Subsidiary Review

People's Insurance PLC

Contribution to Total Subsidiary Profit After Tax
35%

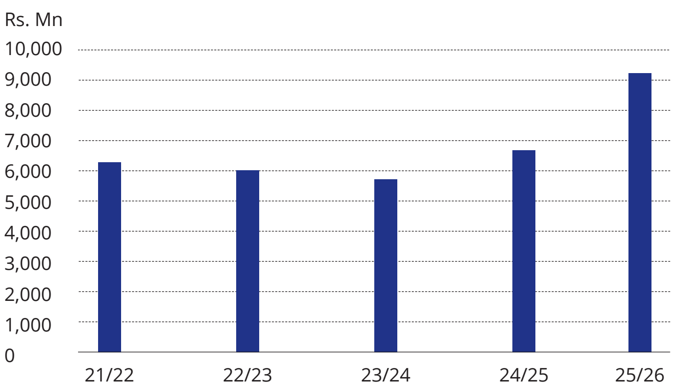
Share of Total Subsidiary Assets
30%

Related Material Matters
Financial Stability
Macro-economic Environment
Climate Action

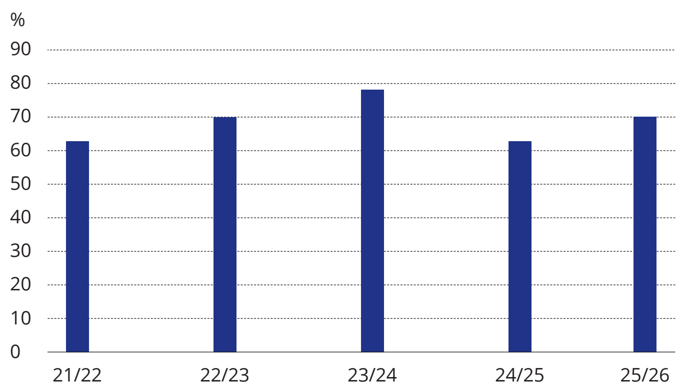
Profile

People's Insurance PLC is a non-life insurance provider registered under the Regulation of Insurance Industry Act, incorporated in 2009 to deliver comprehensive general insurance solutions. The company was listed on the Main Board of the Colombo Stock Exchange in 2016 and continues to serve a broad customer base through its general insurance offerings.

Gross Written Premium



Claims Ratio



Operating Context

- Increased economic activity due to the improving economic conditions in the country together with a growing awareness of insurance products, supported growth in the general insurance sector in 2025.
- Competitive pressures led to pricing volatility and margin compression in certain lines, while heightened claims activity, particularly in motor and property insurance due to cyclone Ditwah, saw many general insurers having to contend with high loss ratios in turn adversely impacting underwriting results.
- Structural constraints, such as low insurance penetration and affordability pressures continued to highlight the need to address underinsurance and protection gaps, especially in catastrophe-prone regions where economic losses remain largely uninsured.
- The industry experienced a significant acceleration in technological transformation during 2025, which created new avenues for general insurers to diversify product offerings, including climate-related covers and cyber risk insurance.

Subsidiary Review

Performance Highlights

- 37.65% increase in Gross Written Premiums (GWP)
- Achieved a Profit After Tax of Rs. 380 Mn.
- 11% increase in claims ratio

Awards Received During the year

- Best General Insurer Sri Lanka at The Global Economics Awards 2025
- Winner- Certificate of Excellence- Best General Insurance Company of the Year at 6th emerging Asia Insurance Awards 2025
- Overall Silver Winner under the Corporate Management Category and several other awards at The Institute of Chartered Professional Managers of Sri Lanka- Management Leadership Excellence Awards 2025
- Silver Award for Insurance Sector (Gross Premium up to Rs. 10 Bn) under insurance sector and Certificate of Recognition- Integrated Reporting at the TAGS Award 2025 organised by the Institute of Chartered Accountants of Sri Lanka
- Winner-Best Integrated Report Insurance Sector – State and Merit Award at the CMA Excellence in Integrated Reporting Awards 2025.

