Stock Briefing Note

COMMERCIAL CREDIT

Company Name & Ticker

COMMERCIAL CREDIT AND FINANCE PLC|COCR.N

Industry

CSE | DIVERSIFIED FINANCIALS

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AMBEON SECURITIES

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1. Executive Summary

1.1. Company Overview

Commercial Credit and Finance PLC (COCR) was established in 1982 and listed on the Colombo Stock Exchange (CSE) in 2011. The company's main business activities include accepting deposits, providing lease facilities, hire purchases, term loans, personal loans, microloans, pawning, other credit facilities, real estate development, and related services. COCR is currently operating in 133 locations island-wide, employing 2,999 employees as of the end of March 2024.

With a market capitalization of LKR 18.70Bn, COCR maintains an asset base valued at LKR 109.79Bn as of September 2024, comprising 70.6% interest-earning assets.

For FY24, COCR distributed a total dividend of LKR 4.00, achieving a payout ratio of 29.22%. COCR recorded a year-to-date share price increase of 4.44% in 2025 and a 35.77% increase with in 2024.

1.2. Valuation Summary

We have estimated the weighted average fair values of COCR.N at LKR 84.26. Based on the current market prices, COCR.N offers an upside potential of 43.30%. The weighted average intrinsic value of COCR shares has been calculated using different valuation methods: the PE-based valuation is LKR 99.50, the PBV-based valuation is LKR 74.84, and the Net Asset Value (NAV) as of the 30th of September 2024 stands at LKR 78.44 per share. The potential boost in the leasing and financial services sector could further enhance the company's value.

1.3. Key Financials

During the six months ending September 2024, COCR's net interest income increased by LKR 3.12Bn, reflecting a 67.20% YoY growth. This was primarily driven by a 37.00% YoY reduction in interest expenses, amounting to LKR 2.93Bn. Operating profit before taxes on financial services recorded a robust 61.36% YoY increase to LKR 1.50Bn, while profit after tax (PAT) rose by 62.73% YoY to LKR 715.89Mn.

As of September 2024, the net interest margin (NIM) stood at 8.43%, with return on equity (ROE) and return on assets (ROA) at 7.53% and 1.70%, respectively.

LKR Mn	FY22	FY23	FY24	Period ended Sep 2024
Gross Income	21,820	28,998	31,295	14,381
Net interest income	11,949	11,107	12,820	7,754
Operating profit before Tax on financial services	7,803	5,066	8,502	3,934
Profit attributable to equity holders of the company	4,520	2,616	4,356	1,857
Total assets	93,630	102,193	108,223	109,790
EPS (LKR)	14.21	8.23	13.69	5.84
NAVPS (LKR)	60.34	64.06	76.60	78.44
Net Interest Margin (NIM) (%)	14.40%	13.10%	14.20%	8.43%
ROE (%)	26.14%	13.15%	18.83%	7.53%
ROA (%)	4.89%	2.66%	3.99%	1.70%

Sources: Company reports

2. Dashboard

Company Name	Commercial Credit and Finance PLC
Ticker	COCR.N
Market Price (LKR)	58.80
Exchange Listed	Colombo Stock Exchange
GICS Sector	Diversified Financials
Board Listed	Diri Savi Board
Listed Date	1st June 2011
No. of Shares (Mn)	318.07
MCAP (LKR Bn)	18.70
Public Holding (as of 30th September 2024)	18.98%
Financial Year Ends	31st March

Top 05 shareholders

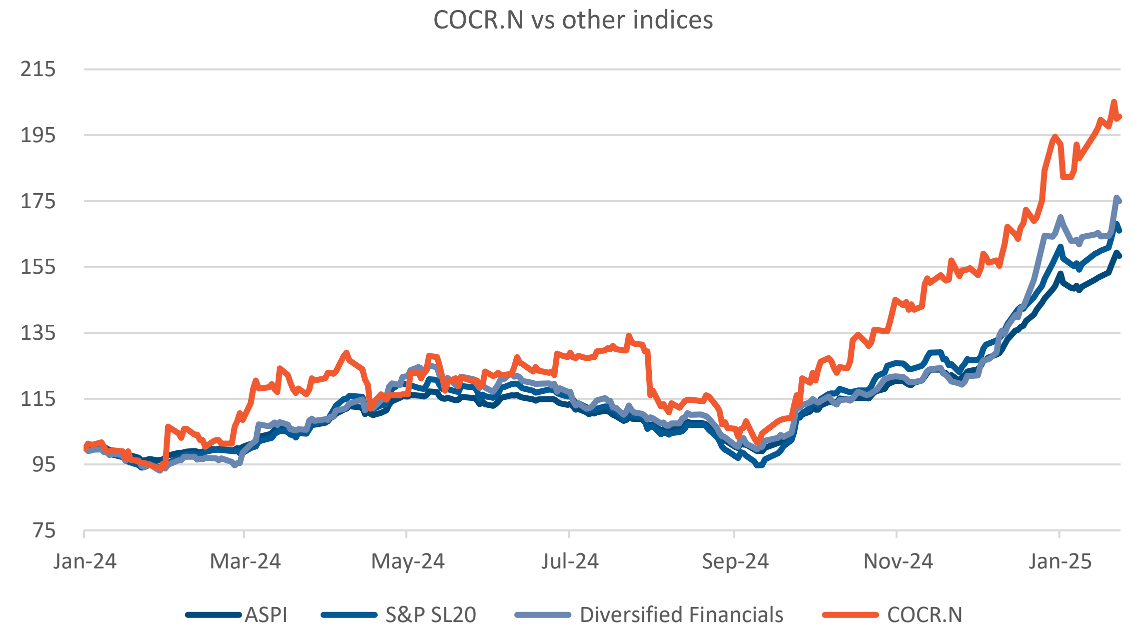
Name	Percentage
B G Investments (PVT) Limited	40.50%
Group Lease Holdings PTE LTD (in liquidation)	29.99%
Peoples Leasing and Finance PLC/B G Investments (PVT) Limited	9.75%
Peoples Leasing and Finance PLC/Ms. S.N. Egodage	1.60%
DR. Erasha Fernando	1.57%

The float-adjusted market capitalization as of 30th September 2024 was LKR 2.12Bn.

Key Data	
Historical Returns (Jan 2024 – Jan 2025)	
1-year capital gain	110.00%
1-year dividend yield	6.80%
1-year total return	116.80%
Beta	1.33
1-year high (LKR)	60.10
1-year low (LKR)	27.40
Valuation Multiples	
PE Ratio	3.69
PB Ratio	0.75
Per Share Data (LKR)	
EPS (TTM)	15.95
NAVPS (Sep 2024)	78.44
DPS (FY24)	4.00
Dividend Payout	29.22%

Sources: CSE, Company reports

Source: CSE



Note: The chart is indexed (from 2nd Jan 2024 to 24th Jan 2025)

