A MOSAIC OF STRENGTH



LB FINANCE

REPORT NAVIGATION

This report has been designed for an enhanced digital experience and ease of use. The digital navigation capability in the report will assist the reader to easily move between different sections or topics.

READING THIS REPORT

THIS IS AN INTERACTIVE REPORT

The following icons guide readers to the information within this report

- Indicates interactive content
- Refers to other online information
- Indicates video content
- Refers to additional information in the report
- Refers to further information within this report

PRINTING THIS REPORT

A specific icon is provided to access the print function

NAVIGATING THIS REPORT

The navigation tools for this report can be found at the top right of each page

Navigation Aid

Previous Page | Home | Next Page | Print | Contents

Materiality Themes

- MT 1 Sustainable Business Growth
- MT 2 Future Fit Organisation
- MT 3 Good Governance and Risk Optimisation
- MT 4 Supporting Social Cohesion
- MT 5 Serving and Meeting Customer Needs

Strategic Value Unlocks

- S 1 Sustainable Growth
- S 2 Customer Centricity
- S 3 Digital Leadership
- S 4 Positive Impacts
- S 5 Empowering People
- S 6 Risk Management and Governance

RISK AND OPPORTUNITIES

Business Risk

- BR 1 Credit Risk
- BR 2 Market Risk
- BR 3 Liquidity Risk
- BR 4 Operational Risk
- BR 5 IT Risk

SRROs

- SR 01 Low Financial IQ of Customers
- SR 02 Employee Turnover Risk
- SR 03 Data Privacy and Information Security Risk
- SR 04 High Dependency on Non-Renewable Energy Sources

CRROs

- CR 01 Impact of Extreme Weather Events
- CR 02 Impact of Long-Term Environmental and Climate Hazard
- CR 03 Impact of changes in laws/regulations/policies
- CR 04 Changing Customer Preferences

Capitals

- FC Financial Capital
- MC Manufactured Capital
- HC Human Capital
- IC Intellectual Capital
- SRC Social and Relationship Capital
- NC Natural Capital

Stakeholder Groups

- Customers
- Shareholders
- Employees
- Regulators
- Business Partners/Suppliers
- Society and Environment

SUSTAINABILITY STRATEGY

1. Strengthening Long-Term Financial Resilience
2. Minimising Environmental Footprint through Sustainable Practices
3. Fostering Equitable and Inclusive Economic Progress
4. Cultivating an Empowering and Inclusive Work Culture

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A MOSAIC OF STRENGTH

At L B Finance, we have long been an entity that embodies a composite vision of collective growth; with each element and action strategically positioned to form a cohesive whole that reflects clarity, purpose, and strength. Our diverse products, stakeholders, and strategies are interwoven with intention and precision—forming vibrant mosaic that delivers an outcome that is far greater than the sum of its parts.

At the heart of our journey lies a spirit of boldness and fortitude; empowered by the steadfast confidence to face challenges head-on, the tenacity to overcome them, and the discipline to stay our course. This unwavering resolve is not carried forward by individuals alone, but by a united force working in harmony. It is in our collective effort and our teamwork that we find the momentum to advance, adapt to change, and lead with integrity.

By embracing diversity and pursuing trailblazing innovation, L B Finance weaves together a powerful framework of expertise, innovation, and stability crafting tailored financial strategies that respond to the unique needs of individuals, families, and businesses across the island and beyond. Through this blend of courage, collaboration, and determination, L B Finance has shaped a future grounded in strength and shared prosperity a future built not just for today, but for the generations to come.

L B Finance. A Mosaic of Strength.



Lions are renowned for their boldness and courage, yet their greatest strength lies in their unity. In the wild, a lion's strength is magnified when they join forces, with each playing a vital role in the pride's survival. Their unity is a testament to how collective strength can overcome even the greatest challenges, with each member contributing towards a shared goal.

At L B Finance, we embrace this same spirit of collaboration. Much like the intricate pieces of a mosaic, our diverse expertise and strategies come together to form a unified vision of vitality and fortitude. With a purposeful vision and a commitment to innovation, we move forward with bold ambition, built on the promise of a better, and more vibrant future for all.

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Chairman's Remarks

Trilingual PDF Version

Trilingual Audio Version

Managing Director's Review

Trilingual PDF Version

Trilingual Audio Version

Annual Report Video

Annual Report Micro-site

OUR OATH TO STAKEHOLDERS

DEAR STAKEHOLDERS,

As we reflect on the year 2024/25, the Board of Directors of LB Finance PLC (LBF) stands resolute in our commitment to our stakeholders; employees, customers, shareholders, business partners, regulators and the communities we serve. It is with great pride that we present this year's report, reaffirming our unwavering commitment to transparency, accountability, governance, and sustainability.

We understand that the trust you have placed in us is not taken lightly. It is not merely a duty, but a privilege, to serve the interests of all those who have entrusted us with their faith and resources. This year, more than ever, we have strengthened our focus on long-term growth, financial resilience, and the responsible management of Environmental, Social, and Governance (ESG) factors, while navigating the complexities of an ever-changing business environment.

OUR OATH TO YOU

To Uphold Integrity and Transparency

We promise to conduct all aspects of our business with the highest standards of ethics and transparency. Every decision we make will reflect our commitment to being accountable, and we will always prioritise the best interests of our stakeholders.

To Deliver Sustainable Financial Growth

We will continue to ensure that our financial performance is built on solid foundations, with consistent profitability and prudent risk management. Our growth will be sustainable, providing long-term value for our shareholders while maintaining a firm commitment to our corporate responsibilities.

To Foster Innovation and Agility

We pledge to embrace innovation as a core driver of our future. We will continue investing in new technologies, digital transformation, and innovative financial solutions to meet the evolving needs of our customers and ensure LBF remains a leader in the financial services industry.

Looking Forward

As we look toward the future, we remain confident in the strength of our foundations and the dedication of our team. The road ahead may be challenging, but it is also full of opportunities. We are committed to navigating these opportunities and challenges with resilience and responsibility, always keeping the trust and interests of our stakeholders at the heart of our mission.

We extend our gratitude to each of you; employees, customers, shareholders, business partners, regulators and the communities for your unwavering belief in us. Together, we will continue to build a prosperous and sustainable future for LBF.

The Board of Directors
LB Finance PLC

To Prioritise Social Responsibility and Sustainability

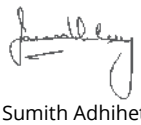
We commit to being a responsible corporate citizen. Our initiatives will continue to focus on environmental sustainability, social development, and positive contributions to society. We recognise that true success is measured not only in financial terms, but also by the positive impact we have on our communities and the world around us.

To Protect Stakeholder Trust

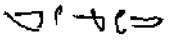
Your trust is our greatest asset. We swear to uphold this trust by maintaining an unwavering focus on governance, compliance, and ethical business practices. We will remain vigilant in safeguarding the interests of our stakeholders, ensuring transparency in all our actions and decisions.

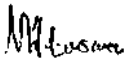

G A R D Prasanna
Chairman


Ashane Jayasekara
Senior Director

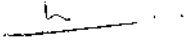

Sumith Adhihetty
Managing Director

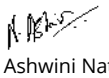

Niroshan Udage
Deputy Managing Director


B D A Perera
Director

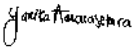

Ravindra Yatawara
Director

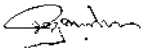

Yogadinusha Bhaskaran
Director


Dharmadasa Rangalle
Director


Ashwini Natesan
Director


Priyantha Talwatte
Director


Yanika Amarasekera
Director


Piyal Hennayake
Director

GRI: 2-1

VISION

To contribute to the quality of life experienced by our depositors, customers, employees, and the general public through partnerships that fuel the growth of our Company and to create shareholder value both in the short term and long term



MISSION

To mobilise public funds by innovating investment products that will enhance the value delivered to our depositors

To engage in prudent lending to entrepreneurs to assist them in the creation of wealth

To use training and career development to create an empowered and committed group of employees who will drive the Company to high levels of achievement

To offer a caring and personalised service that will form the foundation for developing lasting partnerships with our stakeholders, employees, and the general public

To embark on investments in which results can be clearly assessed and seize new opportunities in the market

VALUES

- Excellence
- Transparency
- Professionalism
- Ethics
- Innovation
- Quality
- Teamwork

VIDEO **01**

Scan QR code to watch our core value drivers

INNOVATE TO ELEVATE

At LB Finance, innovation is at the heart of how we communicate our performance, purpose, and progress. This year's Annual Report goes beyond convention, presenting a dynamic blend of storytelling, data, and leadership insights, some of which are first-of-their-kind in Sri Lanka. From strategic video narratives to immersive digital formats, we continue to set new standards in corporate reporting.



1 REPORT

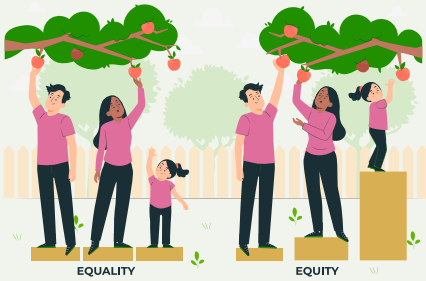
Report reflects our continued commitment to progress, built around "**One report for all**" approach and showcasing key milestones from a transformative year

2 MODES

Offered in both **physical** and **digital** formats, the report ensures a seamless and engaging experience for all readers, wherever they are

3 CATEGORIES OF NOVELTIES

This edition features several exciting firsts including a pioneering initiative introduced for the **first time in Sri Lanka**, **ongoing innovation** in storytelling, and **new interactive features** that set a fresh benchmark for corporate reporting



With dedicated focus areas in study, cognitive, hearing, and visual needs, we've enhanced the experience to cater to diverse ways of understanding.

Mode – Physical and Digital

Novelty category – Ongoing innovation



Study Focus

USERS	INITIATIVES
» Students (Schools/ Universities)	» Flow charts for ease of understanding » Application of fundamental theories » QR codes for easy downloads » Animated video clips

Cognitive Focus

USERS	INITIATIVES
» Illiterate	» Simplified illustration » Icon usage » Infographics » Trilingual subtitles available



Hearing Focus

USERS	INITIATIVES
» Hearing and talking impaired	» Visual presentations » Sign language for videos



Visionary Focus

USERS	INITIATIVES
» Visually Impaired	» Braille technology usage » Audio presentations » Colour separated infographics



CALCULATE YOUR FOOTPRINT



We're empowering you to take charge of your environmental impact with an individual carbon footprint calculator. This innovative tool allows you to easily calculate your personal level of emissions

Mode – Digital

Novelty category – First time in Sri Lanka

DIGITAL DIARY



We introduce our first-ever Digital Diary – a dynamic timeline that captures the milestone moments of the 2024/25 financial year.

Mode – Digital

Novelty category – First time in Sri Lanka

VIDEO **04**

Scan QR code to watch LB Digital Diary

CFO'S PRESENTATION



A clear and engaging summary of our 2024/25 financial performance. The presentation includes sign language interpretation with Sinhala and Tamil subtitles to ensure accessibility for all.

Mode – Digital

Novelty category – First time in Sri Lanka

VIDEO **03**

Scan QR code to watch CFO's presentation

DEPUTY MANAGING DIRECTOR'S SPEECH



With a tone coming from the top, our Deputy Managing Director expresses our commitment to sustainability. The message includes sign language interpretation, along with Sinhala and Tamil subtitles

Mode – Digital

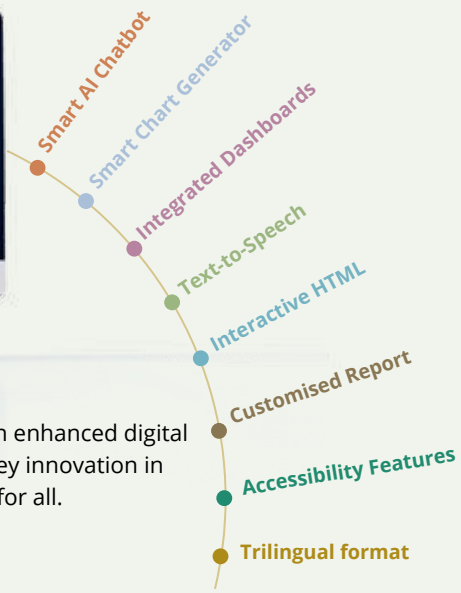
Novelty category – New interactive features

VIDEO **05**

Scan QR code to watch DMD's speech

ANNUAL REPORT MICRO-SITE





Annual Report Micro-site this year, offering an enhanced digital experience. This digital platform remains a key innovation in making our content accessible and engaging for all.

Mode – Digital

Novelty category – Ongoing innovation



TEST YOUR KNOWLEDGE VIDEO SERIES

We're bringing our content to life through the 'Test Your Knowledge' video series—designed to spark curiosity and enhance understanding. These short, informative videos deliver key highlights and insights from the report in a dynamic, easy-to-digest format.

Mode – Digital

Novelty category – First time in Sri Lanka

SEAMLESS NAVIGATION

- Indicates interactive content
- Refers to other online information
- Refers to additional information in the report
- Indicates video content
- Previous Page
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Our enhanced PDF experience introduces seamless navigation through intuitive bookmarks and clickable buttons, designed to make your journey through the report faster and more efficient.

Mode – Digital

Novelty category – New interactive features

SCAN & IDENTIFY



To make our annual report even more accessible and recognisable, we've introduced QR codes and an ISBN.

Mode – Digital

Novelty category – New interactive features

SUSTAINABILITY IMPACTS

FIRST TIME IN SRI LANKA:

- Calculated Financed Emissions in NBFI Sector
- Assurance Report on Carbon Footprint Calculation, including Financed Emissions

1 OUR CARBON FOOTPRINT

LB Finance proudly pioneered carbon footprint calculation in Sri Lanka's financial sector during the 2013/14 financial year, becoming the first institution to measure its environmental impact. This milestone marked the start of a continuous 12-year commitment to sustainability, setting industry benchmarks nationally and earning global recognition.

In 2015/16, LB Finance became Sri Lanka's first carbon-neutral financial institution by offsetting emissions through carbon credits, reinforcing its leadership in sustainable finance.

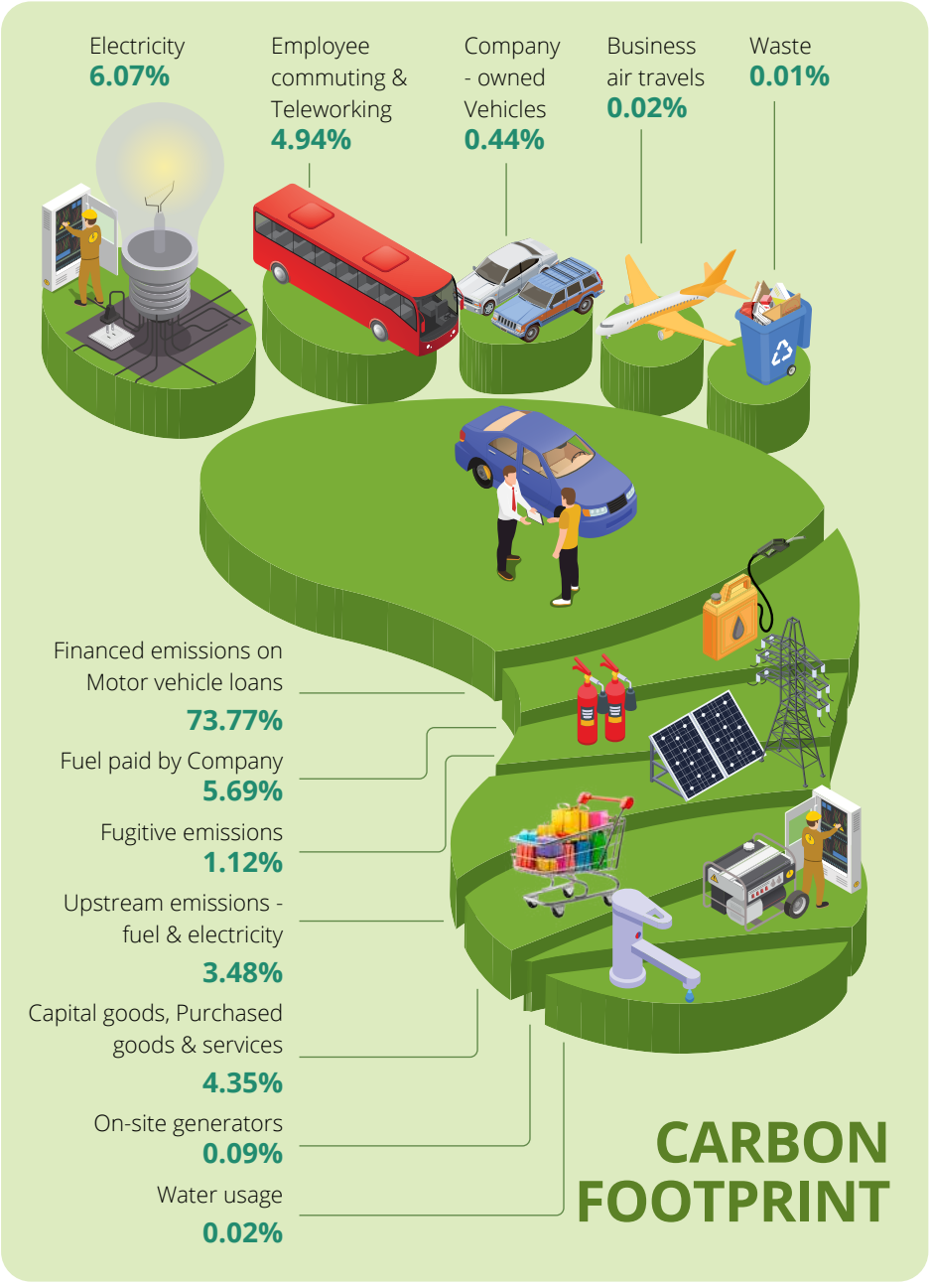
Reflecting global urgency on climate change, LB Finance issued its Environmental, Social, and Governance (ESG) policy in 2024/25, outlining its roadmap to integrate ESG principles and commit to net zero emissions by 2050.

In the same year, the Company partnered with Control Union Sri Lanka to calculate its comprehensive carbon footprint, including financed emissions under Scope 3 of the GHG Protocol. Utilising the PCAF standard, LB Finance gained detailed insights into emissions linked to its financial products, enabling focused reduction efforts.

The Assurance Report from Control Union validated the accuracy of this data, reinforcing LB Finance's commitment to transparency and integrity.

To maintain data quality, LB Finance developed a GHG Inventory Quality Management System (QMS), guided by a dedicated Quality Manual (QM), and Procedure Manual (PM) ensuring reliable and credible emissions reporting.

LB Finance continues to lead sustainable finance in Sri Lanka, advancing its environmental stewardship for the future.



To review our carbon report, scan the QR code

Total GHG emitted for 2024/25

36,934 tCO_2e

Total GHG removal for 2024/25

2,222 tCO_2e

2 + 3 + 4

Refer page 9 for further details

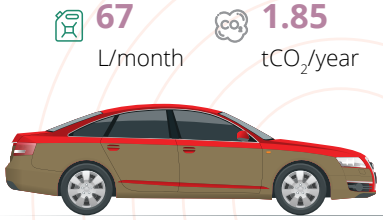
2 GHG REDUCTION - GREEN LENDING

GHG reduction from Green Lending
2,033.07 tCO_2/year

Fuel consumption | Electricity consumption | GHG emission

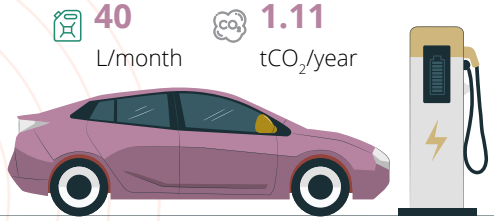
Conventional car - Petrol

67 L/month | **1.85** tCO_2/year



Hybrid car

40 L/month | **1.11** tCO_2/year



Electric car

150 kWh/month | **0.77** tCO_2/year



Assumptions - GHG reduction from Hybrid and Electric cars

Monthly distance travel	1000 km
Fuel efficiency of petrol car	15 km/L
CO_2 emission of petrol	2.31 $kgCO_2$/L
Fuel efficiency of hybrid car	25 km/L
Electricity efficiency of electric car	0.15 kWh/km
CO_2 emission of electricity	0.4278 $kgCO_2$/kWh

GHG reduction from a hybrid car
0.74 tCO_2/year

No. of leased hybrid cars
2,641

GHG reduction from an electric car
1.08 tCO_2/year

No. of leased electric cars
75

GHG reduction by leasing hybrid cars
1,952.23 tCO_2/year

GHG reduction by leasing electric cars
80.85 tCO_2/year

3 GHG REDUCTION - ECO-FRIENDLY INITIATIVES

GHG reduction from Eco-friendly Initiatives
78.52 tCO_2/year



	Paper Recycled	e-Slips	App Transactions	e-Business Cards	Total
Trees saved	894	276	165	0.004	1,335
Water (L)	1,671,755	516,082	307,616	8.18	2,495,461
Landfill (m^3)	158	49	29	0.0008	236
Reduction in GHG emission ($kgCO_2e$)	52,604	16,239	9,680	0.26	78,523

4 GHG REDUCTION - SOLAR LOANS AND SOLARISED BRANCHES

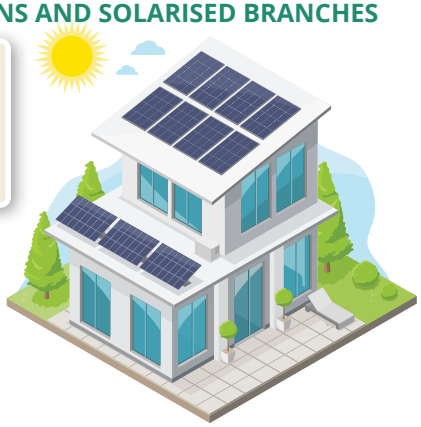
GHG reduction from Solar Loans and Solarised Branches
110.61 tCO_2/year

Solarised branches
40

Solar Loans
13

Total kW generated
342 kW

Energy generation
258,552 kWh/year



Assumptions

No. of sunny hours per day	4.5 h
No. of sunny days per month	20 days
No. of kW needed for one branch	20 kW
Efficiency	70%
Grid emission factor	0.4278 $kgCO_2e$/kWh
kWh generated (Units)	2,306 kWh/month

We are planning to solarise 5 branches to reduce 59.19 tCO_2e/year in 2025/26

USER GUIDE TO THE REPORT

We have recognised that most of our stakeholders have distinct interests and expectations regarding our Annual Report. The report has been thoughtfully structured to ensure ease of access and efficient navigation, allowing stakeholders to engage with either a comprehensive overview or specific areas of interest.

The guide below shows how you can navigate the report, saving your time and making your reading experience simple. Enjoy the journey.

Holistic Heroes

YOU ARE CURIOUS ABOUT?

What role does the Company play in the bigger picture and how does it optimise value through the activities

Where to find?		What will you get to know in a nutshell?
We are LB Finance	24	A snapshot of our Company
Chairman's Remarks	46	Chairman's view of the Company's current position and future direction
Managing Director's Remarks	50	Managing Director's view of the Company's current position and future direction
Financial Highlights	38	A comparative analysis of key financial indicators
Non-financial Highlights	40	A comparative analysis of key non-financial indicators
Our Value Creating Business Model	54	Key components of the business model that make it possible to transform resources
Integrated Stakeholders Engagement	62	How do we interact with different stakeholders to address their concerns
Beyond 2025	96	Our future aspirations and drivers

Business Buffs

YOU ARE CURIOUS ABOUT?

What are the business segments which contribute to the overall results of the Company

Where to find?		What will you get to know in a nutshell?
Business Review	224	An in depth understanding of our business segments and product portfolio

Capital Champions

YOU ARE CURIOUS ABOUT?

How various resources are transformed through capitals in order to create value for the stakeholders

Where to find?		What will you get to know in a nutshell?
Fortifying Financial Capital	124	Financial resources, performance and returns
Strategising Manufactured Capital	142	Tangible resources like physical touch points
Framing Human Capital	150	Skills, knowledge, experience and abilities of our people
Mindscaping Intellectual Capital	172	Company's knowledge, expertise, innovation, and intellectual property
Cultivating Social and Relationship Capital	184	Key relationships and engagement with stakeholders
Nurturing Natural Capital	208	Environmental resources, ecosystems, and biodiversity

Market Mavens

YOU ARE CURIOUS ABOUT?

What are the various challenges within the operating environment and competitive landscape which affect the operations of the Company

Where to find?		What will you get to know in a nutshell?
Our Operating Environment	56	Global, Sri Lankan and Myanmar economic highlights
	61	Our competitive landscape (Five forces analysis)

Finance Fanatics

YOU ARE CURIOUS ABOUT?

How the Company performed financially during the year

Where to find?		What will you get to know in a nutshell?
Financial Highlights	38	A comparative analysis of key financial indicators
Fortifying Financial Capital	124	Financial resources, performance and returns
Financial Statements	355	A detailed financial assessment of the Company in compliance with Sri Lanka accounting standards
Decade at a Glance	484	A 10 year financial summary
Quarterly Financial Statements	486	Quarterly financial performance and position movements
Financial Statements in USD	488	A financial assessment using USD currency

Risk Rangers

YOU ARE CURIOUS ABOUT?