Strategic Action

- Continued to drive growth through island-wide promotional campaigns aimed at growing customer base.
- Enhanced service delivery through the launch of Sri Lanka's first AI chatbot in the general insurance sector, alongside further improvements to the Company's Call and Go facility.
- Significant IT investments were made to improve service delivery, operational efficiency and compliance. Key developments included the introduction of online systems for the issuance of inbound travel insurance and Condominium Insurance, the enhancement of monitoring systems with the introduction of cyber security heat maps and the implementation of Privileged Access Management (PAM) tool, SIEM and SOC log monitoring systems and operational improvements such as the Implementation of Inventory Management System, Online Marketing Dashboard and Payment Workflow System.
- Continued efforts to upskill workforce through targeted training and development and performance management.

Opportunities and Threats 2026/27

- Underwriting & Pricing Volatility particularly in the motor insurance segment
- Competitive Pressure & Margin Compression in motor and fire classes
- Catastrophe & Climate Exposure resulting from Increased floods and extreme weather events
- Regulatory & Capital Pressure due to increased scrutiny from Insurance Regulatory Commission of Sri Lanka and continued focus on maintaining solvency margin compliance
- Information Technology risks including cyber security threats and limitations of legacy systems
- Low Insurance Penetration in traditional segments and rural areas

Future Focus

- Develop skilled workforce and business growth.
- Enhance operational efficiency and completeness.
- Driving sustainable business growth.

Alliance Finance PLC

Contribution to Total Subsidiary Profit After Tax
15%

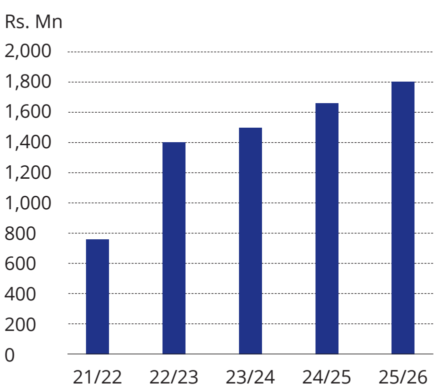
Share of Total Subsidiary Assets
29%

Related Material Matters
Financial Stability
Macro-economic Environment

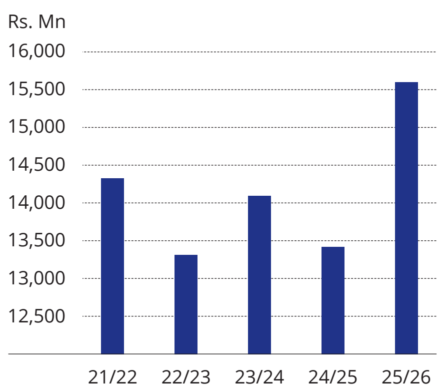
Profile

Alliance Finance PLC is a licensed non-bank financial institution (NBFI) regulated by Bangladesh Bank. It was incorporated in 2003, and previously operated under the names Alliance Leasing & Finance Company Limited and later Lankan Alliance Finance Ltd before becoming Alliance Finance PLC. The Company provides a broad range of financial solutions including deposit products, SME finance, retail finance, corporate finance and structured financial services, serving diverse customer segments across the country.