Source: CSE

3. Valuation Summary

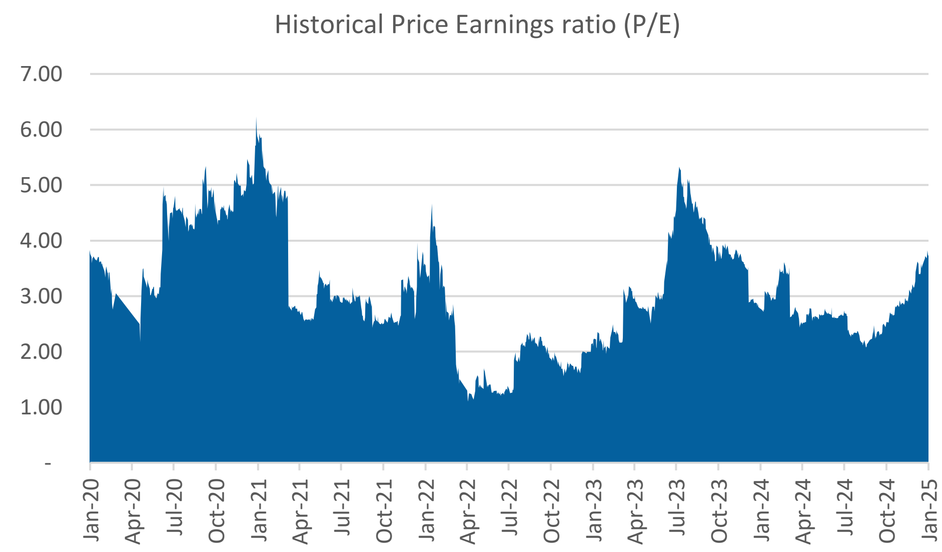
3.1. Valuation Upside

We have estimated COCR.N's average weighted fair value at LKR 84.26. Based on the current market price, COCR.N presents an upside potential of 43.30%. Additionally, the historical 1-year dividend yield stands at 6.80%.

Weighted average intrinsic value	LKR
PE-based valuation	99.50
PBV-based valuation	74.84
NAV (30th Sep 2024)	78.44
Weighted average fair value per share (LKR)	**84.26**

3.2. PE-Based Valuation

Average PER of peers (excluding outliers)	6.24
TTM EPS of COCR (LKR)	15.95
Value per share (LKR)	**99.50**



Source: Bloomberg

Over the last 12 months, COCR has traded at an average PE multiple of 2.76, with the current trailing PE at 3.69. Based on the current TTM EPS, the fair value of COCR implies a PE multiple of 5.28.

3.3. PBV Based Valuation

Average PBV of peers (excluding outliers)	0.95
NAVPS of COCR (LKR)	78.44
Value per share (LKR)	**74.84**

Source: Bloomberg

Over the past 12 months, COCR traded at an average PBV multiple of 0.50, while the current PBV stands at 0.75.

Given below are peer PE and PBV ratios. These multiples have been used as guidance in the valuation process, excluding outliers.

Peer valuation multiples		PER	PBV
LOLC Finance PLC	LOFC.N	9.05	1.67
LB Finance PLC	LFIN.N	5.08	1.04
Peoples Leasing and Finance PLC	PLC.N	9.44	0.87
Central Finance Company PLC	CFIN.N	5.45	0.64
Citizens Development Business PLC	CDB.N	4.43	0.76
Vallibel Finance PLC	VFIN.N	5.32	0.93
Alliance Finance Company PLC	ALLI.N	4.93	0.77
HNB Finance PLC	HNBF.N	11.71	1.25
Peer average		**6.92**	**0.99**

Sources: CSE, Company reports

Note:

1. Closing prices as of 24th January 2025 were considered for calculating PER and PBV.
2. TTM EPS and NAVPS for calculating PER and PBV were based on the quarter ending 30th September 2024, except for LFIN.N, CDB.N, and VFIN.N, which were based on 31st December 2024.

4. Return Analysis

4.1. Historical Dividends

	FY20	FY21	FY22	FY23	FY24
Dividend Per Share (DPS)(LKR)	-	1.50	3.00	1.00	4.00
Dividend payout ratio	0.00%	20.44%	21.11%	12.15%	29.22%
Dividend yield*	0.00%	6.98%	11.90%	3.85%	11.33%

*Dividend yield is calculated based on the share's closing price at the financial year-end.

Year	Type	Dividend per share (LKR)	Payment date
FY24	Final dividend	4.00	7-Aug-24
FY23	Final dividend	1.00	7-Sep-23
FY22	Final dividend	2.00	30-Sep-22
FY22	First interim	1.00	22-Mar-22
FY21	First and Final dividend	1.50	27-Sep-21

No dividend payment was made for FY20.

4.2. Historical Price Movements

Annual price movement (April-March)	(%)
FY25 (YTD)	66.57%
FY24	35.77%
FY23	3.17%
FY22	17.21%
FY21	17.49%
FY20	-32.97%

Note: Closing prices as of 24th January 2025 were considered for calculating YTD.

So far in FY25, COCR.N prices have increased by 66.57%. From the start of FY20 to date, COCR.N has posted a total price gain of 115.38%.