What are the key risks the Company confronts and how they are managed

Where to find?		What will you get to know in a nutshell?
Integrated Risk Management Report	311	Risk universe
	312	Risk landscape
	316	Risk governance
	319	Risk management policy framework
	320	Risk management process
	323	Stress testing
	323	Overview of principal risks
	336	Sustainability and climate related risks and opportunities
	346	LBF climate risk survey

USER GUIDE TO THE REPORT



Governance Geeks

YOU ARE CURIOUS ABOUT?

How the Company is directed and controlled by the Board and Senior Management

Where to find?		What will you get to know in a nutshell?
Board of Directors	254	Profiles of Board of Directors
Senior Management	260	Profiles of Senior Management
Corporate Governance	246	In-depth review of the governance and control framework
Committee Reports	289 - 304	Functions and activities of the Board sub-committees



Strategy Sages

YOU ARE CURIOUS ABOUT?

How does the Company set strategies allocate resources to drive the business

Where to find?		What will you get to know in a nutshell?
Designing Strategies for Long-term Sustainability	81	Strategic focus and resource allocation, strategies of LBF
Materiality	74	Materiality determination process, material themes, material drivers and mapping



Sustainability Seekers

YOU ARE CURIOUS ABOUT?

How ESG framework, related standards and concepts have been applied

Where to find?		What will you get to know in a nutshell?
Non-financial Highlights	48	A comparative analysis of key non-financial indicators
Integrated Sustainability Report	98	Sustainability strategy, responsible operations, responsible products and services, carbon emissions, sustainability initiatives
Integrated Risk Management Report	336	Sustainability and climate related risks and opportunities

INTRODUCTION TO THE REPORT

GRI: 2-1

THIS REPORT IS ACCESSIBLE IN THE FOLLOWING MEDIUMS

At LBF, we believe in not just meeting expectations, but exceeding them. With a commitment to continuous innovation, we are excited to introduce a groundbreaking evolution of our reporting suite. Our goal is to provide a more engaging, accessible, and insightful experience for all our stakeholders. This year, we are pushing the boundaries of financial transparency with a range of pioneering features designed to enhance the way you interact with our Annual Report.



REPORT AVAILABLE ON THE FOLLOWING FORMATS



Printed book



Flip book



Interactive PDF



PDF



HTML

REPORT INFORMATION AVAILABLE IN:

Dedicated website for LB Finance Sustainability

LB Finance Corporate website

Multi-functioning micro-site

Dedicated Facebook page for sustainability information



ABOUT THE REPORT

GRI: 2-2

WELCOME TO OUR 13TH INTEGRATED REPORT

We are pleased to present our Integrated Report for the year ended 31 March 2025

This report connects us with you, our valued stakeholders, providing insights into our progress, challenges, and aspirations. We demonstrate how we create sustainable value by balancing financial growth with environmental and social responsibility, adhering to global standards while remaining accessible.



Digital navigation icons

Interactive elements | Refers to other online information links | Videos

This report offers a concise, connected, consistent, and credible assessment of LBF's governance, strategy, performance, and prospects, focusing on our material matters. We report on a double materiality basis, providing a holistic view of our ability to generate sustainable shared value for our stakeholders. Our reporting identifies how we create and preserve value. To determine the material matters included, we initiate an independent process annually to consider relevant issues. By applying the principle of double materiality, we balance financial materiality with sustainability risks and opportunities, fostering an integrated view.

In a landmark move towards elevating the transparency and accountability of our corporate reporting, LBF adopted the SLFRS Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2) during the annual reporting period ending 31 March 2025. This marks a significant transformation in our reporting approach, reflecting our commitment to aligning with the internationally recognised best practices in sustainability and climate-related financial disclosures.

To preserve the integrity and enhance the value of both the SLFRS Standards and our Integrated Reporting framework, we conducted a comprehensive evaluation to ensure that this integration strengthens, rather than compromises, the quality of our disclosures. This rigorous process confirmed that the harmonisation of these frameworks adds depth and clarity to our reporting practices.

By incorporating SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures), we have significantly improved the consistency and relevance of disclosures across key areas: Governance, Strategy, Risk Management, Metrics and Targets. These enhancements not only elevate the standard of our reporting, but also provide stakeholders with a clearer understanding of how sustainability and climate-related factors influence our business operations and long-term value creation.

As this is our first year applying these standards, we have made use of the transitional reliefs offered, which are designed to support entities during initial implementation. Accordingly, LBF has utilised the following transition provisions:

Relief from presenting comparative information for sustainability-related disclosures in this initial reporting period.

Relief from conducting a full climate-related scenario analysis, allowing time to build the capacity for a more robust assessment of climate resilience in future reporting periods.

Relief from estimating the anticipated effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term.

Through this adoption, we reaffirm our dedication to transparency, resilience, and continuous improvement in sustainability reporting, ensuring our stakeholders receive high-quality, decision-useful information.

EVOLVING OUR REPORT IN 2024/25

- The report is more informative and digitised compared to the previous year's report
- We have commenced implementation of SLFRS S1 and S2 and significant changes in the presentation of information throughout the report reflecting our efforts and progress
- The SASB Standard on Consumer Finance has been used as an industry guidance in identifying sustainability risks and opportunities
- Tagging of all applicable GRI, <IR>, SASB and SLFRS S1 and S2 requirements facilitates easy search and identification
- The process for determining materiality matters was fine-tuned ensuring that material topics from GRI and SASB standards as well as our business priorities were covered in the process

View HTML version of the Annual Report by scanning QR code with your smart device or visiting https://www.lbfinance.com/investor-relations



PREPARING OUR INTEGRATED REPORT

1 OUR PURPOSE IS TO CREATE A SUSTAINABLE ORGANISATION

How We Create and Preserve Value

Value creation, preservation, and erosion result from how we apply and leverage our capitals in the formulation and execution of our strategy. These consequences are evident in the changes to our capitals over time, the trade-offs we make, and the financial and non-financial performance, as well as the outputs and outcomes for all stakeholders. Integrated thinking enables us to create and preserve value as we fulfil our purpose to use our financial expertise to do good for individuals, families, businesses, and society.

- Value creation
- Value preservation
- Value erosion

Vision

Fulfilling our Purpose

Values

Mission

Refer page 05

2 INTEGRATED THINKING TO EMBED SUSTAINABILITY INTO THE BUSINESS

Board and its Sub-committees	Short, Medium and Long-term Outlook	Resource Allocation	Risk
Governance and Risk Management	**Developing Our Strategy**	**Our Capitals**	**Determining Material Matters**
Mitigation of Risks	Financial and Non-financial Targets	Value Creating Business Model	Opportunities

2

Ensuring Good Governance and Risk Management Practices

The Board of Directors of LBF has established a robust governance framework to ensure the organisation's sustainability and growth. This system is built on the principles of transparency, accountability, and good governance. By implementing effective strategies and utilising efficient resources, LBF remains aligned with its vision, mission, and values, thereby safeguarding the interests of all stakeholders. LBF has an independent risk governance structure led by the Senior Management team, and overseen by the Board and Board sub-committees. This structure ensures the identification of risks and opportunities within our operating environment, the assessment of their significance, and the review of industry-specific challenges to maintain resilience and drive informed decision-making.

Reporting Boundary

Identifying our material matters is a Company-wide responsibility and requires input from our businesses, an assessment of the impacts, risks and opportunities in our operating environment through a double materiality lens, and input and feedback from our key stakeholders. Our material matters, as described on pages 74 to 80, influence our strategy and our risk management processes. They also inform the evolution of our business model (six capitals) and our short-term (less than 1 year), medium-term (1 to 3 years) and long-term (over 3 years) targets.

Double Materiality

Financial Materiality

Provides information on risks, opportunities, and outcomes (beyond financial reporting boundaries) that influence users' assessments of LBF's future cash flows, finance, or cost of capital over the short, medium and long-term.

Impact Materiality

Focuses on the significance of Company's impact on the environment, society, and the economy over short, medium and long-term regardless of whether those impacts affect the company's financial performance.

OUR INTEGRATED ANNUAL REPORT BOUNDARY

Strategy Pages 81 to 95	Business Model Pages 54 to 55	Operational Performance Pages 222 to 244
Material Matters Pages 74 to 80	Operating Context Pages 56 to 61	Risk Management Pages 311 to 346

SUSTAINABILITY

Environment Pages 208 to 221	Social Pages 184 to 207	Governance Pages 246 to 310

OUR FINANCIAL REPORTING BOUNDARY

(Defined by control and significant influence)

- **LB Finance PLC**
- LB Microfinance Myanmar Company Limited

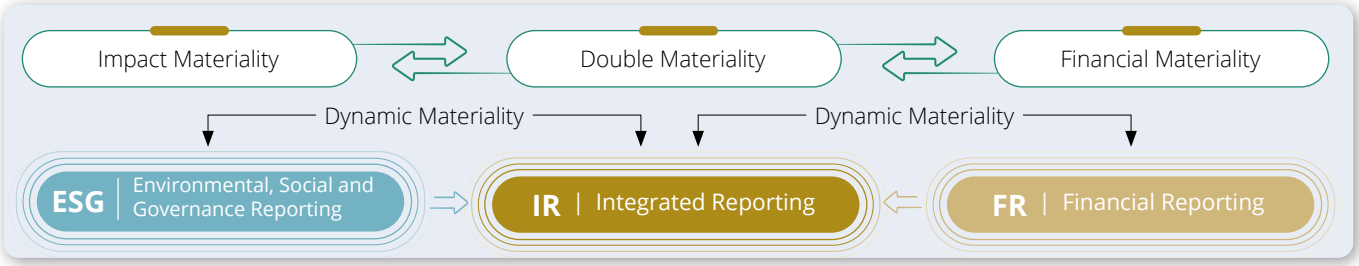
Stakeholder Groups

- Customers
- Employees
- Business Partners/Suppliers
- Shareholders
- Regulators
- Society and Environment

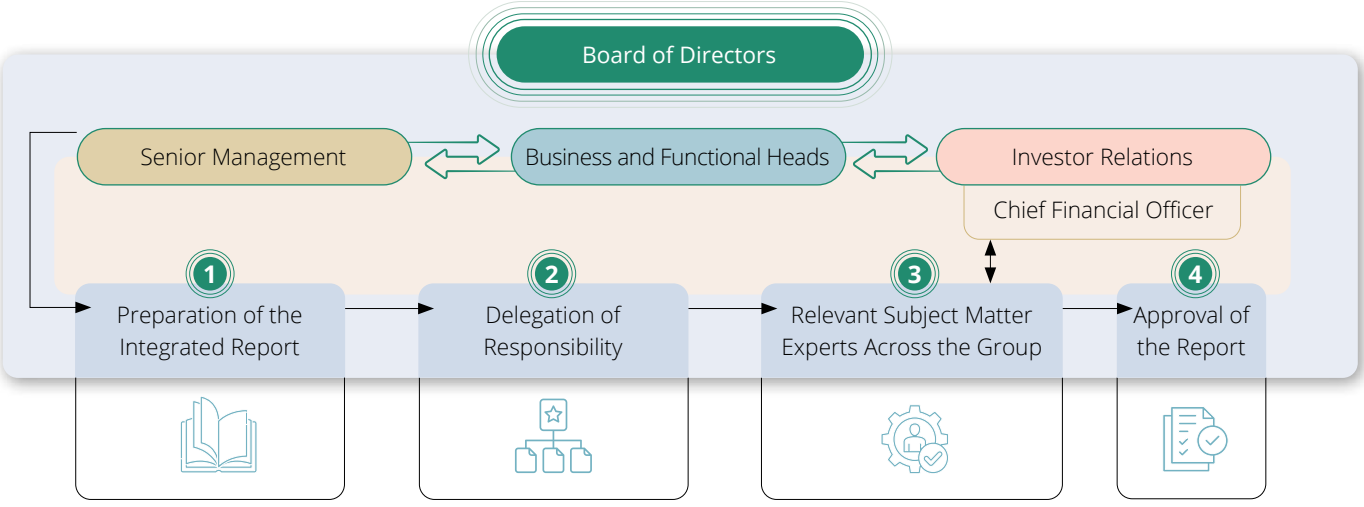
3 INTEGRATED REPORTING PROCESS

Integrated and Sustainability Reporting	Board Audit Committee	Board of Directors
Compiling the Report	**Approving the Report**	**Validating the Integrity of the Report**
Financial Reporting	Board of Directors	Internal and External Assurance

Process Followed



The Board delegates the responsibility for preparing the Integrated Report to Executive Management, with support from Senior Management, business and functional heads, and relevant subject matter experts across the group.



ABOUT THE REPORT

<IR 1A> GRI: 2-27

3

Integrated Reporting

- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- 'A Preparer's Guide to Integrated Reporting' issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

ESG and Sustainability Reporting

- Global Reporting Initiative (GRI) Standards - In Accordance with the GRI Standards, issued by Global Sustainability Standards Board
- Guideline on Environmental, Social and Governance (ESG) Reporting issued by the Colombo Stock Exchange (CSE)
- United Nations Sustainable Development Goals (SDGs)
- 10 Principles of United Nations Global Compact
- SLFRS Sustainability Disclosure Standards S1 & S2
- Consumer Finance Standard issued by the Sustainability Accounting Standards Board (SASB)
- Disclosure on Gender Parity Reporting issued by CA Sri Lanka

Climate-related Disclosures

- ISO 14064-1:2018 Organisation Level for Quantification and Reporting of Greenhouse Gas (GHG) Emissions and Removals

Financial Reporting

- Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) issued by CA Sri Lanka
- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Listing Rules of the Colombo Stock Exchange (CSE)

Corporate Governance Practices

- Listing Rules of the Colombo Stock Exchange (CSE), including the revised Section 9 which was issued in August 2023
- Companies Act No. 07 of 2007 and amendments thereto
- Corporate Governance Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka
- Code of Best Practice for Corporate Governance 2023 issued by CA Sri Lanka
- Directions issued under Finance Business Act No. 42 of 2011

INTEGRATED REPORTING <IR>

The International <IR> Framework

www.ifrs.org

IFRS™

International Financial Reporting Standards (IFRS)

www.ifrs.org

SASB

Sustainability Accounting Standards Board

www.sasb.ifrs.org

GRI

Global Reporting Initiative (GRI) Standards

www.globalreporting.org

UN Sustainable Development Goals

www.sdgs.un.org/goals

Central Bank of Sri Lanka

www.cbsl.gov.lk

CA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

The Institute of Chartered Accountants of Sri Lanka

www.casrilanka.com

UN GLOBAL COMPACT Network Sri Lanka

UN Global Compact Network Sri Lanka

www.unglobalcompact.org

CSE COLOMBO STOCK EXCHANGE Creating Wealth and Value

Colombo Stock Exchange

www.cse.lk

How We Ensure the Integrity of Our Report

The Board ensures the integrity of the Integrated Report through our integrated reporting process with various approvals and sign-offs by the Board. It also relies on assurance frameworks, overseen by the Audit Committee to assess and assure various aspects of our business operations and reporting. These assurances are provided by Management and the Board through rigorous internal reporting governed by the risk management framework, internal audit and independent external audit service providers.

4 OUR INTEGRATED REPORT 2024/25

Reporting Period

In accordance with LBF's established procedure for publishing annual Integrated Reports that include sustainability information, this report covers the period from 01 April 2024 to 31 March 2025, aligning with the Company's financial reporting cycle. Material events occurring after 31 March 2025, up to the date of Board approval on 30 May 2025, have also been incorporated.

Operating Business

We report on the primary activities of the Company, our business clusters, key support areas in Sri Lanka and subsidiary information in Myanmar.

Restatements of Information

There are no financial or non-financial information restatements that were audited in the previous year.

Listening to Our Stakeholders

To ensure the relevance of this report, we undertook a process to understand the key priorities of our stakeholders, including investors, customers, employees, and regulatory bodies. We identified material issues through various feedback mechanisms, including surveys and meetings. This approach ensures that the report addresses the topics of greatest significance to our stakeholders and the organisation.

Financial and Non-Financial Reporting

Our Integrated Report extends beyond financial reporting and includes non-financial performances, risks, opportunities, and outcomes attributable to or associated with our key stakeholders and external entities, which have a considerable influence on our ability to create value sustainably, while minimising value erosion.

Governance and risk management principles, practices and outcomes are integrated throughout the report. Specific Board committee reports are included in relevant sections given the integrated nature of governance.

We report on our purpose-driven sustainability initiatives and actions, highlighting how they align with the UN SDGs and key ESG matters. These initiatives are embedded in our strategy as part of our effort to create positive impacts and unlock strategic value.

Materiality

The principle of materiality is applied when assessing what information should be included in our Integrated Report. This report focuses particularly on those issues, risks and opportunities that materially impact on our 6 capitals and our ability to be a sustainable business that consistently creates, protects, and minimises the erosion of value for all stakeholders over the medium to long-term.

Strategy and Targets

We provide insight into the Group's strategy, as well as financial and non-financial targets for the short, medium and long-term.

Combined Assurance

Our coordinated assurance integrates and aligns risk, audit and compliance functions and assurance activities. This enables an effective internal control environment across the Company with assurance focused on critical risk exposures supporting the integrity of information used in internal decision-making and reporting to external stakeholders.

Our 2024/25 annual financial statements and sustainability information were assured by our external auditors, KPMG and Deloitte respectively. We have indicated the level of assurance provided on pages 308 to 309 and 540.

ABOUT THE REPORT

<IR 1G>

4

ASSURANCE

1st — **Management and Internal Control Measures**
Systematically identify, monitor, and mitigate risks to help ensure the accuracy, reliability, and integrity

2nd — **Internal Audit**
Independently evaluates the effectiveness of risk management, control, and governance processes

3rd — **External Audit, Regulator and Other External Assurance**
KPMG Sri Lanka and Deloitte

4th — **Board and Board Sub Committees**
Board Audit Committee, Board Integrated Risk Management Committee, Board Nomination and Governance Committee, Board Human Resources and Remuneration Committee, Board Related Party Transactions Review Committee, Board Information Security Committee, Board Sustainability Committee



Board Responsibility Statement

The Board acknowledges its responsibility of ensuring the integrity of this Integrated Report. In the Board's opinion, this report addresses all the matters that are material to the Company's ability to create value and fairly presents the integrated performance of LBF. The Board is confident that the report has been prepared in line with the Integrated Reporting <IR> Framework. This 2024/25 Integrated Report was approved by the Board and signed on its behalf by.

G A R D Prasanna
Chairman

J A S S Adhihetty
Managing Director

OUR ANNUAL INTEGRATED REPORTS AND OUR AUDIENCE



2020/21 | 2021/22 | 2022/23 | 2023/24

Target Audience

This report informs LBF's key stakeholders on economic, environmental, social performance and governance, enabling them to assess how material issues are addressed and value is created over time.

- Customers
- Shareholders
- Employees
- Regulators
- Business Partners/ Suppliers
- Society and Environment

4



Digital and ESG Reporting

Our 2024/25 Integrated Reporting suite is crafted to deliver an enhanced digital experience, catering to the evolving preferences of our stakeholders who primarily access information via digital platforms. The landscape-oriented design ensures optimal readability on desktops, mobile and tablets, while the integrated digital navigation features make it easy to explore various sections or topics. Navigation icons at the top of each page and hover-activated pop-ups provide seamless transitions within the report. Additionally, we've included links to videos that offer deeper insights, adding a dynamic and engaging dimension to our Integrated Report.

Indicates interactive content

Refers readers to other online information

Indicates video content

ESG

This icon refers to our 2024/25 ESG data, available on sustainability.lbfinance.com, where LBF specific terminology aligns with similar terminologies used across various disclosure frameworks we adhere to.

Qualitative Criteria in Our Annual Report

At LBF, we ensure our Annual Report adheres to key qualitative criteria to provide transparent, accurate, and meaningful insights.

Completeness

We cover all material impacts, both direct and indirect, including our CSR and sustainability initiatives.

Comparability

We provide performance data across periods, with industry benchmarks for context.

Accuracy and Consistency

Our information is verified through internal controls to ensure reliability.

Clarity

We use both text and visuals to enhance readability and understanding.

Balance

We present a fair and comprehensive view of our performance.

Credibility and Reliability

Independent external assurance ensures the trustworthiness of our financial and sustainability data.

These principles reflect our commitment to high-quality, transparent reporting that meets the needs of all stakeholders.

Our Capitals

At LBF, we foster a culture of empowerment and accountability by effectively utilising our resources and capitals. Our approach integrates ESG principles into a standardised, scalable, and efficient way of conducting business. Detailed insights into these capitals can be found in the capital reports.

- FC Financial Capital
- HC Human Capital
- SRC Social and Relationship Capital
- MC Manufactured Capital
- IC Intellectual Capital
- NC Natural Capital

Refer pages 124 to 221

Compliance Beyond Reporting Criterion

Refer to the Corporate Governance section (page 246) under 'Governance Practices Exceeding Legal Requirements' and 'Disclosures Beyond Reporting Criteria' for details on compliance measures that go beyond standard reporting requirements at LBF.

ABOUT THE REPORT

GRI: 2-3

4

Forward-looking Statements

This report contains certain forward-looking statements about LBF's financial position, results, strategy, operations, and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that may occur in the future. There are several factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. Consequently, forward-looking statements have not been reviewed or reported on by the Company's external auditors.

Forward-looking statements made by LBF on 30 May 2025 at the time of releasing its 2024/25 results, were informed by the Company's business plans and economic forecasts in February 2025.

5

TRANSITION TO SLFRS S1 AND SLFRS S2

Regulators are increasingly acknowledging that Sustainability-related, climate-related physical and transition risks pose both financial and non-financial challenges to the financial sector. These risks stem from the geographic concentration of assets and liabilities in climate vulnerable regions, as well as from exposure to businesses and investments operating in sectors that are particularly sensitive to the transition to a low-carbon economy.

SLFRS S1, focuses on general sustainability-related disclosures

SLFRS S2, specifically addresses climate-related disclosures

Since the release of SLFRS S1 and S2, several key initiatives have been undertaken:

- The LBF sustainability Team conducted a thorough gap analysis to assess the impact of risks on our current business
- Incorporated the sustainability and climate related risks to the overall integrated risks management process of the Company. (Refer Page 337)
- External subject matter experts were consulted to gain insights on the impact of the applicable standards and obtained an assurance for the adaptation of SLFRS S1 and S2(Refer Page 540)

We Appreciate Your Feedback

We would love to hear your thoughts about this report. Your feedback helps us to improve and make sure that our reports meet your expectations. Let us know what you think, so we can continue to evolve and do better.

Send your comments to:

Chief Financial Officer or
Senior Manager – Corporate Strategy and Sustainability,
LB Finance PLC,
Corporate Office,
No. 20, Dharmapala Mawatha,
Colombo 03.
Tel: 011 2155 504
Fax: 011 2575 096

CONQUERING WITH COURAGE

Emboldened by a Sri Lankan spirit, we rise to challenge new frontiers, leaving an impactful influence on across our island and beyond

The lion, a proud symbol of Sri Lanka, is celebrated globally for its strength and bravery. At LB Finance, we carry that same pride in our heritage as we expand our values across the island and beyond. Just as a mosaic is made up of diverse elements, our offerings are a blend of varied products and services, each contributing to a greater whole.



SECTION 1

We are LB Finance 24 | Building Socio-economic Prosperity 33 | Awards and Accolades 37 | Financial Highlights 38
Non-financial Highlights 40 | Strategic Journey 42 | A Snapshot of 2024/25 44

WE ARE LB FINANCE

<IR 4A>

OUR PROFILE

With a track record spanning 54 years in the Sri Lankan financial service sector, LB Finance PLC is rated among the top-tier Non-Banking Financial Institutions (NBFIs). LBF was one of the financial institutions in Sri Lanka to retain its A-(lka) rating by Fitch Ratings Lanka Ltd, a fact that stands as a further testament to the strength and stability of the Company.

LBF has brought prosperity to people and businesses on every corner of the island for over half a century. Having earned the trust and respect of millions, LBF today is positioned as the most respected financial services provider in Sri Lanka.