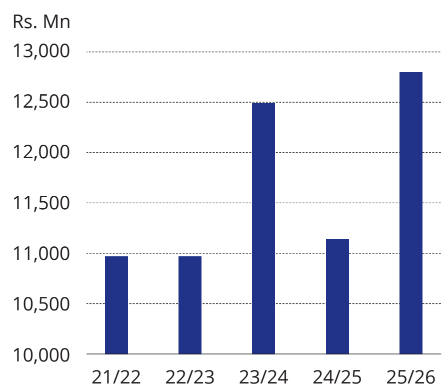
Revenue



Total Assets



Lease and Loans portfolio



Operating Context

- Following a policy rate increase by Bangladesh Bank, the finance sector continued to face higher funding costs, tight liquidity conditions, slower credit expansion of around 7.20%, and subdued demand as restrained consumer spending weighed on lending activity and overall financial sector growth.
- Improved foreign exchange management has helped restore some level of confidence in the market. However, rising non-performing loans and heightened default risks continue to affect both lending activities and depositor confidence.
- The financial sector in Bangladesh is also under increased regulatory scrutiny, with Bangladesh Bank reviewing 20 finance companies with elevated non-performing loans and weak liquidity, leading to the closure of 9 institutions, while also consolidating weak Islamic banks to strengthen overall financial stability.

Subsidiary Review

Performance Highlights

- Loans and Advances portfolio stood at Rs.12,784 Mn an 15% increase compared to FY 2024/25.
- 8% year-on year growth in interest income.
- Total Deposits reached Rs. 8,553 Mn, a 14% YoY increase.
- NPL ratio (Stage 3 – Portfolio) of 15% as of March 2025.
- Investment in Preference Shares amounted to Rs. 960 Mn.
- Borrowings through Bangladesh Bank Refinance Scheme totaled Rs. 2,960 Mn during 2025.

Strategic Action

- Amidst high levels of non-performing loans (NPLs) in the industry, the company adopted a balanced and cautious approach to lending, focusing on new and existing customers with proven track records. Priority was given to corporates, SMEs (particularly emerging corporates), leading MFIs (top 25), and selected retail customers, with emphasis on lease financing such as auto loans and home loans for corporates and high-net-worth individuals, aiming for moderate and quality asset growth.
- Explored investments in redeemable preference shares to enhance effective interest spreads while benefiting from a favorable tax structure.
- Increased efforts to mobilize retail deposits and selectively expand SME business, leveraging its strategic proximity to a large residential and industrial belt.
- Continued emphasis on asset quality and proactive collections to manage Non-Performing Loans (NPLs).
- Continued to invest in technology to drive process efficiencies. Key developments included the API integration of e-KYC with the Election Commission, network upgrades, Active Directory enhancements, and migration of surveillance infrastructure from legacy DVR to a high-definition NVR system.
- Integrated Environmental and Social Due Diligence (ESDD) as well as climate risk related issues into lending due diligence processes.

Opportunities and Threats 2026/27

- Moderate asset growth due to prevailing liquidity crunch in the market and increased levels of competition.
- Continued pressure in Net Interest income (NII) amidst a contractionary monetary outlook.
- The successful conclusion of the national parliamentary election and transition to a new government is expected to support political stability and create a more favourable environment for economic and business recovery in the medium term.

Future Focus

- Actively pursue refinancing opportunities offered by the Central Bank-Bangladesh, particularly in green, sustainable, and CMSME financing
- Diversify offerings by entering the digital loan segment as well as digital platform for ease of customers transactions
- Expand operations into brokerage, asset management, and investment banking services

