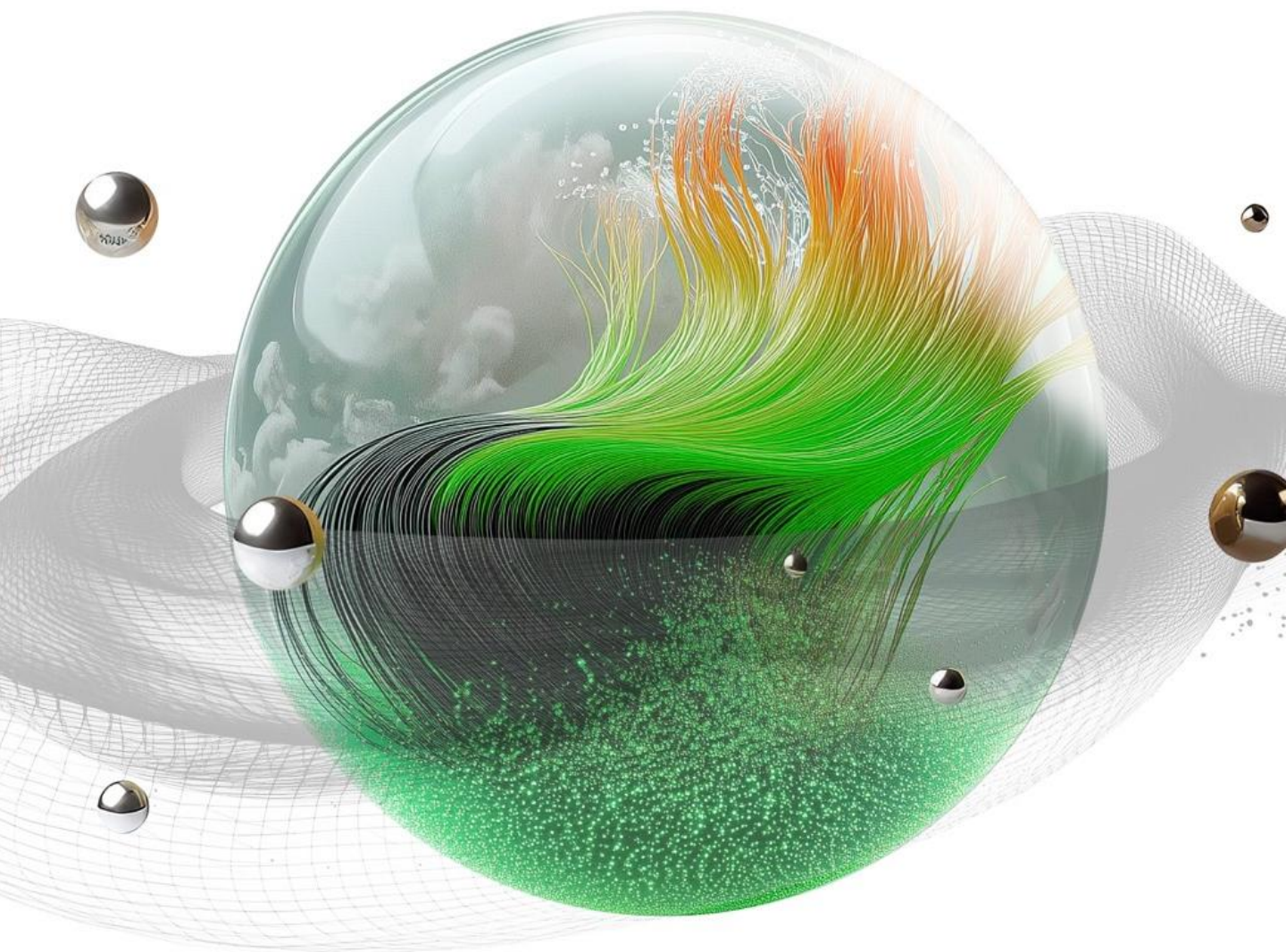


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Rewards in Focus: NBFIs

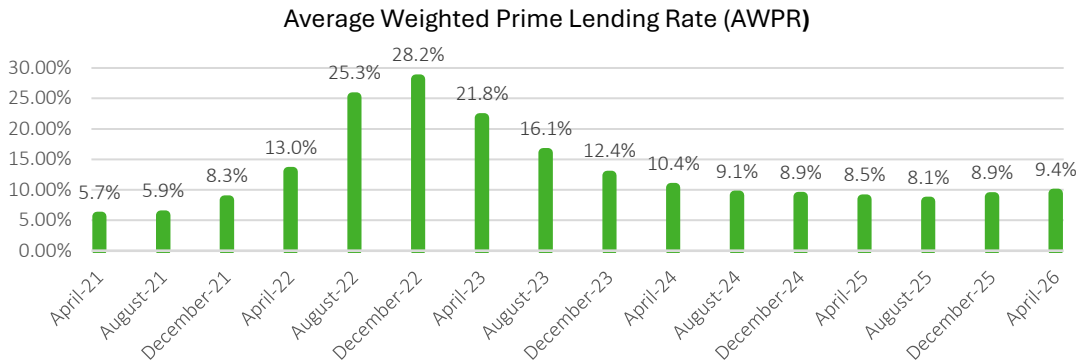
Compensation and Benefits Survey 2025

Non-Bank Financial Institutions in Sri Lanka

Understanding the NBFi Sector Landscape through Numbers and Shifting Trends

Interest Rate Regime Shift (Apr-21 to Apr-26)

A sharp spike during the 2022/23 financial crisis period that has since normalized, shifting NBFi focus from managing risk and stress through cautious lending to managing productivity to remain profitable under a low-interest rate regime.

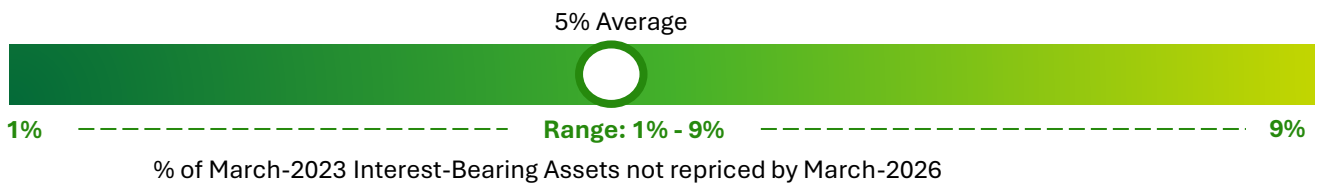


Source: Central Bank of Sri Lanka, April 2026

The interest rates peaked in December 2022 at 28.2% elevating the cost of funds. While the NIMs increased, the credit growth remained constrained due to muted demand and cautious approach taken on lending. Rates remained elevated in 2023, at 21.8% in April and 16.1% in August.

By 2024, rates started declining, reaching 10.4% by April. It stabilized around 9% by August–December 2024, indicating normalization. In 2025, rates remained stable, with a slight year-end uptick. CBSL projects inflation to reach the 5% target by H2-2026, supporting continued rate normalization.

How Much of the High-Rate Book Is Still in the System?



