



CHAIRMAN'S MESSAGE GRI 2-22



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M.P. AMIRTHANAYAGAM
Chairman

“Action is the foundational key to all success”
 – Pablo Picasso

It is with great pleasure that I present to you the Integrated Annual Report and Financial Statements of People’s Leasing & Finance PLC for the year ended 31 March 2024.

The year 2023 was another transitional year with Sri Lanka once again at a critical crossroads in its economic journey - this time at the cusp of a new era of hope as the country began the task of reconstructing its economy and restoring global trust.

CHARTING A COURSE TOWARDS ECONOMIC REVIVAL

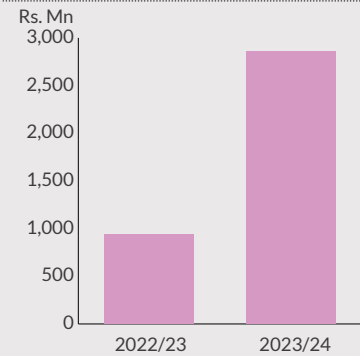
Despite lingering issues from the 2022 economic crisis, Sri Lanka embarked on a path of economic revival in 2023, characterised by resilience, adaptability, and a renewed commitment to fostering inclusive prosperity for all its citizens.

In order to fully appreciate the significance of all that was achieved in this past year, it is important to understand that Sri Lanka’s economic performance in 2023 unfolded in two distinct phases, each marked by contrasting dynamics and unique challenges.

The first half of the year witnessed sluggish growth against the backdrop of mounting pressures stemming from existing structural weaknesses and external factors, with economic indicators painting a picture of continued uncertainty, marked by concerns over debt sustainability and fiscal imbalances. The announcement of the Domestic Debt Optimisation (DDO) programme by the government in March 2023 emerged as a significant factor contributing to the prevailing uncertainty during this period. The DDO, aimed at restructuring domestic debt obligations, stirred apprehension among investors and stakeholders alike, raising concerns about its effectiveness in addressing the country’s fiscal challenges and its broader impact on economic stability. Consequently, the DDO programme became a focal point of discussion and analysis, shaping perceptions of Sri Lanka’s economic outlook and adding to the complexity of the prevailing economic environment in the first half of the year.

Interestingly, the successful conclusion of the DDO in June 2023 served as a catalyst for instilling newfound confidence and stability

Dividend Paid during the Year

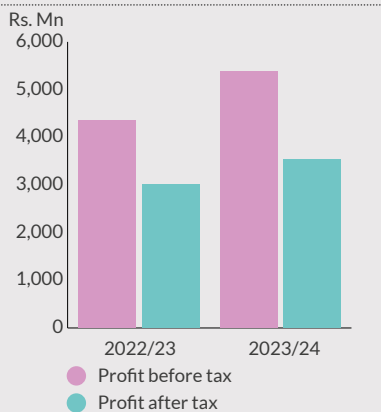


in the nation’s financial landscape. The DDO, which effectively shielded the country’s financial system, signified a shift towards a more resilient and sustainable economic trajectory. Moreover, bold structural reforms by the government, including economic stimulus aimed at revitalising key sectors and restoring investor confidence along with strategic measures to streamline public expenditure and attract foreign investment, also began to bear fruit, creating the space for a gradual but perceptible improvement in economic conditions in the second half of the year. Consequently, Sri Lanka experienced a limited GDP contraction of 2.3% in 2023, denoting a stark contrast to the significant 7.3% degrowth recorded in 2022. A steady rebound in real GDP growth was observed during the second half of 2023 with 4.5% growth in the fourth quarter. After peaking at a historically high level in September 2022, inflation underwent a swift disinflation process, dropping to lower single-digit levels by the end of 2023. Gross official reserves saw a rapid improvement throughout 2023, rising to Rs. 4.39 billion by the end of the year, up from significantly low levels in 2022. In yet another positive, commendable progress on the economic front enabled the Sri Lankan government to secure the IMF-EFF facility with the first tranche of SDR 254 million (approximately US\$337 million) received in December 2023, providing much needed impetus for sustained economic recovery and resilience.

DIVIDEND PAID
 RS. **2.86**
 BILLION

EQUITY
 RS. **41.83**
 BILLION

Profit before Tax & Profit after Tax



CHAIRMAN'S MESSAGE

LEADING THE INDUSTRY TRANSFORMATION

As you can well imagine, our strategic approach throughout the first half of the year remained largely consistent with the preceding year's tactics. However, with the upturn in economic conditions during the latter part of 2023, our stance shifted decisively towards exploiting emerging opportunities.

