

CHIEF EXECUTIVE OFFICER'S MESSAGE



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UDESCH GUNAWARDENA
Chief Operating Officer/Acting CEO

“Coming together is a beginning, staying together is progress, and working together is success.”
Henry Ford

Dear Stakeholders

It has been a transformational year for People’s Leasing & Finance PLC - one in which we made major strides in reinforcing our leadership at the forefront of the local nonbank financial sector.

However before I begin to recap the events of the year, I would like to take a moment to acknowledge Mr. Shamindra Marcelline, who resigned as the CEO of People’s Leasing on 31 March 2024, after serving in this capacity over three years. I would like to take this opportunity to express the collective appreciation of the Company to Mr. Marcelline for his visionary leadership and guidance that has been instrumental in steering our Company towards unparalleled standards of excellence which are now widely accepted as the benchmark of success in the local NBFi sector.

MACROECONOMIC OVERVIEW

Reflecting on Sri Lanka’s economic performance in 2023, evokes mixed sentiments. On the one hand, it was encouraging to a less severe economic contraction, after six consecutive quarters of progressive de-growth. Tourism rebounded significantly as global travel restrictions eased, contributing positively to GDP and helping to alleviate foreign exchange shortages. The agricultural sector also showed signs of recovery, benefiting from favourable weather conditions and government initiatives aimed at boosting productivity. Manufacturing and exports, particularly in textiles and apparel, showed resilience despite global economic uncertainties.

After facing significant economic hardships in previous years, including a severe economic crisis and political instability, the government’s stabilisation measures and international support also played a crucial role in fostering a more favourable economic environment.

However, Sri Lanka continued to grapple with substantial debt obligations and inflationary pressures, which constrained overall economic performance. Despite these challenges, Sri Lanka’s GDP performance in 2023 points to recovery and stabilisation,

setting a cautious yet hopeful tone for the future economic trajectory of the nation.

STRATEGIC ALIGNMENT

Given that the demand for credit at the beginning of the year was predominantly driven by consumption needs amid persistent uncertainties, People’s Leasing adopted a conservative lending strategy during the first half of the current financial year. Consequently, new credit exposures were undertaken on a highly selective basis, with a primary focus on supporting Small, and Medium Enterprises (SMEs). This strategic approach was designed to mitigate risks while fostering growth in key areas of the economy.

In parallel, recovery efforts were also further intensified with a target-driven approach introduced along with stricter supervisory oversight to improve team alignment to the Company’s collection objectives. To complement these initiatives, a dedicated Recovery Call Centre was set up as a pilot project to further bolster recovery efforts.

Meanwhile, encouraged by the visible improvement in economic conditions and the low interest rate regime in the second half of the year, we actively recommenced lending, with a strong emphasis on managing credit quality of new exposures. To that end, the newly launched PLCCORE system marks an important milestone in reforming our credit decisions to ensure accurate alignment with internal credit quality benchmarks. A dedicated Credit Department was also established to strengthen supervisory oversight over the entire credit process.

FINANCIAL PERFORMANCE

Interest Income - the Company’s main source of income, declined by 4.45% year-on-year, underscoring our strategic decision to curtail lending in response to the challenging economic environment. Mirroring this trend, interest expenses also declined by 5.53% year-on-year. However, the net impact had a positive effect on our Net Interest Margin, which showed a marginal improvement to 7.69% in FY 2023/24 from 7.35% in the previous financial year.

Commendably we were able to limit the increase in operating expenses to 5.85%



Return on Assets and Return on Equity



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increase year on year, a testament to the success of our broad based cost containment strategies. Our focus on operational consolidation and workflow optimisation through increased automation, against the backdrop of inflationary pressure, was also partly responsible for cost efficiencies recorded in the current year.

Impacted by lower Net Interest Income (NII), our cost-to-income ratio moved up to 55.61%, in the current financial year, from to 52.64% in FY 2022/23 financial year yet reflected a month-on-month drop during the year. It is however important to note that our impairment-adjusted cost-to-income ratio of 51.33% for FY 2023/24 was below the industry average of 52.8% for the year ended 31 March 2024.

