

Risk Management Review

Beneath every resilient ecosystem lies an unseen yet highly intelligent network—mycelium—continuously sensing its environment, transmitting signals, and redistributing resources to sustain balance and growth. It does not operate in isolation; rather, its strength lies in the depth of its connections, its responsiveness to change, and its ability to adapt to emerging conditions.

In a similar vein, People's Leasing & Finance PLC's risk management framework functions as an interconnected system that spans the entire organization. It links governance, processes, controls, and culture into a cohesive structure that enables the continuous flow of risk intelligence. Through this integrated approach, the Company is able to proactively detect emerging risks, assess their potential impact, and respond in a timely and coordinated manner.

During the year under review, the Company further strengthened this “living network” of risk management, enhancing its ability to monitor evolving internal and external developments that could affect performance, financial stability, business sustainability, and stakeholder confidence. This approach ensures that risk management is not merely a control function, but a dynamic capability, supporting informed decision-making, safeguarding resilience, and enabling sustainable growth in an increasingly complex and uncertain environment.

Our Approach to Risk Management

People's Leasing & Finance PLC has in place an Integrated Risk Management (IRM) Framework that clearly defines the governance structures, policies, processes, and procedures required to manage its risks. The framework is designed to ensure that risks are identified, assessed, monitored, and managed effectively, minimizing the likelihood of unexpected losses or disruptions that could adversely affect the Company's financial health, reputation, or regulatory standing. The IRM framework also supports the identification and evaluation of emerging risks and opportunities, enabling People's Leasing to stay agile and responsive in a dynamic business environment.

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Risk Governance and Oversight

Nodes of Governance: Strength in Connection

Within a mycelium network, strength lies not in a single point, but in the connections between many. Similarly, the Company's governance structure operates through multiple, interlinked nodes of oversight.

At the centre, the Board of Directors defines the direction of the network with setting the risk appetite, approving policies, and ensuring that risk-taking remains aligned with strategic objectives. Surrounding this core, specialized Board Committee, Board Integrated Risk Management Committee (BIRMC) functions as the critical node, focusing on distinct risk dimensions while remaining connected to the whole. At the executive level, committees such as ALCO, ITSC, MCC, and the EIRMC translate oversight into action, ensuring that risk responses are timely, coordinated, and aligned across business functions. Binding these layers together is the Risk & Control Department, which acts as the network's sensing and signalling mechanism. Through continuous monitoring, stress testing, and forward-looking analysis, it ensures that information flows seamlessly across the organization, enabling informed decision-making at every level.

The Board of Directors

The Board of Directors , as the highest governing body of the Company, sets the overall tone and direction for risk management, including establishing an appropriate organization-wide risk control framework comprising the risk appetite, tolerance thresholds, risk management policies and standard operating procedures. The Board also provides strategic oversight by regularly reviewing key risks, monitoring the adequacy of internal controls, and assessing whether risk mitigation measures align with the Company's short-, medium-, and long-term goals.

Board Committees

Supporting the Board in fulfilling its risk management responsibilities are several key Board Committees, including the Board Integrated Risk Management Committee (BIRMC), Board Audit Committee (BAC), Board Credit Committee (BCC), and Board Investment Committee (BIC). Each of these Committees plays a crucial role in monitoring risk to ensure adherence to risk tolerance limits within their respective areas, especially in light of shifts in the external environment, and provide recommendations to the Board for any necessary adjustments. They are also responsible for developing and implementing risk control frameworks, enhancing risk monitoring and reporting systems, and fostering a strong, organization-wide risk awareness culture. These Committees offer oversight and guidance to Corporate Management to ensure the effective execution of the IRM Framework across operations.

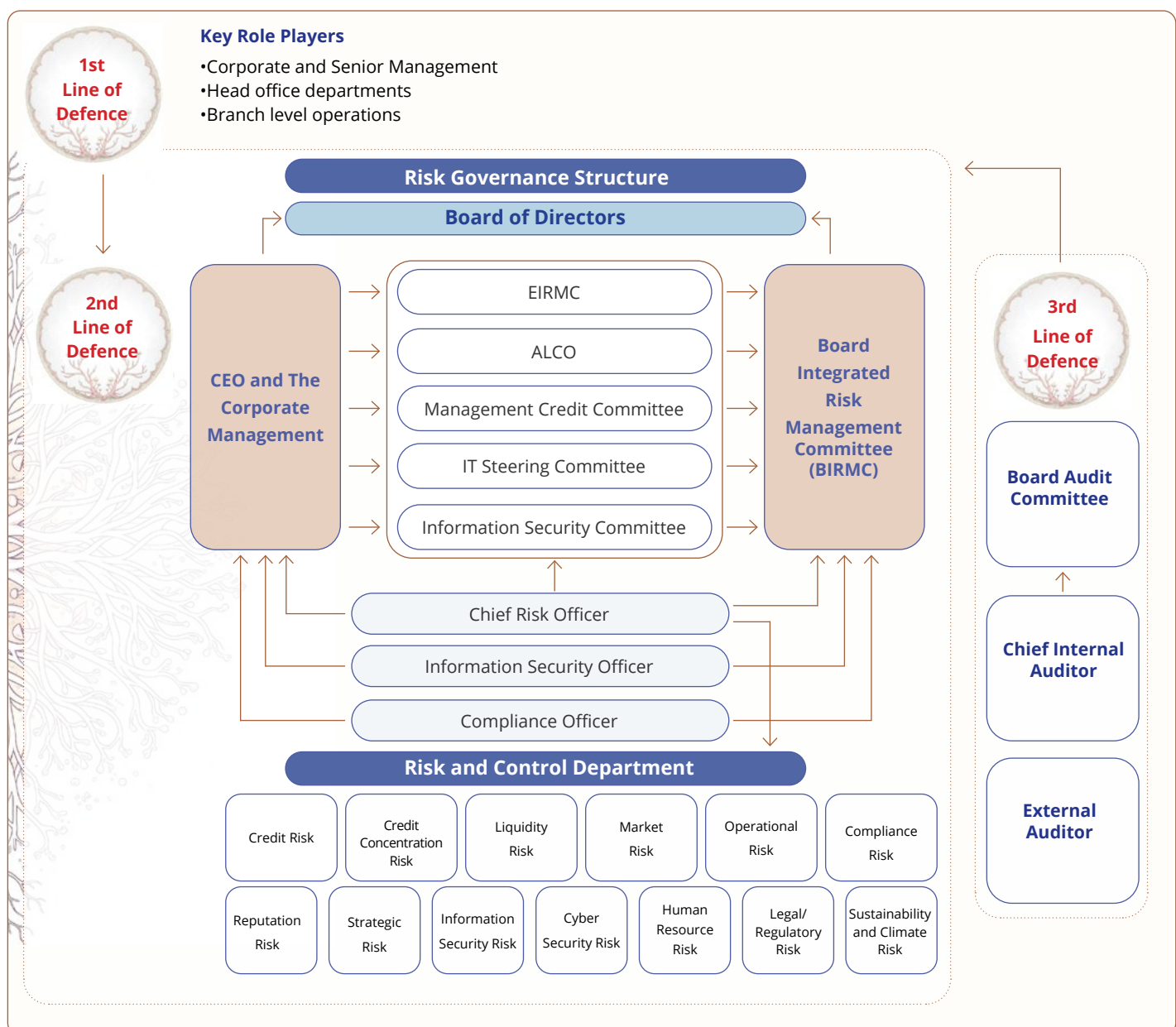
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Executive level committees

Executive level committees further strengthen the risk management by providing targeted oversight over specific risk areas, ensuring a proactive and coordinated approach to managing the Company's overall risk exposure. These include the Asset and Liability Committee (ALCO), IT Steering Committee (ITSC), Management Credit Committee (MCC), and the Executive Integrated Risk Management Committee (EIRMC), chaired by the CEO, COO, and CRO respectively.