People's Micro-Commerce Limited

Contribution to Total Subsidiary Profit After Tax
27%

Share of Total Subsidiary Assets
26%

Related Material Matters
Financial Stability

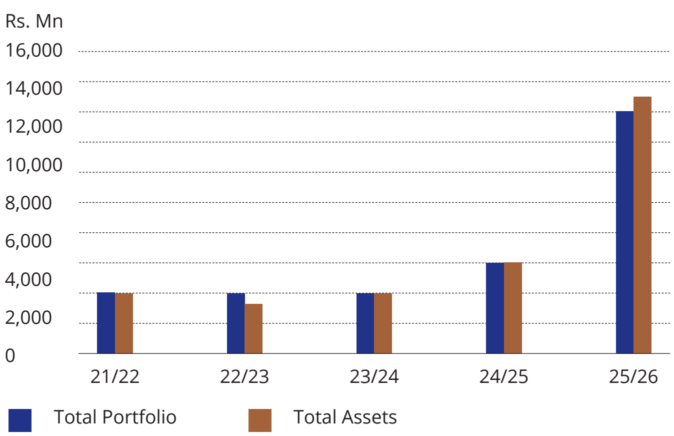
Macro-economic Environment

Advantis Financial Inclusion

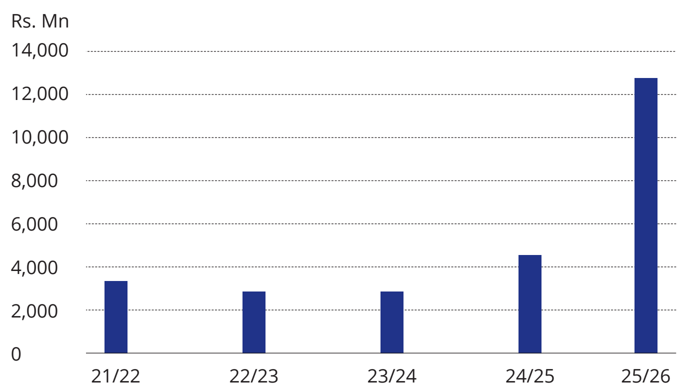
Profile

A fully owned subsidiary of People's Leasing & Finance PLC, People's Micro-Commerce Limited was established in 2010 to provide inclusive financial solutions to individuals and entrepreneurs who are underserved by conventional banking systems. Today the company serves over 100,000 customers, offering credit facilities, financial literacy programs, and access to value-added services such as savings and insurance through its Group Companies.

Total Assets & Portfolio



Revenue



Operating Context

- Gradually improving economic conditions supported renewed activity in the SME sector.
- Enhanced government focus, stronger policy support, and increased oversight for the SME sector.
- Increased levels of competition within the financial services sector.
- Customers remained cautious, with higher focus on repayment flexibility.
- Increased adoption of digital processes across operations.

Subsidiary Review

Performance Highlights

- Interest income increased by 116% to Rs. 2,320 Mn.
- Total operating income increased by 116% to Rs. 941 Mn supported by increased Fee and commission income.
- Profit After Tax for the FY 2025/26 amounted to Rs. 293.83 Mn, a 106% increase compared to the previous year.
- Ongoing focus on credit monitoring and portfolio management contributed to improved recovery performance as reflected in a lower NP ratio of 1.35%.

Strategic Action

- Strengthened brand visibility through focused digital engagement and targeted customer awareness campaigns.
- Strengthened geographical presence by expanding the branch network to 13 and enhancing employee capabilities.
- Continued to strengthen the product portfolio through tailored offerings such as a Mortgage loan for small scale entrepreneurs , the women-focused microfinance product 'Diriya Kantha Loan', and the Gold Plus Loan, designed to meet diverse customer needs.
- Launched the Easy Micro Loan to meet rising demand for quick, small-value financing, with digitalized loan application and evaluation processes enabling faster decision-making and improved branch-level turnaround times.
- Continued to digitize operations to improve service delivery and operational efficiency. Key developments included enabling secure remote access to core systems, and transitioning to a fully digitalized loan origination process which has helped reduce turn around times and improved customer convenience.
- Implemented a comprehensive digital documentation framework to minimize physical paper consumption, optimize storage efficiency, and reduce the organisation's environmental footprint.
- Strengthened loan monitoring mechanisms to improve recovery performance.
- Ongoing training and development inititaves and improvements to performance management to empower and motivate employees.

Opportunities and Threats 2026/27

- Growing demand for SME and microfinance solutions.
- Conducive interest rate environment.
- Expanding customer adoption of digital marketing platforms.
- Rising demand for EV products.
- Enhancing regulations will strengthen safeguards for the sector.
- Credit risk arising from customer repayment challenges.
- Competitive pressures in the financial services sector.
- Limitations in funding sources specially due to sector exposure or single borrower limits.

Future Focus

- Continue to focus on portfolio quality through enhanced monitoring, prudent credit evaluation, and timely recovery action.
- Prudent and sustainable business expansion.
- Continued improvement in digital capabilities to enhance customer experience and drive operational efficiencies.