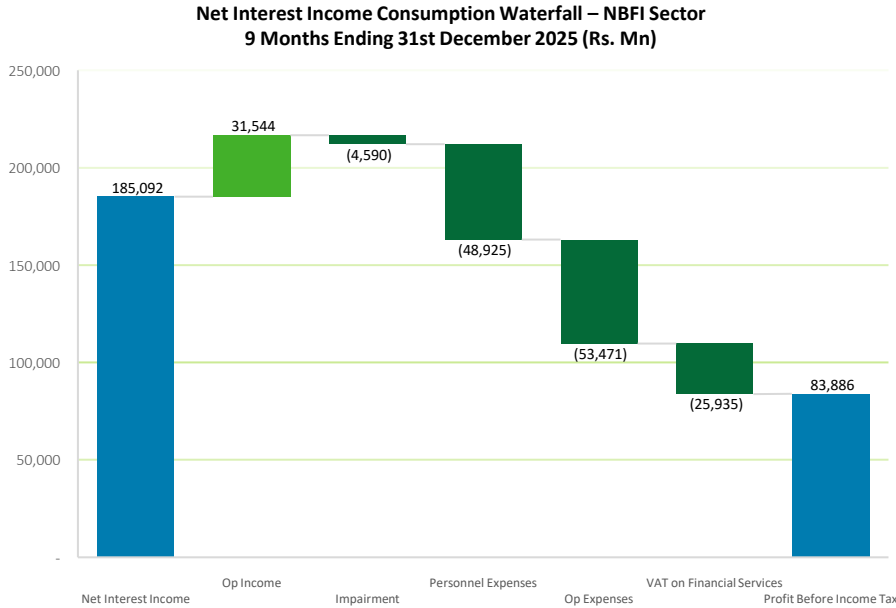
^(a)Derived from maturity/repricing profiles of largest NBFIs for March-2023 interest-bearing assets, tracked to Mar-2026
Source: Colombo Stock Exchange

Using the maturity profiles of the largest NBFIs listed on the Colombo Stock Exchange (based on market capitalization) as a proxy, by March 2026, approximately 95% of the interest-bearing assets of the industry as at 31 March 2023 had been repriced. Accordingly, the legacy high-yield book is minimal, reducing reliance on rate-driven profitability.

As repricing concluded, performance shifted from rate-driven to execution-led, with profitability increasingly dependent on volume growth, asset quality, collections effectiveness, and cost productivity.

How NII Gets Consumed: From NII to PBIT

Even as NII expands, a large and persistent share is absorbed by operating costs, especially personnel expenses.



- NII is growing strongly, but it's only the starting point
 - Rs. 135.6Bn (FY23)
 - Rs. 165.5Bn (FY24)
 - Rs. 201.0Bn (FY25)
 - Rs. 185.1Bn (9M FY26)

- “Nearly half of the operating cost base is on people costs.”

Personnel costs account for ~45–48% of operating expenses and consistently absorbs ~26–28% of NII, so even small productivity gains have an outsized impact on profitability.

Source: Central Bank of Sri Lanka

Regional Talent Landscape

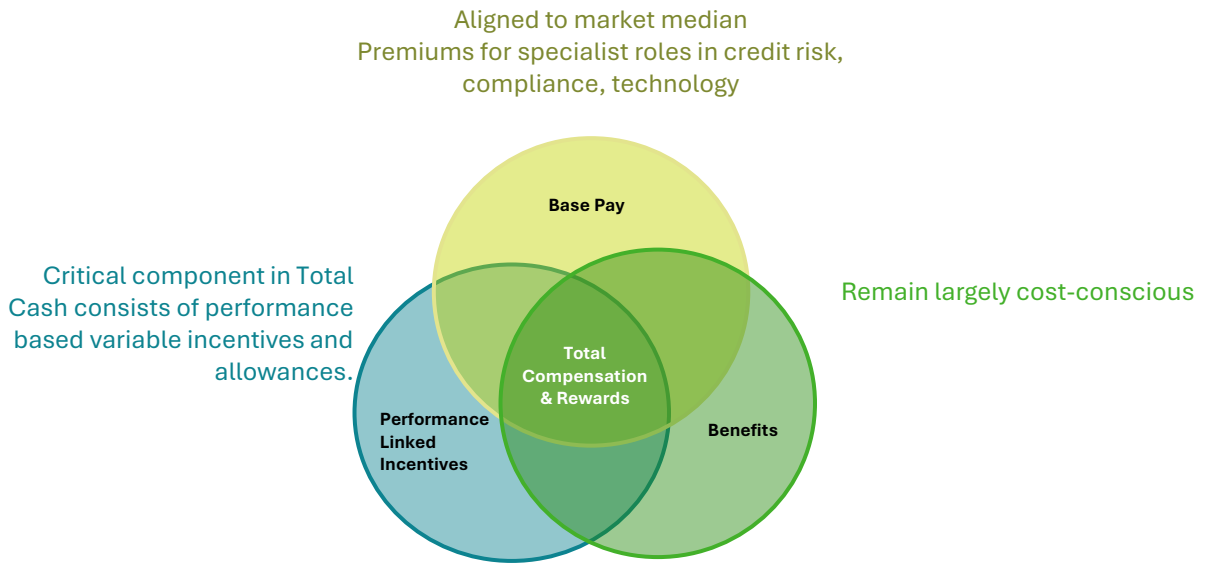
The Non-Bank Financial Institutions (NBFi) sector across South and Southeast Asia is undergoing a period of profound transformation. In markets such as Sri Lanka, India, Indonesia, and Bangladesh, NBFis play a critical role in advancing financial inclusion, supporting household consumption, and enabling small and micro-enterprise growth through products such as gold-backed lending, microfinance, leasing, and consumer finance. Expansion in scale and talent have emerged as one of the most significant strategic differentiators and constraints on sustainable growth.