Risk & Control Department (RCD)

The RCD plays a central role in supporting the Board, its Committees, and executive-level committees in overseeing and managing risk across the organisation. Led by the Chief Risk Officer, the RCD is tasked with monitoring key risks while ensuring that effective mitigation measures are implemented in alignment with the Board-approved risk management framework. Beyond risk monitoring, the RCD provides critical input to the capital planning process by assessing how evolving risk exposures may affect the Company's capital adequacy and financial resilience. Through its work, the RCD ensures that decision-makers at all levels are equipped with timely, accurate risk insights to safeguard the institution's stability and support sound, risk-informed strategic planning.

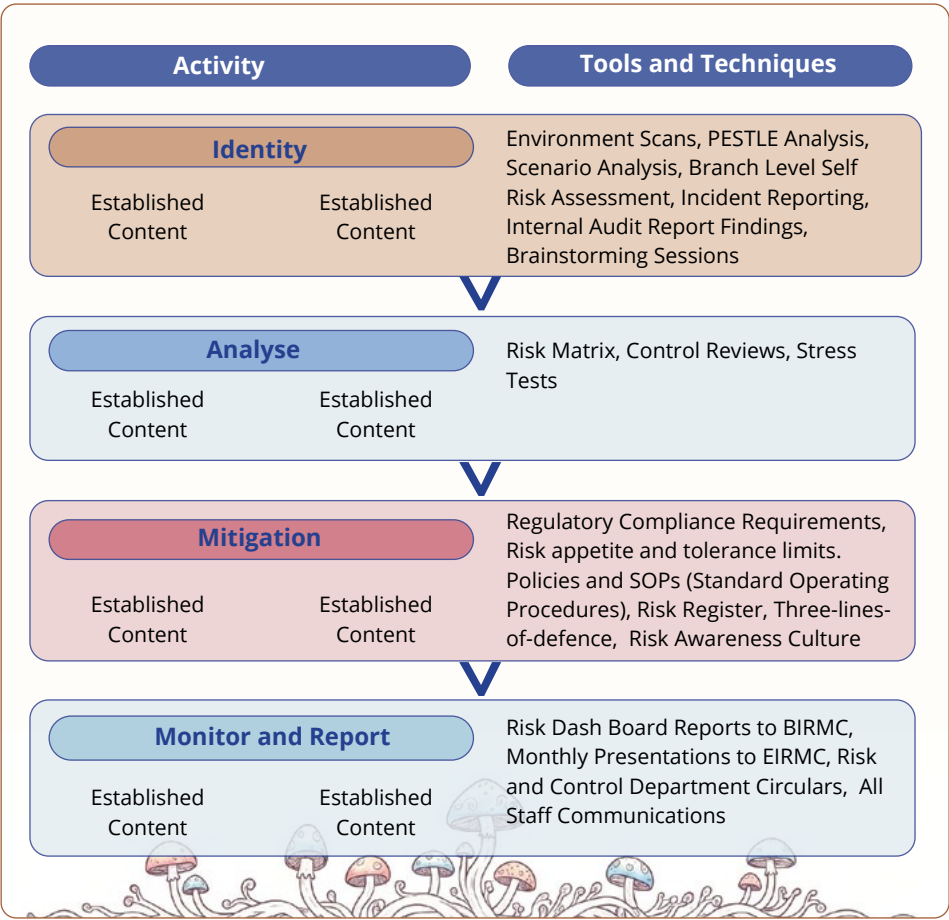


Risk Management Process

The Flow of Signals: A Continuous Risk Process

A mycelium network thrives on the constant exchange of information. In a similar vein, the Company's risk management process is built on the continuous flow of signals.

Risks are identified through environmental scanning, PESTLE analysis, scenario modelling, branch-level assessments, and internal audit insights, capturing both internal vulnerabilities and external pressures .These signals are evaluated using structured risk matrices and analytical tools, enabling the organization to prioritize risks based on their likelihood and impact. Mitigation strategies are then deployed through well-defined controls, policy frameworks, and risk appetite thresholds, supported by the three-lines-of-defence model. Finally, insights are transmitted across the network through dashboards, reports, and committee deliberations ensuring that risk awareness is shared, understood, and acted upon collectively.



Risk Control Architecture

Structural Integrity: Anchoring the Network

While adaptability is essential, resilience depends on structure.

The Company's risk management process is underpinned by a robust risk control architecture, which provides the operational foundation on which risk management is executed.

Risk Appetite

The Board approved risk appetite which defined as a collection of maximum allowable thresholds for each risk type, provides clear boundaries within which management can pursue business objectives to ensure overall risk-taking remains consistent with the Company's capacity, capital strength, and strategic goals. The Board works closely with the risk committees to review and update the risk appetite as needed, taking into account the evolving risk environment. This ensures that the IRM framework remains both robust and adaptive over time.

Stress Testing

Stress testing is a key tool used by the RCD to monitor and assess risk exposures under a range of scenarios. Stress tests help quantify potential losses, assess capital adequacy, and evaluate the resilience of the Company's balance sheet under stressed conditions. The insights gained from stress testing are critical for informing the Board regarding capital planning, adjustments to risk appetite limits, enhancing contingency plans, and strengthening the risk awareness culture.

Risk Register

The risk register tracks all identified risks across the Company's risk universe and serves as a continuously updated record of the evolving risk landscape. The risk register is continually updated to reflect new risks, changes in existing risks, and emerging trends based on ongoing monitoring, environmental scans, internal assessments, and external developments. It details the nature of each risk, its potential impact, likelihood, assigned ownership, and the corresponding mitigation measures or controls in place to support proactive management of the risk.

Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP process was voluntarily adopted by People's Leasing where comprehensive stress tests are performed to forecast minimum capital requirements to safeguard against potential losses under stress conditions. Having voluntarily adopted the latest BASEL guidelines as a benchmark for its ICAAP, the RCD performed stress tests for

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all risk pillars in line with BASEL guidelines to determine the impact on the Company's capital position. Stress tests are also performed prior to the declaration of dividends/ interim dividends in line with the CBSL regulatory requirements.

Risk Awareness Culture

The Company continues to foster a strong risk-awareness culture, where responsibility for risk management is embedded across all levels. Guided by leadership and reinforced through training and communication, every employee becomes part of the network, contributing to early detection, informed response, and collective resilience.