People's Leasing Fleet Management Limited

Contribution to Total Subsidiary Profit After Tax
3%

Share of Total Subsidiary Assets
1%

Related Material Matters
Financial Stability

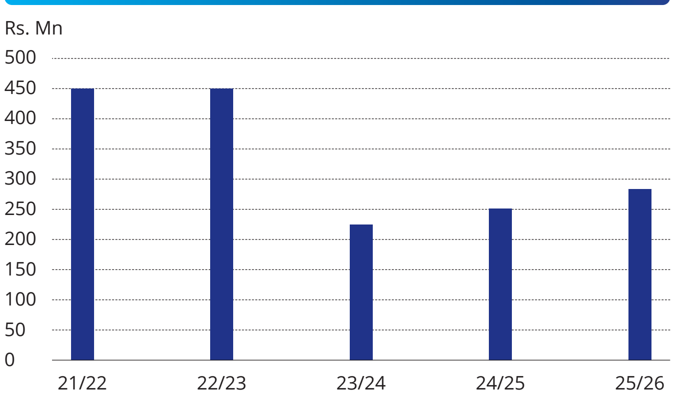
Macro-economic Environment

Customer Experience

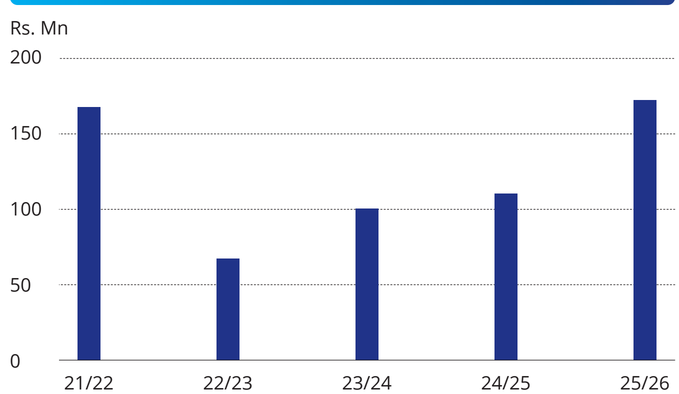
Profile

People's Leasing Fleet Management Limited is a wholly owned subsidiary of People's Leasing & Finance PLC, engaged in vehicle valuations and insurance claim assessments, serving both group entities and external clients.

Total Assets



Revenue



Operating Context

- Gradual economic stabilisation, easing inflation, interest rate adjustments, and developments in vehicle import policies significantly increased demand for vehicle valuations during the year.
- Increased activity in the used vehicle market and higher leasing volumes meanwhile further strengthened valuation requests.

Performance Highlights

- Higher valuation volumes during the year resulted in the Company recording a 38% growth in revenue compared to the previous year.

Subsidiary Review

Strategic Action

- Expanded PLC branch network valuation coverage from 55% to 75%, strengthening nationwide service accessibility and improving operational reach.
- Completed the full migration to the new valuation system, enhancing report turnaround time, accuracy, and overall operational efficiency.
- Implemented the zonal operational model for the Valuation Unit, improving resource allocation, coordination, and productivity across regions.
- Fully migrated to a new valuation system and introduced a mobile application for Valuation Officers, improving efficiency, accuracy, and report turnaround time.
- Initiated the process to implement digital issuance of vehicle valuation reports with authorized digital signatures, aiming to reduce paper usage and promote environmentally sustainable operations.
- Relocated to a new corporate office premises, improving the working environment, operational coordination, and overall corporate image.

Opportunities and Threats 2026/27

- Improving economic conditions creating higher demand for vehicle valuations and related assessment services.
- Expansion of branch network coverage providing greater market reach.
- Availability of excess funds for strategic investment and business diversification.
- Fluctuations in interest rates and vehicle import policies affecting valuation volumes.
- Dependence on the performance of the leasing and automotive sectors.
- Increasing competition within the valuation and assessment services market.
- Regulatory and compliance changes impacting operational requirements.

