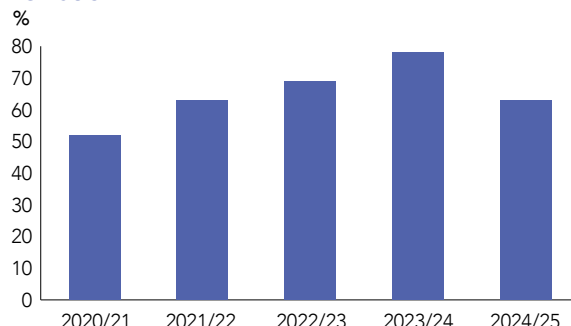


KEY PERFORMANCE HIGHLIGHTS

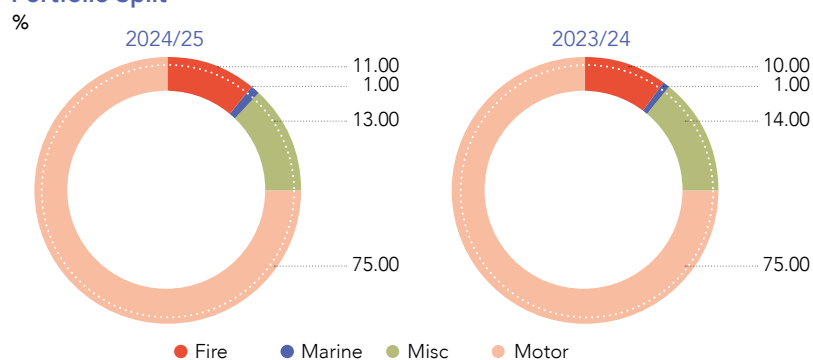
Gross Written Premium



Claims Ratio



Portfolio Split



FUTURE OUTLOOK

Focus for the Future	
Short-Term	<ul style="list-style-type: none"> Expand the non-motor segment through the regional sales force. Break-even strategy for the national sales channel to ensure cost-efficiency. Strengthen corporate client engagement via customised insurance solutions to secure long-term partnerships. Target high-growth sectors such as SMEs, sports, solar energy, and tourism
Medium-Term	<ul style="list-style-type: none"> Expand market share via tailored solutions and enhanced client servicing capabilities. Scale up digital capabilities including online policy issuance and AI-driven underwriting. Introduce self-service claim tracking and chatbot-based customer support to improve customer convenience.
Long-Term	<ul style="list-style-type: none"> Establish a technology-led operating model through full integration of shared technology infrastructure. Solidify PI's leadership in non-motor insurance across emerging and traditional sectors.

Subsidiary Review

ALLIANCE FINANCE PLC

OPERATING CONTEXT

In 2024, Bangladesh experienced a series of political and economic shifts, culminating in the formation of an interim government in August. The new administration has been focused on implementing reforms, strengthening governance, and rebuilding confidence in the national economy. However, despite these efforts, the business environment remained challenged. Currency volatility, a sluggish capital market, and rising non-performing loans (NPLs) have dampened both business and consumer sentiment, resulting in a considerable weakening of private sector credit appetite.

STRATEGY AND FOCUS

In response to the challenges faced during the year, Alliance Finance PLC adopted a balanced and cautious approach to portfolio growth, with a strong emphasis on asset quality over volume. While the loan portfolio recorded a slight decline compared to the previous year, this was a result of prudent risk management and selective lending practices in a volatile environment. Despite the marginal contraction in the portfolio, the Company recorded a commendable 10.81% year-on-year growth in interest income. This was supported by the strategic mobilisation of low-cost funds through partnerships with the World Bank's Infrastructure Funds and the Bangladesh Bank's refinancing schemes, which not only enhanced interest spreads but also contributed to funding diversification and financial sustainability. Consequently, AFPLC delivered a solid financial performance, with net profit for the period increasing by Rs.39.86 million year-on-year to reach Rs. 268.85 million, reflecting a 17.40%

growth. This outcome underscores the Company's operational resilience and disciplined financial management amidst a challenging macroeconomic environment.

To maintain asset quality, AFPLC intensified recovery efforts by engaging directly with clients through regular visits to factories and offices. This hands-on approach strengthened client relationships and ensured smoother repayment flows. As a result, AFPLC reported an impressive NPL ratio (Stage 3 – Portfolio) of 8.64% as of March 2025, positioning it as one of the top-performing finance companies in the country in terms of asset quality.

SUSTAINABLE FINANCING INITIATIVES

AFPLC emerged as a trusted, full-spectrum financial services provider in Bangladesh, enabling the Company to make significant strides in its sustainable finance initiatives in the current year. AFPLC secured a long-term, low-cost project financing from the World Bank to support the development of a state-of-the-art data center. This initiative not only received commendation from the Bangladesh Bank but also reinforced AFPLC's capacity to support high-impact infrastructure projects. Additionally the Company's sustainable finance portfolio registered robust growth during the year, surpassing the central bank's sustainable finance target by 190%. A key disbursement included the low-interest technology development loan to an export-oriented apparel manufacturer offered under the central bank's refinancing scheme, to support the client to adopt energy-efficient technologies.