Over 50 years' of providing **SOLID FINANCIAL SOLUTIONS** in Sri Lanka



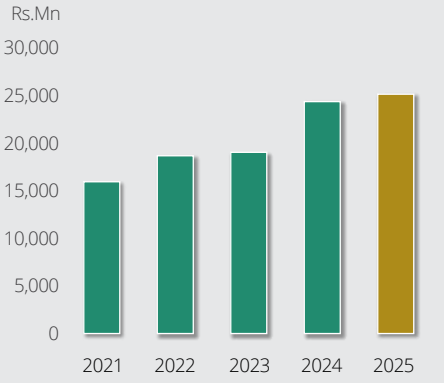
TOTAL ASSET BASE

Rs. 240.89 Bn

2023/24 Rs. 202.17 Bn

19%

Net Interest Income





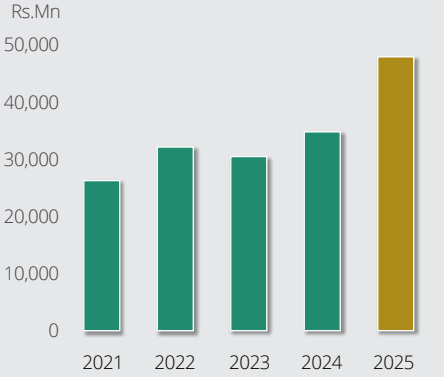
DEPOSITS

Rs. 138.49 Bn

2023/24 Rs. 122.80 Bn

13%

Market Capitalisation



EMPLOYEES

4,407

2023/24 4,132



CUSTOMER BASE

850,000+



COST TO INCOME RATIO

32.58%

2023/24 31.12%

OPERATIONS

Carbon Conscious for the 12th consecutive year

A strong, experienced and diversified Board

and a leadership team

40% Independent Non-Executive Directors

Refer pages 256 to 259



Excellent risk management and governance track record

Early Adoption of SLFRS S1 and S2:

First Finance Company in the NBFI Sector

Refer page 248

LB Finance ranked #16 among all top corporates in Sri Lanka

by Business Today

41% Net Promoter Score (NPS)

Reflects Strong Customer Satisfaction

CONSISTENT VALUE FOR CUSTOMER SATISFACTION

216

branches island-wide

Access to the **LARGEST FINANCIAL SERVICES** NETWORK in Sri Lanka

Industry best technology and leading digital innovations

200,000+

CIM app downloads

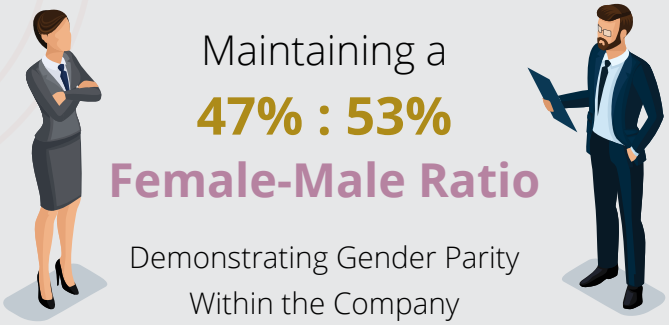
Refer page 73

STRONG BALANCE SHEET

to protect against downside risks

EMPLOYMENT GENERATION

A Purpose-Led Approach Partnering with Global and Local (Public and Private) Entities to Deliver Positive ESG Impacts



Maintaining a

47% : 53%

Female-Male Ratio

Demonstrating Gender Parity Within the Company

KEY ATTRIBUTES THAT GAVE LBF

ITS SUSTAINABLE COMPETITIVE ADVANTAGE IN 2025

A DISTINCTIVE ORGANISATIONAL CULTURE THAT FOSTERS

AN INNOVATIVE, COMMITTED,

A HIGHLY ENGAGED AND MOTIVATED WORKFORCE

EFFECTIVE COST OPTIMISATION STRATEGIES TO IMPROVE

OUR OPERATING EFFICIENCY AND PROFITABILITY RATIOS

ROBUST CUSTOMER BASE DRIVING

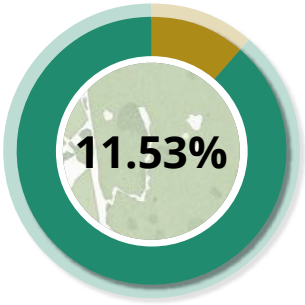
STEADY AND SUSTAINABLE REVENUE EXPANSION

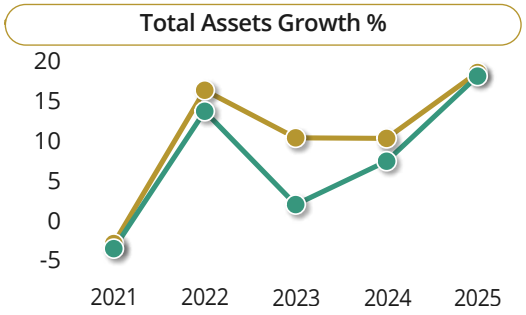
EXPERT LEADERSHIP AND MANAGEMENT TEAM

DRIVING STRATEGIC GROWTH AND INDUSTRY EXCELLENCE

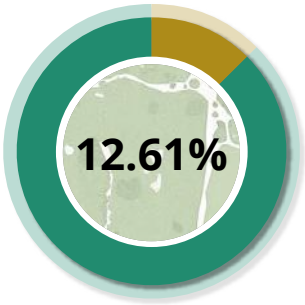
Market Share | Growth Rate

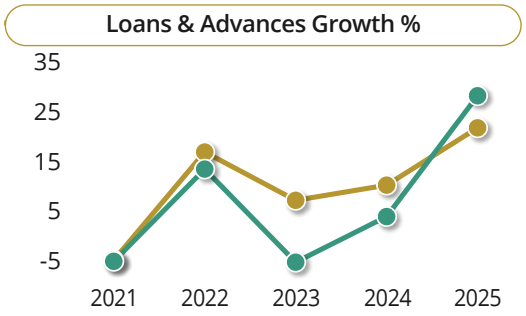
Total Assets



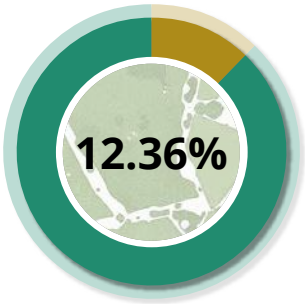


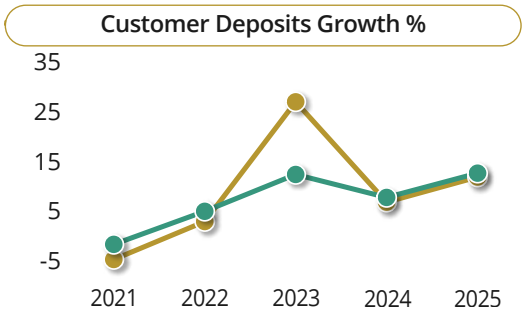
Loans & Receivables



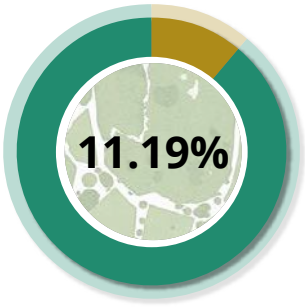


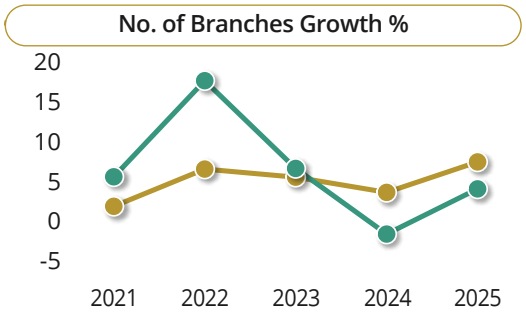
Customer Deposits





No. of Branches





LBF NBFI Sector

GRI: 2-1

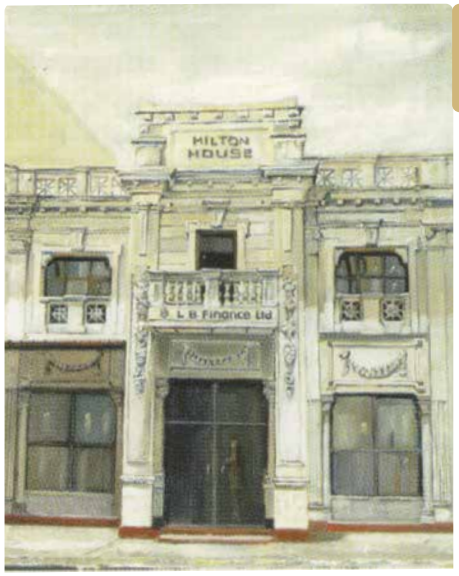
WE ARE LB FINANCE

With over half a century of experience, LB Finance PLC (LBF) remains at the forefront of Sri Lanka's financial services, consistently providing reliable solutions that empower individuals, businesses, and communities to thrive. Driven by innovation, a deep understanding of our customers, and a dedication to sustainable practices, we have become a trusted partner for millions across Sri Lanka.



1. EMPOWERING PEOPLE, FUELLING ECONOMIC GROWTH

Today, as a leading force in Sri Lanka's Non-Banking Financial Institutions (NBFI) sector, we embrace the future, spearheading digital innovation and promoting responsible financial practices.



2. OUR LEGACY - A HISTORY OF EXCELLENCE AND TRUST

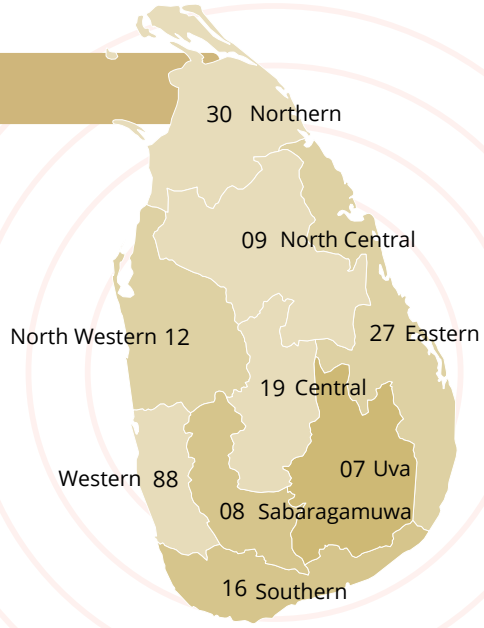
Founding and Growth

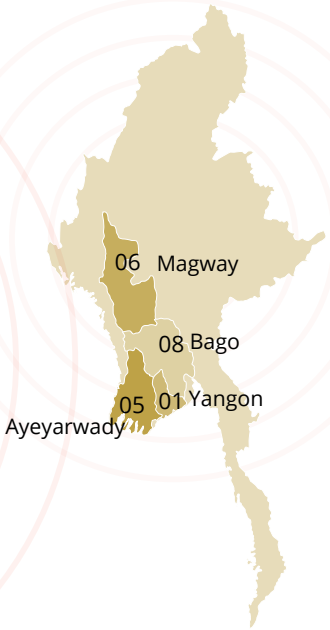
Founded in May 1971 as a private limited liability company, LBF has undergone significant transformation to become a leading NBFI in Sri Lanka. The Company became a public limited liability company in 1982 and was listed on the Colombo Stock Exchange in 1997. Key ownership transitions include Vanik Incorporation Limited taking control in 1994 and the acquisition by renowned Sri Lankan entrepreneur Mr. Dhammika Perera in 2003, incorporating LBF into the Vallibel One PLC group, a prominent local conglomerate with diverse interests. Following this, in June 2008, LBF was re-registered under the new Companies Act No. 7 of 2007.

Over the last five decades, we have played a vital role in contributing to the prosperity of individuals and businesses across the nation. With the trust and respect of many Sri Lankans, we are widely recognised as a preferred financial services provider in the Country

3. WHERE WE OPERATE

In Sri Lanka, LBF operates through an extensive network of 216 branches, offering a broad range of financial services nationwide. Its international operations are carried out through its fully owned subsidiary, LB Microfinance Myanmar, which manages 20 branches across Myanmar, demonstrating the Company's commitment to regional expansion and inclusive financial solutions.





4. TAGS IN ACTION - DRIVING OUR FUTURE



Transparency

Transparency is the foundation of trust at LBF. We are committed to open communication with all stakeholders, providing accurate and timely information about our financial performance, operations, and corporate strategies. This commitment is demonstrated through our comprehensive disclosures, audited financial statements, and regular updates, fostering confidence and maintaining open dialogue with investors, customers, and employees.

Mr. Sumith Adhihetty | Managing Director

- LBF places a strong emphasis on transparency to foster stakeholder trust and accountability, ensuring that all disclosures are clear, consistent, and accessible
- The Company integrates financial and sustainability reporting, providing a unified and comprehensive view of long-term strategy, performance, and value creation
- Financial statements are prepared in full compliance with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS), guaranteeing reliability and integrity
- Independent audits by KPMG, Deloitte, and Control Union offer external assurance for both financial and non-financial disclosures, reinforcing stakeholder confidence
- Implementation of SLFRS S1 and S2 enhances the management and reporting of sustainability-related and climate-related risks and opportunities
- ESG policies, performance indicators, and sustainability initiatives are disclosed openly, showcasing LBF's commitment to responsible business practices
- Interactive digital reporting platforms provide intuitive, real-time access to performance data, empowering stakeholders with transparent insights

Accountability

Accountability is central to how we operate at LBF. We hold ourselves responsible for our actions and decisions, ensuring that we meet the expectations of our stakeholders and comply with all regulatory requirements. Our Management team adheres to rigorous standards of accountability, and we encourage a culture where every individual is responsible for their contributions, driving the Company's growth while maintaining the highest ethical standards.

Mr. Niroshan Udage | Deputy Managing Director



- LBF cultivates a culture of accountability, emphasising responsible decision-making and adherence to regulatory frameworks at every level of the organisation
- The Board of Directors holds ultimate responsibility for strategic oversight, ensuring that corporate objectives align with regulatory and ethical standards
- Board Audit and Risk Management Committees independently oversee financial reporting, internal controls, and risk governance to maintain integrity and operational accountability
- The Managing Director and Senior Management team are directly accountable for the execution of business strategies and achieving measurable outcomes aligned with performance goals
- Executive compensation is linked to performance indicators and long-term shareholder value, reinforcing responsibility and outcome-driven leadership
- A confidential Whistleblower Policy encourages employees to report unethical practices, ensuring transparency and protecting corporate integrity
- The Company maintains full compliance with directives issued by the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC), and Colombo Stock Exchange (CSE)



Governance

Good governance is a pillar of our organisational framework. We are dedicated to upholding the highest standards of corporate governance by implementing robust internal controls, risk management frameworks, and by adhering to all legal and ethical standards. Our Board of Directors ensures that we are guided by a clear vision, fostering an environment of integrity, fairness, and accountability, while ensuring the Company's long-term success and sustainability of LBF.

Mr. B D A Perera | Executive Director

- LBF operates under a robust governance framework that upholds ethical conduct, regulatory compliance, and effective risk oversight across all business functions
- A well-structured Board, comprising both executive and independent directors, provides balanced leadership and represents diverse stakeholder interests
- The Company adheres to both mandatory and voluntary governance frameworks, including the Code of Best Practice on Corporate Governance, to ensure organisational resilience
- Comprehensive risk management systems proactively identify, assess, and mitigate a wide range of risks including credit, market, operational, liquidity, and reputational risks
- Specialised committees under the Board ensure in-depth focus and strategic oversight across key areas such as audit, risk, nomination, and remuneration
- Continuous professional development and training of Board members enhance their ability to make informed decisions and navigate evolving business environments
- Ethics and Corporate Social Responsibility (CSR) are integrated into strategic planning, reinforcing responsible governance and sustainable growth
- Independent assurance mechanisms validate adherence to governance standards, further building trust among regulators, investors, and the public

Sustainability

At LBF, sustainability is integral to our business strategy. We are committed to fostering an environmentally and socially responsible approach in all our operations. By adopting sustainable practices, such as eco-friendly initiatives, community engagement, and responsible financial services, we aim to create lasting value not only for our business, but also for society and environment. We recognise that our success is deeply linked to the well-being of the communities we serve, and we continuously strive to make a positive impact for future generations.



Mr. Ravindra Yatawara | Executive Director

- The Board Sustainability Committee ensures ESG principles are aligned with corporate objectives and monitored effectively
- As Sri Lanka's first carbon-neutral finance company (achieved in 2015/16), LBF maintained carbon neutrality until 2020 and has transitioned to a carbon-conscious model from 2021
- ESG integration drives responsible lending practices, equitable social impact, and good governance, shaping the Company's approach to sustainable finance
- The Company actively promotes green financial products, including loans for electric and hybrid vehicles, solar power systems, and other renewable energy initiatives
- LBF implements impactful CSR programmes focusing on education, healthcare, infrastructure, and rural development, contributing to inclusive socioeconomic progress
- Climate-related risks and emissions are continuously monitored and disclosed in alignment with international frameworks such as TCFD, reinforcing environmental accountability
- Strategic investments in digital technology reduce paper usage and operational waste, supporting environmentally conscious business practices and customer engagement

5. ESG IS A PART OF EVERYTHING WE DO



At LBF, we put people and purpose at the forefront, integrating ESG principles into our DNA.

We believe that embedding ESG considerations into every aspect of our business enhances our long-term sustainability, promotes transparency, and fosters accountability. ESG factors are central to our strategic decisions and operational plans, with our ESG Policy guiding the allocation of capital towards projects with positive environmental and social outcomes. We are dedicated to expanding our environmental and social objectives, aligning our business strategy with the UN Sustainable Development Goals (SDGs) and the 10 Principles of the UN Global Compact (UNGC) to create lasting value for our stakeholders and the communities we serve.

6. OUR STRATEGIC PRIORITIES

Sustainable Growth

Prioritise sustainable investments and financing solutions that support long-term environmental and social goals. By aligning with global ESG standards and integrating sustainability into business practices, LBF can contribute to national development while appealing to eco-conscious investors.



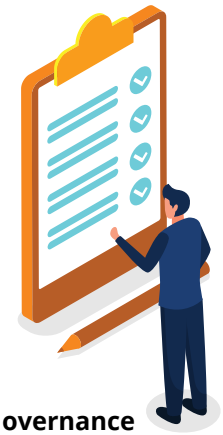
Empowering People

Empowering people is the core of LBF's success. We invest in talent development, fostering a culture of inclusivity, and providing employees with the tools and opportunities to thrive. By nurturing a supportive environment, we enable our teams to reach their full potential and contribute to the Company's overall growth and success.



Digital Leadership

As digital transformation accelerates, LBF is committed to embracing technology to stay ahead. We leverage advanced tools and data analytics to optimise operations, enhance customer engagement, and drive innovation. Our focus on digital leadership enables us to offer cutting-edge solutions and stay competitive in an increasingly digital world.



Customer Centricity

Customer centricity drives our mission to deliver exceptional value to our customers. We prioritise understanding their evolving needs and continuously enhance our products, services, and customer experiences. This approach ensures strong, long-lasting relationships and fosters trust and loyalty in the markets we serve.

Positive Impacts

At LBF, we are dedicated to creating positive impacts for society and the environment. This strategy emphasises our commitment to Corporate Social Responsibility, ethical practices, and supporting initiatives that foster community development. Our actions are aligned with making meaningful contributions to global sustainability and social welfare.

Risk and Governance

Effective risk management and governance are fundamental to LBF's strategy. We adopt a proactive approach to identify, assess, and mitigate risks across our operations, ensuring the protection of our assets and stakeholders. Robust governance structures guide our decision-making processes, ensuring compliance, transparency, and ethical business conduct.

7. OUR INVESTMENT CASE



We identify new opportunities to adapt and evolve our business models, deepening vertical integration and expanding into market segments and new geographic markets to grow our earnings base



We are committed to delivering shared value outcomes for our stakeholders by consistently generating strong returns for shareholders and driving the development of our industries, all while creating net positive socio-economic returns with sustainable benefits



We leverage data, technology and processing capabilities to gain distinct competitive advantages and we invest in a diverse range of high-potential digital businesses strategically positioned in defensive market sectors with historically low levels of stakeholder trust



We mobilise an optimal balance of equity and debt capital to fund the growth of our business platforms and their underlying assets



We prioritise good governance practices and risk management to enhance our reputation as a trusted business and social partner and support market formalisation



Our business models are designed to adapt and evolve as we identify opportunities to accelerate growth



We build our business platforms to develop unique value propositions, resulting in diversified and resilient revenue streams

8. OWNERSHIP STRUCTURE

Rocell Eternal elegance — 26.07%

Vallibel ONE — 51.75%

Other Shareholders — 22.18%

LB FINANCE

LB MICROFINANCE MYANMAR

100%

9. TRAILING SUCCESS – OUR COMPETITIVE EDGE

Strong Financial Performance and Stability

We demonstrate strong financial health, as evidenced by our consistent growth in assets, profitability, and a robust balance sheet. This solid financial foundation enables us to effectively navigate economic fluctuations while seizing opportunities for future growth. As the 2nd largest financial institution in the Non-Banking Financial Institution (NBFI) sector in Sri Lanka, we lead in assets, loans, and deposits. Additionally, we are proud to be the highest taxpayer in the NBFI sector, reflecting our commitment to contributing to the nation's development and economic stability.

Comprehensive and Diverse Financial Products

We expand our market reach by offering a comprehensive suite of financial services, encompassing Leasing, Loans, Gold Loans, and diverse Savings products designed to meet the varied financial needs of our customers.

Strong Brand Reputation and Customer Trust

Our commitment to reliability and trustworthiness has fostered strong customer loyalty and a continually expanding customer base, built on long-term relationships. This dedication to excellence has earned us recognition as the best financial institution in the country by LMD Brand Finance. These accolades are a testament to the trust and confidence our customers place in us, as we continue to uphold our reputation for delivering exceptional value and service.

Innovative Digital Transformation

As a leader in digital innovation within the NBFI sector, we are transforming customer experiences and streamlining operations by embracing cutting-edge technologies. We are pioneering digital banking solutions that offer advanced, user-friendly mobile financial, digital financial services, and AI-driven financial services, all designed to meet the evolving needs of our customers. Our commitment to delivering exceptional digital experiences is reflected in the 4.4 star rating by users and the 3+ rating of our LB CIM app, demonstrating the high level of satisfaction and trust our customers have in our digital offerings.



Commitment to Sustainability and Reporting Excellence

We are a leader in sustainability reporting, utilising industry-specific SASB standards and globally recognised sustainability frameworks to ensure transparent and responsible disclosure. This commitment highlights our dedication to both financial and environmental sustainability for the long term. LBF became the first carbon neutral finance company in Sri Lanka in 2015/16 and maintained this status until 2020/21. From 2021/22 onward, the Company transitioned to operating as a carbon conscious organisation, reflecting its continued commitment to environmental sustainability. Our dedicated portfolio of green financing products and initiatives supports renewable energy and environmentally friendly projects, contributing to a more sustainable future. Beyond business operations, we were the first financial institution to conduct a climate awareness programme in schools, promoting environmental consciousness among the next generation. Additionally, as a proud Sri Lankan company, we are actively involved in Climate Resilience through our ESG Policy, reinforcing our commitment to sustainable practices and the well-being of our communities.

BUILDING SOCIO-ECONOMIC PROSPERITY

GRI: 203-2

REDEFINING GROWTH, EMPOWERING COMMUNITIES, TRANSFORMING LIVES

For over 54 years, LBF has been a driving force in Sri Lanka's economic and social progress. We have fostered job creation, broadened financial inclusion, spearheaded innovation, and empowered communities, reshaping the financial landscape for individuals and businesses alike.

Looking at 2024/25, our commitment to inclusive financial growth remains steadfast. We will expand access through branch networks and digital platforms, empower women entrepreneurs, and strengthen foreign exchange accessibility, continuing to contribute to Sri Lanka's evolving economy.

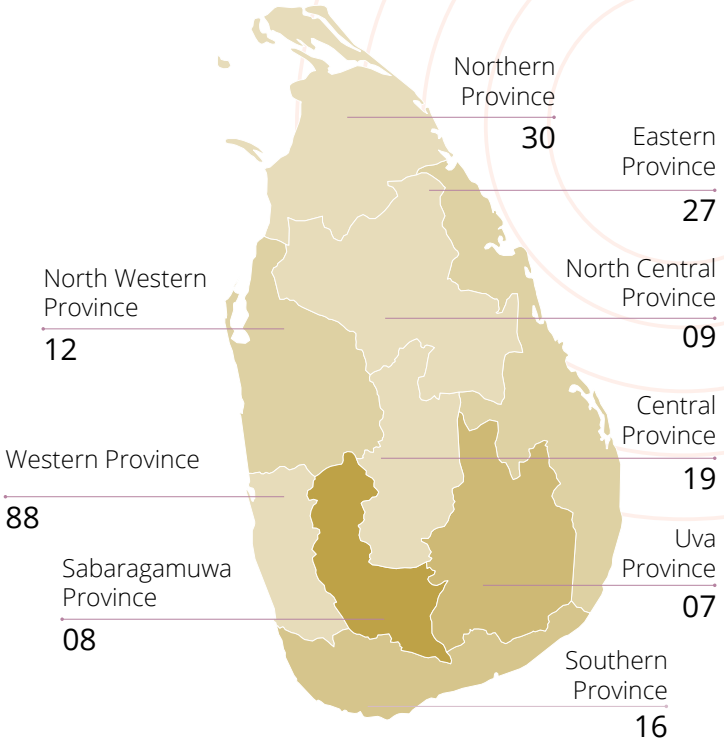
1 EXPANDING ECONOMIC HORIZONS

A thriving economy is built on equal access to financial opportunities. At LBF, we have taken significant steps to bridge financial gaps, by providing crucial financial backing to rural communities, small businesses, and emerging entrepreneurs, enabling their growth and success.