Summary of Key Risks

Risk Category	Risk Indicator	Unit	Risk environment	Appetite	31.03.2026	31.03.2025
Credit Risk	Non-Performing Ratio (Gross)- 6 Months	(%)	Internal	<10	1.68	4.16
	Non-Performing Ratio (Gross) - 3 months	(%)		<15	2.17	6.57
	P&L Charge Ratio (On Profit)	(%)		<20	7.56	(12.60)
	NPL/Impairment Coverage Ratio	(%)		>75	116.29	96.28
Credit Cocentration Risk	Single / Group Borrower Limit	Rs. billion	Internal	As per CBSL	Complied	Complied
	HHI Score	Points		<0.40	0.27	0.15
Liquidity Risk	Liquid Assets Ratio	(%)	Internal	>100	184.98	189.52
	Maturity Mismatch ratio	(%)		>-45	3.86	-0.34
	Facilities Granted from Stable Sources	(%)		<150	105.37	102.57
	Maximum single Depositor Concentration	(%)		<5	6.19	6.16
	Exposure to bulk deposits(Over Rs.100Mn)	(%)		<20	31.96	27.57
Market Risk	Interest Rate Sensitivity	(%)	External	<6	2.14	1.52
	Repricing gap ratio (up to three months)	(%)		>-20	16.69	16.32
Operational Risk	Frauds (value as a % of operational expenses)	(%)	Internal	<0.5	0.00	0.65
	Unsatisfactory Audits (as a percentage of total audit reviews)	(%)		>15	0.00	0.00
	Staff Turnover Ratio (Annual)	(%)			18.00	16.32
	Cost to Income Ratio	(%)		<50	51.16	54.96
Regulatory Risk	Capital Adequacy Ratio		Internal			
	Tier 1 capital ratio	(%)		>10	15.25	22.94
	Total Capital Ratio	(%)		>14	18.88	22.68
	Capital Funds Ratio	(%)		>12.5	28.66	33.36
Strategic Risk	Return on Equity	(%)	Internal	>15	11.30	8.56
	Return on Assets	(%)		>3.5	3.32	3.27
	Net Interest Margin	(%)		>7.5	8.94	8.64
	Gearing Ratio	Times		<7	5.48	3.32
Investment Risk	Equity Investments ratio	(%)	External	<4.5	0.22	0.65
	Non-trading/strategic investments as % of equity	(%)		<12.5	8.34	8.72
Information Security Risk	Information Security Incident Management	Periodic Review	Internal	Checked by ISO	Checked	Checked
	Business Continuity Management-ICT				Checked	Checked
	Access Management			Periodic user access review	Complied	Complied
Sustainability Risk	Climate - sensitive sector exposure	(%)	External	<20	8.23	12.98

Key Risk Domains FY 2025/26

Credit Risk

Risk Overview

Credit risk is the most significant risk faced by the Company. Credit risk comprises two key components;

Default risk

Arises when borrowers fail to meet their repayment obligations on time, resulting in potential financial loss to the Company.

Credit Concentration risk

Potential loss arising from significant exposure to a single borrower, group of related borrowers, sector, or product that does not perform as anticipated.

Risk Management Approach : Managing the Core Flow

Credit risk management reflects the interconnected nature of the lending portfolio, where stress in one segment can propagate across sectors and borrower groups. Similar to mycelium detecting nutrient imbalances, the Company leverages early-warning indicators, sectoral monitoring, and enhanced credit analytics to identify emerging stress points. Continuous portfolio surveillance, stress testing enables timely intervention, ensuring stability across the broader credit ecosystem.

Default Risk Management:

The following structures are in place to manage Default Risk

- Monitoring of default risk is a shared responsibility across the organisation, with Corporate Management closely supervising portfolio exposures and ensuring strict adherence to internal controls and lending SOPs. The Risk and Control Department continuously tracks early-warning indicators to identify emerging risks. A structured recovery framework guides branch teams in executing collection activities, while the Recovery Division oversees all recovery actions and manages litigation arising from these processes.
- Clearly defined Standard Operating Procedures (SOPs) based on a Board approved Credit Policy ensure consistent credit underwriting standards, delegated approval authorities, and structured documentation requirements to facilitate disciplined and prudent lending decisions across the network.
- A well-defined credit governance structure supports the approval process. Credit proposals flow through designated approval authorities within the Credit Network, with proposals above certain identified delegated limits reviewed by the Management Credit Committee (MCC). The independence of the Chief Risk Officer (CRO) is maintained to ensure objective risk assessment and balanced decision-making aligned with the Company's risk appetite.
- Credit assessments incorporate both external and internal risk indicators. Information obtained from CRIB reports, together with behavioural and repayment history data, is used to evaluate borrower creditworthiness and identify early signs of potential stress.
- Post-disbursement monitoring forms an integral part of the control framework. The Risk and Control Department (RCD) conducts independent loan reviews to assess compliance with approved terms and underwriting standards.
- Collateral valuations are carried out by registered valuers to ensure adequacy and reliability of security coverage, while early-warning monitoring mechanisms operated by RCD helps to detect emerging risk trends in a timely manner.

Credit Concentration Risk Management:

- Credit concentration risk is managed in accordance with Board-approved exposure limits established for each sector and asset class. The Risk and Control Department continuously monitors the overall lending portfolio, including significant exposures, to ensure compliance with these approved thresholds and initiates corrective measures where necessary.
- Regular reporting is provided enabling effective oversight, timely performance tracking, and supporting a comprehensive credit stress testing programme.

Risk Management Review

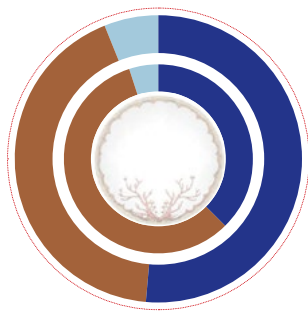
Credit Risk Overview – FY 2025/26

Nature of the Risk faced in FY 2025/26	Our Response
Improved economic conditions in Sri Lanka strengthened market confidence and credit appetite during the year. Meanwhile the reopening of vehicle importation after a prolonged pause provided renewed momentum to the leasing sector. Against this backdrop, the Company pursued measured portfolio growth, particularly within leasing and gold loan segments, which required closer monitoring of credit risk to ensure credit quality.	The Credit Risk Management Framework and Credit Policy were enhanced through strengthened governance roles, prudential exposure controls, and improved credit lifecycle risk measurement, monitoring, and control processes, ensuring continued alignment with regulatory expectations, portfolio quality objectives, and sustainable business growth. Key developments during the year include; • Credit risk-related indicators were realigned in line with developments in the operating environment, with Board approval. • Credit policies were updated to reflect prudential considerations and refinements to customer-level risk rating methodologies to ensure alignment with regulatory requirements and prevailing risk conditions. • The Expected Credit Loss (ECL) computation was enhanced through refinements to the model back-testing process. In response to cyclone-related developments, additional scenario considerations were incorporated to identify elevated risk segments. Regular stress testing continued during the year, focusing on potential market downturns and adverse price movements affecting credit exposures. • In line with portfolio growth, the Risk and Control Department reviewed Loan-to-Value (LTV) limits across asset classes. Borrower exposure limits and individual threshold levels were realigned based on regulatory requirements and observed credit risk trends. • Risk identification mechanisms were strengthened with the introduction of a more granular credit evaluation system incorporating multiple risk constituents. Branch-level observations channeled through the recovery function further enhanced early risk detection across the portfolio. • The RCD's post-disbursement review process was reinforced with enhanced system-generated reporting, enabling more detailed portfolio analysis. In addition, controls relating to Politically Exposed Person (PEP) facilities were strengthened to support enhanced due diligence (EDD) and approvals in line with internal thresholds and regulatory requirements.