Meanwhile, the culmination of our recovery and collection efforts yielded excellent results, enabling People’s Leasing to achieve an cumulative collection ratio of 100.34%. Consequently, we were able to effect a substantial reversal in impairment charges on account of loans and receivables, amounting to Rs. 1,155.78 million during the year under review. This is in contrast to the Rs. 568.49 million booked as impairment provision in the financial year 2022/23.

Although there were significant achievements, our non-performing advances ratio rose to 15.24% by March 2024, up from 14.25% in March 2023. This increase was primarily due to a reduction in the lending portfolio, reflecting our cautious lending strategy aimed at optimising our balance sheet. However, despite this, the overall non-performing advances portfolio reduced to Rs. 17,544.36 million at the end of the financial year, compared to Rs. 18,086.12 million portfolio as at 31 March 2023.

On account of the improvements explained above the Company’s Profit before Tax and Profit after Tax for the financial year 2023/24 surged to Rs. 5,375.93 million and Rs. 3,540.50 million respectively, marking a notable year-on-year growth of 23.82% and 17.33%.

CUSTOMER INCLUSIVITY

The current financial year saw People’s Leasing achieving some important milestones in its customer inclusivity agenda, key among them the launch of “Classique by PLC” a unique value proposition that revolves around an exclusive service proposition targeting high net worth clientele. With a focus on exceptional customer service, “Classique by PLC” is designed as a state of the art,

environmentally-friendly facility where eligible clients receive tailored financial advice and solutions to meet the unique needs and aspirations of this niche market.

Reiterating our commitment to enable equitable access to finance, we strengthened our gold loan footprint. Gold loan facilities were introduced at 15 People’s Leasing branches during the current financial year, bringing the total number of gold loan enabled branches to 104 as at 31st March 2024. The gold loan product portfolio was further enhanced with the inclusion of more flexible gold loan schemes with varying tenures. In related developments, our Islamic product range was also further expanded with the launch of the Wakalah Investment solution and the Wadi’ah – Gold Safekeeping product.

TECHNOLOGY ENABLEMENT

While embracing digital transformation has always been a cornerstone of our strategy, the events of the past year have underscored its urgency and importance. In response to evolving customer needs and market dynamics, we accelerated our efforts to digitise internal workflows, from enhancing the online loan application processes to deploying cutting-edge AI technology for risk assessment. This digital pivot not only improves efficiency and reduces operational costs but also enhances the overall customer experience.

The implementation of the PLCCORE Loan Origination System represents a significant accomplishment in our digital enablement journey. The system which was developed in-house and rolled out in November 2023, now serves as the backbone of our lending operations. Furthermore, the system’s advanced data security protocols and robust analytics for real-time reporting, facilitates improved decision-making and compliance risk management alongside significant cost savings in terms of reduced paper usage. In short, PLCCORE represents a holistic solution that enhances our operational agility, supports customer service, and drives sustainability.

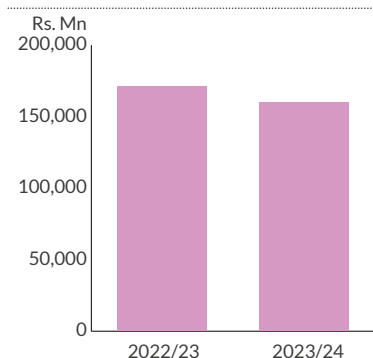
Another key initiative was the Classique centre system development involving the introduction of sophisticated tools to support digital onboarding tools and drive customer engagement

PEOPLE EMPOWERMENT

We continued to face significant challenges in 2023/24 as a consequence of employee attrition, primarily due to an increasing trend of our workforce seeking opportunities

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Total Assets



for overseas employment triggered by the financial pressures induced by the 2022 economic crisis.

In response, we launched an aggressive recruitment drive to fill skill gaps. At the same time, recognising the immense potential within our existing workforce, we implemented comprehensive training and development programmes designed to upskill and reskill our employees. Further, under the guidance of our newly established Talent Retention and Career Committee, we embarked on a structured succession planning exercise to create clear career progression pathways and provide access to a range of professional development opportunities for high performers earmarked through the annual performance appraisal.