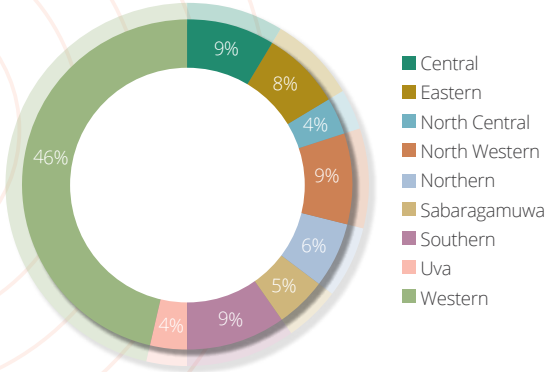
Financial Inclusiveness Through Branch Expansion

Our commitment is to reach every Sri Lankan with essential financial services. In 2024/25, we demonstrated this commitment by launching 10 new branches, including 03 strategically placed in North and East areas, extending affordable and reliable access to those communities.

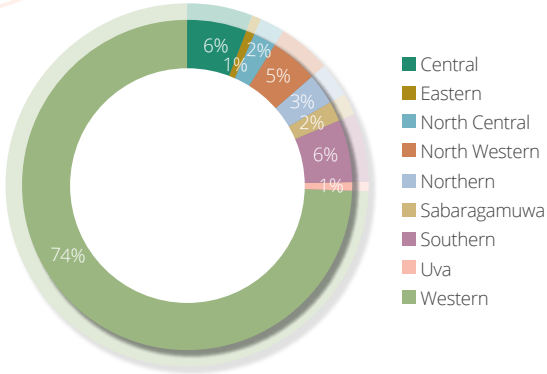
Provincial Distribution of Branches



Provincial Distribution of Loans



Provincial Distribution of Deposits



BUILDING SOCIO-ECONOMIC PROSPERITY

Digital Access: Breaking Barriers with Innovation

From digital financing to AI-driven lending, we are at the forefront of next-generation digitalised financial services, ensuring seamless, 24/7 access to financial transactions. Our digital platforms empower customers to manage their finances anytime, anywhere, enhancing convenience and accessibility.

In 2019, we entered the mobile digital transaction space with the launch of the LB CIM app, introducing two dedicated platforms: one for individual customers and another tailored for merchants, enabling secure and efficient digital transactions for a range of financial needs.

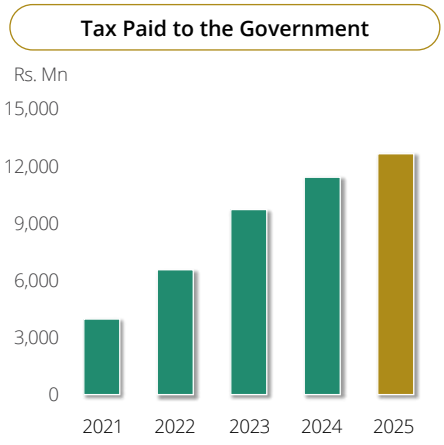


Strengthening the Economy Through Responsible Contributions

As a leader in the Non-Banking Financial Institution (NBFI) sector, we are proud to be the highest taxpayer in the industry. Our contributions are vital to Sri Lanka's economic growth, supporting essential public services and strengthening financial stability.

Rs. 12,645 Mn

Total tax paid to the Government during the year



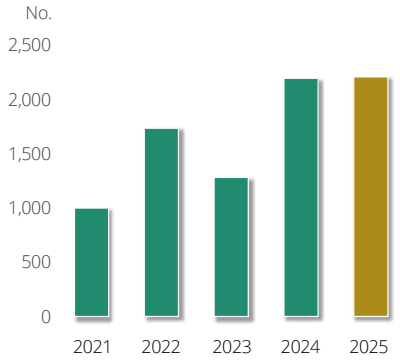


2 JOB CREATION

From Employment to Empowerment

We empower entrepreneurs to build businesses and create jobs. Our commitment to economic growth extends far beyond our own Company, impacting communities across Sri Lanka.

New Employment Opportunities



4 EMPOWERING WOMEN

Financial independence is a key driver of social progress, and we are leading the charge in empowering women entrepreneurs and professionals. Our targeted programmes provide customised financial support, mentorship, and networking opportunities, empowering women-owned businesses to thrive and achieve significant growth.

Rs. 84 Bn
Gold Loans granted to women entrepreneurs

2,090
Women representation in workforce

Rs. 374 Mn
LB CIM Business and Personal Loans disbursed to women entrepreneurs

10,289
Number of vehicle financing facilities granted to women

3 ECONOMIC VALUE CREATION

Economic Value Creation

At LBF, we measure success by more than profit. We measure it by the real economic value we create.

Our Economic Value Added (EVA) and Market Value Added (MVA) reflect our commitment to sustainable wealth creation for all stakeholders.

Our EVA and MVA demonstrate our commitment to generating wealth beyond financial transactions, ensuring long-term prosperity for shareholders, employees, and customers.

Economic Value Added (EVA)

For the year ended 31st March	2024/25 Rs. million	2023/24 Rs. million
Invested Equity		
Equity owner's funds	51,266.00	43,626.07
Add: Cumulative loan loss provision/provision for impairment	7,112.63	7,309.25
	58,378.63	50,935.32
Earnings		
Profit attributable to shareholders	10,805.63	9,563.64
Add: Loan losses and provisions/impairment provision	(256.24)	373.24
	10,549.40	9,936.87
Economic cost % (Average Treasury Bill rate plus 2% risk premium)	11.51	16.80
Economic cost	6,291.02	8,140.42
Economic value added	4,258.38	1,796.45

Market Value Added (MVA)

For the year ended 31st March	2024/25 Rs. million	2023/24 Rs. million
Market capitalisation		
Market value of equity	47,925.94	34,794.79
Less: Equity owners' funds		
Total equity owners' funds	51,266.00	43,626.07
Market value added/(destroyed)	(3,340.06)	(8,831.28)

By expanding financial access and providing crucial skills development, we are empowering women to become economic powerhouses, creating a ripple effect of job creation, stability, and transformative economic change across communities.

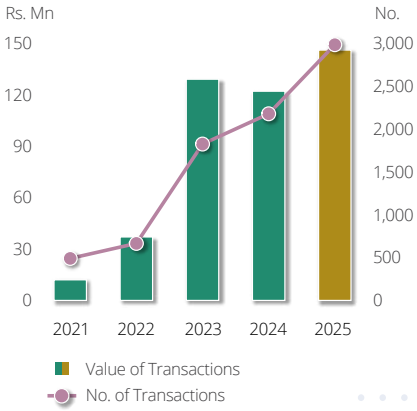
LBF'S IMPACTFUL SOCIO-ECONOMIC FOOTPRINT

5 FOREIGN CURRENCY EXCHANGE

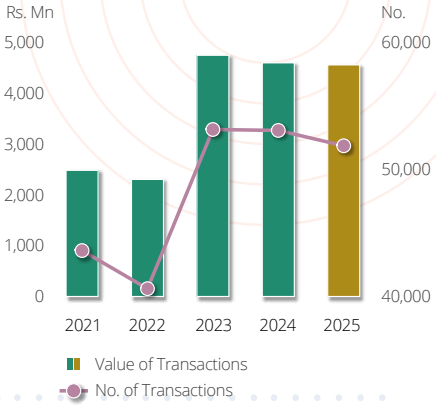
LBF leverages its position as a principal agent for Western Union Money Transfer systems, to increase the volume of foreign currency inflows to the country.



Foreign Exchange Transactions



Western Union Transactions



6 RURAL DEVELOPMENT

LBF supports the development of provincial economies via its island-wide branch network. In line with efforts to provide equal access to all Sri Lankans, our most recent branch expansion strategy has focused on reaching out to customers in the North and East regions of Sri Lanka.

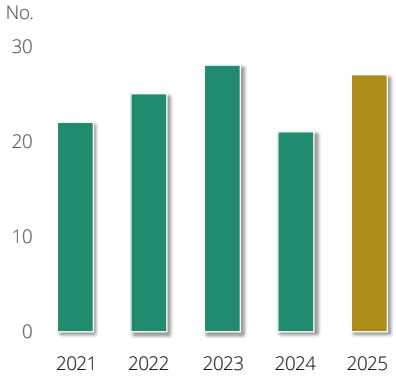




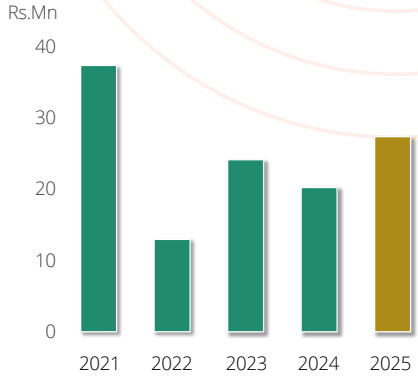
7 SUPPORTING COMMUNITIES

Our commitment extends beyond financial contributions to uplifting communities through impactful social development programmes. Our strategic CSR initiatives focus on education, healthcare, financial literacy, and environmental sustainability, ensuring our growth benefits society as a whole.

No. of CSR Projects



Investment in CSR Projects





AWARDS AND ACCOLADES



1

NATIONAL ICT AWARDS NBQSA 2024

Data Analytics Technology of the Year - Winner

In-House (Non ICT Company) Category - Merit

"Automated Gold Loan Higher Advance Granting"

In-House (Non ICT Company) Category - Merit

"Eclipse RMV (Registrar of Motor Vehicles) Solution"

In-House (Non ICT Company) Category - Merit

"Eclipse Deposit Management Solution"

2

DIGITAL TRUST AWARDS 2024

Technology Resilient Company of the Year 2024 - Merit

Financial Sector

3

SAFA

Best Presented Annual Report Awards Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance Disclosures

- Bronze Award

Financial Services Sector

4

TAGS AWARDS 2024

Finance Companies, Leasing Companies & Other Financial Institutions - Gold

5

CMA EXCELLENCE IN INTEGRATED REPORTING AWARDS 2024

Best Integrated Report - Winner

Finance & Leasing Sector

Five Excellent Integrated Reports

6

LANKAPAY TECHNNOVATION AWARDS 2025

Most Popular Digital Payment Product - Gold

(Private Commercial Banks and Non-Bank Financial Institutions Category - Internet and Mobile Banking)

7

LMD

Most Respected Entities in Sri Lanka

- Sector Winner

Finance & Leasing Category 2024

8

ICSDB EXCELLENCE AWARDS - 2024

In-House Implementations

- Merit Award

9

NATIONAL PROJECT MANAGEMENT EXCELLENCE AWARDS 2024

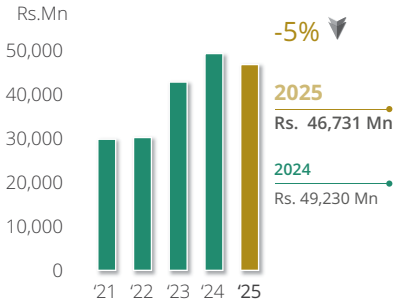
Best Managed Project in Banking & Financial Services Sector - Silver Award

FINANCIAL HIGHLIGHTS

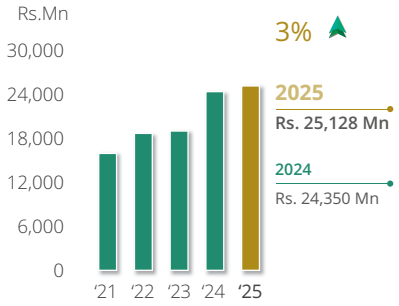
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Indicator		Company			Group		
		2024/25	2023/24	Change (%)	2024/25	2023/24	Change (%)
Operating Results							
Income	Rs. Million	**46,730.95**	49,230.09	(5.08)	**47,156.26**	49,635.77	(5.00)
Interest Income	Rs. Million	**41,815.46**	45,729.85	(8.56)	**42,201.90**	46,102.50	(8.46)
Net Interest Income	Rs. Million	**25,128.08**	24,350.35	3.19	**25,418.19**	24,641.87	3.15
Profit before Taxation (PBT)	Rs. Million	**16,341.67**	15,180.21	7.65	**16,412.68**	15,334.43	7.03
Profit after Taxation (PAT)	Rs. Million	**10,805.63**	9,563.64	12.99	**10,861.93**	9,707.01	11.90
Financial Position							
Total Assets	Rs. Million	**240,890.24**	202,176.51	19.15	**241,984.41**	203,147.89	19.12
Loans and Receivables	Rs. Million	**197,766.69**	161,291.49	22.61	**199,271.05**	162,521.73	22.61
Due to Depositors	Rs. Million	**138,496.87**	122,808.12	12.78	**138,823.90**	123,034.55	12.83
Borrowings	Rs. Million	**42,417.09**	27,193.41	55.98	**42,805.11**	27,447.26	55.95
Equity	Rs. Million	**51,265.99**	43,626.07	17.51	**51,590.15**	43,911.26	17.49
Investor Information							
Market Price per Share	Rs.	**86.50**	62.80	37.74	**N/A**	N/A	-
Market Capitalisation	Rs. Million	**47,925.94**	34,794.79	37.74	**N/A**	N/A	-
Net Asset Value per Share	Rs.	**92.53**	78.74	17.51	**93.11**	79.25	17.49
Earning per Share (EPS) Basic	Rs.	**19.50**	17.26	12.97	**19.60**	17.53	11.79
Earning per Share (EPS) Diluted	Rs.	**19.50**	17.26	12.97	**19.60**	17.53	11.79
Dividend per Share (DPS)	Rs.	**6.50**	5.75	13.04	**N/A**	N/A	-
Dividend Yield	%	**7.51**	9.16	(18.01)	**N/A**	N/A	-
Dividend Payout Ratio	%	**33.33**	33.31	0.06	**N/A**	N/A	-
Statutory Ratios							
Core Capital to Risk Weighted Assets Ratio (Tier I) (Minimum 10%)	%	**30.45**	31.45	(3.18)	**30.37**	31.59	(3.86)
Total Capital to Risk Weighted Assets Ratio (Tier I & II) (Minimum 14%)	%	**31.31**	32.19	(2.73)	**31.38**	32.33	(2.94)
Equity to Deposits (Minimum 10%)	%	**37.02**	35.52	4.21	**37.16**	35.69	4.12
Liquidity Ratio	%	**20.01**	21.02	(4.80)	**19.98**	21.21	(5.80)
Other Ratios							
Return on Assets (ROA)	%	**4.88**	4.97	(1.81)	**4.88**	5.03	(2.98)
Return on Equity (ROE)	%	**22.77**	23.40	(2.69)	**22.72**	23.57	(3.61)
Net Interest Margin (NIM)	%	**12.22**	13.72	(10.93)	**12.16**	13.68	(11.11)
Cost to Income	%	**32.58**	31.13	4.66	**33.05**	31.74	4.13
Loan to Deposits	Times	**1.43**	1.31	8.72	**1.44**	1.32	8.67
Gross Non-Performing Loans Ratio (Gross NPL)	%	**2.25**	3.54	(36.44)	**2.29**	3.60	(36.39)
Net Non-Performing Loans Ratio (Net NPL)	%	**(1.22)**	(0.79)	54.43	**(1.19)**	(0.74)	60.81
Provision Coverage Ratio	%	**154.02**	122.42	25.81	**151.84**	119.79	26.75
Total Impairment as a Percentage of Gross Loans and Receivables	%	**3.47**	4.34	(20.05)	**3.48**	4.50	(22.67)

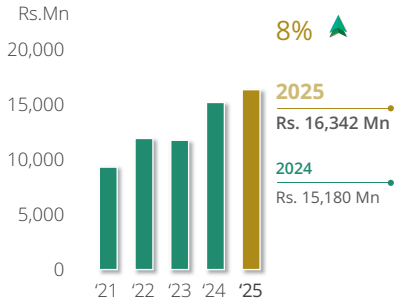
Income



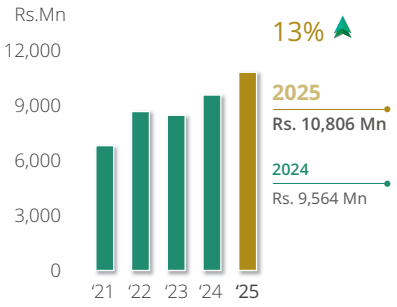
Net Interest Income



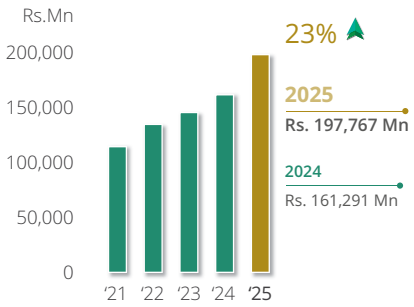
Profit before Tax



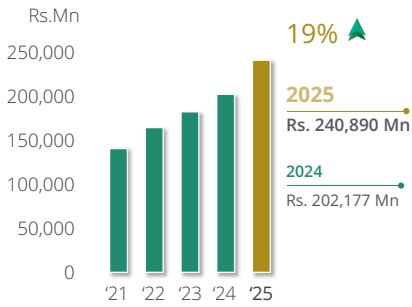
Profit after Tax



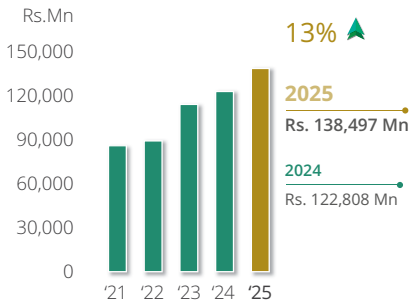
Loans and Receivables



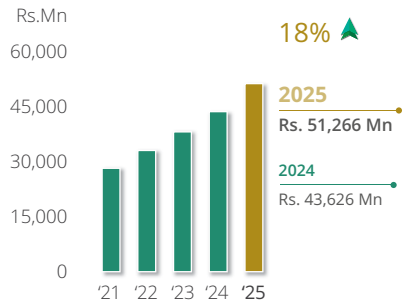
Total Assets



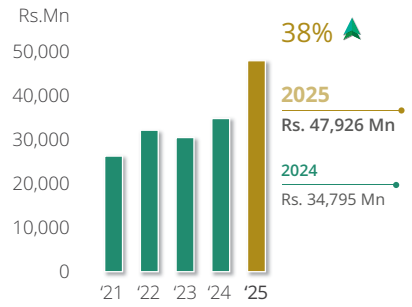
Due to Depositors



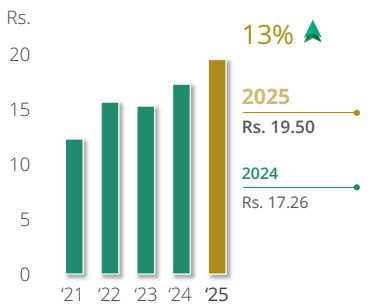
Equity



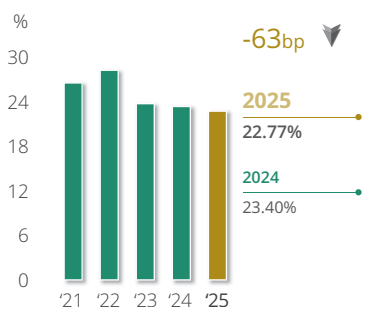
Market Capitalisation



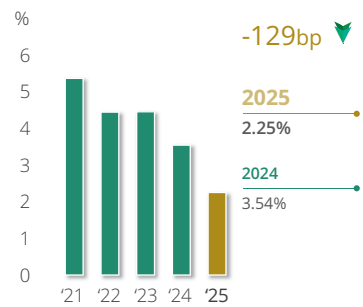
Earnings per Share (EPS)



Return on Equity (ROE)



Gross NPL Ratio



NON-FINANCIAL HIGHLIGHTS

<IR 4F> | GRI: 201-1, 305-4

	Measurement	2024/25	2023/24	Related Capital
ECONOMIC				
Economic value created	Rs. Mn	4,258.38	1,796.45	FC
Economic value distributed to:				
Depositors and lenders	Rs. Mn	16,432.58	21,144.19	SRC
Employees	Rs. Mn	5,124.55	4,353.25	HC
Government	Rs. Mn	10,145.77	9,485.08	SRC
Shareholders	Rs. Mn	3,601.37	3,185.83	SRC
ENVIRONMENTAL				
Our footprint				
Total carbon footprint	tCO_2e	36,934.07	3,982.90	NC
Scope 1 emissions	tCO_2e	2,711	278	NC
Scope 2 emissions	tCO_2e	2,241	2,199	NC
Scope 3 emissions	tCO_2e	31,981	1,506	NC
Total carbon footprint per Rs. Million of profit	tCO_2e	3.41	0.41	NC
Resource efficiency				
Solarised branches	Number	40	26	NC
Electricity saving through solar power generation	kWh	122,472.00	79,606.80	NC
Paper recycled	kg	52,604.00	20,109.00	NC
Trees saved from recycling	Number	894.00	342.00	NC
Trees saved from digital operations	Number	440	-	NC
Water consumption	m^3	48,514	44,908	NC
Water consumption per Rs. Million of profit	m^3	4.49	4.69	NC
Energy consumption	GJ	55,714.08	16,852.95	NC
Energy per Rs. Million of profit	GJ	5.16	1.76	NC
Green financing				
Green financing portfolio	Rs. Bn	7.35	5.05	NC
Green financing facilities facilitated during the year	Number	2,716	1,597	NC
Environmental stewardship				
Environment related projects	Number	9	3	NC
Trees planted/ distributed	Number	375	8,200	NC
SOCIAL				
Employees				
Total employees	Number	4,407	4,132	HC
New recruits during the year	Number	2,207	2,194	HC
Investments in training and development	Rs. Mn	21.70	23.22	HC
Training programmes carried out	Number	130	68	
Total training hours	Hours	53,845	43,677	HC
Average training hours per employee	Hours	5.75	5.67	HC
Staff remuneration and benefits	Rs. Mn	4,902.96	4,095.93	HC
Internal staff promotions	Number	1,145	1,037	HC
Staff retention ratio	%	56	58	HC
Gender diversity ratio (Male : Female)	Ratio	1:0.90	1:0.85	HC

	Measurement	2024/25	2023/24	Related Capital
Customer				
Total customer base	Number	850,000+	800,000+	SRC
Customer financial solutions	Number	34.00	33.00	SRC
Total branches/ Total outlets	Number	216	200	MC
CDM machines	Number	24	24	MC
Branches outside Western province	Number	128	117	MC
New outlets opened	Number	10	8	MC
Brand ranking (Brand Finance)	Number	20	28	IC
Credit rating (Fitch Rating)	Rating	A-(lka) (Stable Outlook)	BBB+(lka) (Stable Outlook)	IC
CIM app downloads	Number	200,000+	100,000+	IC
CIM app transaction volume growth	%	124	82	IC
Community				
Community development programmes	Number	18	18	SRC
Staff volunteered hours	Hours	7,552	7,132	SRC
Investment in CSR projects	Rs. Mn	27.35	20.20	SRC
GOVERNANCE				
Board composition & sub-committees				
Total directors	Number	12	10	HC
1. Female	Number	3	3	HC
2. Male	Number	9	7	HC
Independent Non-Executive directors	Number	5	3	HC
Board sub-committees	Number	7	7	HC
Skill development programmes				
Board level trainings	Number	9	1	HC
Leadership and motivational programmes	Number	12	4	HC



STRATEGIC JOURNEY

Our journey has been shaped by the unwavering support of our customers, shareholders, employees, business partners, regulators, and the wider community. Each has been an essential piece of the puzzle, forming the foundation of who we are today one of the most recognized and largest financial institutions in the country.

Together, we have climbed mountains and reached remarkable milestones. Through challenges and change, we stood as one family growing, learning, and persevering. As we celebrated this golden milestone, we reflected on the countless lives we've touched those who have given us purpose and inspired us to give back.

This year, we bring you stories that represent our Mosaic of Strength individual experiences and shared triumphs that embody the spirit of resilience, unity, and progress. These are not just achievements of the past, but inspirations lighting our path forward.

The Beginning

Established as a private Company on 30th May 1971 with its registered office at No. 101, Vinayalankara Mawatha, Colombo 10. The majority shareholding of 94.9% was held by Lewis Brown & Company Limited.