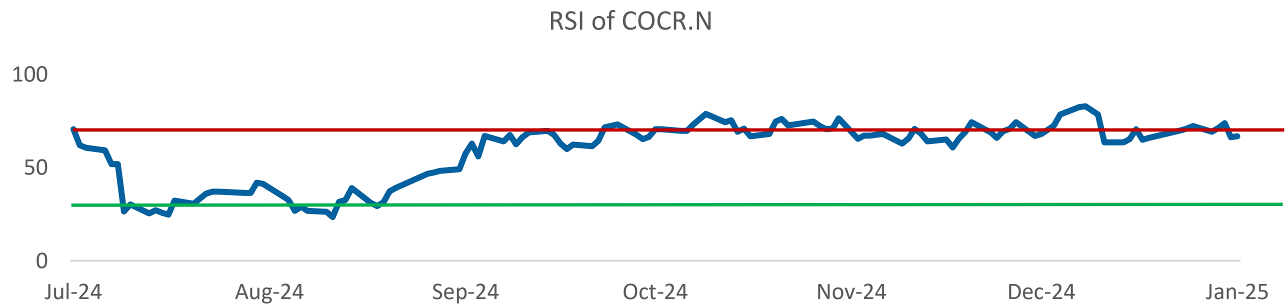
Sources: CSE, Company reports

5. Technical Indicators

5.1. Strong Upward Momentum Stalls as RSI Diverges, Signaling Potential for Short-Term Weakness

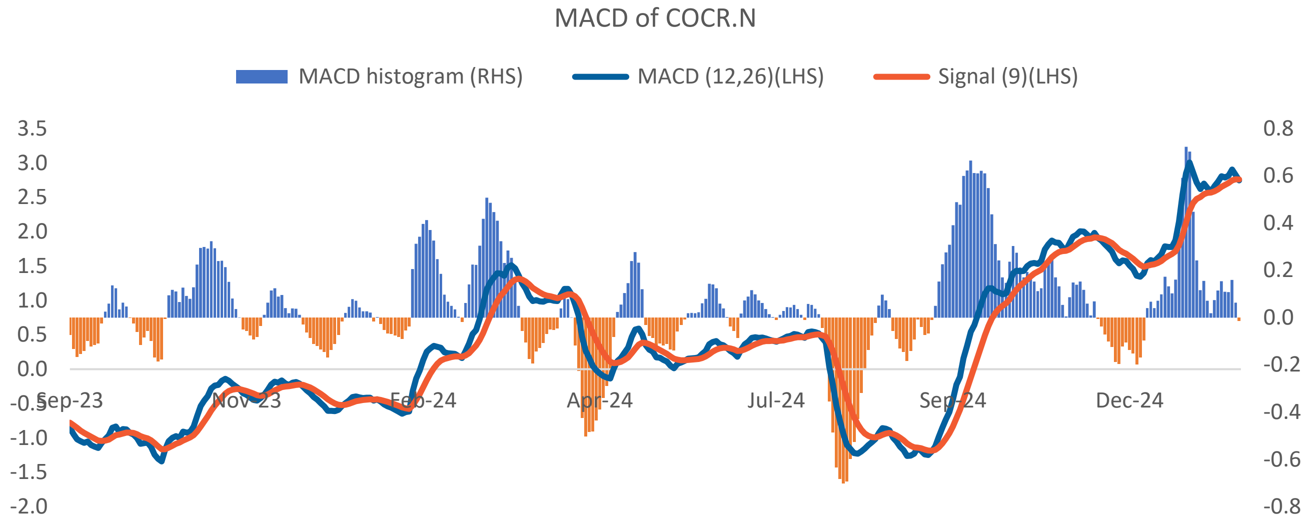
The stock's recent price action has been characterized by a strong bullish trend, with both short-term and long-term momentum indicators pointing upwards. The 20-day and 50-day EMAs are trending higher, and the 50-day SMA is widening its gap against the 200-day SMA, suggesting growing medium-term strength. However, some cautionary signals are emerging. The RSI, while still in overbought territory, has declined slightly and is diverging from its SMA, hinting at waning buying pressure. The MACD has recently crossed below the signal line, indicating potential downside pressure, although the bearish momentum may be easing. Volume analysis reveals increased market activity, with the OBV indicating moderate buying pressure and the VWMA confirming the strength of the uptrend. However, the MFI has declined from its overbought peak, suggesting cooling buying intensity. Overall, while the long-term outlook remains favorable, the short-term signals suggest a potential pause or pullback in the stock's upward trajectory. Traders should monitor these indicators closely for further confirmation of a trend reversal or a continuation of the bullish momentum.

5.2. RSI Divergence Signals Potential Market Turnaround



The Relative Strength Index (RSI) is currently at 66.83, slightly below the overbought threshold of 70. This suggests that the market may be losing some of its recent momentum but still remains in overbought territory. The RSI's Simple Moving Average (SMA) is at 68.23, slightly higher than the current RSI value, indicating a recent downward trend in the RSI. This divergence between the RSI and its SMA could signal a potential shift in market sentiment, with a higher probability of a pullback as buying pressure wanes.

5.3. MACD Signals Weakening Upward Momentum



The MACD currently stands at 2.75, trailing slightly below the signal line at 2.76, with both indicators exhibiting a downward trajectory following a prior upward trend. A recent bearish crossover has occurred, signaling potential downside pressure. This is reflected by the MACD histogram, which has recently turned negative at -0.01. However, the histogram's recent slight improvement suggests that bearish momentum may be easing, hinting at a possible shift or stabilization in the trend.

5.4. Strong Bullish Momentum with Upward Moving Averages

The 20-day EMA is currently at 56.0, positioned above the 50-day EMA at 50.9, with both moving averages trending upward in line with the prevailing price action. This signals a strong short-term bullish momentum. Additionally, the 50-day SMA stands at 50.1, comfortably above the 200-day SMA at 39.4, with the gap between these two SMAs widening significantly. This expanding gap suggests growing strength in the medium-term trend. Moreover, the 50-day SMA is showing a steeper slope than the 200-day SMA, reinforcing the positive market sentiment. The 50-day EMA also resides just above the 50-day SMA, further supporting a robust bullish outlook for the market. Overall, these technical indicators collectively point to a strong and sustained bullish trend, with both short-term and long-term momentum favoring upward price movement.

5.5. COCR Shows Positive Volume Trends with Cooling Momentum Signals

COCR is exhibiting an increase in average volume compared to previous periods, signaling heightened market activity. The On-Balance Volume (OBV) is showing an upward trend, though with some fluctuations, indicating moderate buying pressure but not a strong surge. In contrast, the Volume Weighted Moving Average (VWMA) is displaying a robust upward movement, confirming the strength of the ongoing price uptrend. The Money Flow Index (MFI) has recently declined from its overbought peak, now sitting at 53.36, suggesting a cooling of buying intensity but still within a neutral range. Additionally, the Accumulation/Distribution line is reflecting moderate upward momentum, supporting the view of gradual accumulation in the market. In summary, while there are signs of cooling momentum in certain indicators, the overall technical setup remains positive, with strong volume trends and moderate accumulation supporting the bullish price movement.

Note: TradingView is used for conducting technical analysis

6. Segmental Analysis

COCR operates across seven segments based on the services provided to customers: finance leasing, hire purchase, microfinance and SME loans, gold loans, term loans, revolving loans, investments, and unallocated operations.

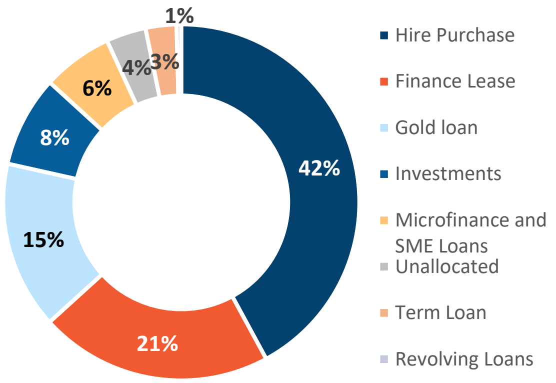
The group's total revenue is derived from interest income, fee-based income, net income from real estate sales, net gains from trading, other operating income, and changes in the fair value of investment properties.

Interest income and fee-based income account for 87% and 9% of the company's revenue, respectively. Additionally, COCR's loan portfolio consists of 94.9% secured loans and 5.1% unsecured loans.

6.1. Hire Purchase Segment Dominates Revenue and Asset Composition

In FY24, the hire purchase segment contributed 42.1% to the group's overall revenue, showing a 16.7% YoY growth, which equates to an increase of LKR 1.9Bn. This segment also contributed 42.6% to both interest income and fee-based income. It holds the largest contribution to the segmental result before depreciation and amortization, accounting for 42.1% (LKR 3.8Bn). Furthermore, the hire purchase segment represents the largest share of total assets and liabilities, with a composition of 31.1% in both categories as of the end of FY24. Assets and liabilities grew by 23.0% YoY (LKR 6.3Bn) and 19.0% YoY (LKR 4.2Bn), respectively, during the year.

Revenue mix by product FY24



Source: Company reports

During the six months ending in September 2024, the hire purchase segment contributed 47.4% to overall revenue, with equal contributions of 47.4% to interest income, fee-based income, and other revenues. The segment also reported an overall revenue growth of 18.9% YoY (LKR 1.1Bn) during this period. Segmental results before depreciation and amortization showed a significant 89.8% YoY growth, reflecting an increase of LKR 883.1Mn. Additionally, by the end of September 2024, this segment accounted for the largest portion of total assets and liabilities, representing 29.5% in both categories. Total assets and liabilities grew by 4.9% YoY (LKR 1.5Bn) and 2.1% YoY (LKR 523.5Mn), respectively.