Digitalization of Credit Risk Management

Digitalization remains a critical enabler of disciplined credit risk governance and operational efficiency. During the year, the Company further enhanced its CORE-CMS integrated credit system. The updated platform supports end-to-end credit onboarding, automated workflow across delegated approval levels, and embedded control checkpoints with automated risk-trigger mechanisms. Enhanced analytical capabilities within CORE-CMS meanwhile facilitate client-, group-, and sector-level risk profiling and more data-driven credit decisions, while supporting early identification of emerging credit deterioration.

Product Concentration



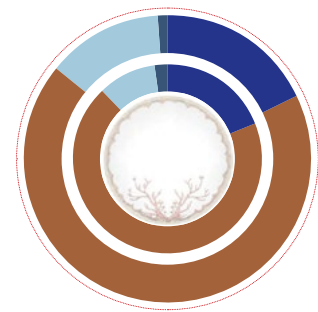
	24/25	25/26
Loan	37.7%	51.6%
Lease	57.3%	42.4%
Islamic Products	5.0%	6.0%

Geographic Concentration



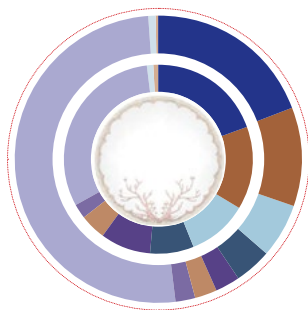
	24/25	25/26
Western Province	40.1%	38.4%
Southern Province	12.8%	13.0%
Central Province	10.7%	10.6%
North Western Province	7.9%	8.0%
Sabaragamuwa Province	7.2%	7.4%
Uva Province	6.1%	5.8%
North Central Province	5.3%	5.8%
Eastern Province	5.1%	5.8%
Northern Province	4.8%	5.2%

Concentration By Size of Advance



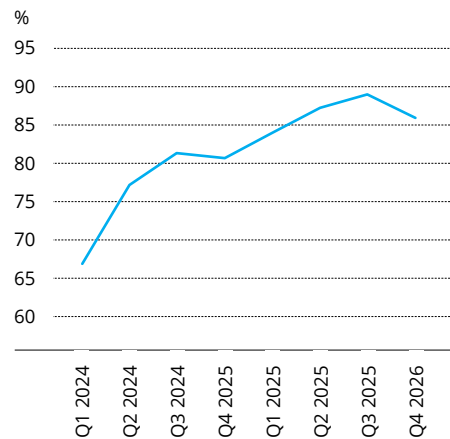
	24/25	25/26
< 1 Mn	19.4%	18.0%
1 Mn to 10 Mn	68.9%	68.1%
10 Mn to 100 Mn	9.9%	12.9%
> 100 Mn	1.8%	1.0%

Concentration By Sector

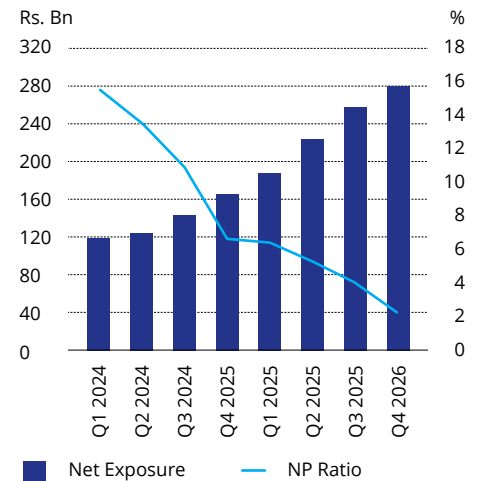


	24/25	25/26
Transport	19.6%	19.3%
Traders	14.1%	11.2%
Agriculture	10.3%	6.0%
Construction	7.4%	4.1%
Services	8.7%	2.8%
Manufacturing	4.5%	2.7%
Tourism	2.3%	2.2%
Others	31.1%	50.8%
Financial Services	1.2%	0.7%
IT Industry	0.7%	0.2%

Total Net Advances to Total Assets



NP Ratio and Net Exposure - CBSL NP



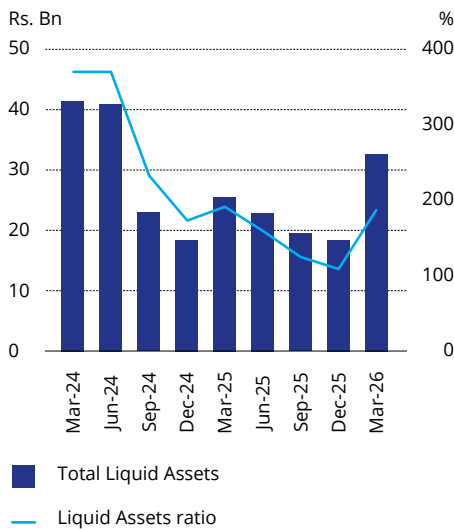
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Liquidity Risk

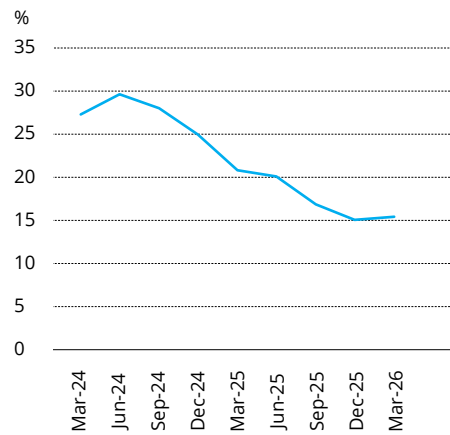
Risk Overview Liquidity risk refers to the risk that the Company may be unable to meet its financial obligations as they fall due, without incurring unacceptable losses.
Risk Management Approach : Sustaining Continuity Liquidity management mirrors the flow-based efficiency of mycelium networks, which continuously redistribute resources to sustain equilibrium. The Company maintains a balanced funding structure through proactive monitoring of cash flows, maturity mismatches, and funding concentrations. By maintaining adequate liquidity buffers, diversified funding sources, and contingency plans, the Company ensures uninterrupted financial flow even under stressed conditions. The Board of Directors, the Board Integrated Risk Management Committee (BIRMC) and the Asset and Liability Committee (ALCO) review periodic reports on key liquidity indicators to ensure that liquidity risk is maintained within the approved risk appetite and agreed parameters. ALCO monitors the Company's liquidity profile on a regular basis, including mismatch reports, funding projections and key liquidity metrics, to facilitate timely management actions where required. The Treasury Department is responsible for the day-to-day management of the Company's liquidity risk. The Company assesses its liquidity position using both stock and flow approaches. The stock approach is applied to determine the static liquidity position through the computation of balance sheet-based ratios and benchmarking these against the approved risk appetite. In addition, the flow approach is used to monitor cash flow mismatches across defined time buckets, enabling the Company to identify short-term liquidity requirements, emerging liquidity risks and proactively manage liquidity buffers.