1971 - 1981

1982 - 2001

Early Expansion

Changed its status as a public company

Vanik Incorporation Limited's shareholding increased to 83.26%

Listed on the Colombo Stock Exchange

Commenced Gold Loan

First Gold Loan center opened in Maradana

Moved Head Office to Prof. Stanley Wijesundera Mawatha, Colombo 7

Introduced lottery-based deposit scheme 'Siya Savi'

2002-2011

Maturity and Leadership

Mr. K D D Perera took over a stake of 58.74% to turn around the loss-making Company into a profitable venture

Registered in terms of Section 2 of the Finance Companies Act No. 78 of 1988

The Company re-registered under the new Companies Act No. 07 of 2007

Developed a new website with online payment and vehicle trade-in facility

Profits doubled and reached over

Rs. 1 Billion for the first time in history

North and East market presence for the first time

Became a part of Vallibel One PLC umbrella which is a diversified company

Upgraded the ratings from BBB+/P2 to A-/P2 by RAM Ratings (Lanka) Limited

Company has emerged as the second largest Licensed Finance Company (LFC) in Sri Lanka

Introduced Global Reporting Initiative (GRI) to the Annual Report

2012-2015

Excellence and Innovation

Moved to our new corporate office located at Dharmapala Mawatha, Colombo 03

Introduced LB Savings, Pay Hub facility, and VISA shopping card

Largest expansion drive within the industry with 20 new outlets

Recorded the largest deposit base among the NBFI sector

Global Banking and Finance Review UK awarded us as the 'Best Retail Finance in Sri Lanka for 2013'

Opened first premier branch in Mount Lavinia

Became the 1st finance company in Sri Lanka to comply with ISO 27001:2013

Integration of the Interbank payment system (SLIPS)

Opened the 100th branch in Jaffna

Became the first carbon neutral finance institution in Sri Lanka

Ranked 26 among the top 100 brands in the country by Brand Finance

2025

A Mosaic of Strength

Achieved highest ever profit after tax of Rs. 10.8 Billion

Enhanced LB CIM app with the ability to open savings accounts, FD flex option, withholding tax certificate request option, biometric and security upgrades, and a refreshed user interface and user experience design

Voluntary adoption of SLFRS S1 and S2 standards

First NBFI in Sri Lanka to calculate financed emissions and obtain a verification opinion

Became a member of UN Global Compact Network Sri Lanka

Initiated the construction of the first green branch in Chilaw

LB Microfinance Myanmar commenced operations in the Yangon region



2016 - 2017

Sustainability Meets Technology

Successfully completed 45 years in the finance industry with a profit after tax growth of 70% (Rs. 3.7 Billion)

Launched LB e-connect online platform to Savings customers

Obtained MoneyGram agentship for international money transfer

Integrated with Common Electronic Fund Transfer Switch (CEFTS)

Exceeded Rs. 100 Billion asset base

Launched LB Gift Store

2020 - 2021

Smarter, Faster, Automated

Chatbot was introduced to the corporate website and social media platforms

Automation of the credit verification process

Automation of the insurance renewal process

Fully automated risk assessment scorecard for branches and Gold Loan centres

2018 - 2019

Bold as a Brand

Upgraded the ratings from BBB+/P2 to A-/ P2 by RAM Ratings (Lanka) Limited

Mortgage Loan product was re-branded and re-launched as 'Mulgala'

Launched of 'Krutha Hastha' senior citizens loan scheme

First overseas expansion of LB Finance to Myanmar

Moved to cloud-based IT platform

Ranked among the top 20 brands in Sri Lanka by Interbrand

2022 - 2024

The Digital Era

Tied up with DRP to fast-track digital financial services

Partnered with WEBXPAY to promote 'CIM' business loans to MSMEs

Installation data visualisation and modelling software

Further strengthened the ISO 27001 information security standard

Tied up with FinCSIRT (Computer Security Incident Response Team for Sri Lanka's financial sector)

First NBFI in Sri Lanka to launch an Annual Report micro-site

Amalgamation of Multi Finance PLC

Introduced a cookie policy to LBF's newly updated corporate website

Integration with CRIB backend

Updated the corporate website with the inclusion of AI-based digital imagery

Opened 200th branch in Pallai

Ranked 16 among the top 40 corporates by Business Today

A SNAPSHOT OF 2024/25

April



LBF's Glamorous අවුරුදු කුමරා සහ කුමරිය 2024



CIM app Relaunch Ceremony

May



LB Finance වෙසක් කලාපය 2024



NLP Practitioner Certification Ceremony

June



Boot Camp 2024



July





Blood Donation Campaign 2024

August



Annual Promotion Ceremony 2024



LB Pinnacle Club and Silver Circle Awards

September



Opening of LB Finance Premier Branch - Panadura



LBF's Great Debater 2024 - Northern and Eastern Regions

October



LB Finance 'Ran Waram' with Muthukaruppan Chettiar



November



LB Got Talent Spotlight 2024



December



LB Microfinance Myanmar 7th Anniversary



Graduation Ceremony of LCES Tailoring School

January



DFS Catalyst Awards 2025



LB Northern Stars 2025

February



LB Got Sweetest Pongal Fiesta 2025



Collaboration with MEPA

March



LankaPay Technnovation Awards 2025



LB Finance Al Salamah Annual Ifthar Gathering 2025

AMPLIFYING OUR REACH

Our communication amplifies our reach, enabling us to connect meaningfully and strategically position ourselves to achieve success. This resonance drives our impact, enabling us to adapt to change with precision and foresight.

Lion's roar can carry up to 8 kilometers, serving as a powerful tool for communication within its pride. It provides clarity in uncertainty, enables strategic positioning, and facilitates coordination. Similarly, mosaics have long been a form of expression, communicating complex ideas, fostering education, and offering a visual medium for storytelling contributing to a greater whole.



CHAIRMAN'S REMARKS

<IR 4G>



Robust governance is not merely a compliance exercise for LBF; it is the bedrock of our operations and fundamental to creating sustainable value for all stakeholders. Our commitment in this regard is comprehensive, spanning both traditional risk management and proactive integration of Environmental, Social, and Governance (ESG) principles.

G A R D Prasanna
Chairman

A YEAR OF UNPRECEDENTED ACHIEVEMENT AND STRATEGIC STRENGTH

Financial Year 2024/25 was a landmark year for LB Finance PLC (LBF), marked by a commanding performance that culminated in our highest-ever profit after tax. This exceptional financial outcome was further complemented by significant expansion of our asset base and sustained strength and quality of our portfolio. These results are the direct consequence of our disciplined strategic execution, the prudent leveraging of a robust balance sheet to invest in key growth opportunities, and pivotal investments in technology, which have enhanced customer experience. Fundamentally, this success is underpinned by the unwavering passion, dedication, and perseverance of the LBF team.

CHAIRMAN'S REMARK - DIGITAL VERSIONS

In English | In Sinhala | In Tamil

English AUDIO 06 | Sinhala AUDIO 07 | Tamil AUDIO 08



For over 54 years, LBF has been a potent force in Sri Lanka's economic and social progress. We have consistently fostered job creation, broadened financial inclusion, spearheaded innovation, and empowered communities, reshaping the financial landscape for individuals and businesses. This deep-rooted legacy provides the foundation for our continued leadership and impact.

NAVIGATING A DYNAMIC OPERATING ENVIRONMENT

The financial year unfolded within a complex yet increasingly stable environment. While we welcomed the trend towards a more predictable policy landscape after March 2024, which facilitated stable conditions for product pricing. These positives were balanced by heightened market competition, particularly due to regulatory changes enabling broader branch expansions across the financial services sector. Furthermore, macroeconomic pressures continued to pose challenges, notably impacting staff retention across the industry. While our staff attrition remained manageable and primarily linked to external factors, we navigated these conditions with resilience, ensuring our strategic agility remained paramount.

DELIVERING RECORD PERFORMANCE AND OPERATIONAL EXCELLENCE

Our focus on execution translated directly into tangible results. We exceeded our financial performance budget in FY 2024/25, delivering the highest business volumes and growth rate witnessed in the Company's history. This culminated in the record-breaking profit after tax of Rs. 10.80 billion, reflecting a 12.99% growth YoY.

Our rigorous operational management led to a significant reduction in our Non-Performing Loan (NPL) ratio to a historic low of 2.25% in the year under review, underscoring the effectiveness of our market recoveries and collection mechanisms. Moreover, we maintained healthy Key Performance Indicators (KPIs) across all operational facets and preserved margins despite the intense competitive pressures.

CHAIRMAN'S REMARKS

We undertook a comprehensive review and revitalisation of our ESG policy, including the development of a specific Climate Risk Policy, to ensure alignment with evolving expectations and sectoral risks. This proactive stance is further evidenced by the commencement of integrating SLFRS S1 and S2 sustainability and climate-related risk and opportunity management requirements

Our targeted growth strategies paid off, with approximately 35% business volume growth in specific areas, supported by strong customer loyalty, evidenced by 40-50% of new disbursements being directed towards existing customers.

Customer deposits reached Rs. 138.49 billion by 31 March 2025, marking a 12.78% YoY increase largely driven by fixed deposits. This outcome resulted from a strategic emphasis on fixed deposits to secure stable funding with favourable costs and enhance the maturity profile, capitalising on prevailing interest rates. High deposit renewal ratio and new depositor attraction highlighted strong customer confidence.

Our commitment to strengthening the Company and delivering value to our shareholders is reflected in the growth of our Equity. As of 31 March 2025, Equity reached Rs. 51.26 billion, a substantial increase of Rs. 7.63 billion, or 17.51% YoY. This robust growth is primarily attributable to the strong retained earnings generated from the year's record profitability. Crucially, this significant internal capital generation was achieved while consistently adhering to our dividend payout policy of 1/3 of profit, underscoring our ability to reinvest for future growth and provide attractive returns to our shareholders. As a result, the Board has proposed a final dividend of Rs. 4.25 per share, bringing the total dividend for the year (including the interim dividend of Rs. 2.25 per share) to Rs. 6.50 per share. This demonstrates our commitment to rewarding our shareholders for their ongoing trust and support. Consequently, the Company's capital adequacy remains comfortably above regulatory requirements, providing a strong and sufficient capital base to support our strategic expansion plans.

STRATEGIC MILESTONES AND FUTURE FOUNDATION

The financial year under review was also marked by strategic execution that strengthened our platform for future growth. We enhanced our branding and market reach through the addition of new branches, cementing our position as the financial institution with the largest branch network. A pivotal corporate event was the successful completion of the amalgamation of Multi Finance PLC in July 2024. Acquired under the guidance of the Central Bank of Sri Lanka (CBSL), this strategic integration resulted in the full absorption of Multi Finance's assets and liabilities, which are now fully reflected in our financial statements.

Moreover, we continued to invest in our strategic transformation, including the recruitment of a Chief Transformation Officer, tasked with leading enterprise-wide change and fostering a culture of innovation. While early AI-based lending initiatives are underway, the full impact of these innovations is anticipated to become more evident in the coming year.

GOVERNANCE, RISK MANAGEMENT, AND SUSTAINABLE VALUE CREATION

Robust governance is not merely a compliance exercise for LBF; it is the bedrock of our operations and fundamental to creating sustainable value for all stakeholders. Our commitment in this regard is comprehensive, spanning both traditional risk management and proactive integration of Environmental, Social, and Governance (ESG) principles.

This year, we significantly enhanced our governance and risk management framework. Key structural improvements included strengthening of Chief Information Security Officer (CISO) function to bolster our cyber risk oversight and a formal Operational Risk Management Committee (ORMC) to strengthen operational risk governance. We also introduced a Board-approved Model Risk Management Framework, ensuring robust oversight of our statistical and AI models, and appointed a dedicated employee to specifically oversee personal data governance and compliance.

Furthermore, our unwavering commitment to sustainability was significantly formalised and integrated into our risk approach. We undertook a comprehensive review and revitalisation of our ESG policy, including the development of a specific Climate Risk Policy, to ensure alignment with evolving expectations and sectoral risks. This proactive stance is further evidenced by the commencement of integrating SLFRS S1 and S2 sustainability and climate-related risk and opportunity management requirements into our overall risk framework and the initiation of clear, measurable sustainability-related Key Performance Indicators (KPIs). Our dedicated Board Sustainability Committee ensures sustainability is deeply woven into our corporate governance and strategic planning.

Across all material risk categories including Credit, Integrated, Operational, Information Security, Sustainability, and Model Risk we have implemented targeted enhancements, refined policies, updated risk appetites, and conducted rigorous stress testing and assessments. A notable achievement was the successful upgrade of our Information Security Management System (ISMS) to the ISO/IEC 27001:2022 standard, positioning LBF as the first NBFI in Sri Lanka to reach this benchmark, reinforcing our commitment to international best practices. We also initiated the implementation of a Security Operations Centre (SOC) to enhance real-time monitoring and response capabilities.

These comprehensive initiatives fortify our control environment, enhance our resilience against an evolving risk landscape, reinforce our adherence to national and international standards, and ultimately ensure we are well-equipped to support our future growth trajectory while upholding our culture of transparency and ethical leadership.

FUTURE OUTLOOK

As we transition from a year of exceptional performance, LBF is poised to build upon this strong momentum. Our strategic direction is unequivocally clear: to solidify our standing as a leading technology-driven financial service provider. We will strategically leverage Fintech and AI across every facet of our operations, not only to enhance efficiency but critically, to elevate customer experience. While credit income will remain a vital revenue driver, our operational framework will progressively become more tech-centric.

Central to this forward-looking strategy are several key expansionary initiatives. We will significantly grow our Microfinance and Small Business Loan portfolio, develop bespoke financial products for small business owners, and enhance our Alternate Finance Solutions offering. Focused regional expansion also remains a critical objective. Concurrently, we are committed to the pervasive integration of Sustainability and ESG principles across the organisation.

ACKNOWLEDGEMENTS

As I conclude this message, the exceptional performance achieved in FY 2024/25 is a clear validation of our disciplined strategic execution, coupled with our deepening commitment to robust governance and sustainable value creation. We are confident in our ability to build upon this momentum, navigating future challenges and opportunities with resilience and focus, to ensure enduring prosperity for all who place their trust in LBF.

To conclude, I wish to express my sincere appreciation to the LBF team. Your unwavering commitment, dedication, and steadfast loyalty to LBF's vision, particularly amidst challenging circumstances, have been truly commendable and were essential to our record achievements this year. I am deeply grateful for the continuous support, wise counsel, and encouragement I consistently receive from my esteemed fellow Board members. Finally, a special thank you is due to the Governor of the Central Bank of Sri Lanka and the dedicated officials at the Department of Supervision of Non-Bank Financial Institutions for their invaluable guidance and oversight throughout the year.



G A R D Prasanna
Chairman

30 May 2025

MANAGING DIRECTOR'S REVIEW

<IR 4G>



We believe that a thriving economy is built on equal access to financial opportunities. At LBF, we have taken significant steps to bridge financial gaps by providing crucial financial backing to rural communities, small businesses, and emerging entrepreneurs, facilitating their growth and success.

Sumith Adhihetty
Managing Director

Financial Year 2024/25 was a period of landmark achievement for LB Finance PLC. Despite navigating a dynamic and intensely competitive landscape, marked by significant economic shifts and industry-wide pressures, we delivered outstanding results. Our strategic foresight, operational agility, and the exceptional resilience and unwavering commitment of our dedicated team were key drivers in successfully meeting our performance budget and achieving the highest profit in the Company's history. This record performance not only overcame significant headwinds but also solidifies a robust foundation for sustained future growth.

MANAGING DIRECTOR'S REVIEW - DIGITAL VERSIONS

In English | In Sinhala | In Tamil

English AUDIO 09 | Sinhala AUDIO 10 | Tamil AUDIO 11



EXCEPTIONAL FINANCIAL PERFORMANCE

Reflecting this outstanding performance and continued positive momentum, our Operating Profit Before Taxes for FY 2024/25 increased by 9.06% YoY, to Rs. 20.51 billion. This strong bottom-line performance was fundamentally driven by robust Pre-Tax Profit growth, resulting from: proactive management of our net interest margin through timely repricing of interest-sensitive assets and liabilities; disciplined control of operating expenses, maintained at optimal levels via effective cost optimisation programmes; and a significantly reduced credit loss provisioning impact, reflecting both stringent quality credit granting and robust recovery procedures.

Our Net Interest Income grew by 3.19% YoY to Rs. 25.12 billion in FY 2024/25. While Interest Income decreased by 8.56% to Rs. 41.81 billion, primarily driven by the market interest rate cycle leading to asset repricing and strategic portfolio adjustments. Our effective management of funding costs resulted in a substantial 21.95% reduction in Interest Expense, from Rs. 21.37 billion to Rs. 16.68 billion.

STRENGTHENED ASSET QUALITY AND BALANCE SHEET

A significant factor in our exceptional results was the substantial improvement in asset quality. We successfully transitioned from an impairment charge of Rs. 373.23 million in FY 2023/24 to a net impairment reversal of Rs. 256.23 million in FY 2024/25. This pivotal shift, representing an improvement of over 168%, is a direct consequence of our proactive strategy to enhance asset quality and our vigilant management of credit risk throughout the year. Furthermore, diligent credit monitoring, coupled with efficient recovery procedures, significantly lowered our level of non-performing advances (NPA). This focus is reflected in our NPL ratios: a low gross NPL ratio of 2.25% and, notably, a negative net NPL ratio of -1.22%.

Our balance sheet reflected this strong performance and strategic focus on growth. Total assets reached Rs. 240.89 billion as of 31 March 2025, compared to Rs. 202.17

billion as of 31 March 2024, representing a YoY increase of 19.15%. This expansion underscores the growth of our operations. Crucially, interest-earning assets constituted a substantial 93.35% of total assets (a slight increase from 92.25%), highlighting our strategic focus on deploying capital effectively into income-generating activities. Within this, Loans and Receivables recorded exceptional growth, increasing by 22.61% YoY, from Rs. 161.29 billion to Rs. 197.76 billion, driving asset expansion and future income potential.

STRATEGIC RESPONSE AND OPERATIONAL EXCELLENCE

Navigating the competitive and evolving landscape required a proactive and disciplined approach. We prioritised staff recruitment and training, dedicating the highest budget and focus to these areas, which helped us recover from earlier staffing challenges and significantly benefited us in the latter half of the year. We strategically leveraged our technology, extensive network, and human resources to maintain our competitive edge. Our resilience is reliant on a sound credit policy coupled with a sound pricing mechanism; these two factors are central to our entire business model, and healthy cash flows subsequently improve our funding mix. Having successfully navigated multiple crises since 2019, the foundation we have laid out is strong and proven.

We continued to invest heavily in IT development and digitalisation. Our IT department now comprises approximately 5% of our total staff, reflecting this significant investment. We are proud of the LB CIM app, recognised as the most popular payment app among banks and financial institutions, at the Technnovation awards 2024. We are well-set with our network, people, reach, and technology to seize future opportunities, including potential growth stemming from the relaxation of vehicle import restrictions, which could significantly grow our main business line. We continuously studied competitors and targeted segments strategically.

HUMAN CAPITAL DEVELOPMENT

Our people are our most valuable asset and the engine of our success. We are deeply committed to fostering a culture of non-discrimination across race, religion, and gender, ensuring performance is based solely on merit. Moreover, we promote and develop female staff, evidenced by female branch managers and a dedicated female credit team. We have intentionally created new opportunities for female staff, enabling them to earn more and engage directly with customers in the field. Furthermore, we maintain a robust internal career progression path, giving preference to internal staff for leadership roles and transfers, ensuring that talent can ascend the ladder based on merit. Good performance is rewarded quarterly, with a significant proportion of rewarded staff consistently being female, demonstrating their strong contribution. Currently, females constitute 47% of our total staff. We remain committed to upholding our culture and social values across the network.

COMMUNITY AND SOCIAL IMPACT

We believe that a thriving economy is built on equal access to financial opportunities. At LBF, we have taken significant steps to bridge financial gaps by providing crucial financial backing to rural communities, small businesses, and emerging entrepreneurs, facilitating their growth and success. Our commitment is to reach every Sri Lankan with essential financial services. In 2024/25, we demonstrated this commitment by launching 10 new branches, including 3 strategically placed in North and East areas, extending affordable and reliable access to those population. Recognising the vital link between community well-being and our long-term success, we focused on uplifting marginalised areas, with a specific emphasis on rural communities. Extending beyond financial inclusion, our community development efforts support initiatives in key areas including child health and well-being, education, and entrepreneurship empowerment. By championing youth and women empowerment, literacy, and skills development, we are paving the way for a more sustainable and inclusive future for all.

GOVERNANCE AND COMPLIANCE

We continue to uphold the highest standards of corporate governance and compliance, recognising them as fundamental to long-term sustainability and stakeholder trust. We continuously strengthen our corporate governance and risk management frameworks, upholding high standards of transparency and integrity. As the highest taxpayer in the NBFI sector, we are proud of our significant contribution to the national economy. Our tax liability reached a substantial Rs. 12.65 billion in 2024/25, demonstrating our commitment to fiscal responsibility. Our proactive adoption of industry best practices and voluntary compliance with standards beyond regulatory requirements underscore our dedication to ethical and responsible operations. Moreover, we nurture a resilient and reliable business partner network through rigorous supplier assessment, clear procurement guidelines, and continuous engagement, building transparent, long-term relationships aligned with our governance and sustainability standards. Ongoing monitoring and collaboration ensure early identification and prompt mitigation of emerging risks, safeguarding operational continuity and mutual trust.

ENVIRONMENTAL STEWARDSHIP AND SUSTAINABILITY

Sustainability is a dynamic, driving force an organisation-wide commitment that transcends mere compliance or reporting; it is intrinsically woven into how we operate, innovate, and grow. This year, we have intensified our focus on embedding sustainable outcomes throughout every level of the business from pioneering responsible financial solutions and driving digital innovation to fostering employee development and deepening community engagement. These achievements are a testament to robust collaboration across all departments and a shared conviction that sustainability is fundamental to our long-term success and resilience. To drive sustainability, we have established a specialised sustainability unit to strategically oversee our comprehensive agenda,

formed a 'Green Team' to champion initiatives, and reinforced our commitment through dedicated Board and Management-level sustainability committees. Moreover, we have clearly defined sustainability metrics and measurable targets, including a net-zero emissions target for 2050, aligning with national climate goals, with an interim target of a 5% emissions reduction by 2030. We also conducted targeted training sessions for Board members on critical sustainability topics. We are proactively committed to providing transparent and decision-useful sustainability information to all our stakeholders, embracing, and adapting to the requirements of IFRS S1 and S2, strategically aligning with our broader ESG objectives. The relevant disclosures can be found in the dedicated section of this report.

RECOGNITIONS AND AWARDS

Our commitment to excellence, innovation, and transparency continues to be recognised both locally and internationally, affirming our role as a leader in Sri Lanka's financial services sector. In the past year, LB Finance was honoured with several prestigious accolades that underscore our dedication to digital transformation, corporate governance, and integrated reporting. We were proud recipients of three Merit Awards at the National ICT Awards (NBQSA 2024) for our in-house innovations: the Automated Gold Loan Higher Advance Granting system, the Eclipse RMV Solution, and the Eclipse Deposit Management Solution. Our resilience in technology was further acknowledged with a Merit Award at the Digital Trust Awards 2024 as the Technology Resilient Company of the Year in the Financial Sector.

In recognition of our transparency and reporting excellence, we secured the Joint Bronze Award at the SAFA Best Presented Annual Report Awards and were also celebrated at the CMA Excellence in Integrated Reporting Awards 2024, winning the Best Integrated Report in the Finance & Leasing Sector and being listed among the Five Excellent Integrated Reports. Furthermore, we clinched Gold at the TAGS Awards 2024 in NBFI sector, and at the LankaPay Technnovation Awards 2025, our digital initiatives were honoured with Gold for the Most Popular Digital Payment Product in our category. Reinforcing our reputation in the industry, LB Finance was named the Sector Winner – Finance & Leasing Category in the LMD Most Respected Entities in Sri Lanka 2024. These accolades reflect our unwavering pursuit of excellence and our ongoing efforts to lead through innovation and integrity.

FUTURE OUTLOOK

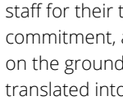
Looking ahead, we are poised to build upon the strong momentum of this year. Our strategic direction is clear: to solidify our position as a technology-driven financial service provider, leveraging Fintech and AI to enhance every facet of our operations and elevate customer experience. While interest income will remain a core revenue driver, our operational framework will become increasingly tech-centric. We are targeting significant growth in key areas, including expanding our Micro-finance/Small Business Loan portfolio and developing new verticals and products tailored for individual small business owners. We will also continue to develop Alternate Finance Solutions after restrengthening the relevant unit, targeting a significant growth. Regional expansion into untapped areas and products remains a key objective. Furthermore, we will continue integrating Sustainability/ESG initiatives deeper into our operations. We are ready to seize the opportunities presented by a recovering economy and evolving market needs, confident in our established network, skilled people, vast reach, and advanced technological capabilities.

APPRECIATION

This year's remarkable success is a collective achievement, made possible by the dedication of many. My sincere appreciation goes to the Chairman and the Board of Directors for their invaluable foresight and visionary leadership, especially throughout this challenging yet rewarding period. I extend my heartfelt gratitude to our senior management team and every single member of our dedicated staff for their tireless efforts, unwavering commitment, and loyalty. Their hard work on the ground, day in and day out, directly translated into these exceptional results. Finally, my deepest appreciation is extended to our valued customers, shareholders, and all stakeholders. Your continued trust, confidence, and partnership in LB Finance PLC are our greatest motivators and the fundamental force that drives us forward.

CONCLUSION

The past year has demonstrated our exceptional ability to perform strongly even in challenging conditions. We have delivered record profits, significantly improved asset quality, invested in technology and our people, and advanced our strategic goals, all while maintaining our core values and commitment to stakeholders and community. As we look to the future, we are energised by the opportunities ahead and confident in our strategy, our team, and our ability to continue creating value and contributing to Sri Lanka's economic progress. We are not just adapting to change; we are actively shaping it, building a stronger, more sustainable, and technologically advanced financial institution for years to come.