6.2. Finance Lease Segment Experiences Decline Despite Contribution to Results

The finance lease segment ranked as the second-largest contributor to the company's operations in FY24, accounting for 21.2% of overall revenue. However, it experienced a 17.6% YoY decline in total revenue during FY24. The segment contributed 21.4% to interest income, marking a 16.2% YoY decline, and 21.4% to fee-based income, reflecting a 30.2% YoY decline. Despite the decline in revenue, the segment contributed 21.2% to the year's segmental results before depreciation and amortization, showing a 27.1% YoY improvement (LKR 402.9Mn).

As of the end of FY24, assets and liabilities stood at LKR 23.9Bn and LKR 18.5Bn, respectively, representing a 22.1% share in both categories. However, assets and liabilities dropped by 14.1% YoY (LKR 3.9Bn) and 16.9% YoY (LKR 3.8Bn), respectively.

During the six-month period ending in September 2024, the finance lease segment reported a decline in overall revenue, interest income, and fee-based income, down 3.2% YoY (LKR 93.8Mn), 2.8% YoY (LKR 72.6Mn), and 6.1% YoY (LKR 21.4Mn), respectively. However, the segment saw positive growth in segmental results before depreciation and amortization, which increased by 54.5% YoY (LKR 275.5Mn).

By the end of September 2024, the segment's assets and liabilities stood at LKR 22.8Bn and LKR 17.6Bn. Assets and liabilities declined by 9.3% YoY (LKR 2.3Bn) and 11.7% YoY (LKR 2.3Bn), respectively.

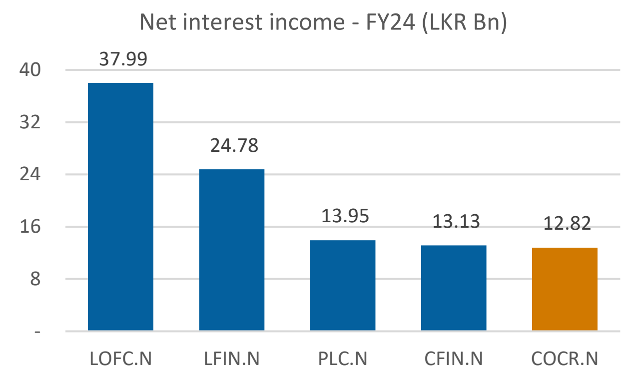
This finance lease segment has the potential to witness growth with the anticipated lifting of the ban on vehicle imports in Sri Lanka, which could revitalize demand and drive activity in the segment.

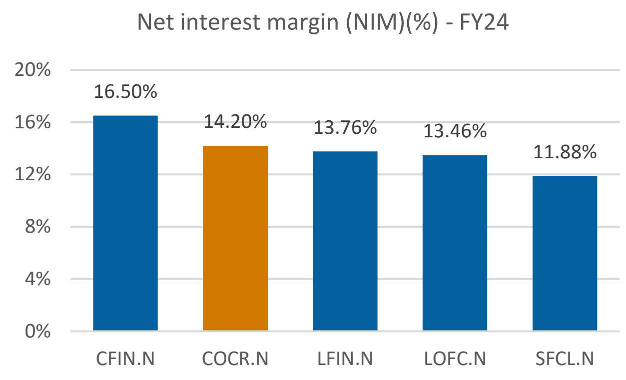
6.3. Gold Loan Segment Sees Strong Growth in Results and Assets

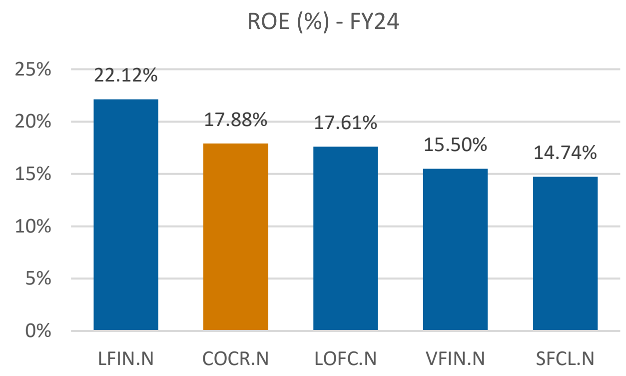
The gold loan segment ranked as the third-largest contributor to the group's performance, accounting for approximately 15%–16% of total revenue and segmental results before depreciation and amortization. It also held around 13% of the group's total assets and liabilities. During FY24, the segment reported a 13.2% YoY increase in interest income, amounting to LKR 490.9Mn, while fee-based income declined by 5.7% YoY (LKR 24.9Mn). Segmental results before depreciation and amortization saw a significant 71.7% YoY growth (LKR 568.0Mn). Segmental assets and liabilities also grew by 19.2% YoY (LKR 2.3Bn) and 15.3% YoY (LKR 1.5Bn), respectively.

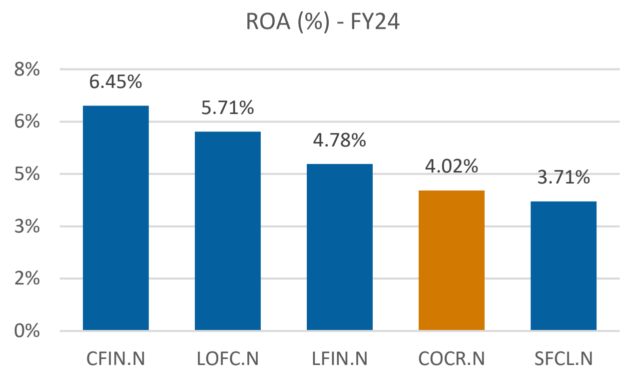
For the six-month period ending in September 2024, the gold loan segment recorded a 3.0% YoY increase in interest income, while fee-based income and other income declined slightly by 0.5% YoY. Total revenue for the segment rose by 2.6% YoY. Segmental results before depreciation and amortization increased significantly by 63.8% YoY. Additionally, segmental assets and liabilities showed growth of 27.1% YoY and 23.8% YoY, respectively. As of the end of September 2024, segmental assets and liabilities stood at LKR 14.4Bn and LKR 11.1Bn, respectively.