Nature of the Risk faced in FY 2025/26	Our Response
The Company operates with a structural maturity gap due to the nature of the business model (medium-to-long tenor lending funded through shorter tenor liabilities). This mismatch increased the need to maintain adequate liquidity buffers and stable funding sources, while ensuring that cash inflows from assets remain sufficient to meet liability outflows. The Company's funding profile remains significantly dependent on customer deposits (including Fixed Deposits), which exposes the Company to renewal/rollover risk during periods of market volatility and competitive pricing pressures. The borrowing portfolio indicates a sizeable portion of liabilities falling within one year, increasing sensitivity to deposit repricing and renewal behaviour. However, the deposit renewal ratio was remained above 65%, reflecting stronger depositor confidence. In stressed market conditions, access to wholesale funding may become constrained and the cost of incremental funding may rise sharply. This risk is further elevated when market interest rates fluctuate, causing sudden movements in funding costs and pricing competition. Liquidity pressures may arise from unanticipated deposit withdrawals, settlement obligations, disbursement surges and delayed recoveries. Although the Company maintained a positive excess liquidity position during the reviewed period, the excess liquidity levels are subject to change depending on market and operational cash flows.	• During the period under review, the Company maintained an excess liquidity position. Excess liquidity levels served as a key buffer to absorb potential short-term liquidity shocks and ensure uninterrupted settlement of obligations. • To enhance funding resilience and reduce dependency on any single source, the Company maintained committed funding lines from multiple counterparties. • The Company continued to monitor both maturity mismatch and repricing mismatch profiles. This ensures early identification of liquidity gaps and supports corrective actions. • The Company conducted liquidity stress assessments to ensure that liquidity risk management remained forward-looking, enabling management to implement mitigating actions well in advance of potential stress events. • The Company maintained a contingency funding plan to address crisis situations, in the event they arose. • The Company is in the process of establishing and enhancing a robust Liquidity Risk Management Framework in accordance with the Finance Business Act Direction No. 03 of 2025 on Liquidity Risk Management, to further strengthen liquidity resilience and regulatory compliance

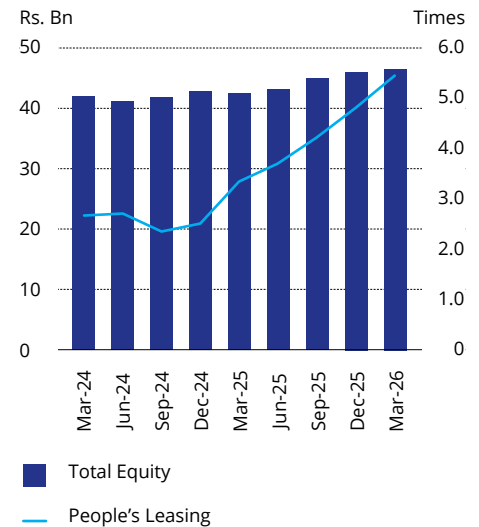
Regulatory Liquid Assets to Total Assets



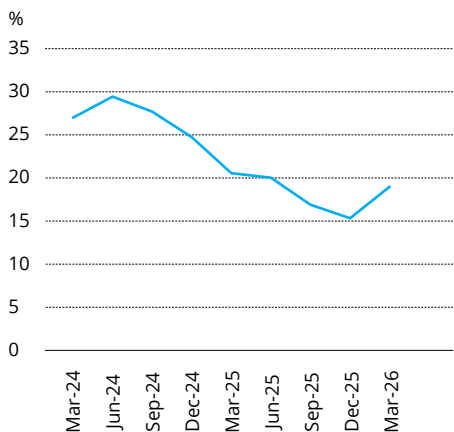
Core Capital to Risk Weighted Assets



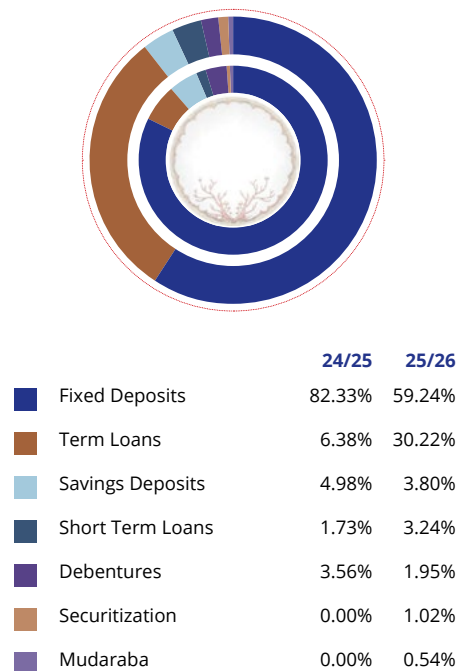
Borrowing to Equity



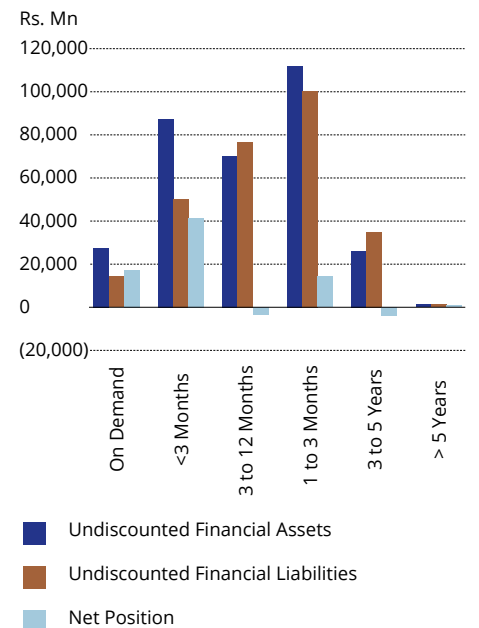
Capital Base to Risk Weighted Assets (RWCAR)