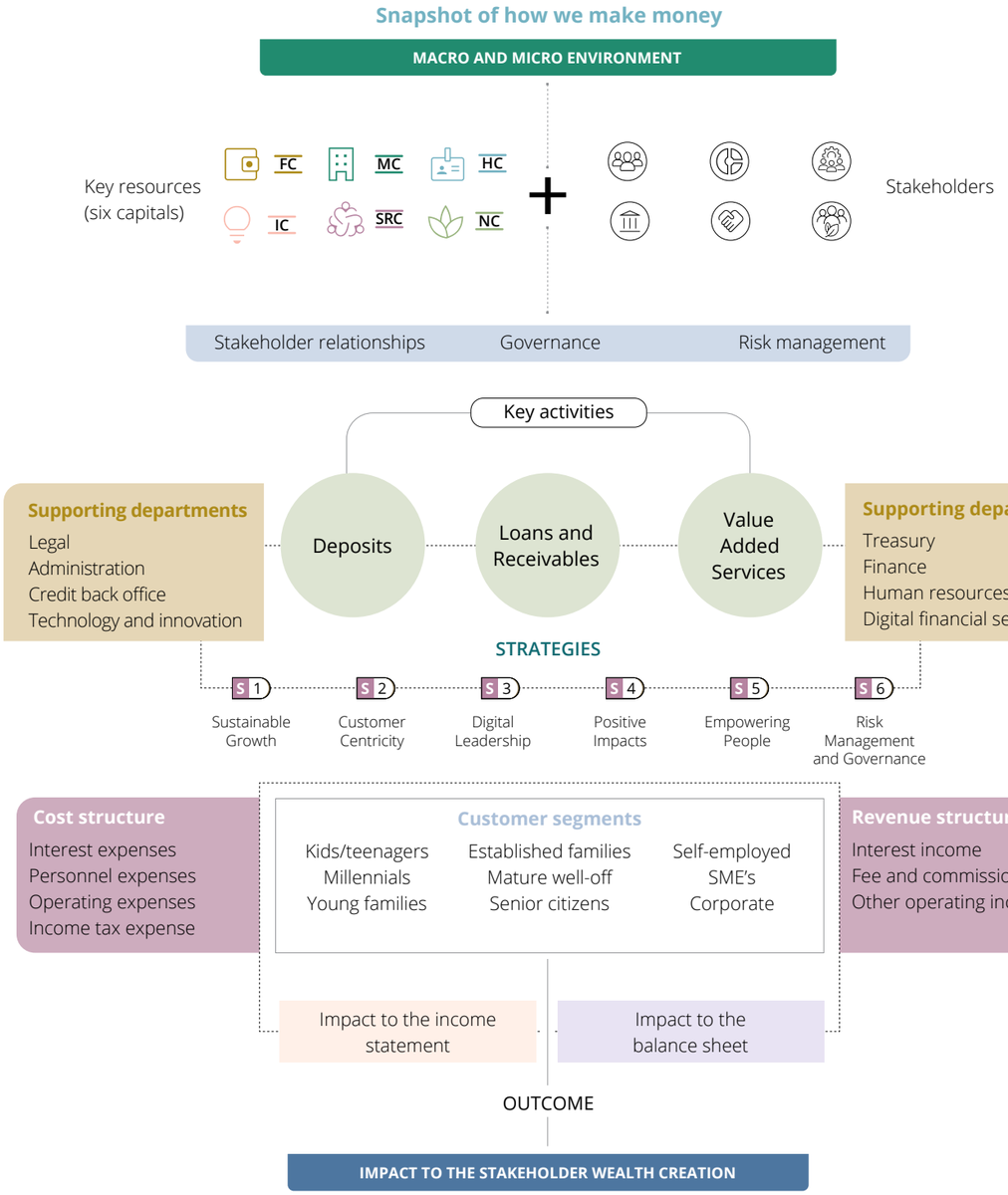
Sumith Adhihetty
Managing Director

30 May 2025

LBF BUSINESS MODEL

For long-term sustainability, LBF business model magnets from the six capitals and Scorecard delivers us with the framework against which we reflect how we transform, increase or decrease capitals in generating value creation outputs.

The diagram illustrates each of our core activities and how they translate into products and services to meet the needs of our stakeholders.



OUR VALUE CREATING - BUSINESS MODEL

<IR 2D, 4C>

Availability and Quality of Our Six Capital Inputs (2023/24)

FC Financial Capital

Our capital base, diversified sources of deposits, and funding from investors and customers are utilised to support our operations. This includes providing credit, facilitating payments and transactions, and rewarding shareholders for the capital invested through dividends.

- **Deposits:** Rs. 122.80 Bn
- **Shareholders' Equity:** Rs. 43.62 Bn
- **Return on Equity:** 23.40%

MC Manufactured Capital

Our business structure and operational processes, including our property and equipment, as well as our digital assets such as products, channels, and information technology (IT) systems, provide the framework and mechanics for how we conduct business and create value.

- **Modern IT Systems**
- **Technology Platform Investment:** Rs. 279 Mn
- **Physical Presence:** 200 branches and 24 CDMs
- **Branch Relocations:** 02

HC Human Capital

Our employees, culture, and collective knowledge, skills, and experience enable us to deliver innovative and competitive solutions for our customers, creating value for all stakeholders.

- 4,052 **Permanent Employees**
- **Salary and Benefits Paid:** Rs. 4.09 Bn
- **Training and Skills Development Spent:** Rs. 23.22 Mn
- **A Differentiated Culture:** customer- and people-centered, innovative, competitive, service-focused, and strong in compliance and governance

IC Intellectual Capital

Our intangible assets, including our brand, reputation, innovation capacity, knowledge and expertise, as well as strategic partnerships, play a key role in helping us grow our business.

- **Leading Digital Capabilities**
- **A Trusted Brand:** LB Finance ranked among the top 28 companies in Sri Lanka
- **Brand Value (Brand Finance):** Rs. 3,597 Mn
- **Market Leadership and Differentiation:** Strong position across various products and segments

SRC Social and Relationship Capital

Stakeholder relationships, including those with customers, business partners, and the communities we operate, are central to our business environment. We recognise the vital role we play in building a thriving society and a strong financial ecosystem.

- **Total Customers:** 800,000+
- **Purpose-led Sustainable Development initiatives:** Rs. 20.20 Mn aligned with UN SDGs
- **Responsible ESG Practices**
- **Business Partners:** 10,000+
- **Good Relationships with Stakeholders**

NC Natural Capital

The direct use and impact we have on natural resources through our operations, including energy, water, waste, emissions and climate, as well as our influence through our business activities

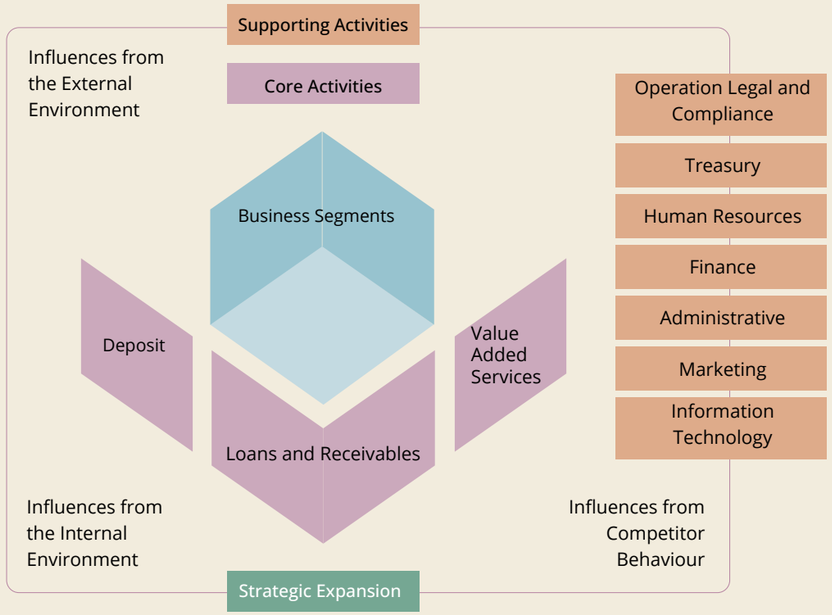
- **Market-leading ESG Policy**
- **A Maturing Environmental Management System:** Evaluating the impact of our lending to customers
- **Strong Track Record and Market-leading Capabilities:** In renewable energy financing, funding, and our operations
- **Carbon Footprint:** 3,982 tCO_2e

Enable us to deliver on our strategy

Risks Impacted, Material Themes and Strategies

Risks	Material Themes	Strategies
Market Risk Credit Risk Operational Risk Sustainability Risk	MT 1 Sustainable Business Growth	S 1 Sustainable Growth
Cybersecurity Risk IT Risk Operational risk	MT 2 Future Fit Organisation	S 2 Customer Centricity
Market Risk IT Risk Climate Risk	MT 3 Good Governance and Risk Optimisation	S 3 Digital Leadership
Operational Risk Sustainability Risk Reputation Risk Climate Risk	MT 4 Supporting Social Cohesion	S 4 Positive Impacts
Operational Risk Reputation Risk Sustainability Risk	MT 5 Serving and Meeting Customer Needs	S 5 Empowering People
Climate Risk Reputation Risk Sustainability Risk		S 6 Risk Management and Governance

Transformed into dynamic capabilities through strategic activities



Impact on SRROs

SR 01 SR 02 SR 03 SR 04



Impact on CRROs

CR 01 CR 02 CR 03 CR 04



Aligned with SDGs

SUSTAINABLE DEVELOPMENT GOALS

Competitive Advantage

- Strong brand reputation and customer trust
- Technology-driven risk management and analytics
- Strong governance and ethical practices
- Innovative financial products
- Long-term customer relationship
- Digital and physical touch points

Outcomes (2024/25)

Long-term value for our stakeholders

FC Financial Capital

- Revenue of Rs. 46.73 billion, an decrease of 5%
- Dividend per share up by 13%
- Return on Equity (ROE) decrease to 3%
- Net Asset Value per share (NAV) up by 18%
- Strong balance sheet with total assets increased by 19%
- Share price increased by 38% year-on-year

MC Manufactured Capital

- CIM app transactions: Increased by 33%
- 03 Branches were relocated for convenience service
- Investment in PPE increased by 8%
- 3 branches opened in Northern and Eastern Province
- Profit per branch Rs. 50 Mn

HC Human Capital

- 2,207 new recruitments
- Salaries and benefits increased by 19.7%
- Maintained and managed the retention rate
- Internal promotions: 1,145
- Investment in training decreased by 7%

IC Intellectual Capital

- Market-leading Digital and Ecosystem Solutions
- LB Finance's rank among companies in Sri Lanka improving to 20
- Developing In-house Systems and Programmes
- Retained scarce skills in areas such as data analytics, IT, risk management, and customised solutions

SRC Social and Relationship Capital

- Customers: Increased by 7% to 850,000+
- CSR Investment: Rs. 27.35 Mn
- Customer Queries: 598 queries, increased by 12% year-on-year
- Customers' NPS recorded at 51% for brand loyalty and 41% for service quality
- Direct and indirect tax contributions of Rs. 12.6 Bn
- 120 No. of Pre-schools developed

NC Natural Capital

- Green finance portfolio Rs. 7.35 Bn
- Number of Solar panel installation locations: 40
- 36,934 tCO_2e Greenhouse gas emitted to the atmosphere
- Paper recycled: 52,640 kg
- 375 sustainable trees planted
- Tree planting conducted for branch openings to offset the trees removed at the branch installation locations

Value created | Value preserved | Value eroded

OUR OPERATING ENVIRONMENT

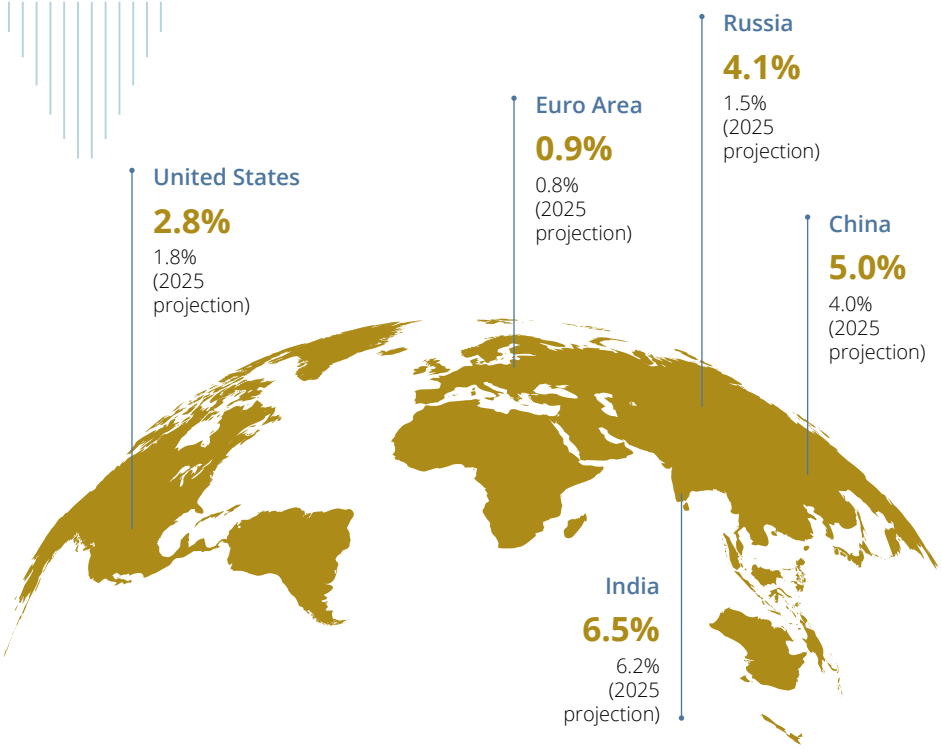
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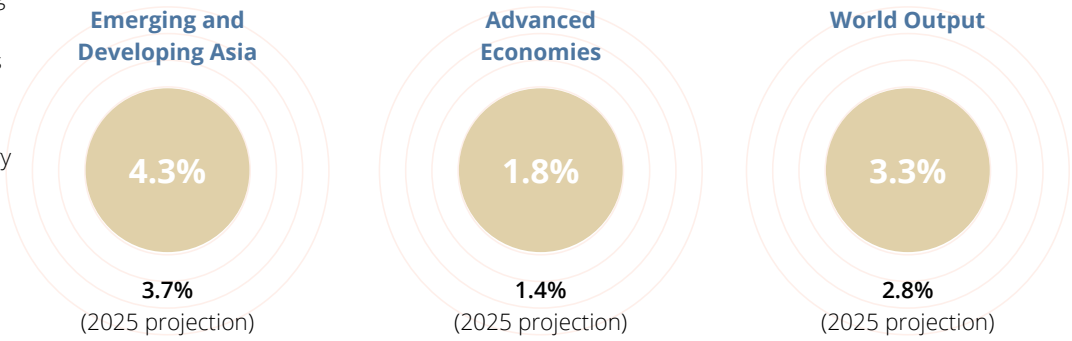
1. GLOBAL ECONOMY

The global economic landscape has been significantly altered following an underwhelming 2024. Rapidly escalating trade tensions, initiated by new US tariffs and subsequent countermeasures by trading partners, have led to near-universal tariffs, pushing effective rates to century-high levels and creating extremely high policy uncertainty. This is now projected to impact global activity significantly, slowing global growth from an estimated 3.3% in 2024 to 2.8% in 2025, before a modest recovery to 3.0% in 2026. The short-term growth impact varies across nations, influenced by factors like trade relationships and policy responses, with some (including China and the Euro Area) expecting fiscal support to offset negative effects partially.

Global headline inflation is forecast to decrease to 4.3% in 2025 and 3.6% in 2026, with advanced economies reaching the target sooner (2.2% by 2026) than emerging markets (4.6%). However, the outlook is subject to considerable uncertainty and has not fully reverted to pre-pandemic norms. A primary factor is the potential inflationary effect of recent tariffs, whose impact will vary by country based on perceived duration, business cost absorption, and invoicing currency.

Source: IMF World Economic Outlook April 2025





2. MYANMAR ECONOMY

Myanmar's economic landscape continues to face significant challenges stemming from prolonged instability, high inflation, and trade disruptions, which heavily impact growth. Consequently, GDP growth is forecast to contract by 0.7% in fiscal year 2024 (FY2024, ending 31 March 2025), following a 0.8% contraction in FY2023.

Rising prices for food and fuel, decreased food production, exchange rate depreciation, and constraints in supply chain and logistics have led to double-digit inflation. In FY2024, average annual inflation increased to 27.8%, up from 27.5% in FY2023. Increased volatility across the country has disrupted food production and trade flows, heightening inflationary pressures, particularly in conflict-affected areas.

Outlook

The economic outlook for Myanmar remains weak due to the ongoing crisis, with GDP growth projected at a modest 1.1% in FY2025, improving slightly to 1.6% in FY2026. This limited recovery assumes some sectoral improvements and continued humanitarian support but is heavily constrained by conflict, macroeconomic instability, and worsening socio-economic conditions. These factors are expected to result in uneven sector performance, with industry forecast to grow by 1.5% and services by 1.2% in FY2025. Agriculture faces significant uncertainty due to reliance on weather, rural security, and trade recovery, with growth expected at only 0.2%.

Inflationary pressures remain high, fuelled by factors including rising input costs and supply chain disruptions. Severe floods in September 2024, for instance, significantly impacted agricultural output and rural productivity, contributing to persistent food inflation and keeping headline inflation in double digits. The depreciation of the kyat, averaging 35% year-on-year as of January 2025, further intensifies inflationary pressure by increasing imported input costs. Regarding external balances, the current account deficit is projected at 2.0% of GDP in FY2025, widening slightly thereafter in FY2026.

Source: Asian Development Outlook April 2025: Myanmar

3. SRI LANKAN ECONOMIC HIGHLIGHTS AND THEIR IMPACT

3.1 PESTEL Analysis

Political Related Material Theme MT 1 MT 3 Related Strategies S 1 S 6

Political stability, achieved after the 2024 elections, has significantly boosted investor confidence. This, in turn, has cultivated a more predictable and secure business environment, stimulating increased domestic and foreign investment. The resulting capital inflows have played a key role in improving market sentiment and enhancing economic growth prospects.

Moreover, the government has taken steps to gradually lift the ban on the import of vehicles. This will influence the exchange rate by weakening the local currency.

Outlook

- Sri Lanka is expected to maintain political stability over the medium term, following the turbulence of 2022.
- The government's commitment to reforms under the IMF programme including fiscal consolidation, anti-corruption legislation, and governance improvements will dominate the political agenda.

Risks Associated Market Risk | Liquidity Risk

Economic Related Material Theme MT 1 MT 3 MT 4 Related Strategies S 1 S 4 S 6

Sri Lanka's economy recorded a steady recovery in 2024, emerging from its deep downturn faster than many other debt-distressed nations. Post-crisis reforms are yielding positive outcomes including improved activity and purchasing power, while reduced uncertainty, eased election concerns, nearing debt restructuring completion, and exiting the restricted default rating have significantly boosted confidence. Growth was broadly supported by key sectors, including a revival in Industry (manufacturing, construction), sustained growth in Services (accommodation, transport), and a positive contribution from Agriculture.

Following an early-year surge, Sri Lanka experienced strong disinflation throughout 2024, resulting in deflation from September. Key drivers included electricity tariff cuts, a strengthening rupee, and moderating global prices, alleviating high living costs. By year-end, headline inflation (CCPI) was -1.7% (from 4.0% end-2023), with the annual average dropping to 1.2% (from 17.4% in 2023).

Continuing its accommodative stance from June 2023, monetary policy in 2024 further drove down market interest rates through policy rate cuts. Approximately 125 bps of these cuts occurred in 2024, part of a total ~775 bps reduction. A key structural change in late November was the move to a single Overnight Policy Rate (OPR), contributing ~50 bps to the reduction and ending the dual rate system.

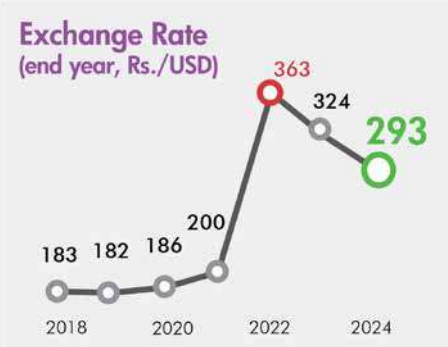
Outlook

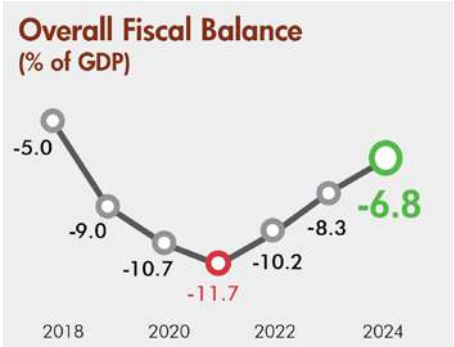
The future outlook is subject to global economic headwinds, with potential US tariff policy changes posing a significant trade vulnerability, threatening both direct exports (especially to the US) and performance via other trading partners. On the inflation front, deflation is expected to persist into early 2025 before turning positive by mid-2025 and stabilising around the 5% medium-term target, anchored by policy. The Central Bank will remain vigilant, aware that global factors, including US policies, could influence domestic conditions and monetary policy decisions, while domestic interest rates are expected to remain low, with some scope for further cuts in certain lending products.

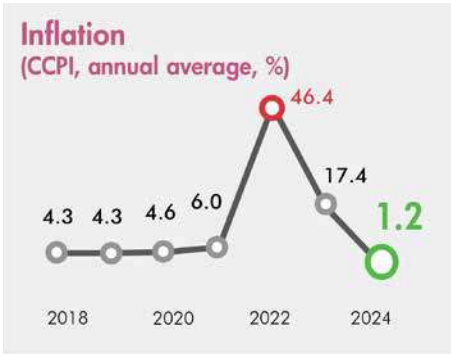
Risks Associated Market Risk | Liquidly Risk | Credit Risk

OUR OPERATING ENVIRONMENT

Sri Lankan Economy Highlights







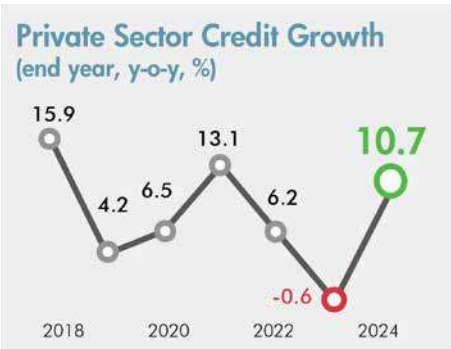






























Source: CBSL

Social

Related Material Theme MT 4 MT 5

Related Strategies S 2 S 4

According to the 2024 Census of Population and Housing, Sri Lanka's population is 21,763,170, an increase of 1,403,731 since 2012. While the average annual growth rate has slowed from 0.7% (2001-2012) to 0.5% (2012-2024), the population continues to grow. Provincially, the Western Province has the highest population (28.1%), and the Northern Province has the lowest (5.3%).

The labour force participation rate in 2024 was 47.4%, with an economically active population of approximately 8.3 million, 66.4% of whom were male. Data from this period indicated that female unemployment rates were consistently higher than male rates across all age groups. Youth aged 15-24 also experienced higher unemployment rates compared to older demographics for both sexes.

Stemming partly from limited economic opportunities exacerbated by the post-crisis public sector hiring freeze, emigration from Sri Lanka is increasing. Data from the Sri Lanka Bureau of Foreign Employment indicates a year-on-year rise in applications during the first nine months of 2024. This trend carries potential adverse implications for the quality of public service delivery.

The poverty rate was 24.5% (at US$3.65 per person per day, PPP) in 2024. Although poverty declined marginally during the year, it remains nearly double what it was in 2019 (11.3%).

Outlook

For 2025, Sri Lanka's total population is forecast at 23.23 million inhabitants, with the labour force projected at 8.78 million. This is expected to result in an unemployment rate of 5.24%, or approximately 459.73 thousand people. Labour productivity is forecasted at US$3.96.

Risks Associated Sustainability Risk | Operational Risk

Technological

Related Material Theme MT 2 MT 5

Related Strategies S 2 S 3 S 6

Technology is reshaping the financial services industry. AI applications are automating customer service via chatbots and advanced virtual assistants, providing personalised AI financial advice, and enhancing security through AI fraud detection, which is essential given the complexity of online transactions. The digital payment landscape is rapidly advancing with trends such as real-time and contactless payments improving speed and convenience. Mobile banking provides accessible transaction services beneficial for both users and institutions. Additionally, cryptocurrencies offer potential for decentralised transactions and greater financial inclusion.

Sri Lanka has strategically reframed its digital economy approach, viewing it as a national economic imperative for GDP growth, improved services, and enhanced competitiveness, rather than just a tech challenge. This shift led to a dedicated Digital Economy Ministry overseeing relevant institutions. Efforts include foundational projects including a blueprint, AI strategy, and digital identity, alongside immediate wins such as the GovPay platform. The country has set a bold target to grow its digital economy from the current USD 3-4 Billion to USD 15 Billion within five years.