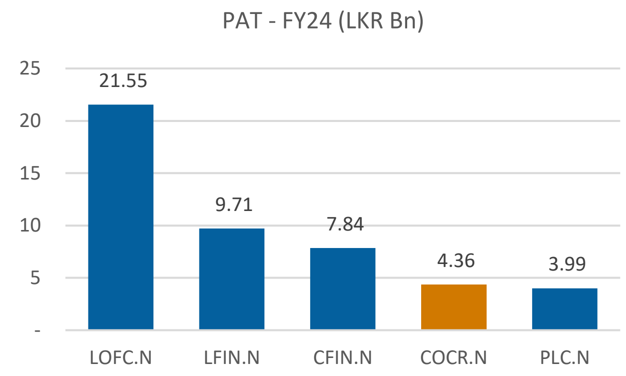
7. Peer Comparison

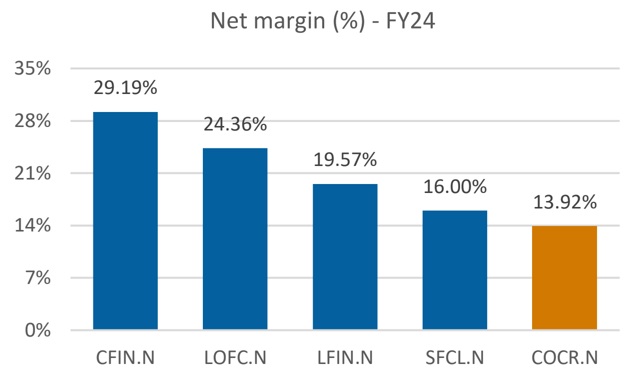


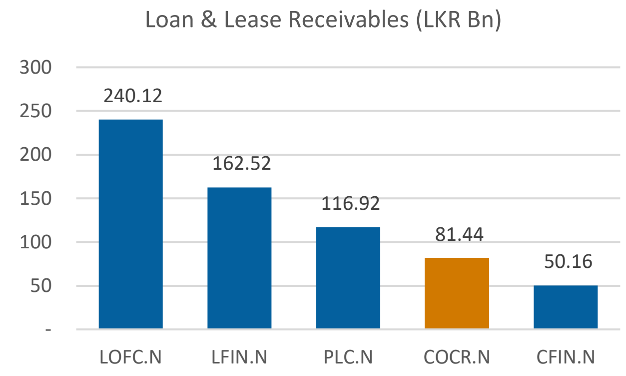


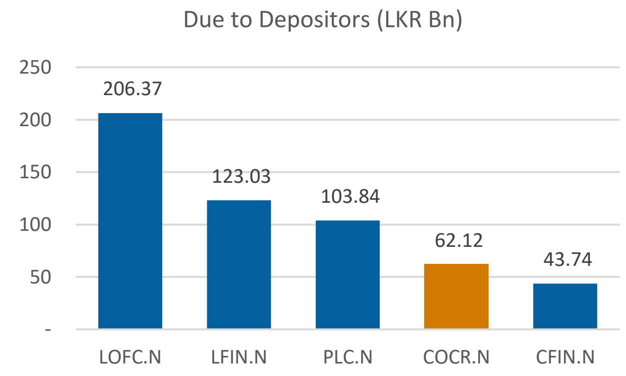












Note:

1. Peer comparison is based on FY24 data.
2. ROE for FY24 is calculated by dividing the profit after tax (PAT) attributable to equity holders of the company by the total equity attributable to owners as of the end of March FY24.
3. ROA for FY24 is calculated by dividing the profit after tax (PAT) attributable to equity holders of the company by the total assets as of the end of March FY24.

Source: Company reports

8. Financial Review

8.1. Major Changes Compared with the Previous Year (FY24 vs FY23):

Favorable Changes

- Net interest income grew by 15% YoY, increasing by LKR 1.71Bn from LKR 11.11Bn to LKR 12.82Bn.
- Total operating income increased by LKR 1.81Bn, reflecting a 12% YoY growth.
- Impairment charges on financial assets declined by 74% YoY, dropping from LKR 3.42Bn to LKR 0.89Bn.
- Operating profit before taxes on financial services rose by 68% YoY, amounting to an increase of LKR 3.44Bn.
- Profit for the year surged by 66% YoY, increasing by LKR 1.74Bn, from LKR 2.62Bn to LKR 4.36Bn.
- Net interest margin (NIM) improved to 14.2% from 13.1%.
- The Gross Non-Performing Asset (NPA) ratio marginally improved to 10.65% from 11.07% in FY23, while the Net Non-Performing Asset (NPA) ratio slightly increased to 1.47% from 1.17%.

Unfavorable Changes

- Fee and commission income recorded a drop of 9% YoY, down from LKR 2.97Bn to LKR 2.69Bn.
- Operating expenses increased in FY24, driven by a 16% YoY rise in personnel costs, a 33% YoY increase in depreciation and amortization, and a 9% YoY growth in other operating expenses.
- Taxes on financial services saw an increase, with VAT rising by 43% YoY (LKR 490.50 Mn) and the social security contributions levy surging by 192% YoY (LKR 149.52 Mn).
- Income tax expenses surged by 94% YoY, reflecting an increase of LKR 1.20Bn.
- Cost to income ratio saw a slight increase to 56.1% from 51.8% compared to FY23 due to a slight increase in operating costs.

8.2. Major Changes Compared with the Previous Quarter (2Q FY25 vs 1Q FY25):

Favorable Changes

- Net interest income grew by 24% QoQ, increasing by LKR 842.76Mn.
- Total operating income rose by LKR 939.90Mn, marking a 22% QoQ growth.
- Fee and commission income increased by 16% QoQ, from LKR 553.55Mn to LKR 641.83Mn.
- Operating profit before taxes on financial services increased by 60% QoQ, rising by LKR 905.74Mn.
- Profit for the year increased by 71% QoQ, up by LKR 484.83Mn, from LKR 0.69Bn to LKR 1.17Bn.

Unfavorable Changes

- Impairment charges on financial assets rose by 15% QoQ, representing an increase of LKR 90.57Mn.
- Taxes on financial services increased by 40% QoQ.
- Income tax expenses surged by 61% QoQ, with an increase of LKR 268.08Mn.

8.3. FY24 The Net Interest Income Increase Is Primarily Driven by A Rise In Interest Income.

During FY24, COCR's net interest income grew by 15% YoY, reflecting an increase of LKR 1.71Bn. This growth was primarily driven by a 9% YoY rise in interest income, which amounted to LKR 2.20Bn, growing from LKR 25.05Bn in FY23 to LKR 27.25Bn in FY24.

In 2Q FY25, COCR achieved a net interest income of LKR 4.30Bn, marking a 41% YoY growth, largely due to a significant reduction in interest expenses. Additionally, net interest income improved by 24% QoQ, supported by both an increase in interest income and a decrease in interest expenses.

The Net Interest Margin (NIM) improved to 14.2%, up from 13.1% in the previous year, driven by a 7% YoY growth in average earning assets.

8.4. FY2024 Impairment Charges Declined Due to Improved Recoveries and Credit Quality

In FY2024, impairment charges on financial assets showed a significant decline of 74% YoY, dropping from LKR 3.42Bn in FY2023 to LKR 0.89Bn. This reduction was primarily driven by lower impairment charges on lease rentals receivable and stock out on hire, which saw a sharp decrease compared to the previous year. The decline reflects improvements in credit quality and recovery initiatives.

However, in Q2 FY2024, impairment charges on financial assets rose by 15% QoQ, increasing by LKR 90.57Mn. Despite this, impairment charges still marked a 52% YoY increase, totalling LKR 707.02Mn for the quarter. These fluctuations reflect a mix of positive recovery trends and temporary pressures in certain segments.

8.5. FY24 Asset Growth and NPA Ratios Show Positive Trends Despite Challenges

During FY24, COCR's asset base grew to LKR 108.22Bn, reflecting a 6% increase. This growth was primarily driven by a 7% rise in net loan books, which accounted for 75% (LKR 81.44Bn) of total assets.

As of September 2024, total assets reached LKR 109.79Bn, marking a 7% YoY growth. Additionally, there was a slight improvement in the Gross Non-Performing Asset (NPA) ratio, which improved marginally to 10.65% from 11.07% in FY23.

The Net NPA ratio saw a slight increase, rising to 1.47% from 1.17% in the previous year. However, both the gross and net NPA ratios performed favorably compared to the sector averages of 17.79% and 12.01%, respectively, as of December 2023.

9. Environment, Social and Governance

9.1. Driving Green Transformation Through Sustainable Financial Solutions

Commercial Credit PLC (COCR) has integrated sustainability into its core operations to reduce its environmental impact while promoting renewable energy and energy-efficient practices. A key initiative is the introduction of lending products tailored to energy-saving solutions, such as financing electric bikes.