Funding Divesification



Maturity Profile of Financial Assets & Liabilities

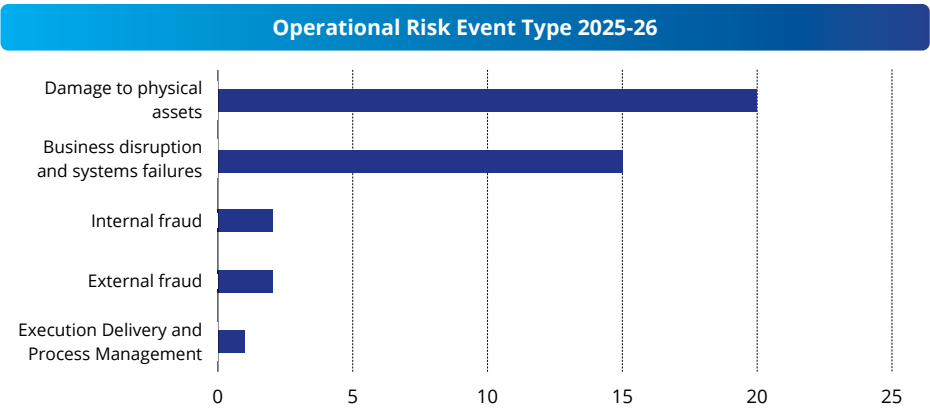


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Operational Risk

Risk Overview Operational risk refers to the potential for losses arising from inadequate or failed internal processes, systems, people or external events. This includes risks related to technology failures, fraud, human error, regulatory compliance, and business continuity.
Risk Management Approach : Strengthening Internal Pathways Operational risk management is structured to enhance organizational resilience, similar to how mycelium adapts to disruptions in its environment. Through branch-level risk assessments, incident reporting, and Business Continuity Planning (BCP), the Company ensures that disruptions are quickly identified and contained. The distributed nature of controls and accountability across functions enables rapid response and recovery, minimizing operational disruptions. The RCD is tasked with continuous, proactive identification of operational risks using several methodologies, including the Branch Operational Risk Self-Assessments, the incident reporting mechanisms, insights from drills conducted under the Business Continuity Planning (BCP) process and on-site inspections. Additionally, findings from internal audit reports serve as a critical input for operational risk identification. All operational risk events detected through these sources are carefully reviewed and presented at the monthly EIRMC meeting to ensure appropriate follow-up actions are taken. Moreover, the Board-approved BCP provides a structured foundation to help the Company respond effectively to unforeseen disruptions, ensuring operational continuity and the ability to meet stakeholder commitments.

Nature of the Risk faced in FY 2025/26	Our Response
Increasing regulatory expectations, together with the evolving operating environment, required the strengthening of operational risk governance frameworks and risk management practices across the organization. The Company's operating processes and environment changed significantly due to increased business volumes and adverse business conditions arising from the cyclone experienced in the third quarter of the financial year, necessitating a reassessment of the relevance of assumptions used in the Stress Testing Policy. To streamline document maintenance and ensure centrally updated information, the digitalization of the BCP process is necessary.	• The Board approved the Operational Risk Management Framework in line with the Finance Business Act Direction No. 04 of 2024 on Operational Risk Management issued by the Central Bank of Sri Lanka (CBSL). The Framework provides a structured approach for the identification, assessment, monitoring, and reporting of operational risk events across the Company. • The Stress Testing Policy was reviewed and aligned with the Company's prevailing operating environment to ensure the continued relevance of stress scenarios and to support forward-looking risk assessment and the maintenance of prudent capital buffers • The Department has initiated the BCP submission, review and approval process. This initiative will enable the Department to centrally maintain BCP documents and ensure up-to-date information on staff roles in BCP teams, Fire Teams, and Call Tree contact details. • Quarterly Branch Operational Risk Self-Assessments continued to function as a key risk governance tool, enabling the timely identification and evaluation of operational risk exposures at branch level. The findings of these assessments were rigorously reviewed, and appropriate remedial measures were implemented to address control gaps and mitigate identified risks. • To further strengthen the control environment, structured branch inspections were conducted by the Risk & Control, Compliance, Internal Audit, and Gold Loan Departments. • During the financial year, Business Continuity Plan (BCP) drills were conducted across all branches to strengthen preparedness for potential disaster situations. Despite the impact of adverse weather conditions affecting several branches in the Central and Eastern Provinces, disruptions were minimal due to improved awareness and preparedness initiatives across the branch network.



Market Risk

Risk Overview Market Risk refers to the potential loss to the Company arising as a consequence of changes in market conditions such as the movement in interest rates (Interest Rate risk) and fluctuations in the commodity prices (Commodity Price Risk).
Risk Management Approach : Responding to External Conditions Market risk management reflects the ability to sense and respond to external environmental changes. As mycelium systems respond to shifts in external conditions, the Company continuously monitors interest rate movements and commodity price fluctuations. Through proactive repricing strategies, sensitivity analysis, and stress testing, the Company maintains agility in responding to evolving market dynamics.
Interest Rate Risk (IRR) Interest rate risk is managed through a coordinated and forward-looking framework led by the Treasury, which continuously monitors key market benchmarks to anticipate shifts and protect target margins. Regular reporting to ALCO enables timely re-pricing of assets and liabilities, while detailed reviews of repricing gaps and sensitivity analyses strengthen risk responsiveness. With the oversight from the BIRMC and ongoing stress testing by the RCD, the Company ensures that potential impacts on net interest margins and profitability are carefully assessed.
Commodity Price Risk The RCD exercises oversight of gold price risk by continuously monitoring daily market movements and volatility. Regular stress tests are conducted to assess potential gold price fluctuations and actively evaluate their impact on People's Leasing & Finance PLC. Key insights and recommendations from this analysis are reviewed by ALCO and subsequently escalated to the BIRMC and the Board.

Nature of the Risk faced in FY 2025/26	Our Response
During the FY 2025/26 Sri Lanka's interest rate risk was guided by a cautious and steady approach from the Central Bank of Sri Lanka. Following a 25 basis point cut to 7.75% in May 2025 to stimulate growth, the OPR remained stable through early 2026 as the bank balanced gradually improving inflation with external uncertainties. This stable policy environment provided a predictable backdrop for financial institutions, shaping repricing strategies and interest rate risk management across the economy.	Over the year, People's Leasing's Treasury closely tracked key interest rate benchmarks, enabling proactive repricing of assets and liabilities to protect margins. ALCO monitored repricing gaps and conducted sensitivity analyses, while the BIRMC reviewed these exposures against risk thresholds every two months. Complementing this, the RCD's stress tests assessed the impact of rate movements on net interest margins.

Risk Management Review

Stress Test for Liquid Assets (Immediate withdrawal of deposits)

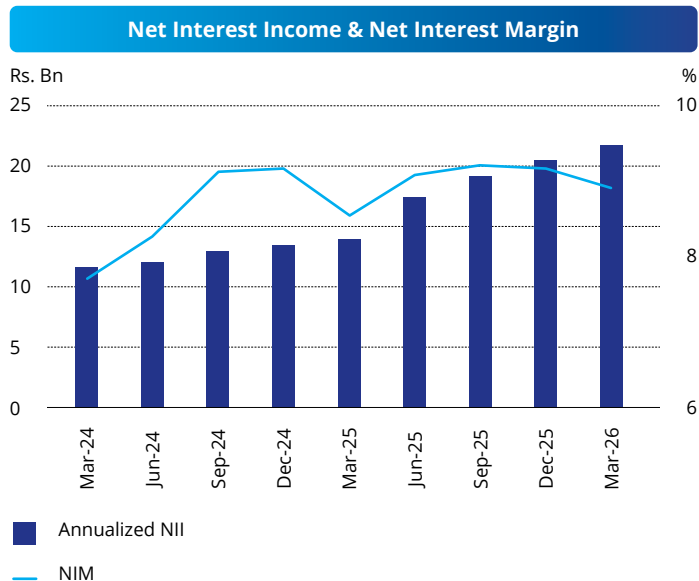
Scenario	1	2	3
Magnitude of shock	5%	7%	10%
Fall in Liabilities (Rs. Mn)	8,576	12,006	17,152
Revised Liquid Assets (Rs. Mn)	24,086	20,656	15,510
Revised Required Liquid Assets (Rs. Mn)	16,774	16,421	15,891
Liquid asset ratio	143.59%	125.79%	97.60%
Liquid asset ratio - After adjusting for contingent funds	356.26%	343.03%	322.09%