Peer markets show increasing demand for specialised skills in areas such as credit risk, analytics, technology, and compliance. Growing competition for talent from banks, fintechs, and other financial institutions drive greater differentiation in compensation based on role criticality, performance and scarce skills. Frontline sales and collections roles continue to experience high turnover due to demanding targets and competition from alternative employment opportunities. Peer markets show that addressing attrition is more effective when organisations combine targeted incentives, career pathways, differentiated benefits, and capability development rather than relying solely on base pay increases. Persistent wage inflation has intensified pressure on remuneration budgets, even as institutions remain focused on maintaining cost discipline and operating efficiency. There is growing demand for greater flexibility, enhanced wellbeing support, and clearer career progression pathways, particularly among younger professionals. The adoption of digital loan origination systems, automated credit scoring, and data-driven processes is increasing demand for professionals who combine financial expertise with digital literacy.

While human judgement remains essential, roles are becoming more analytical and productivity-focused, requiring new skill sets and updated competency frameworks.

Overview of Compensation and Rewards Strategies in the NBFIs Sector

NBFIs typically adopt a total rewards approach that combines Basic Pay, Variable Incentives that are linked to performance and benefits. Demonstrating cost discipline, maintaining a performance centric culture and market competitiveness.



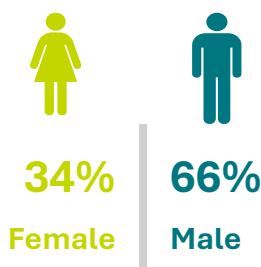
Job Families Considered in the Survey

Core Business			
● Auto Leasing	● Central Operations	● Microfinance	● Forex
● Branch Network	● Central Sales	● Recovery	● Gold Loan
● Branch Operations	● Credit Management	● Treasury	● Margin Trading

Support Services			
● Administration	● Compliance	● Finance	● Legal
● Audit	● Corporate Office	● Human Resources	● Marketing, Branding & Communications
● Call Centre	● Corporate Planning	● IT Support	● Risk Management

Top 3 HR Concerns	
01 Attracting Experienced Talent	03 Salary Escalation across all levels
02 Mismatch in Quality and Skill Level of Entry Level Staff	