This initiative not only supports the adoption of renewable energy but also contributes to reducing the nation's dependency on fossil fuels and minimizing greenhouse gas emissions.

Additionally, the company has taken steps to reduce its reliance on conventional energy sources by committing to install solar panels across its branches. This shift towards renewable energy underscores its dedication to lowering its ecological footprint and enhancing energy efficiency. By integrating green practices into its operations, Commercial Credit PLC demonstrates its commitment to environmental stewardship and sustainable growth.

Through these initiatives, the organization actively contributes to building a greener and more sustainable future for the communities it serves.

9.2. Empowering Employee Growth and Well-being for Long-Term Success

Inclusivity is a key focus at Commercial Credit, particularly in promoting female leadership and breaking traditional barriers. Programs like the confidant network and anti-harassment policies ensure a safe, respectful workplace. Female employees benefit from development programs, awareness initiatives, and family-friendly facilities, creating an environment where everyone feels valued and empowered.

The company prioritizes holistic well-being by offering affordable gym memberships, family-friendly training opportunities, and comprehensive medical insurance for employees and their families. These initiatives highlight Commercial Credit's commitment to nurturing both physical and mental health.

To develop future leaders, Commercial Credit has established programs like the Commercial Credit Academy and the management trainee program, focusing on character-building, emotional intelligence, and professional skills. The academy, incorporating teachings such as the '7 Habits of Highly Effective People,' serves as a hub for personal and professional growth.

The company's culture is further strengthened through initiatives such as the Mentor Network, monthly Value Hours, and the 360-Degree Value Appraisal System. These programs embed the company's shared values, fostering collaboration, leadership, and a commitment to its purpose.

By prioritizing employee development, well-being, and inclusion, Commercial Credit has created a thriving workplace culture, driving its sustainable growth and long-term success.

9.3. Governance Emphasizes Ethics, Independence, and Transparency

Board of Directors

Name	Directorship status	Skills and expertise
G.B. Egodage	Chairman/ Non-Executive Director	Over 38 years of experience in local and international business markets, specializing in public affairs, regulatory affairs, sales, corporate communications, and crisis management. Extensive board-level and senior management experience in private and government sectors. Former Chairman of the Sri Lanka Export Development Board and other prominent institutions.
R.S. Egodage	Chief Executive Officer/ Executive Director	Visionary leadership with over a decade of steering Commercial Credit. Expertise in business management, finance, and strategic planning. Formerly held senior roles in Kotagala and Agalawatte Plantations. Fellow member of CIMA (UK) and experienced in engineering with a BSc. Eng. and an MBA.
L.L.S. Wickremasinghe	Senior Director/ Independent Non-Executive Director	Extensive expertise in audit, assurance, and accounting with decades of experience. Past President of the Institute of Chartered Accountants of Sri Lanka. Specialist in corporate governance and risk management, currently engaged in business advisory roles and directorships across multiple financial service companies.
G.R. Egodage	Executive Director	Expertise in quality control, quality assurance, and business administration. Began as a university lecturer in chemistry and held leadership roles at the Coconut Development Authority. Extensive experience in manufacturing and process optimization.
F.A.P.L Solbani	Non-Executive Director	Over seven years of senior management experience in global financial services. Holds a master's in marketing with expertise in management, communication, and financial innovation. CEO of Group Lease Finance, Indonesia, and involved in finance ventures across Laos, Myanmar, and Thailand.
R.C. Chitty	Chief Operating Officer/ Executive Director	Over 32 years in the private sector, specializing in finance, accounting, economics, and information technology. Former President of ACCA Sri Lanka. Non-Executive Director across several leading companies. Awarded for excellence in financial management with a strong focus on corporate strategy and operational leadership.
T.M.L. Paktsun	Independent Non-Executive Director	Senior finance professional with vast experience in audit, finance operations, and leasing. Former Director Finance & Operations at PwC Sri Lanka and Maldives. Expertise in financial strategy, regulatory compliance, and governance.
G. Edwards	Independent Non-Executive Director	Career banker with over 36 years of experience, specializing in retail banking and SME financing. Former Senior Vice President of Consumer Banking at DFCC Bank. Recognized for establishing transformative retail banking structures.
W.D. Barnabas	Independent Non-Executive Director	Expertise in credit rating, investment banking, and venture capital management. Former CEO of ICRA Lanka (Moody's), NDB Stockbrokers, and Overseas Realty. Instrumental in developing Sri Lanka's investment banking sector.
J. Kuruppu	Independent Non-Executive Director	Extensive leadership in finance and public sector advisory. Founding Chairperson of the Regional Development Bank and former Director at major financial institutions. Entrepreneurial background with strategic planning and business development expertise. Recognized internationally for agriculture finance initiatives with the World Bank and Gates Foundation.

Board sub-committees

Sub-committees	Members
Audit Committee	▪ T.M.L. Paktsun (Chairperson) ▪ G.B. Egodage ▪ L.L.S. Wickremasinghe
Integrated Risk Management Committee	▪ L.L.S. Wickremasinghe (Chairperson) ▪ G.B. Egodage ▪ T.M.L. Paktsun ▪ G. Edwards ▪ W.D. Barnabas ▪ J. Kuruppu
Nomination Committee	▪ L.L.S. Wickremasinghe (Chairperson) ▪ G.B. Egodage ▪ T.M.L. Paktsun
Human Resource and Remuneration Committee	▪ G. Edwards (Chairperson) ▪ T.M.L. Paktsun ▪ G.B. Egodage
Related Party Transaction Review Committee	▪ T.M.L. Paktsun (Chairperson) ▪ G.B. Egodage ▪ L.L.S. Wickremasinghe

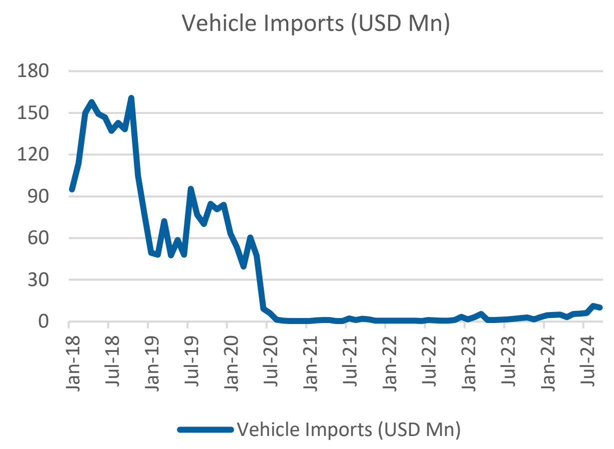
Furthermore, the company maintains Operational/Risk Sub-Committees: the Assets and Liability Committee, Credit Committee, Information Technology Steering Committee, and Information Security Steering Committee.

70% of the board of directors comprises non-executive directors, with 71% of them classified as independent directors.