Outlook

The global Digital Payments market is set for substantial growth, with total transactions projected to reach US$17.15 Billion by 2028 at a CAGR of 14.49%. Recognising this accelerating trend both globally and domestically, the Central Bank of Sri Lanka has launched a comprehensive three-year plan to enhance the stability and efficiency of the national payment system. This multi-pronged approach focuses on bolstering the legal framework (including revising the Payment and Settlement Systems Act and updating subsidiary rules including mobile app guidelines by 2025, while reviewing access/licensing regimes), upgrading infrastructure (such as the new ISO 20022 compliant RTGS system launched in 2024 with plans for cross-border extension, expanding CEFTS, and operationalising the GDPP in 2025), providing incentives (restoring the LANKAQR MDR to 1% from Jan 1, 2025), and strengthening public trust and security through fraud monitoring, guidance, new regulations, and nationwide awareness programmes.

Risks Associated Reputation Risk | Cyber Security Risk

OUR OPERATING ENVIRONMENT

Environmental

Related Material Theme MT 1 MT 4 Related Strategies S 1 S 4

Beyond direct and indirect economic impacts on sectors such as agriculture and energy, climate change poses a significant threat to financial stability. This link occurs primarily through two mechanisms. Physical risks materialise as increased frequency and severity of climate disasters, directly eroding asset and collateral values and impacting insurance sector liabilities. Simultaneously, transition risks emerge from the process of moving towards a low-carbon economy; the uncertainties around policy shifts and technological developments can disrupt markets and adversely affect the asset prices of carbon-intensive industries. Failing to undertake timely mitigation exacerbates the potential for sudden, economically disruptive adjustments, further increasing financial instability risks.

Sri Lanka is highly vulnerable to climate change impacts, including rising temperatures, altered rainfall patterns, sea level rise, and increased frequency of extreme weather events. These changes are already affecting various sectors, particularly agriculture, coastal areas, and human health.

Outlook

Despite contributing minimally to global emissions, Sri Lanka is severely impacted by climate change, facing threats to its economy and livelihoods from events including floods and droughts. While global developments such as the COP29 approval of standards for carbon markets can help foster funded emission reduction projects, the United Nations is supporting Sri Lanka's climate adaptation and mitigation efforts. This UN assistance includes initiatives in environmental management, climate-smart agriculture, e-mobility, renewable energy, and disaster preparedness/recovery, with plans to continue helping update national climate goals (NDCs) and mobilise partners.

Risks Associated Sustainability Risk | Operational Risk

Legal

Related Material Theme MT 3 MT 5 Related Strategies S 1 S 6

The Central Bank significantly strengthened the Licensed Banks sector and contributed to financial system stability through multiple initiatives. This included enhancing the legal and regulatory framework via the Banking (Amendment) Act and issuing comprehensive Directions to licensed banks, covering critical areas such as large exposure limits, corporate governance standards, liquidity requirements, related party transaction oversight, and rules for offshore banking business. Alongside regulatory updates, the Bank developed the Bank Recapitalisation Strategy as a roadmap for restructuring and recapitalising nine large domestic banks, specifically to ensure an adequately capitalised system. Furthermore, to enhance the efficiency and accuracy of the Sri Lanka Deposit Insurance Scheme (SLDIS) compensation mechanism and better manage depositor information, a Depositor-wise Data Collection System was initiated, covering all Licensed Banks and Licensed Finance Companies.

Outlook

The Central Bank remains dedicated to fortifying the non-bank financial institutions (NBFI) sector through its Masterplan for Consolidation and enhanced regulation. The Masterplan, initiated in 2020 to build a strong, stable sector, completed eight amalgamations in Phase I. A revised Phase II, announced in December 2024 and effective March 2025 to March 2028, will now focus on boosting the resilience of standalone finance companies, with their performance against benchmarks being monitored. To underpin this stability, regulatory oversight and risk management will be improved by amending the Finance Business Act and Finance Leasing Act, issuing new rules, leveraging automation for supervision, and enhancing public disclosures on finance company performance.

Risks Associated Reputation Risk | Operational Risk

4. LICENSED FINANCE COMPANIES SECTOR

The Licensed Finance Companies (LFC) sector recorded a significant expansion in 2024, whilst exhibiting resilience by maintaining capital and liquidity well above the regulatory minimum levels. The sector comprised 32 FCs accounting for 5.4% of the total financial sector assets at end 2024. The FCs sector grew in terms of loans and advances, deposits, and borrowings. Further, the asset quality of the sector improved as reflected by the reduction in NPL denoted by Stage 3 loans. The asset base of the sector increased by Rs. 235.2 Billion in 2024 and reached Rs. 1,930.7 Billion, reflecting a growth of 13.9% at end 2024, compared to a 5.7% growth at end 2023. The sector's Profit After Tax (PAT) increased by 20.9% from Rs. 49.4 Billion in 2023 to Rs. 59.7 Billion in 2024, mainly driven by the increase in net interest income.

5. OUR COMPETITIVE LANDSCAPE (FIVE FORCES ANALYSIS)

Power of Customer

Impact **High**

While large-ticket loan / deposit customers have historically been highly price-sensitive and possessed greater bargaining power, MSMEs have generally been less rate-sensitive and held less leverage in negotiations. However, as Micro, Small and Medium Sized Enterprises (MSMEs) become more financially sophisticated, they are likely to become increasingly price-sensitive and demand more competitive terms.

Our Response

Focus on relationship building among existing customer base and channel resources towards finding new opportunities

Refer Social and Relationship Capital on page 184

Power of Business Partner

Impact **Low**

As a financial institution, our primary suppliers are providers of support services. Due to the nature of their services, which are essential but not core to our business, the bargaining power of these business partners is generally low.

Our Response

Focus on a diversified pool of support service providers to reduce risk of over-dependence on any specific group of service providers

Refer Social and Relationship Capital on page 184

Threat of New Entrants

Impact **Low**

Sri Lanka's financial sector is comprised of 30 banks and 34 non-bank financial institutions (NBFIs), creating a competitive landscape. The likelihood of new entrants is also based on the decision by authorities to grant new licenses.

Our Response

Build a strong and credible brand that stands out among peers

Refer MD's Review on page 50 and Business Review on page 222

Threat of Substitute Products

Impact **High**

While the threat of substitutes within the NBFI industry itself is low, competition from banks and other financial institutions offering similar loan and deposit products poses a significant challenge. In the medium to long term, the threat of substitutes is substantial, highlighting the need for NBFIs to innovate and create value-added solutions to meet the evolving lending needs of businesses and individuals.

Our Response

Stay updated with industry best practices and new opportunities offered through technology and incentives

Refer Social and Relationship Capital on page 184 and Business Review on page 222

Competitive Rivalry

Impact **High**

Traditionally, Sri Lankan customers have been reasonably loyal; however, competitive tactics among entities have greatly reduced loyalty levels, especially across high net-worth customer segments.

Our Response

Improve product mix, customer service and process efficiency to attract and retain customers. Explore new ways of delivering value and innovative means of utilising existing resources to extend our range of offerings.

Refer MD's Review on page 50 and Business Review on page 222

INTEGRATED STAKEHOLDER ENGAGEMENT

<IR 3C> | GRI: 2-23, 2-24, 2-29

Our purpose centres on people, and we recognise that effective stakeholder engagement is fundamental to our success. Our stakeholder-centric approach creates value by understanding and responding to stakeholder needs, building long-term partnerships, measuring relationship effectiveness, and taking targeted action to drive positive, long-term sustainable impact.

1. GOVERNANCE AND MANAGEMENT OF STAKEHOLDER RELATIONSHIPS

The ultimate responsibility for our stakeholder engagement rests with the Board, guided by the Board Sustainability Committee (BSC) and the Sustainability Management Committee (SMC). While engagement activities are decentralised and conducted by our operational clusters and business areas, the Corporate Sustainability Department oversees day-to-day relationship management. Furthermore, the Stakeholder Forum ensures consistent application of our Stakeholder Engagement Policy across the entire Company.

Our Stakeholder Engagement Initiatives Seek to:

- Proactively unlock growth
- Respond to stakeholder issues
- Demonstrate good governance
- Display leadership and foresight as a good corporate citizen



1 Engagement Objectives

Our engagement objectives form the foundation for building meaningful relationships with stakeholders, fostering transparency, and driving mutual benefits.

- To enhance stakeholder trust through transparent communication
- To align stakeholder expectations with LBF's goals
- To ensure active participation in sustainability and business growth initiatives
- To address concerns and feedback proactively for continuous improvement
- To strengthen partnerships that contribute to long-term value creation

2 Stakeholder Identification

Identifying stakeholders ensure that all relevant groups are considered in decision-making and project execution processes.

Customers

End-users of our financial products and services

Shareholders

Our investors and equity partners seeking sustainable financial returns and long-term value creation, driven by our performance and governance

Employees

Our dedicated team whose expertise and commitment drive operational excellence and innovation

Regulators

Government and supervisory entities defining the framework within which we operate responsibly and ethically

Business Partners/Suppliers

Valued entities integral to our supply chain and ability to deliver exceptional products and services

Society/Communities

The local and broader societies where we operate, impacted by our social and environmental initiatives

3 Engagement Approaches

Our approaches outline the methodologies for effective communication and interaction with stakeholders.

Consultation

Conducting surveys and focus groups to gather stakeholder insights

Collaboration

Partnering with stakeholders in planning and implementation

Communication

Using digital platforms, newsletters, and our annual reports to disseminate information

Involvement

Inviting stakeholders to participate in decision-making and governance

Feedback Mechanisms

Establishing channels for receiving and addressing concerns

4 Engagement Strategies

For each selected engagement, our strategies provide a roadmap for achieving meaningful and impactful stakeholder engagement.

- Develop tailored engagement plans for each stakeholder group
- Leverage technology for efficient communication and data-driven decisions
- Foster inclusivity by prioritising marginalised and underrepresented groups
- Align engagement activities with our sustainability goals
- Monitor and evaluate engagement effectiveness to refine strategies

5 Engagement Plan

Our engagement plan outlines actionable steps and timelines to implement the strategies.

Timeline

Clear milestones for engagement activities

Activities

Scheduled meetings, events, and campaigns

Resources

Allocation of budgets, tools, and personnel

Monitoring

Periodic reviews and updates to the engagement plan

Reporting

Transparent documentation of progress and outcomes

6 Engagement Outcomes

Outcomes define the tangible and intangible benefits achieved through our engagement efforts.

- Strengthened stakeholder relationships and trust
- Improved alignment between organisational goals and stakeholder expectations
- Enhanced community goodwill through our CSR initiatives
- Increased employee satisfaction and retention.
- Positive contributions to sustainability and long-term value creation

For more information on

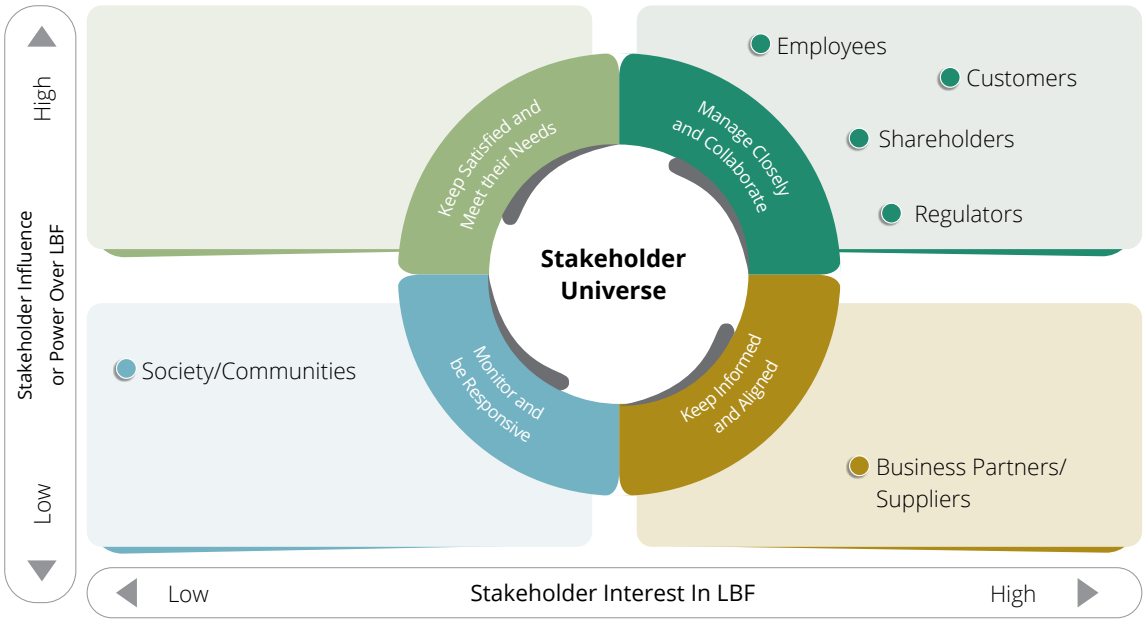
- Basic Characteristics for Stakeholder Engagement
- Checklist for Monitoring and Evaluation of Stakeholders
- Reporting Feedback to Stakeholders
- Critical Success Factors for Meaningful Stakeholder Engagement

Visit the Stakeholder Management Framework on the LBF sustainability site

INTEGRATED STAKEHOLDER ENGAGEMENT

GRI: 413-1

2. ANALYSIS OF OUR STAKEHOLDERS

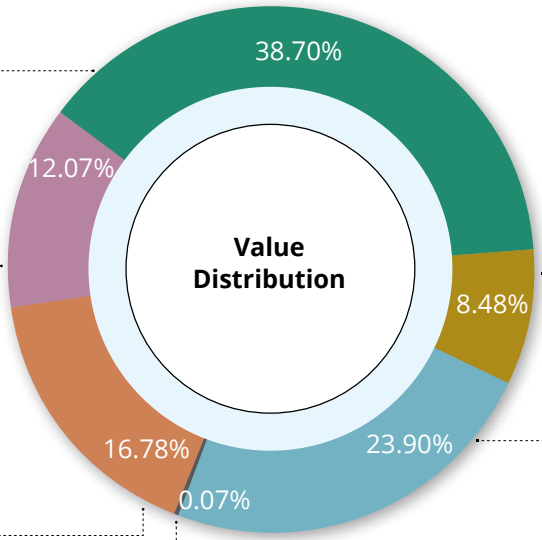


Our stakeholder landscape evolves in line with our strategic direction. We group stakeholders by their influence on us and our impact on them. Crucially, we seek stakeholder input, integrating their concerns into our decision-making processes to drive value creation effectively within a rapidly changing operational context.

3. VALUE CREATION FOR STAKEHOLDERS

Stakeholder engagement is fundamental to our social and financial value creation, serving as a critical input to our strategy and a valuable outcome. Our value-added statement clearly illustrates how we generate and distribute financial value to our stakeholders through this approach.

Distributable Interest Income	+	Distributable Fee and Other Income	-	Distributable Operating Cost	=	Net Value Created
Rs. 41.81 Bn (2023/24: Rs. 45.72 Bn)		Rs. 4.91 Bn (2023/24: Rs. 3.50 Bn)		Rs. 4.27 Bn (2023/24: Rs. 4.57Bn)		Rs. 42.45 Bn (2023/24: Rs. 44.65 Bn)



Funders

We distributed 38.70% (2023/24: 47.35%) of the value created to depositors and lenders through the payment of interest on deposits and debt

Rs. 16.43 Bn

Employees

We distributed 12.07% (2023/24: 9.75%) of the value created to employees through remuneration and benefits

Rs. 5.12 Bn

Value Retained

We retained 16.78% (2023/24: 14.48%) of the value created to liquidity support and allocate capital expenditure

Rs. 7.12 Bn

Capital Providers

We distributed 8.48% (2023/24: 7.13%) of the value created to investors through the payment of dividends

Rs. 3.60 Bn

Government

We distributed 23.90% (2023/24: 21.24%) of the value created to government through the payment of taxes

Rs. 10.14 Bn

Community

We distributed 0.07% (2023/24: 0.05%) of the value created to community through CSR projects

Rs. 0.03 Bn

4. STAKEHOLDER ENGAGEMENT CANVASS

CUSTOMERS

GOAL: Customer at the Centre of the Business

887,333 Individual Customers

1,104 Corporate Customers

Quality of Relationship: Falling Short | Performing | Excelling

Level of Engagement: Involve

Related Capital	Related Material Themes	Related Strategy	Affected UN SDGs
MC SRC	MT 2 MT 5	S 2 S 3	8 9 11 17

Key Concerns

- **S1.** Access to financial services
- **S2.** Customer security and privacy
- **S3.** Operationalising of guidelines and directives
- **S4.** Financial support for revival of business
- **S5.** Customer satisfaction and grievance handling

Our Response

- Expanding inclusive financial accessibility – Product portfolio (page 222)
- Strengthening data protection measures – Intellectual Capital (page 172)
- Implementing corporate governance practices (pages 246 to 281)
- Assisting businesses with sustainable plans – Business Review (pages 222 to 240)
- Social and Relationship Capital (Page 184)

Method of Engagement

- Emails AR
- Corporate website C
- Propaganda vehicle C
- Product and service brochures AR
- Product launches AR
- Market surveys A
- Call centre C
- Customer visits AR
- Social media platforms C

Contribution to Value Creation

LBF has diverse customers, including individuals, corporates and SME/MSME in Sri Lanka and Myanmar. Delivering an excellent customer value proposition to all these customers serves as the basis for the value generated by the Company and shared with other stakeholders

Risk Identification and Mitigation

- Competitive pressure among mainstream financial service providers
- Awareness of data security and privacy

Opportunities Identified

- Creating differentiation through multiple product propositions combined with an omnichannel environment
- Data-driven solutions to enhance the overall customer experience

Short-Term

Enhancing digital financial access via secure mobile banking solutions, underpinned by robust customer data protection and cyber security measures.

Medium-Term

Ensuring regulatory compliance by embedding new directives into digital operations, while simultaneously enhancing customer grievance handling and service response times.

Long-Term

Leveraging AI to develop innovative financial services that enhance accessibility while ensuring robust, long-term customer security.

AR As Required C Continuous A Annually M Monthly Q Quarterly

INTEGRATED STAKEHOLDER ENGAGEMENT

SHAREHOLDERS

GOAL: Sustained Growth and Wealth Maximisation

5,348 Total Shareholders

5,314 Local Shareholders

34 Foreign Shareholders

Quality of Relationship: Falling Short | Performing | Excelling

Level of Engagement: **Consult**

Related Capital	Related Material Themes	Related Strategy	Affected UN SDGs
FC SRC	MT 1 MT 2	S 1 S 3 S 6	8 9 12

Key Concerns

- **S6.** Sustainable growth
- **S7.** Delivering sustainable returns
- **S8.** Business risk management
- **S9.** Transparency and accountability
- **S10.** Sustainability adaptation

Our Response

- Strengthening long-term business stability - Financial Capital (page 124)
- Offering incremental growth in shareholder returns - Financial Capital (page 124)
- Integrated Risk Management (pages 311 to 346)
- Implementing corporate governance practices (pages 246 to 281)
- Adopting sustainability guidelines/framework for business (page 98)

Method of Engagement

- Annual reports and AGMs/EGMs (A, AR)
- Financial results (A, Q)
- CSE announcements (AR)
- General correspondence (AR)
- Press releases (AR)
- Corporate website (C)
- Feedback surveys (AR)

Contribution to Value Creation

As the providers of capital, shareholder funds support, the day-to-day operations and fuel the Company's business plans

Risk Identification and Mitigation

- Lack of investor confidence due to market vulnerabilities in the NBFI sector
- Policies and demonstration of responsible business conduct

Opportunities Identification

Ability to leverage our financial strength to raise the necessary capital and funding at the best possible rates

Short-Term

Enhance digital financial services and improve customer experience through innovative platforms such as the LB CIM app, ensuring business stability and accessibility.

Medium-Term

Enhance operational efficiency and service delivery by integrating digital tools, simplifying processes, and expanding fintech collaborations.

Long-Term

Foster sustainable growth and innovation through customised hybrid financial models and strategic fintech partnerships, all underpinned by our commitment to responsible corporate citizenship.

AR As Required | C Continuous | A Annually | M Monthly | Q Quarterly

EMPLOYEES

GOAL: Career Progress and Best Place to Work

4,407 Total Employees

2,317 Male

2,090 Female

40 Senior Management

Quality of Relationship

Falling Short | Performing | Excelling

Level of Engagement: **Collaborate**

Related Capital	Related Material Themes	Related Strategy	Affected UN SDGs
HC MC	MT 1 MT 2	S 1 S 5	5 10 16

Key Concerns

- **S11.** Attractive benefit structure
- **S12.** Training and skill, competency development
- **S13.** Reward and recognition
- **S14.** Diversity and equal opportunities
- **S15.** Employee engagement

Our Response

- Providing financial and non-financial benefit plans (page 158)
- Nurturing customer-friendly and tech-savvy employees (page 162)
- Establishing the "Pinnacle Club" to recognise high performers (pages 158)
- Contributing to gender parity (page 159)
- Building an employee engagement culture (page 164)

Method of Engagement

- Staff meetings AR
- Performance appraisal A
- Social media platforms C
- E-publications M
- Notifications AR
- Emails AR
- Training programmes and workshops AR
- Post-training feedback AR
- One-on-one engagement C
- Focus group sessions AR

Contribution to Value Creation

Our employees provide the skills, experience, diversity, and productivity needed to operate our facilities efficiently and safely

Risk Identification and Mitigation

- Health and safety issues
- Employee engagement, health and wellness programmes

Opportunities Identification

- Digital-first organisation
- Modernised work systems

Short-Term

Building workforce capabilities for digital transformation through targeted, hands-on training in fintech, regulatory compliance, and cybersecurity, ensuring our team aligns with the evolving business model

Medium-Term

Building an agile and inclusive work culture through targeted employee wellness programmes, performance-based career progression, and leadership development to enhance adaptability to industry changes.

Long-Term

Developing a future-ready workforce by integrating AI-driven HR tools, creating/enhancing sustainability-focused roles, and aligning workforce strategies with global financial industry trends.

AR As Required | C Continuous | A Annually | M Monthly | Q Quarterly

INTEGRATED STAKEHOLDER ENGAGEMENT

REGULATORS

GOAL: Full Statutory Compliance

Central Bank of Sri Lanka

Securities and Exchange Commission

Department of Inland Revenue

Other Regulatory Bodies

Quality of Relationship: Falling Short | Performing | **Excelling**

Level of Engagement: **Involve**

Related Capital	Related Material Themes	Related Strategy	Affected UN SDGs
FC SRC	MT 1 MT 3	S 1 S 4 S 6	8 9 11 16

Key Concerns

- **S16.** Stability of the financial system
- **S17.** Compliance with applicable laws and regulations
- **S18.** Migration to cashless payment platforms

Our Response

- Engaging in sustainable and ethical business practices – Financial Capital (page 124)
- Compliance with compulsory and voluntary guidelines, laws, and regulations – Corporate Governance (page 246)
- Increasing digital transactions through the LB CIM app – Intellectual Capital (page 172)

Method of Engagement

- Meetings AR
- Directives and circulars AR
- Telephone discussions AR
- On-site and off-site examinations AR
- Periodic or thematic assessments AR
- Participation in forums AR

Contribution to Value Creation

Government and regulators provide the regulatory and policy framework that is critical to value creation. Through legislation and policy, they inform us what we can do, how we can do it, and where we can operate

Risk Identification and Mitigation

- Increasingly strict rules and Regulations governing the NBFI sector
- Awareness generation on the mandates by the Government of Sri Lanka

Opportunities Identification

Active participation and contribution to industry and regulatory working groups

Short-Term

Enhance regulatory compliance through real-time reporting, transparent financial disclosures, and robust Anti-Money Laundering (AML) protocols, directly supporting national financial stability goals.

Medium-Term

Ensure ongoing alignment with evolving financial regulations by proactively adapting operations, integrating new directives, and improving data-driven regulatory reporting.

Long-Term

Foster a sustainable financial ecosystem by collaborating on green finance initiatives, championing/ adopting ESG-aligned regulations, and contributing to policy reforms that enhance financial resilience.

AR As Required C Continuous A Annually M Monthly Q Quarterly

BUSINESS PARTNERS

GOAL: Foster Mutual Success and Long-term Collaboration

19,000+ Business Partners/ Suppliers

Quality of Relationship

Falling Short | Performing | Excelling

Level of Engagement: **Involve**

Related Capital	Related Material Themes	Related Strategy	Affected UN SDGs
SRC MC	MT 1 MT 2	S 1	9 17

Key Concerns

S19. Continued business opportunities

S20. Timely settlement

S21. Collaboration for new technological and digital advances in the financial sector

Our Response

- Making timely payments upon delivery
- Continuous engagement
- Clear communication of policies and procedures
- Business Partner Capital (Page 199)

Method of Engagement

Field visits AR

Service agreements AR

Supplier appraisal AR

Meetings AR

Contribution to Value Creation

Ensuring positive business partner relationships, based on mutual respect, enables us to deliver our customer value proposition efficiently and effectively

Risk Identification and Mitigation

- Lack of supplier diversity may lead to a breakdown in the supply chain
- Ensure timely payment for services

Opportunities Identification

Promote local suppliers

Short-Term

Enhancing ethical procurement standards by ensuring suppliers comply with regulatory guidelines, digital integration, and transparent sourcing practices to build responsible partnerships.