IMPACT SCORECARD

Contribution to Consolidated Revenue

4.64%

Share of Group Assets

6.22%

Addressing Stakeholder Expectations through Material Themes

- ⊙ Geopolitical and Socio Economic Uncertainty
- ⊙ Business Model Flexibility in an Environment that is Continually Changing
- ⊙ Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds

Supporting broader national priorities

- ⊙ Promoting financial inclusion
- ⊙ MSME sector growth
- ⊙ Investment in renewable energy and energy efficient technology

Contribution to the achievement of the Sustainable Development Goals



FUTURE OUTLOOK

Focus for the Future	
Short-Term	<ul style="list-style-type: none"> ⊙ Continue financing thrust sectors that promise stable returns and strategic alignment with national priorities ⊙ Maintain quality while cautiously growing the credit portfolio ⊙ Explore and secure new refinancing opportunities to ensure access to low-cost funding and preserve interest margins
Medium-Term	<ul style="list-style-type: none"> ⊙ Support green businesses and energy-efficient projects in line with AFPLC's commitment to sustainable finance and the central bank's sustainability targets ⊙ Strengthen and diversify the portfolio by carefully expanding into high-impact, low-risk sectors as economic stability improves. ⊙ Deepen involvement in development finance through partnerships with global and national funding institutions
Long-Term	<ul style="list-style-type: none"> ⊙ Expand into non-traditional financial services by acquiring wealth management and issue management licenses, enabling a broader suite of financial solutions

Subsidiary Review

PEOPLE’S MICRO-COMMERCE LIMITED

OPERATING CONTEXT

The operating environment in the current financial year was marked by continued volatility in interest rates and persistent inflationary pressures, which had a notable impact on People’s Micro-Commerce Ltd (PML). The broader economic instability in Sri Lanka throughout 2024 and the early part of 2025 presented significant challenges for the small and medium-sized enterprise (SME) sector, which represents a substantial portion of PML’s clientele.

In response to the constraints faced by its main customer segment - the SME sector, PML adopted a highly customised lending strategy. Tailored micro-loan products were introduced based on detailed assessments of each borrower’s financial capacity, allowing SMEs to maintain continuity in operations and plan for gradual growth. The Company’s approach emphasised flexible repayment plans aligned with client income cycles, to reduce financial stress and improve recovery, coupled with personal engagement, including regular visits and expert advice.

Meanwhile, in light of the growing market for locally assembled vehicles and eco-friendly solutions such as e-bikes, PML launched a series of special loan schemes with a view to capitalising on these emerging opportunities.

OTHER KEY DEVELOPMENTS

As part of the ongoing effort to broaden market reach and improve access to its products and services, PML expanded its branch network by opening three new branches in the current year, all strategically located to cater to underserved communities. Additionally, the Gampaha, Kalutara, Maharagama and Embilipitiya branches were relocated to improve operational efficiency and provide more accessible doorstep services. Collectively, these efforts have proven critical in enhancing customer convenience and strengthening PML’s presence among the Company’s target market segments across Sri Lanka.

Furthermore, PML strengthened its community engagement efforts, launching several financial literacy and personal development programmes, including leadership and motivational workshops, women empowerment and social mobilisation activities, and business development training sessions, all designed to foster long-term growth and resilience among clients.

IMPACT SCORECARD

Contribution to Consolidated Revenue

3.39%

Share of Group Assets

2.25%

Addressing Stakeholder Expectations through Material Themes

- Geopolitical and Socio Economic Uncertainty
- Business Model Flexibility in an Environment that is Continually Changing
- Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds
- Increase Customer Awareness through Responsible Communication

Supporting broader national priorities

- Promoting financial inclusion
- SME sector growth
- Enhancing Financial Literacy and Education
- Driving Women’s empowerment by supporting women-led businesses

Contribution to the achievement of the Sustainable Development Goals



FUTURE OUTLOOK

Focus for the Future	
Short-Term	<ul style="list-style-type: none">Enhance geographical reach by opening additional branches in identified underserved urban and rural areas in Sri LankaLaunch easily deployable products such as Gold Loans and small-ticket asset build-up loans.Expand the scope of the financial literacy programmes
Medium-Term	<ul style="list-style-type: none">Introduce flexible digital payment options and integrate mobile walletsIntroduce mortgage loans and other mid-to-high complexity products
Long-Term	<ul style="list-style-type: none">Create a fully digital onboarding and credit assessment platform

PEOPLE'S LEASING PROPERTY DEVELOPMENT LIMITED

OPERATING CONTEXT

People's Leasing Property Development Limited, established as a wholly owned subsidiary of People's Leasing & Finance PLC for the purpose of constructing the People's Leasing head office building, continues to operate within a relatively stable operating environment. The Company has fully rented out its office space until July 2026, ensuring 100% occupancy and uninterrupted rental income. As a BOI-registered entity, the Company also benefits from significant tax concessions.