10. Industry & Macroeconomic Analysis

10.1. Government is to Lift Restrictions on Vehicle Imports for Private Use

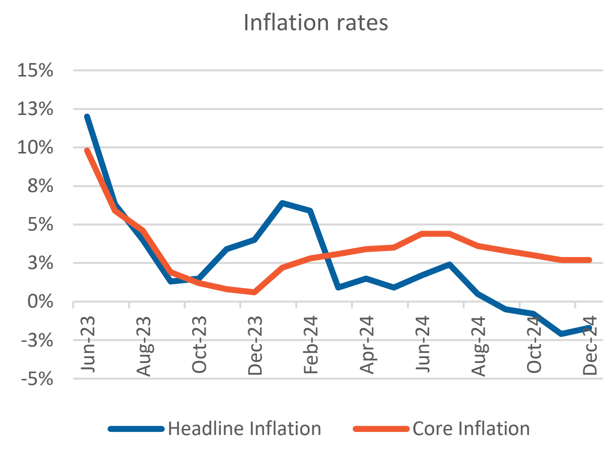
The Sri Lankan government imposed a vehicle import ban in March 2020 amid the foreign exchange crisis. With the economy rebound government is considering lifting restrictions on vehicle imports for private use starting 1st February 2025, while the import restrictions on passenger buses and special-purpose vehicles have already been lifted as of December 14, 2024. aiming to boost the economy and increase tax revenue. The International Monetary Fund (IMF) has also expressed positive feedback regarding the easing of vehicle import restrictions. The Vehicle Importer's Association of Lanka announced that the CBSL has agreed to allocate the required funds.



This may lead Leasing and finance companies to see a positive impact in the future. With the availability of new vehicles, more people will be able to afford them and access financing through loans and leases. This will help the company expand its loan portfolio and increase its income.

10.2. Deflationary Trend to Boost Loan Repayments and Deposit Growth in the NBFI Sector

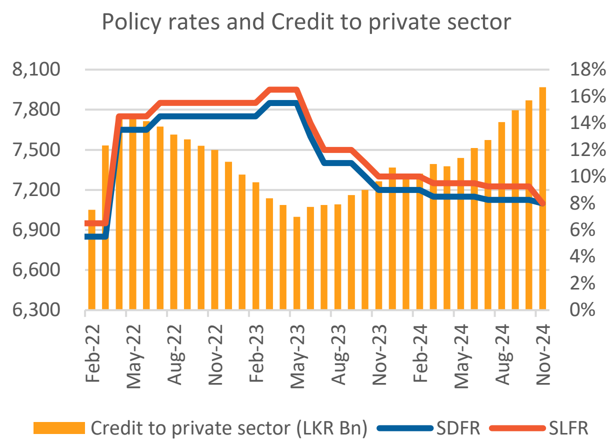
In December 2024, headline inflation in the Colombo Consumer Price Index (CCPI) remained negative for the fourth consecutive month, recording a deflation rate of 1.7%, compared to 2.1% in November. The Central Bank of Sri Lanka (CBSL) expects this deflationary trend to continue for a few months, driven by the ongoing effects of substantial downward adjustments in energy prices and the reduction in volatile food prices, alongside a significant base effect due to price increases earlier in 2024 from tax amendments. Inflation is projected to gradually return to the target of 5%, supported by appropriate policy measures. The Asian Development Bank (ADB) forecasts Sri Lanka's inflation at 5.5% for 2025.



This lower inflation signals an increase in consumer disposable income, which could have a positive impact on the Non-Banking Financial Institutions (NBFI) sector, including COCR. It is likely to encourage the resumption of loan repayments and foster greater savings, potentially attracting more deposits.

10.3. Declining Interest Rates and Rising Private Sector Credit Drive Growth in the Leasing and Financial Services Sector

Lower interest rates encourage higher loan demand while also reducing interest expenses. With the Central Bank of Sri Lanka's recent monetary easing measures, interest rates have continued to decline, stimulating growth in the leasing and financial services sector. In its November 2024 monetary policy review, the CBSL further eased the policy stance, lowering the Overnight Policy Rate (OPR) to 8.00%, a reduction of ~50 basis points. This policy shift has led to a decrease in market lending rates, making borrowing more affordable for both consumers and businesses. The reduced rates also support economic recovery by improving liquidity in the market, which is essential for increasing business activities.



As borrowing costs decrease, the demand for loans is expected to rise. This will likely lead to an increase in the loan portfolios of leasing and financial services companies like COCR. Furthermore, lower interest rates reduce the cost of fixed deposits, which are COCR's primary source of capital, thereby lowering the company's interest expenses. This favourable environment is expected to drive demand for financial products, particularly in asset financing and loan services. Leasing companies, in particular, may experience stronger growth as more businesses and consumers take advantage of low interest rates to invest in equipment and property.

Private sector credit plays a crucial role in driving activity in this sector. Following the economic recovery, private sector credit rebounded, growing by 10% (LKR 703.64Bn) in November 2024 compared to the previous year. This increase in credit reflects renewed business confidence and improved consumer spending, both critical to sustaining growth in the financial services industry.

10.4. NBFI Sector Assets, Liabilities and Equity Show Significant Growth in 3Q 2024

The total assets of the Non-Bank Financial Institutions (NBFI) sector grew by 12.2% YoY, reaching LKR 1,838.6Bn by the end of 3Q 2024. This growth was primarily driven by an increase in net loans and advances, which rose by 17.9% YoY, while investments declined by 3.4% YoY.

Total liabilities in the sector expanded by 11.5% YoY to LKR 1,387.0Bn by the end of 3Q 2024, mainly due to a 15.2% YoY rise in borrowings. Deposits registered a modest increase of 8.7% YoY during the same period.

Equity funds showed strong growth, increasing by 14.3% YoY to LKR 451.5Bn by the end of the quarter, reflecting improved financial performance across the sector.

10.5. NBFI Sector Shows Strong Growth in Regulatory Capital and Asset Quality in 3Q 2024

The regulatory capital of the NBFI sector increased by 8.6% YoY, reaching LKR 358.3 billion by the end of 3Q 2024. Tier 1 (eligible) capital experienced a stronger growth of 11.4% YoY, rising to LKR 347.1 billion.

Risk-weighted assets (RWA) also grew by 9.1% YoY, totaling LKR 1,595.5 billion during the quarter. The sector's total regulatory capital to RWA ratio slightly decreased to 22.5% in 3Q 2024, compared to 22.6% in 3Q 2023.

Total borrowings to equity remained stable at 0.6 times during the same period.

In terms of asset quality, gross non-performing loans (NPLs) declined significantly by 31.1% YoY to LKR 172.2 billion, while net NPLs dropped by an even larger 40.3% YoY to LKR 104.5 billion. The gross NPL ratio improved to 12.0% at the end of 3Q 2024, compared to 20.3% at the end of 3Q 2023. The provision for non-performing loans also improved to 39.3% at the end of 3Q 2024, up from 30.0% at the end of 3Q 2023.