The foresight and discipline exercised in the past during the downturn serves us well by positioning People's Leasing favourably to benefit from the economic upturn. Our accumulated reserves, a direct outcome of the prudent lending decisions during the economic downturn, proved to be an invaluable asset as we navigated the economic resurgence in the latter part of 2023. Having prioritised liquidity and risk management during the economic downturn, often at the expense of market share, we had ensured that our financial foundation remained robust. This cautious approach allowed us to build significant reserves, which in turn empowered us to respond swiftly and effectively to the renewed credit appetite that we saw emerging with the economic recovery. As market conditions improved, these reserves provided the necessary leverage to expand our lending operations confidently, capitalising on growth opportunities while maintaining financial stability.

Our extensive scale, industry-leading product portfolio, and the synergies developed through the People's Brand provided us with a significant advantage. This allowed us to offer tailored financial solutions that addressed the specific needs of various industries, playing a pivotal role in their recovery. Furthermore, the resources mobilised over the past few years towards reforming our internal processes and risk management architecture not only bolstered our capacity to meet and exceed our credit expansion targets, but enabled us to do so with stronger emphasis on credit quality management over the long term.

To complement our aggressive lending strategy, we launched an extensive mass media campaign to emphasise People's Leasing's capability to support and sustain post-crisis economic revitalisation. The new campaign, entitled "Jeewithe Match Eka Dinanna Enna Api Langata – Api Eka Karale Wee," builds on the highly successful "Api Eka Karale Wee" campaign in showcasing our ongoing commitment to fostering customer resilience and growth.

SUSTAINED FINANCIAL RESULTS

Despite facing numerous challenges in the operating environment, People's Leasing managed to achieve a significant year-on-year enhancement in profitability. Profit before tax and profit after tax for the financial year 2023/24 reached Rs. 5,375.93 million and Rs. 3,540.50 million respectively. Alongside this improved profitability, our profitability ratios also strengthened, bolstering our capacity to generate better returns for our esteemed investors.

Reflecting the success of our strategic lending approaches, especially the decision to curtail new exposures in the first half of the year, the company's total assets declined to Rs. 159,852.09 million as at 31 March 2024, denoting a 6.56% decline from the Rs. 171,073.16 million reported at the end of the previous financial year.

Strong emphasis on capital adequacy and liquidity saw People's Leasing recording Tier 1/ Core Capital Ratio of 30.00% as at 31 March 2024, comfortably above the regulatory minimum of 10% as well as a significant improvement from the 25.76% reported at the end of the previous financial year. These trends were mirrored in the total capital ratio as well, which stood at 29.70% by the end of FY 2023/24, again well above the regulatory minimum of 14% and notably higher than the 26.61% registered at the end of the previous year.

Meanwhile, evidencing the success of our liquidity management strategies, People's Leasing's regulatory liquid assets to total assets ratio remained strong with 26.07% as at 31 March 2024.

The profit before tax and profit after tax of the People's Leasing Group also saw a notable increase of 20.62% and 21.96% respectively compared to the financial year 2022/23, reaching Rs. 6,429.22 million and Rs. 4,197.43 million in the financial year 2023/24. This growth was primarily driven by the improved profitability of the company.

COMMITMENT TO STAKEHOLDER VALUE CREATION

In 2023, we reaffirmed our unwavering commitment to stakeholder value creation through a series of strategic initiatives, most notably the launch of "Classique by PLC" - a revolutionary offering that signifies People's Leasing's vision to serve diverse customer markets. I proudly acknowledge that "Classique by PLC", which epitomises our dedication to integrating personalised

services with cutting-edge technology, has redefined the industry benchmark for service excellence and overall customer experience underscoring our relentless pursuit of growth and customer satisfaction.

We continued to invest in strategic employee development initiatives designed to enhance skills, foster growth, and promote a culture of excellence. Our leadership development programme in particular gathered good traction with a large number of middle management being granted the opportunity to participate in a series of structured workshops which included coaching and outbound training.

The "Bright Ideas" campaign aimed at fuelling employee innovation continued for the second consecutive year drawing in much higher participation than the inaugural edition held in 2022. Given the growing popularity of the "Bright Ideas" campaign, we leveraged the Chairman's Awards as a platform to recognise winners. Our goal with these efforts is to encourage our young team members to develop a sense of ownership towards the Company's success and in doing so cultivate their own career aspirations as future leaders of People's Leasing.

The Company paid the highest dividend in its history, distributing Rs. 1.40 per ordinary share to our valued shareholders, resulting in a substantial payout ratio of 80.74% during the financial year 2023/24.

EMBRACING SUSTAINABILITY

I am indeed very proud to share with you the progress made on the sustainability front. In fact, I would say 2023 was a landmark year for People's Leasing's sustainability journey.

On the one hand, our sustainability team began actively working towards the adoption of the CBSL directives on Sustainable Finance Activities, including CBSL Road map on Sustainable Finance Sri Lanka and Green Finance Taxonomy guidelines. As a first step, a new ESG Sustainability (Environmental, Social, Governance) policy was formulated and presented for Board approval, outlining a systematic approach towards adopting the CBSL & CSE guidelines over the next 12 -18 months.