Future Focus

- Explore more profitable business opportunities to invest excess funds currently placed in fixed deposits, with the objective of diversifying revenue streams.
- Strengthen operational efficiency through system enhancements and process improvements, including the implementation of digital signature-based valuation reports.
- Expand valuation service coverage across PLC branches and strengthen the Company's market position within the valuation sector.

People's Leasing Havelock Properties Limited

Contribution to Total Subsidiary Profit After Tax
9%

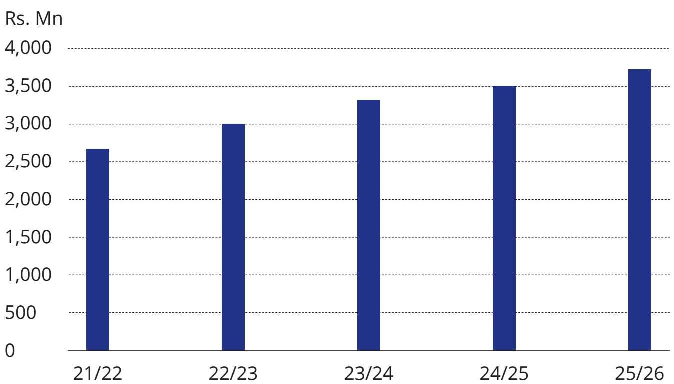
Share of Total Subsidiary Assets
7%

Related Material Matters
Financial Stability
Macro-economic Environment

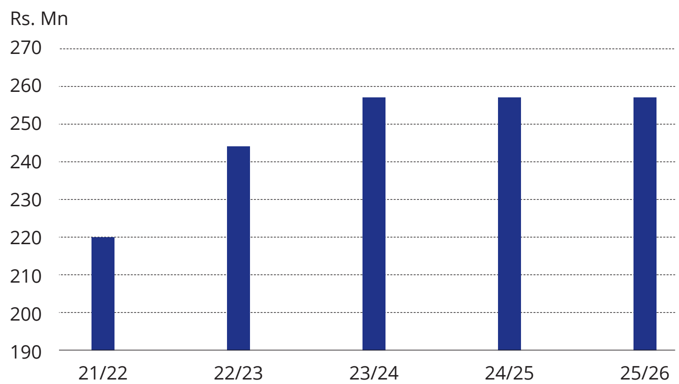
Profile

A wholly owned subsidiary of Peoples Leasing & Finance PLC, Peoples 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.

Total Assets



Revenue



Subsidiary Review

Operating Context

- The commercial property sector demand remained relatively stable during the financial year.
- As a Board of Investment (BOI) registered entities, the Company continued to benefit from applicable tax concessions.
- Changes in general tax policies during the year had no material impact on the Company's tax expense due to its BOI status.

Performance Highlights

- The Company has succeeded in securing 100% occupancy of its office space, with all units fully rented out until 2027 thereby securing a steady and uninterrupted stream of rental income.

Strategic Action

- Prioritized occupancy retention through competitive long-term lease renewals and stronger partnerships with key tenants.
- Continued efforts to improve maintenance systems, contain utility costs, and maximize resource efficiency for better profitability.

Opportunities and Threats 2026/27

- Stable demand for strategically located commercial office space, particularly from related party institutions such as People's Leasing & Finance PLC and People's Bank.
- Potential to optimize rental yields through periodic rent revisions and improved space utilisation.
- Exposure to vacancy risk arising from non-renewal or downsizing by major tenants.
- Fluctuations in operating costs, particularly utilities and maintenance expenses.

Future Focus

- Continue to enhance Revenue Stability and Tenant Retention.
- Drive cost management initiatives to improve operational margins.
- Preserve and enhance property asset value through maintenance and refurbishment planning.
- Focus on preserving property asset value through timely maintenance and the gradual incorporation of sustainable practices.