Liquid asset ratio : Liquid asset available / Minimum of Liquid assets as per CBSL Direction

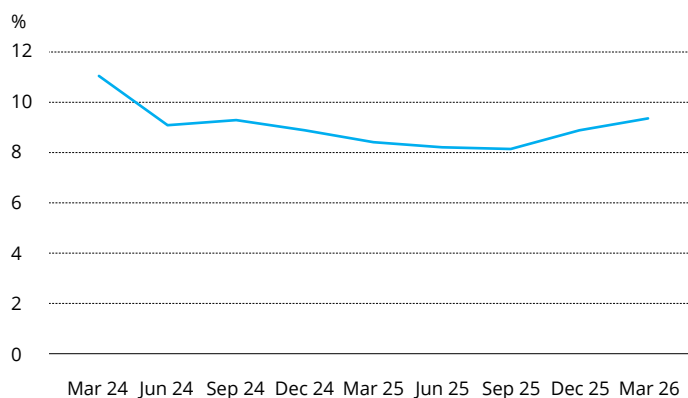
Stress Test on NII-Interest Rate Shock

Scenario	Impact on NII (Rs. '000)			
	2025/26		2024/25	
	Increase	Decrease	Increase	Decrease
1%	446,786	(446,786)	285,687	(285,687)
3%	1,340,357	(1,340,357)	857,060	(857,060)
5%	2,233,928	(2,233,928)	1,428,434	(1,428,434)

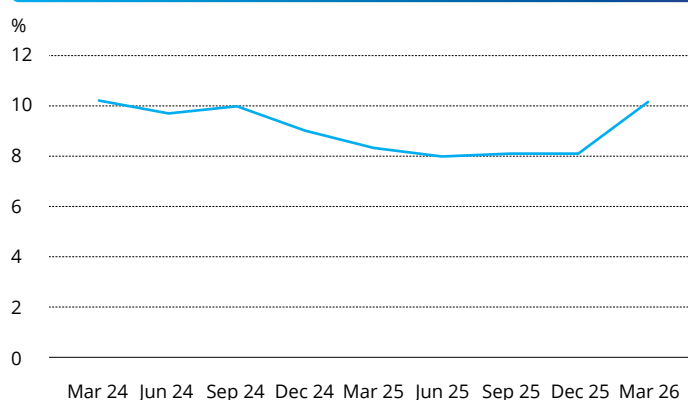
Market Risk Scorecard - FY 2025/26



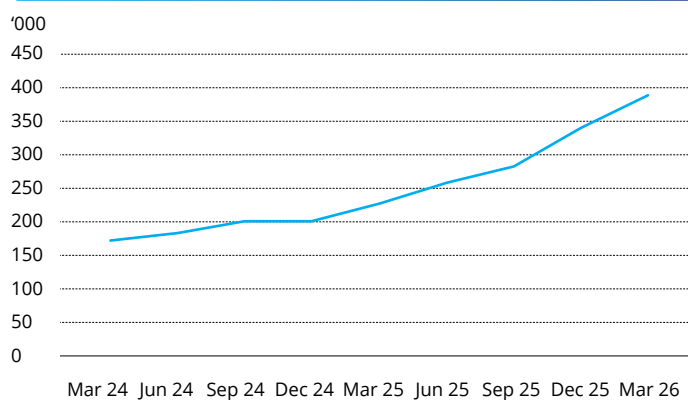
AWPLR Movement



Treasury Bill Rates



Gold Price (24K Sovereign)



Information Security Risk

Risk Overview

Information security risks relate to potential threats such as data breaches, cyberattacks, unauthorized access, malware, phishing, and system failures due to the increasing reliance on digital systems, customer data, online transactions, and interconnected financial platforms.

Risk Management Approach : Protecting the Network

As the network becomes increasingly digital, safeguarding its integrity is critical. Information security safeguards the integrity of the Company's digital ecosystem, much like mycelium protects and sustains its internal network. With increasing digital inter-connectivity, the Company has strengthened cybersecurity frameworks, real-time monitoring systems, and access controls to prevent disruptions and unauthorized intrusions. Continuous enhancements ensure that the information network remains secure, reliable, and resilient.

Peoples Leasing maintains a disciplined and proactive approach to monitoring and enhancing information security resilience through a series of structured assurance activities, including:

- Regular internal information systems audits conducted to verify adherence to established controls and best practices.
- Annual ISO 27001:2022 certification audit ensuring alignment with international information security standards.
- On-site examinations by the Central Bank of Sri Lanka (CBSL) as part of ongoing regulatory oversight.
- Biannual vulnerability assessments, red-team exercises, and annual third-party penetration testing to identify and mitigate potential vulnerabilities.
- External IT General Control (ITGC) and third-party assurance audits, providing independent validation of the company's control environment.

By continuously investing in advanced cybersecurity technologies, policy enhancements, and personnel training, the company remains committed to maintaining a robust and adaptive information security framework that protects its customers, operations, and reputation. The company will continue to evolve its cyber risk management capabilities in alignment with global standards and regulatory developments to ensure ongoing resilience in an ever-changing digital financial landscape.

Nature of the Risk faced in FY 2025/26	Our Response
As a financial services provider, safeguarding sensitive customer data, maintaining the integrity and confidentiality of sensitive corporate information, and ensuring the uninterrupted availability of critical systems are central to sustaining customer trust and regulatory compliance.	• During the year under review, Information Security Department headed by Information Security Officer (ISO) which directly report to the CEO was established. • Information Security Department headed by ISO, comprehensively review the compliance with the Technology Risk Management and Resilience Direction No. 01 of 2022 • The Information Security Policy was comprehensively updated to address emerging cyber risks, evolving threat landscapes, and new compliance requirements. Enhancements in Cybersecurity Monitoring and Control • Introduction of a Cybersecurity Risk Heat Map to visualize and assess the level of cyber risks across the organization, enabling prioritized risk mitigation and proactive corrective actions. • Establishment of a 24x7 Security Operations Center (SOC), equipped with a Security Information and Event Management (SIEM) system for real-time monitoring, detection, and response to potential threats. • Deployment of a Privileged Access Management (PAM) system to ensure secure and controlled access to critical systems by authorized personnel only. • Implementation of a 24x7 Network Operations Center (NOC) to continuously monitor network performance and swiftly resolve any network-related issues.