STRATEGY AND FOCUS

In the absence of major growth avenues due to full occupancy of its rental space, the Company's strategic focus remained on maintaining financial resilience and maximising returns from its existing asset. One of the key initiatives during the year was the restructuring of its loan from the parent company, People's Leasing & Finance PLC, which involved extending the repayment period to five years and locking in a fixed interest rate to shield the company from potential interest rate volatility and provided a more stable financial footing. Operationally, the Company continued to manage its cost structures prudently, while maintaining service standards for current tenants.

IMPACT SCORECARD

Contribution to Consolidated Revenue

0.82%

Share of Group Assets

0.64%

Addressing Stakeholder Expectations through Material Themes

- ⊙ Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds

Supporting broader national priorities

- ⊙ Contributing to the Country's urban infrastructure and supporting business operations

Contribution to the achievement of the Sustainable Development Goals



PEOPLE'S LEASING HAVELOCK PROPERTIES LIMITED

OPERATING CONTEXT

A wholly owned subsidiary of People's Leasing & Finance PLC People's Leasing Havelock Properties Limited (PLHPL) owns and manages a 13 storey 75,000 sq.ft. A-grade commercial office building located at No. 07, Havelock Road, Colombo 05. The Company has succeeded in securing 100% occupancy of its office space, with all units fully rented out until July 2026, thereby securing a steady and uninterrupted stream of rental income.

STRATEGY AND FOCUS

With all floor space fully leased until July 2026, PLHPL's revenue remained consistent with the previous year. Moreover, as a BOI-registered entity, the Company continues to benefit from significant tax concessions. This favourable status, combined with secure lease agreements, has provided the Company with a strong degree of financial and operational stability.

PLHPL secured variable interest loans, and with the gradual decline in national interest rates, finance expenses decrease by 40% compared to the previous year. This substantial reduction in borrowing costs significantly contributed to the increase in PLHPL's operational profit.

IMPACT SCORECARD

Contribution to Consolidated Revenue

0.72%

Share of Group Assets

0.76%

Addressing Stakeholder Expectations through Material Themes

- ⊙ Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds

Supporting broader national priorities

- ⊙ Contributing to the Country's urban infrastructure and supporting business operations

Contribution to the achievement of the Sustainable Development Goals



PEOPLE'S LEASING FLEET MANAGEMENT LIMITED

OPERATING CONTEXT

The year under review presented a mixed operating environment for People's Leasing Fleet Management Limited. On one hand, the gradual stabilisation of the vehicle market created positive momentum in the demand for vehicle valuation services from key customer segments. However, the progressive decline in market interest rates adversely affected the investment income from the Company's fixed deposit portfolio, creating pressure on overall earnings. Despite this challenge, the Company successfully negotiated a reduction in shared fee expenses with People's Leasing & Finance PLC, which helped to ease its fixed cost burden.

STRATEGY AND FOCUS

Considering the evolving business landscape, the Company implemented a strategic shift to transition from a fixed-cost to a variable-cost model through partnerships with freelance valuation officers across Sri Lanka. This change not only enhanced financial resilience, but also supported expansion into new geographic regions, increasing the Company national footprint.

Another significant advancement was the adoption of a new valuation system, which streamlined internal processes and accelerated the issuance of valuation reports. This technology-driven approach played a pivotal role in improving service efficiency and boosting customer satisfaction.

FUTURE OUTLOOK

Focus for the Future	
Short-Term	⊙ Leverage the variable-cost model to grow island-wide market share
Medium-Term	⊙ The Company intends to invest excess funds into more profitable ventures, including the potential reactivation of the vehicle rental business, which had been previously discontinued.
Long-Term	⊙ Diversify the business into more profitable ventures, such as vehicle service centers and other high-return opportunities

IMPACT SCORECARD

Contribution to Consolidated Revenue

0.35%

Share of Group Assets

0.11%

Addressing Stakeholder Expectations through Material Themes

- ⊙ Geopolitical and Socio Economic Uncertainty
- ⊙ Business Model Flexibility in an Environment that is Continually Changing
- ⊙ Developing Sustainable Ecosystems to support Sustained Wealth Creation regardless of Headwinds

Supporting broader national priorities

- ⊙ Regional Economic Development and Job Creation
- ⊙ Digital Transformation and Public Sector Efficiency:
- ⊙ Infrastructure and Transport Sector Development:

Contribution to the achievement of the Sustainable Development Goals