On that note, I am pleased to announce the launch of the CEO's Club initiative, specifically designed to inspire and motivate our marketing teams to concentrate on business growth. This initiative aims to foster a dynamic and collaborative environment to align marketing teams with our broader business objectives, ensuring that each and every member of our marketing team makes a strong positive contribution to the Company's growth targets.

DRIVING GREEN FINANCE

We made excellent progress in our endeavour to reorient our lending operations to the CBSL's Roadmap for Sustainable Finance in Sri Lanka guidelines on ensuring an increased skew towards green financing.

The launch of "PLC Solar," in March 2024 was a key catalyst in accelerating this transition. Our intention with the solar loan scheme is to address a crucial market gap through the provision of affordable access to clean energy. As part of the overall effort to further expand our bandwidth in the solar space, we entered in to a strategic tie up to encourage MSME's to embrace the clean energy transition.

AWARDS AND ACCOLADES

It has been another rewarding year for People's Leasing, with our performance and progress being recognised through numerous awards and accolades. The People's Leasing brand continued to perform well, being ranked 23rd among the top 30 Most Valued Brands in Sri Lanka in the LMD Brand Finance Report 2023. We were also placed 36th in the list of the Most Respected Brands in Sri Lanka in the LMD Brand Finance Report 2023.

Our technology strides were acknowledged at the National Best Quality Software Awards

(NBQSA) awards 2023, where People's Leasing was declared the Winner of the Best Digital Process Enabler of the Year award.

Meanwhile our commitment to reporting excellence continued to receive recognition both locally and internationally. At the prestigious TAGS Annual Report Awards 2023 conducted by Institute of Chartered Accountants Sri Lanka, People's Leasing secured the Silver award (Finance and Leasing companies with assets above Rs. 20bn), while at the CMA Excellence in Integrated Reporting Awards, 2023, our FY 2022/23 Annual Report clinched the award for the Best Integrated Report in the Finance & Leasing category.

Our Annual Report was also recognised at several international forums as well. At the ARC Awards, organised by Mercomm Inc., USA - the People's Leasing Annual Report for FY 2023/24 clinched awards in multiple categories, including The Grand Award for Infographics, Gold Awards for Financial Data, Infographics, and Chairman/President's Letter, as well as a Bronze Award for Non-Traditional Annual Report.

THE ROAD AHEAD

Sri Lanka's short to medium-term economic outlook is expected to be characterised by robust near term growth, followed by steady improvements in the medium term as government-led structural reforms and policies create the space for sustainable development, export diversification, and enhancing foreign investment.

In this evolving landscape, People's Leasing will aim to improve its agility and responsiveness to be able to provide accessible financing solutions tailored to the needs of various sectors, particularly in green finance and SME support to help stimulate entrepreneurship, drive infrastructure investment, and promote financial inclusion. By aligning our corporate strategy with these critical national development priorities, People's Leasing will strive to play a crucial role in fostering innovation, job creation, and sustainable economic development, thereby contributing to the overall prosperity and resilience of Sri Lanka.

APPRECIATIONS

As I bring my remarks to a close, I want to express my heartfelt appreciation to the Chairman, the Board of Directors, and the departing CEO for their unwavering dedication throughout a prosperous fiscal year. I extend my gratitude to the

Management team and every member of the People's Leasing staff for their remarkable team spirit and unwavering dedication, which have been instrumental in maintaining our robust position in the market.

My thanks are also due also to the officials of the Central Bank of Sri Lanka and the Non-Bank Financial Institution Supervision Department for their advice and guidance. Additionally, I would like to express special appreciation to our esteemed Brand Ambassadors and the Classic Car Association for their unwavering support towards the preparation of the Annual Report 2023/24 of People's Leasing.

In conclusion, I wish to thank the shareholders, customers and other stakeholders of People's Leasing & Finance PLC Your trust and confidence remains central to our success and I look forward to your continued support to take People's Leasing to greater heights in the coming years.



Udesch Gunawardena
Chief Operating Officer/Acting CEO

31 May 2024