Risk Management Review

Strategic Risk

Risk Overview

Strategic risk is the potential impact of poor strategic choices, ineffective execution, or failure to adapt to changing market, customer, competitive, technological, regulatory, or macroeconomic conditions that could hinder the company's long term objectives.

Risk Management Approach : Adaptive Growth and Direction

Strategic risk management aligns with the adaptive growth characteristics of mycelium, which evolves in response to environmental conditions. The Company's strategic planning process incorporates continuous environmental scanning, scenario analysis, and performance monitoring to ensure that business strategies remain relevant and responsive to change. This enables sustainable growth while maintaining alignment with long-term objectives.

Strategic risk is managed by the Board with the Board-approved strategic plan serving as the main tool for addressing long-term business risks. The five year strategic plan is reviewed by the Board and updated annually. This is supported by detailed business plans and an annual budget for the purpose of mobilising resources to drive both financial and non-financial performance.

The annual strategy review process involves an in-depth analysis of both internal and external conditions, with a score card based qualitative model aligned with the Internal Capital Adequacy Assessment Process (ICAAP) used to measure and monitor strategic risks. This model incorporates various strategic risk indicators, with particular focus on factors such as the implementation of business strategies, external PESTLE (Political, Economic, Social, Technological, Legal and Environmental) factors influencing decisions, and key financial performance ratios.

The CEO is tasked with executing the strategy, while the Board and relevant Committees, with support from the RCD, continually monitor the Company's performance against the established budgets and strategic goals.

Reputational Risk

Risk Overview

Reputation Risk refers to the potential erosion of goodwill and/or downgrade in the industry standing owing to various internal and external factors.

Risk Management Approach :Trust within the Ecosystem

Reputation represents the trust that sustains relationships within a broader ecosystem. The Company manages reputational risk through strong governance, transparent stakeholder communication, and consistent service delivery. By maintaining credibility and reliability across all touch points, the Company reinforces its position within the financial ecosystem.

Sustainability & Climate Risk

Risk Overview

Sustainability risk refers to the potential negative impact that environmental, social, and governance (ESG) factors may have on People's Leasing's long-term financial performance and resilience. This includes risks arising from climate change, environmental regulations, social inequalities, governance failures, and reputational damage.

Risk Management Approach :System-wide Interdependence

Sustainability risk most closely reflects the essence of the mycelium concept—interdependence within a larger ecosystem. Climate-related risks are integrated across all risk categories, recognizing that environmental events can have cascading effects on credit quality, operations, and financial stability.

- Sustainability and climate-related risks are integrated into the Company's Enterprise Risk Management framework and considered under key risk categories. These risks are monitored through periodic risk reporting and are subject to review through management committees and Board-level oversight structures.
- Sustainability and climate-related risks have been incorporated into the Company's Integrated Risk Management Policy.
- Climate-related physical risks that may disrupt branch operations, service delivery, and business continuity have been incorporated into the operational risk management process to strengthen resilience and continuity planning.
- The Board is provided with quarterly updates on climate-related risks through the Company Risk Register. Risk heat maps and incident reports that provide structured information on likelihood, impact, risk rating, and mitigation actions implemented.

Nature of the Risk faced in FY 2025/26	Our Response
Cyclone Ditwah posed a significant risk to the Company by disrupting economic activity, weakening borrowers' repayment capacity, and damaging financed assets and collateral.	• The Company carried out a sector-wise impact assessment to identify the most affected industries and customer segments. Based on this assessment, higher-risk sectors and regions are being closely monitored, and appropriate credit risk management actions are being taken to strengthen resilience against future climate-related events. In addition, cyclone-impacted branches and fixed assets were identified by obtaining relevant details through the established committee and centralizing the information. Based on this consolidated assessment, the Insurance was informed to initiate the necessary actions in relation to the affected branches and fixed assets, including damage assessment and insurance claim procedures. • The Integrated Risk Management Policy was updated to incorporate Environmental, Social and Governance (ESG) risks, with particular focus on climate-related exposures affecting sensitive sectors, and these considerations were progressively embedded into enterprise-wide risk assessment, monitoring, and reporting processes. Consistent with this update, the Risk Appetite Statement and related monitoring mechanisms were enhanced to reflect sustainability dimensions, enabling clearer articulation of acceptable risk thresholds and stronger alignment between strategy and risk-taking capacity. • A sustainability risk indicator was introduced into the Risk Tolerance Limits during the year and reported to the Board Integrated Risk Management Committee (BIRMC) through the Company's Risk Dashboard once-every-two-months basis.
SLFRS S1 and S2 Integration	In line with SLFRS S1 and SLFRS S2, the Company has begun embedding climate-related risk identification, governance, and disclosures into its IRM Framework, recognizing climate risk as a key driver of financial and non-financial risk across its operations and value chain. Climate-related risks are systematically incorporated into the Company's Integrated Risk Management Framework, enabling structured identification, assessment, monitoring, and mitigation. The Company has identified key climate-related risks and opportunities across its portfolio and operations, categorised broadly as: • Physical Risks – including the impact of extreme weather events and long-term climatic changes on customers, collateral, and operational infrastructure. • Transition Risks – Risks arising from regulatory, technological, and market shifts associated with the transition to a low-carbon economy, which may affect asset quality and sectoral exposures. Physical and transition risks are assessed through portfolio-level analysis and ongoing monitoring. In parallel, the Company continues to promote sustainable financing by supporting environmentally responsible assets such as energy-efficient vehicles and renewable energy-related financing, thereby aligning risk mitigation with business opportunities.

Risk Management Review

Nature of the Risk faced in FY 2025/26	Our Response
	In line with SLFRS S1 and S2 requirements, the Company is progressing towards establishing measurable indicators and targets to monitor climate-related performance. This includes expanding exposure to sustainable financing segments, improving operational resource efficiency, and exploring methodologies to quantify financed emissions in alignment with internationally recognized frameworks. The Board of Directors, supported by relevant Board Sub-Committees, provides oversight on climate-related risks and opportunities, ensuring that these are aligned with the Company's strategic priorities and risk appetite. Management level committees support the effective implementation of climate risk management practices by embedding sustainability considerations into business operations, risk processes, and decision-making frameworks. Ongoing capacity building initiatives are undertaken to enhance internal competencies in managing CRROs. This interconnected approach ensures that sustainability considerations are embedded into decision-making, strengthening long-term resilience. People's Leasing and Finance PLC remains committed to continuously enhancing its climate-related risk management practices, ensuring that CRROs are embedded within its governance, strategy, and risk management processes, while contributing to the development of a resilient and sustainable financial sector.

Group Risk

Risk Overview

Group risk relates to the interconnected exposure across subsidiaries, where risks emerge, transmit, and are managed through decentralized yet coordinated oversight across the Group.

Risk Management Approach : Decentralised yet Connected Oversight

The Group risk management approach reflects a decentralized but interconnected structure, similar to independent nodes within a mycelium network. Each subsidiary manages its own risk profile while remaining aligned with overall Group risk governance through regular reporting and oversight. This structure enables flexibility at the entity level while ensuring consistency and coordination across the Group. To ensure alignment with the overall Group strategy, each subsidiary provides a quarterly risk update to the Group BIRMC.