Demographic Profiles

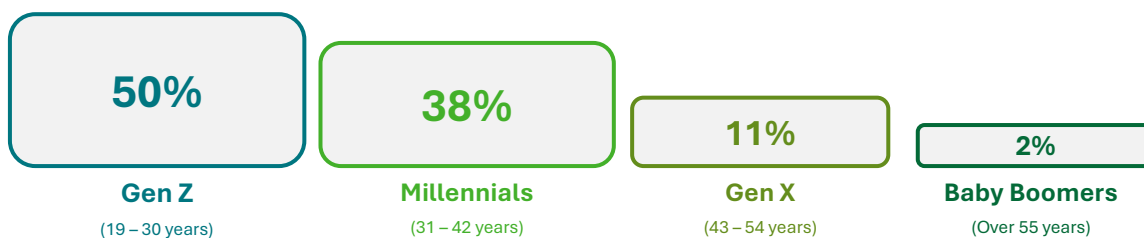


16% Female representation
Managerial roles



84% Male representation in
Managerial roles

From a generational perspective, the workforce is predominantly composed of Generation Z and Millennials, while only 13% of employees fall within the Generation X and Baby Boomer segments, indicating a relatively young workforce that may influence evolving organisational approaches to employee engagement, development, and retention.



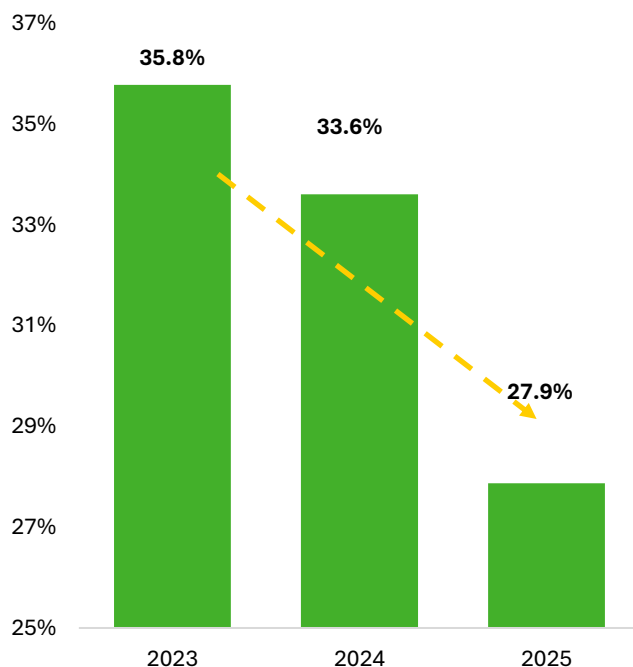
Staff Turnover Rates

Between 2024 and 2025, total turnover decreased by 5.7%, indicating improved workforce stability across participating organisations.

The primary drivers of voluntary turnover remain externally driven, with better pay and career opportunities and migration cited as the most common reasons for employee exits.

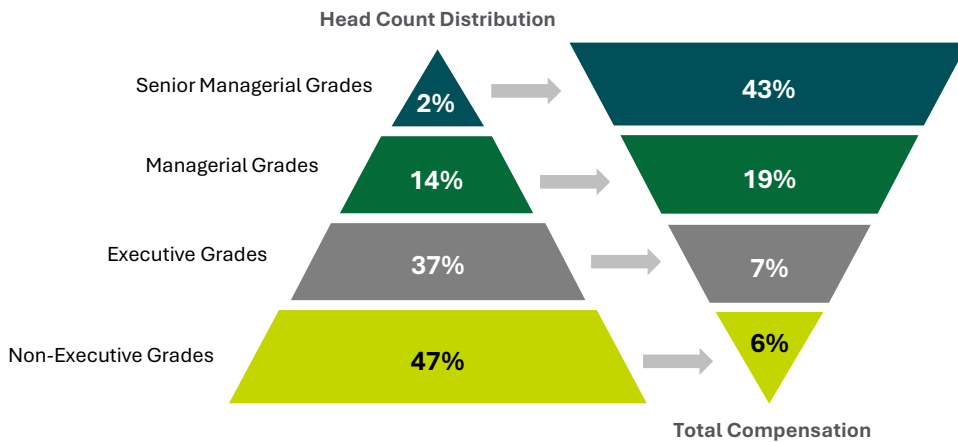
Recent labour market trends show a moderation in overseas migration, with foreign employment departures declining by around 5% in the first half of 2025, which may have contributed to the observed reduction in turnover. Despite the improvement in retention, organisations report growing difficulty in attracting experienced talent.