11. Financial Snapshot

11.1. Summary of Income Statement – Annual

LKR Mn	FY20	FY21	FY22	FY23	FY24
Gross Income	22,959	18,192	21,820	28,998	31,295
Net interest income	10,912	9,035	11,949	11,107	12,820
Fee and commission income	1,319	1,073	1,797	2,968	2,690
Total operating income	13,036	11,140	15,404	15,049	16,864
Impairment Charges of financial assets	(3,405)	(1,690)	(1,778)	(3,423)	(885)
Net operating income	9,649	9,517	13,661	11,628	15,971
Operating profit	3,182	4,054	7,803	5,066	8,502
Profit before Taxation	2,185	3,192	6,391	3,886	6,825
Income Taxation	(178)	(858)	(1,871)	(1,270)	(2,469)
Profit for the year (equity holders)	2,005	2,335	4,520	2,616	4,356

Sources: Company reports

11.2. Summary of Income Statement – Quarterly

LKR Mn	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25
Gross Income	7,796	8,003	9,066	6,888	7,493
Net interest income	3,051	3,715	4,467	3,456	4,298
Fee and commission income	627	687	784	554	642
Total operating income	3,933	4,646	5,908	4,227	5,167
Impairment Charges of financial assets	(466)	(598)	266	(616)	(707)
Net operating income	3,467	4,048	6,166	3,610	4,460
Operating profit	1,638	2,118	3,945	1,514	2,420
Profit before Taxation	1,236	1,643	3,351	1,127	1,880
Income Taxation	(503)	(606)	(1,174)	(441)	(709)
Profit for the year (equity holders)	732	1,038	2,177	686	1,171

Sources: Company reports

11.3. Summary of Statement of Financial Position – Annual

LKR Mn	FY20	FY21	FY22	FY23	FY24
Assets					
Cash and bank balances	1,208	2,240	2,632	2,455	2,175
Reverse repurchase agreements	3,142	1,477	354	860	588
Placements with banks	3,827	4,488	1,812	2,667	3,790
Financial assets recognised through P&L	2,229	5,495	5,088	8,437	6,883
Leases, Hire Purchases, Loans and Advances	71,067	68,567	73,993	76,171	81,438
Total assets	89,862	91,130	93,630	102,193	108,223
Liabilities and equity					
Due to banks	19,214	22,593	19,229	16,260	12,607
Due to customers	48,949	47,990	48,078	59,244	62,121
Debt instruments issued	3,350	1,296	1,296	1,296	1,296
Total Liabilities	75,366	75,734	74,437	81,817	83,858
Equity attributable to owners of the company	14,489	15,396	19,193	20,376	24,365

Sources: Company reports

11.4. Summary of Statement of Financial Position – Quarterly

LKR Mn	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25
Assets					
Cash and bank balances	2,007	2,375	2,175	3,536	4,162
Reverse repurchase agreements	61	280	588	2,671	1,615
Placements with banks	3,668	3,762	3,790	3,871	3,921
Financial assets recognised through P&L	9,064	7,960	6,883	6,196	8,221
Leases, Hire Purchases, Loans and Advances	76,001	79,047	81,438	79,187	77,178
Total assets	102,612	105,545	108,223	109,228	109,790
Liabilities and equity					
Due to banks	14,059	15,582	12,607	16,979	17,915
Due to customers	61,144	60,383	62,121	57,937	58,311
Debt instruments issued	1,354	1,383	1,296	1,325	1,354
Total Liabilities	81,414	83,309	83,858	84,192	84,840
Equity attributable to owners of the company	21,199	22,236	24,365	25,036	24,949

Sources: Company reports

11.5. Key Ratios – Annual

	FY20	FY21	FY22	FY23	FY24
Net Interest Margin (NIM) (%)	13.57%	11.20%	14.40%	13.10%	14.20%
Cost-to-income ratio (%)	55.30%	56.30%	47.10%	51.80%	56.10%
Net Margin (%)	8.73%	12.83%	20.72%	9.02%	13.92%
Return on Average Assets (%)	2.24%	2.58%	4.89%	2.66%	3.99%
Return on Average Shareholders' Funds (%)	14.69%	15.62%	26.14%	13.15%	18.83%
Equity/Assets (%)	16.13%	16.89%	20.50%	19.93%	22.39%
Gross Non-Performing Accommodations (%)	9.85%	5.39%	4.67%	11.07%	10.65%
Net Non-Performing Accommodations (%)	2.72%	-2.94%	-4.09%	1.17%	1.47%
Capital Funds to Deposits (%)	31.00%	32.08%	39.92%	34.36%	38.92%
Core Capital Ratio (%)	14.14%	13.45%	17.61%	17.49%	19.35%*
Total Risk-Weighted Capital Ratio (%)	14.95%	14.55%	19.22%	18.66%	19.43%*
Earnings per Share (LKR)	6.30	7.34	14.21	8.17	13.19
Net Assets per Share (LKR)	45.57	48.40	60.34	64.01	76.02
Number of Employees	2,863	2,928	2,883	2,816	2,999
Number of Branches	119	126	129	133	133
External Credit Rating (LRA)	BBB (Negative)	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Positive)

*Both the core capital ratio and the total risk-weighted capital ratio are above the minimum regulatory requirements of 10% and 14%, respectively.

Sources: Company reports

11.6. Key Ratios – Quarterly

	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25
Net Interest Margin (NIM) (%)	3.4%	4.1%	4.9%	3.7%	4.7%
Net Margin (%)	9.40%	12.96%	24.01%	9.96%	15.63%
Return on Average Assets (%)**	0.72%	1.00%	2.04%	0.63%	1.07%
Return on Average Shareholders' Funds (%)**	3.49%	4.78%	9.34%	2.78%	4.69%
Equity/Assets (%)	20.66%	21.07%	22.51%	22.92%	22.72%
Earnings per Share (LKR)	2.30	3.26	6.84	2.16	3.68
Net Assets per Share (LKR)	66.65	69.91	76.60	78.71	78.44

**ROE and ROA have not been annualized.

Sources: Company reports

12. News and Corporate Actions

27th June 2024

Commercial Credit and Finance secures 1st place in K Seeds Investments' ranking report.

K Seeds Investments (Pvt) Ltd ranked Commercial Credit and Finance PLC as the best-performing finance company in the 1st category among 28 listed finance companies in Sri Lanka for Q4 2023/24.

The report classifies finance companies by asset size and ranks them among peers using ten financial metrics from quarterly statements. Commercial Credit and Finance PLC leads in "Category 1" (assets > Rs. 100 billion), while Categories 2, 3, and 4 cover asset bases of Rs. 50–100 billion, Rs. 20–50 billion, and under Rs. 20 billion, respectively.

The evaluation uses ten key performance indicators (KPIs) with equal weighting: cost-to-income ratio, net profit margin, Impairment to loan book, return on equity, return on assets, net interest margin, credit to deposits, operating leverage, net profit growth and loan growth.

18th April 2024

Sri Lanka's Commercial Credit Singapore key shareholder under liquidation order.

Sri Lanka's Commercial Credit and Finance PLC announced that Group Lease Holdings Pte Ltd, its second-largest shareholder (owning 29.99%), has been ordered to liquidate by a Singapore firm. Cosimo Borell from Kroll Pte Ltd has been appointed as the liquidator. Group Lease Public Company Limited (GL Thailand), the sole shareholder and secured creditor of Group Lease Holdings Pte Ltd, has appealed this decision. However, Commercial Credit confirmed that its operations are not impacted as there are no financial or operational dependencies on Group Lease Holdings or its affiliates.

29th February 2024

LRA Maintains Entity Ratings to Commercial Credit and Finance PLC, outlook "Positive".

Lanka Rating Agency Limited has assigned the Company an entity rating (long term) of "BBB" with a "Positive" outlook from a previously assigned rating (long term) of "BBB" with "Stable" outlook.

The improved outlook reflects COCR's sound profitability, strong capital adequacy, and asset-backed loan portfolio despite rising non-performing loans (NPLs). Total assets exceeded LKR 100Bn, securing a 7% market share in deposits. Net interest income declined in FY23 to LKR 11.1Bn but increased to LKR 8.3Bn for 9MFY24, with profitability up 34.4% YoY.

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