In parallel, we began studying globally recognised frameworks that will provide the structural architecture to support our sustainability journey. To that end, we commenced the process of obtaining the SSCI certification - the first global standard that offers a comprehensive platform to integrate

sustainability into the business with a positive and measurable outcome.

In the meantime, we continued to stay on course in our advocacy of green finance through the launch of our Solar Financing Scheme for retail customers, which marks a significant step in widening mainstream access to affordable clean energy. Keen to move up the needle in this sphere, we tied up with relevant suppliers to leverage their expertise to extend the Solar Financing Scheme to the MSME sector as well.

Our partnership with Lanka E-Mobility Solutions (Pvt) Ltd. (LeMS) to unveil the first-ever battery-swapping technology-powered three-wheeler conversion in Sri Lanka represents a historic achievement that gives People's Leasing first mover advantage in this space.

In yet another historic achievement, our newly launched state-of-the-art customer experience centre "Classique by PLC" was endorsed the EDGE as first certified Green Building in Sri Lanka in recognition of its commitment to environmental stewardship.

BOARD REFRESHMENT

People's Leasing undertook significant changes to improve its Board balance in the current financial year, in alignment with the new corporate governance rules for listed entities issued by the Colombo Stock Exchange. Accordingly, two new Independent Non-Executive Directors, Mr. Yudhishtan Kanagasabai and Mr. Pravir Dhanoush Samarasinghe, were appointed to the People's Leasing & Finance Board with effect from 11 August 2023 and 6 November 2023 respectively, thereby satisfying the Board balance criterion set out under the new CSE rules.

As Chairman of the Board, I take this opportunity to welcome the new directors appointed to the People's Leasing Board in FY 2023/24.

OUTLOOK AND PROSPECTS

While it is not my place to provide real-time information on Sri Lanka's economic recovery in 2024 and beyond, I can however offer some observations on common trends and strategies for economic recovery, and how a financial institution such as People's Leasing could contribute to this recovery trajectory.

I believe Sri Lanka's projected economic recovery hinges on a multitude of factors encompassing macroeconomic stability, sectoral dynamics, investment

in infrastructure, export promotion, and governmental reforms.

Sector-wise, industries including tourism, manufacturing, agriculture, and services wield significant influence on the nation's GDP, necessitating targeted support over the next few years. Similarly, supporting infrastructure development, particularly in transportation, energy, and communication, remains crucial for enhancing productivity, attracting investments, and fostering job creation. Concurrently, government policies concerning fiscal management, taxation, regulatory frameworks, and investment incentives will be critical in shaping the recovery trajectory, with reforms geared toward improving the business environment and governance playing a crucial role in attracting investments and sustaining economic momentum.

In this context, People's Leasing, as a leading financial institution, aims to play a significant role in advancing Sri Lanka's growth trajectory. We plan to stimulate investment, entrepreneurship, and innovation - key drivers of economic expansion - by facilitating access to finance and providing financial advisory services for businesses, SMEs, and individuals. Additionally, through our inclusive finance initiatives, which leverage digital technologies and partnerships, we aim to significantly enhance financial inclusion, particularly in underserved communities and rural areas, thus stimulating economic activity and driving socioeconomic development nationwide in the coming years. Furthermore, we are currently evaluating investment opportunities within and beyond the People's Leasing Group to capitalise on the recovering economy.

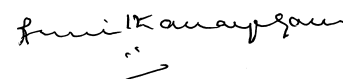
APPRECIATIONS

I wish to extend my gratitude to my fellow Directors for their enthusiastic participation in all Board matters and their unwavering commitment to support the Board's effective functioning.

The Board joins me in conveying our heartfelt thanks to Mr. Shamindra Marcelline, the outgoing CEO of People's Leasing, for his exceptional leadership, unwavering dedication, and visionary guidance throughout his tenure. Under his stewardship, People's Leasing has flourished, reaching new heights of success and setting benchmarks for innovation and performance in the local NBFi industry. The Board joins me in expressing our deepest appreciation for his invaluable contributions and wish him continued success in all his future endeavours.

We would like to take this opportunity to express our sincere gratitude to all our employees for their remarkable resilience and unwavering dedication. Your resilience continues to serve as an inspiration for us all, reaffirming our belief in the power of unity and perseverance.

We also wish to place on record our heartfelt gratitude to our valued customers, depositors, shareholders, and business partners for their trust and confidence in People's Leasing. Your steadfast support and commitment have been instrumental in our journey towards excellence and growth. As we reflect on our shared accomplishments, we are deeply grateful for the spirit of partnership that binds us, and remain committed to continuing this journey of mutual success together. With your continued support and collaboration, we are confident that we can achieve even greater heights in the future.



M.P. Amirthanayagam
Chairman

31 May 2024