A mismatch between available skills and role requirements is emerging as a key concern, suggesting that the external talent pool may not be keeping pace with evolving organisational needs.



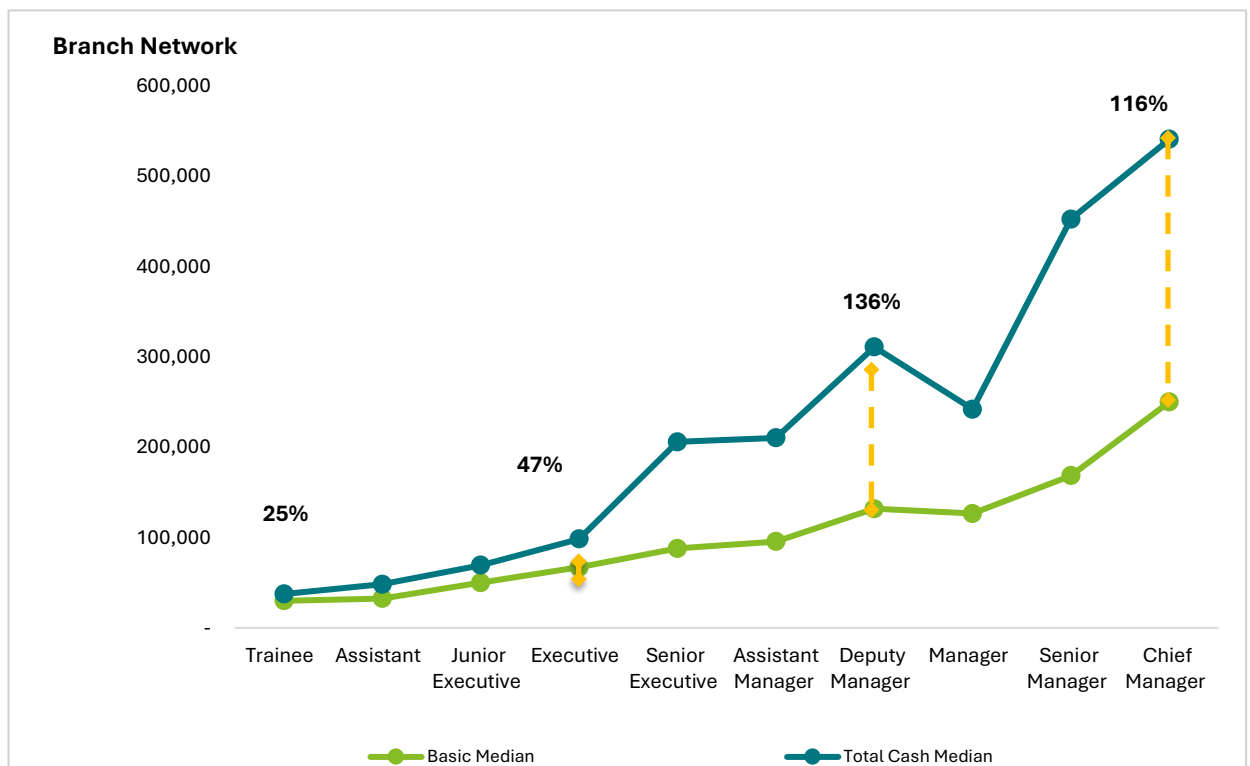
Cost Pyramid Structure

The inverted headcount structure creates a cost pyramid. This may indicate that rewards at senior levels are more outcome-driven, while incentives at lower tiers are aligned more with effort and execution.



Total Rewards Split

Observing the progress from non-executive to senior roles, there is a significant increase in incentives and allowances in variable nature, showing emphasis on individual performance and performance driven cultures as well.



The Survey analysed comparable roles across the participating companies, provides aggregated market insights on compensation and benefits structures within the NBF sector, and offer insights on cost-escalation expectations for the approaching year. The findings of this report are intended to support workforce planning, talent acquisition, and the formulation of effective reward strategies.

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