People's Leasing Property Development Limited

Contribution to Total Subsidiary Profit After Tax
11%

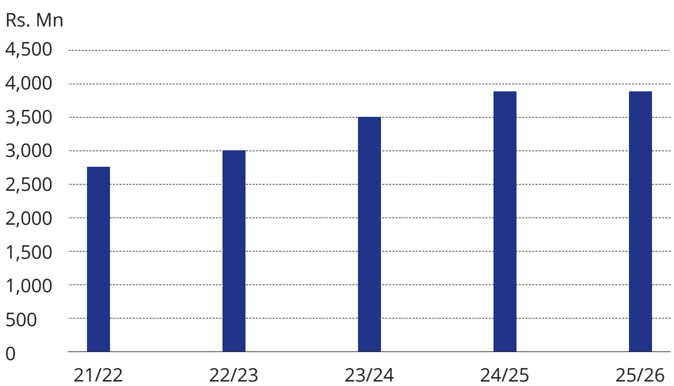
Share of Total Subsidiary Assets
7%

Related Material Matters
Financial Stability
Macro-economic Environment

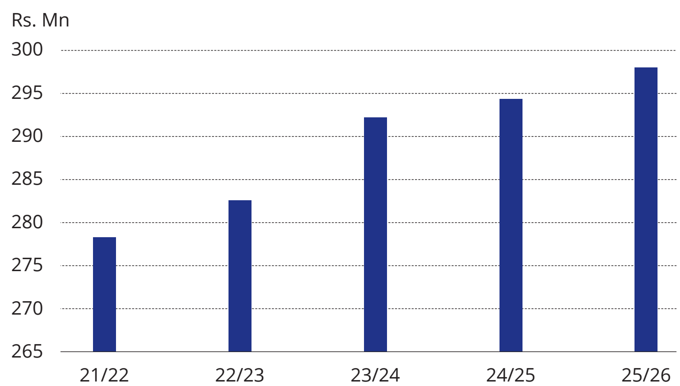
Profile

People's Leasing Property Development Limited is a wholly owned subsidiary of People's Leasing & Finance PLC, established primarily to construct the PLC Head Office Building. It subsequently constructed the PLC Supplementary Building and 14 branch buildings for People's Bank, and currently focuses on maintaining the PLC Head Office and Supplementary Buildings to ensure efficient operations and optimal asset utilisation.

Total Assets



Revenue



Subsidiary Review

Operating Context

- The commercial property sector demand remained relatively stable during the financial year.
- As a Board of Investment (BOI) registered entity , the Company continued to benefit from applicable tax concessions.
- Changes in general tax policies during the year had no material impact on the Company's tax expense due to its BOI status.

Performance Highlights

- Rental agreements for three office floors occupied by People's Bank and the Card Centre were successfully renewed at revised rates, resulting in an increase in monthly rental income for FY 2025/26.
- Following the vacation of two office floors in February 2026, the resulting revenue impact was offset by leasing the space to People's Leasing & Finance PLC.

Strategic Action

- Ensured timely renewal of long-term rental agreements at competitive rates while strengthening relationships with key tenants, including People's Leasing & Finance PLC.
- Emphasis on improving maintenance processes, managing utility costs, and optimizing resource utilisation to enhance overall profitability.
- Continued focus on preserving the value of the property assets through proactive maintenance and gradual adoption of environmentally responsible practices.

Opportunities and Threats 2026/27

- Stable demand for strategically located commercial office space, particularly from related party institutions such as People's Leasing & Finance PLC and People's Bank.
- Potential to optimize rental yields through periodic rent revisions and improved space utilisation.
- Exposure to vacancy risk arising from non-renewal or downsizing by major tenants.
- Fluctuations in operating costs, particularly utilities and maintenance expenses.

Future Focus

- Continue to enhance Revenue Stability and Tenant Retention.
- Drive cost management initiatives to improve operational margins.
- Preserve and enhance property asset value through maintenance and refurbishment planning.