Medium-Term

Strengthening supplier collaboration through technology-driven partnerships, fostering supply chain resilience, and promoting ESG-aligned vendor selection to support sustainable business growth.

Long-Term

Building a future-proof, sustainable supply ecosystem by integrating green supply chain policies, digital financial solutions for vendors, and long-term strategic alliances that drive mutual success.

AR As Required C Continuous A Annually M Monthly Q Quarterly

INTEGRATED STAKEHOLDER ENGAGEMENT

SOCIETY AND ENVIRONMENT

GOAL: Empowering Community and Nurture the Nature

18 Community Based Projects

9 Environmental Initiatives

Quality of Relationship: Falling Short | Performing | Excelling

Level of Engagement: **Involve**

Related Capital	Related Material Themes	Related Strategy	Affected UN SDGs
SRC NC	MT 1 MT 4	S 4	1 2 4 6 13 15

Key Concerns

- **S22.** Responsible financing
- **S23.** Community engagements
- **S24.** Environmental stewardship

Our Response

- Financial inclusion and empowering society and communities (page 33, 36)
- Launching CSR and sustainability projects with strategic partnerships (page 202)
- Reducing the adverse impact on the environment and introducing climate targets (page 221)

Method of Engagement

- Individual engagements AR
- Press publication AR
- Corporate website C
- Social media C
- Public events AR

Contribution to Value Creation

These stakeholders play a key role in holding us accountable to our commitment to positively impacting the environment and people's lives. Through these relationships, we can identify areas of need and focus our efforts on supporting the communities we work with

Risk Identification and Mitigation

- Climate change, health, and safety of communities
- Holistic rural development programmes and climate resilience actions

Opportunities Identification

- Job creation
- Local economic growth
- Reduction of emissions

Short-Term

Increasing community access to financial solutions and knowledge through expanded literacy and inclusion programmes, while demonstrating environmental responsibility by initiating carbon footprint reduction in our daily operations.

Medium-Term

Investing in green finance and community-driven initiatives, such as sustainable lending practices, renewable energy financing, and CSR projects that address social and environmental challenges.

Long-Term

Leading the sustainable finance transition by embedding ESG principles across all financial services, championing climate-conscious financing, and building long-term environmental resilience.

AR As Required C Continuous A Annually M Monthly Q Quarterly

5. VALUE CREATION STAKEHOLDER SCORECARD – SIX CAPITAL VIEW

Capitals	Stakeholders	Key Indicators of Capital Management	Unit	Outcome on the Capital 2024/25	2023/24
Financial Capital	• Shareholders • Lenders • Employees	• Income growth	%	-5	15
		• Profit after tax growth	%	13	13
		• Assets growth	%	19	11
		• Market price per share*	Rs.	86.50	62.80
		• Dividend yield	%	7.51	9.16
		• Market capitalisation	Rs. Mn	47,926	34,795
		• Dividend per share	Rs.	6.50	5.75
Manufactured Capital	• Shareholders • Employees	• Branches	Number	216	200
		• Profit per outlet	Rs. Mn	50.02	47.81
		• Income per outlet	Rs. Mn	216.34	246.15
		• Freehold land and building addition	Rs. Mn	261.01	88.33
Human Capital	• Employees	• Investment in training and development	Rs. Mn	21.70	23.22
		• No. of promotions		1,145	1,037
		• Remuneration and benefits paid	Rs. Mn	4,902.96	4,095.93
Intellectual Capital	• Customers	• Investment in software development	Rs. Mn	58.87	6.48
		• Re-certification of 27001:2022		Done	Done
		• Investment in IT	Rs. Mn	273.44	279.25
Social and Relationship Capital	• Employees • Regulators • Society/ Communities	• Projects to uplift the communities well-being	Number	27	21
		• Taxes paid to government	Rs. Bn	12.65	11.41
		• Corporate social investment	Rs. Mn	27.35	20.00
		• Economic value distributed	Rs. Mn	46,730	49,230
Natural Capital	• Society/ Communities • Employees	• No. of trees planted at present (50 to 50,000 tree planting programme)	Number	375	8,200
		• Paper recycled	kg	52,604	20,109
		• Energy consumption	GJ	55,714.08	16,852.95
		• Carbon footprint	tCO_2e	36,934.07	3,982.90

*Price per share represents the share price after the share sub-division.

INTEGRATED STAKEHOLDER ENGAGEMENT

6. VALUE CREATION SCORECARD - STAKEHOLDER VIEW

The table below demonstrates how LBF's integrated strategy is generating positive outcomes for the Company through its holistic efforts to create stakeholder value.

	Value for the Stakeholder	Value for the Company	Indicator
CUSTOMERS	• Innovative, efficient, cost-effective financial solutions that meet customers' needs • Improved access to markets and financial services including access to information and advice • A safe and trustworthy financial services provider	• More satisfied customers • Enhances LBF's reputation as a trusted financial services institution • Increased customer loyalty • Higher revenue from existing and new customers	• Growth in customer base (%) • Complaints solved (%) • No. of financial solutions offered • LB CIM app downloads
EMPLOYEES	• A robust and challenging work environment where all employees can achieve their full potential • Culture that rewards for high performances • Self-led development and opportunities for career progression	• Highly motivated and engaged workforce as a key competitive advantage • A dynamic and experienced talent pool equipped to meet current and future needs of the Company	• Employee voluntarism (hours) • Total headcount broken down by: - Full time - Contract • Female • Male • Investment in training (Rs. Mn)
SOCIETY	• Support for economic growth • Increased access to, and funding for, education opportunities • Lower environmental footprint	• Access to new markets • Confirms LBF's status quo as a responsible corporate steward	• Total energy used (GJ) • Carbon emissions (tCO_2) • No. of CSR projects • Investment in CSR (Rs. Mn) • No. of trees planted at present (50 to 50,000 tree planting programme)
SHAREHOLDERS	• Sustainable return on investment through attractive dividends • Increased earning potential due to the upward movements in the share price	• Strong capital base to fuel growth • Public trust in the brand	• Return on equity (%) • Return on assets (%) • Debt to equity (Times) • Cost-to-income ratio (%)
REGULATORS AND BUSINESS PARTNERS	• Fair and ethical engagement when dealing with the Company • Contribution towards the overall stability of the country's financial system	• Sound corporate values, high ethical standards, market integrity and good conduct practices • Sustainable operations	• Employees completing no. of trainings on compliance • Fine or charge against non-compliance

Outcomes		
	2025/24	2024/23
	6.8	6.4
	89	95
	34	33
	200,000+	100,000+
	7,552	7,132
	4,391	4,052
	16	80
	2090	1895
	2317	2237
	21.70	23.22
	55,714.08	16,852.95
	36,934.07	3,982.90
	27	21
	27.35	20.00
	375	8,200
	22.77	23.40
	4.88	4.97
	3.53	3.44
	32.58	31.13
	5	5
	None	None

Managing the Outcomes

- Ongoing work to stem customer losses; redefine the customer profile and gain trust and confidence
- Driving innovation and articulation of a digital strategy to reshape the Company

- Culture reset
- Delivering a target culture and new corporate values
- Implementation of multiple engagement forums
- Focus on employee turnover

- Ongoing stakeholder engagements informed by a revised Company policy and engagement framework
- Continuous improvement of corporate governance, compliance and risk management practices
- Establishment of a Company-wide sustainability programme

- New strategy and medium-term performance targets alongside a focused separation programme
- Amended remuneration approach to address shareholder concerns

- Continued engagement with regulators across Sri Lanka and Myanmar with a focus on the separation
- Ongoing engagement/contribution to legislative developments

MATERIALITY

<IR 3D, 4H> GRI: 3-1

1. INTEGRATED DYNAMIC AND DOUBLE MATERIALITY

Our process for determining Material Matters adheres to a double materiality approach, examining issues from an internal and external perspective. This means we consider the impact of a matter on both our ability to create value (inward focus) and its broader impact on the environment and society (outward focus). In conducting this assessment, we consider significant events from the past year and, importantly, the views of our stakeholders. Material Matters, as identified through this rigorous process and aligned with <IR>, GRI, and SLFRS requirements, have the potential to significantly influence the delivery of our business strategy and affect our ability to create and preserve value over time.

1.1 Materiality Determination Process

1 Understand the Organisation's Context

- Understand the operational environmental, organisational purpose, and expected strategic outcomes
- Engage stakeholders through in-person and virtual channels to understand their expectations
- Understand sustainability-related risks and opportunities (SRROs), and climate-related risks and opportunities (CRROs)

2 Identify Potential Impacts

- Identify the potential risks and opportunities and their impacts across various capitals
- Identify the impact of value creation and value depletion on our business model

3 Assess the Significance of Impacts

- Evaluate based on their strategic impact on organisational objectives and alignment with stakeholder priorities
- Determine which issues are material to the business and should be prioritised for reporting

4 Prioritise Impacts for Reporting

- Prioritise impacts that are critical to the Company's performance and aligned with stakeholder interests
- Establish performance targets and KPIs aligned with the strategies

5 Reporting

- Report material matters subject to annual evaluation

1.2 We Recognise a Matter as Double Material If :

Double Materiality

We assess double materiality through:

- Aspects material to investors or other financial capital providers (financial materiality)
- Matters affecting the environment, society, and the economy (impact materiality)

Process

We prioritise initiatives that enhance long-term shareholder value, carefully considering internal and external factors. Our decision-making process incorporates capital allocation trade-offs and is guided by the following principles:

- Analysing our business environment, operating context, resource dependencies, and stakeholder feedback to identify key influences
- Evaluating matters with business environment, operating context, resource dependencies, and stakeholder feedback to identify key influences
- Leveraging the insights gained from these analyses to prioritise material matters that drive sustained value creation for our shareholders
- Visualisation of SRROs and CRROs

Purpose

Our material matters:

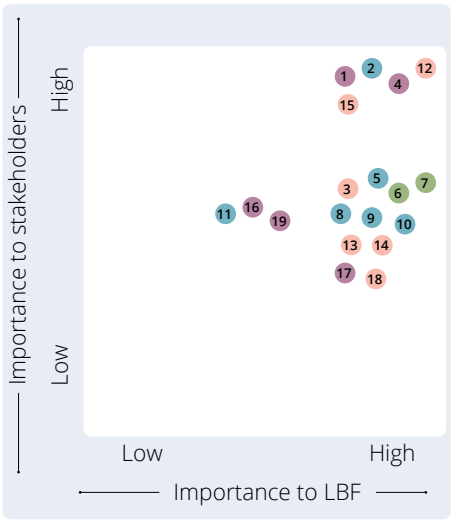
- Serve as key drivers of value that shape our strategic decision-making
- Impact the evaluation of our capacity to generate enduring enterprise value by our financial capital providers
- Underline our commitment to generate sustained shared value for all stakeholders

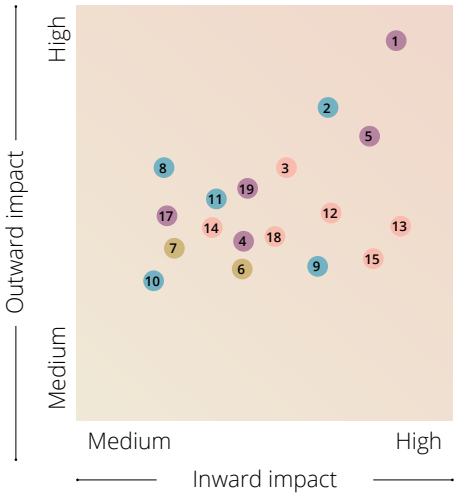
Changing Materiality

In 2024/25, macroeconomic and microeconomic shifts significantly influenced our materiality assessment. A more thorough double materiality assessment revealed interdependence between certain issues. Consequently, we combined related material matters based on their strategic importance, which resulted in a shift in materiality levels compared to 2023/24.

1.3 Materiality Drivers and Mapping

Rank	Material Matter	GRI Relevance	EESG
1	Sustainable revenue growth	201-1, 207	
2	Risk and capital management	2-23, 201-2	
3	Brand trust	2-24, 2-25, 2-26	
4	Operational resilience	2-12, 2-14, 2-22	
5	Process excellence	2-23, 2-24, 2-26	
6	Digital transformation	418-1	
7	Financed emissions reduction	305	
8	Internal control and risk management	2-12, 2-13, 2-14, 2-15, 2-16	
9	Ethical and transparent practices	2-23, 2-24, 2-25, 2-26, 2-27, 205-2	
10	Regulatory compliance	2-24	
11	Information security and data privacy	418-1	
12	Corporate citizenship and social license to operate	413-1	
13	Employee engagement	2-23, 401-2	
14	Training and development	404	
15	Health and safety	403-1	
16	Selling practices	NA*	
17	Lending practices	NA*	
18	Customer experience	418-1	
19	Financial inclusion	203-2	





Economic Environmental Social Governance

*SASB Consumer Finance Standard applicable

2. MATERIAL THEMES

We identify material themes as essential factors for achieving shared value outcomes. The following themes have been identified for the financial year 2024/25 as material themes.

MT 1 Sustainable and Climate Inclusive Business Growth

MT 2 Future-fit Organisation

MT 3 Good Governance and Risk Optimisation

MT 4 Supporting Social Cohesion

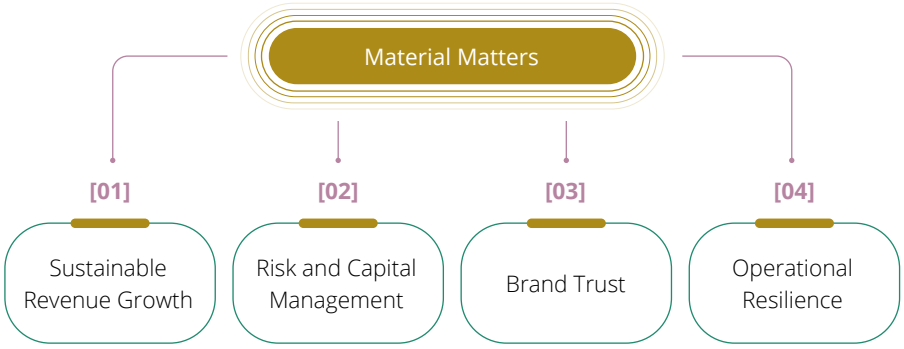
MT 5 Serving and Meeting Customer Needs

MATERIALITY

2.1 Behaviour of Material Themes

MT 1 Sustainable and Climate Inclusive Business Growth

Sustainable and Climate Inclusive Business Growth delivers consistent financial performance while creating long-term value for stakeholders and society. For LBF, this means striking the right balance between profitability and purpose by embedding sustainability into our growth strategy. We focus on generating appropriate business outcomes that not only drive shareholder value, but also strengthen stakeholder trust, enhance the stability of the financial system, and build resilience against future shocks.



Material Matters: Matters that Help or Hinder Our Ability to Deliver on Our Strategy

Help

- Strong brand reputation
- Diversified portfolio
- Experienced leadership and management
- Liquidity and capital reserves
- Technology and digital transformation

Hinder

- Market saturation in urban areas
- Talent retention challenges
- Evolving digital risks
- Market volatility

Strategic Alignment

- S 1 Sustainable Growth
- S 4 Positive Impacts
- S 6 Risk and Governance

SDG



Capitals Impacted

FC MC IC

GRI

GRI: 3-1, 3-2

Why is this a Material Theme?

Sustainable and Climate Inclusive Business Growth is a material theme for LBF because it allows the Company to balance financial performance with long-term value creation for both stakeholders and society. This approach is key to align profitability with purpose, ensuring that growth strategies contribute to shareholder value while also fostering stakeholder trust. By embedding sustainability into its business model, LBF strengthens the resilience of the financial system, enhances its ability to withstand future shocks, and builds a solid foundation for long-term success. Recognising this theme ensures the Company can meet the evolving needs of its stakeholders and position itself as a responsible leader in the industry.

Associated Risks

- Market risk
- Operational risk
- Credit risk

Associated Opportunities

- Customer-centric innovations
- Cost optimisation through technology
- Stronger customer loyalty
- Diversification of revenue streams
- Building partnerships and strategic alliances

Actions

We mitigate risk during economic downturns through a combination of strategies: offering diverse financial products, conducting rigorous credit assessments, focusing lending on creditworthy customers and low-risk sectors, and proactively engaging with regulators to ensure compliance and adapt to policy changes.

Materiality Themes

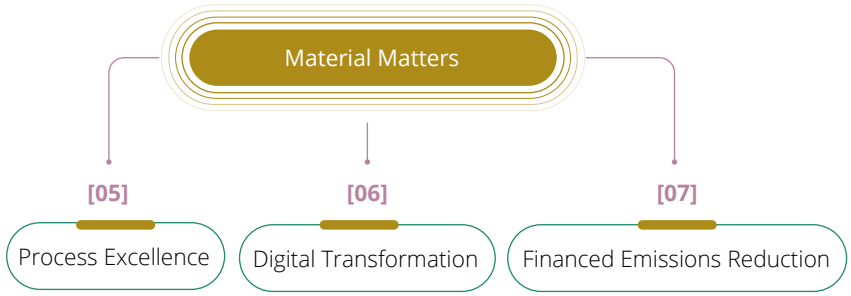
For more information on

- Interrelationship Between Material Issues

Visit the Material matters on the LBF sustainability site

MT 2 Future-fit Organisation

Future-fit Organisation proactively adapts to evolving market conditions, embraces technological advancements, and responds to societal shifts to ensure long-term sustainability. For LBF, this means embedding sustainable practices across all operations, strategically leveraging digital technologies such as digital financing and AI, enhancing organisational agility, strengthening risk management frameworks, and prioritising customer-centric financial solutions that meet their evolving needs.



Material Matters: Matters that Help or Hinder Our Ability to Deliver on Our Strategy

Help

- Sustainable financial model
- Technology adoption
- Customer-centric approach
- Sustainability initiatives

Hinder

- High initial costs
- Skill gaps
- Resistance to change
- Cybersecurity and data privacy concerns

Strategic Alignment

- S 1 Sustainable Growth
- S 2 Customer Centricity
- S 3 Digital Leadership

SDG

Capitals Impacted

SRC IC HC

GRI

GRI: 3-1, 3-2

Why is this a Material Theme?

Future-fit Organisation is a material theme for LBF because it ensures long-term sustainability, competitiveness, and adaptability in a changing market. By focusing on digital transformation, process improvement, and customer experience, LBF remains responsive to market dynamics and technological advancements. Additionally, managing financed emissions highlights the Company's commitment to environmental stewardship. This approach positions LBF to maintain resilience, drive future growth, and strengthen its strategic advantage.

Associated Risks

- Cybersecurity Risk
- Operational Risk
- IT Risk

Associated Opportunities

- Enhance customer experience and operations with advanced technologies
- Position LBF as a leader in digital financial services and sustainable finance
- Offer innovative digital solutions and personalised services
- Leverage growing demand for sustainable financial products to boost brand and market share

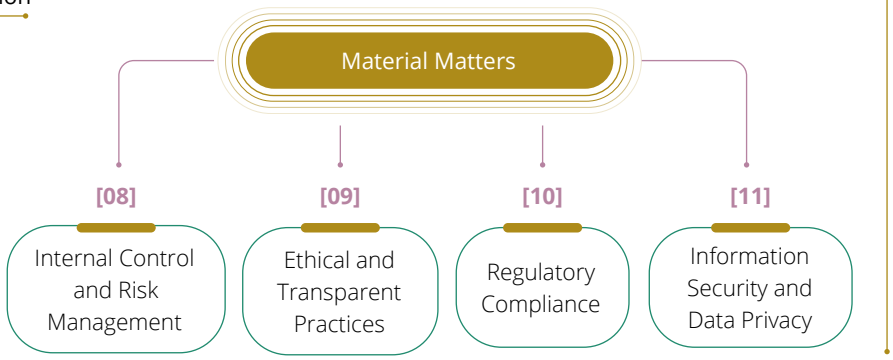
Actions

To build long-term resilience and security, we invested in robust cybersecurity infrastructure, prioritise phased technology implementation, and diversify our investments. Moreover, recognising the critical role of human capital, we focus on enhancing employee skills through comprehensive training programmes, strategic partnerships with educational institutions, and the recruitment of specialised talent.

MATERIALITY

MT 3 Good Governance and Risk Optimisation

Good Governance and Risk Optimisation at LBF is the foundation for creating long-term value for our stakeholders. It encompasses ethical leadership, unwavering regulatory compliance, and the cultivation of stakeholder confidence. Complementing this, our approach to risk optimisation involves proactively identifying, thoroughly assessing, and strategically mitigating financial and operational risks to strengthen our resilience and enable sustainable growth.



Material Matters: Matters that Help or Hinder Our Ability to Deliver on Our Strategy

Help

- Strong reputation
- Experienced management
- Sound risk management framework
- Integrated compliance monitoring

Hinder

- Complexity of risk factors
- Regulatory uncertainty
- Cybersecurity threats

Strategic Alignment

- S 1 Sustainable Growth
- S 6 Risk and Governance

SDG

Capitals Impacted

FC SRC

GRI

GRI: 3-1, 2-2

Why is this a Material Theme?

Good Governance and Risk Optimisation is a material theme for LBF because it directly impacts the Company's operational integrity, financial resilience, and long-term sustainability. By focusing on effective corporate governance and proactive risk management, LBF ensures regulatory compliance, minimises potential financial and operational risks, and fosters stakeholder confidence. This approach helps the Company to mitigate market fluctuations, economic downturns, and other uncertainties, safeguarding its long-term value and ensuring business continuity. Prioritising risk and capital management enhances LBF's ability to adapt to challenges, maintain stability, and protect stakeholder interests, making it a critical theme for sustaining growth and achieving strategic objectives.

Associated Risks

- Market Risk
- Operational Risk
- IT Risk
- Reputational Risk

Associated Opportunities

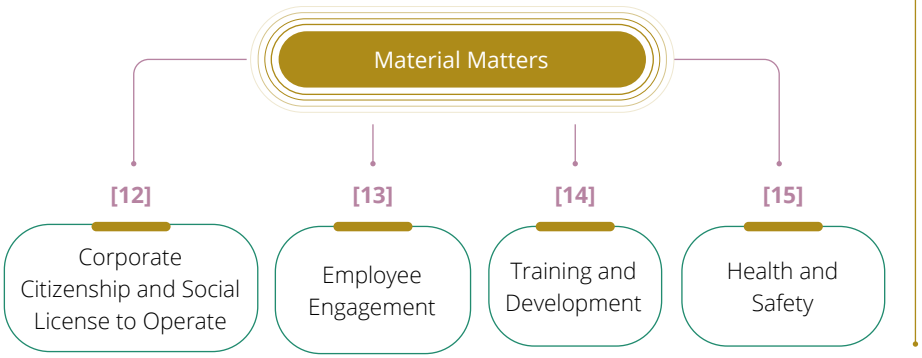
- Clearer communication and transparency with stakeholders
- Clearer compliance with international regulatory standards
- Leveraged AI and data analytics for proactive risk mitigation
- Increased operational efficiency through automation
- Improved cybersecurity measures to protect customer data

Actions

Agility in our business is achieved through regular practices. This requires a process of regular auditing and structured training for our staff to ensure we act in accordance with regulatory practice and are fully compliant. Maintaining transparency in financial reporting and an agile approach to our risk management framework ensures any market conditions are responded to in an appropriate way with mitigation activity actioned quickly.

MT 4 Supporting Social Cohesion

Supporting Social Cohesion involves building a sense of belonging, unity, and mutual support within our organisation and the wider society. This requires ensuring equal opportunities for all individuals and groups, while also encouraging their active participation in contributing to the collective well-being and prosperity.



Material Matters: Matters that Help or Hinder Our Ability to Deliver on Our Strategy

Help

- Inclusive financial products
- Diversity and inclusive initiatives
- Ongoing learning opportunities
- Workplace stress and mental health management
- Community partnerships

Hinder

- Public mistrust in non-banking financial institutions
- One-size fits all engagement strategies
- Limited stakeholder dialogue

Strategic Alignment

S 4 Positive Impacts

S 5 Empowering People

SDG

Capitals Impacted

FC SRC NC

GRI

GRI: 3-1, 2-2

Why is this a Material Theme?

Supporting Social Cohesion is a material theme for LBF because it underscores the importance of fostering strong relationships both within the Company and with external stakeholders. By focusing on employee engagement, health and safety, and training and development, LBF not only creates a positive and productive work environment, but also strengthens its relationship with the broader community and customers. This commitment to social cohesion builds trust, enhances corporate citizenship, and ensures long-term success by retaining top talent, reducing turnover costs, and promoting a stable, motivated workforce. Ultimately, it contributes to a sustainable business model that benefits both employees and the communities in which LBF operates.

Associated Risks

- Operational risk
- Reputation Risk
- Sustainability Risk

Associated Opportunities

- Introducing innovative community outreach programmes
- Partnerships with public organisations
- Employee volunteering opportunities
- Introducing cross departmental training programmes

Actions

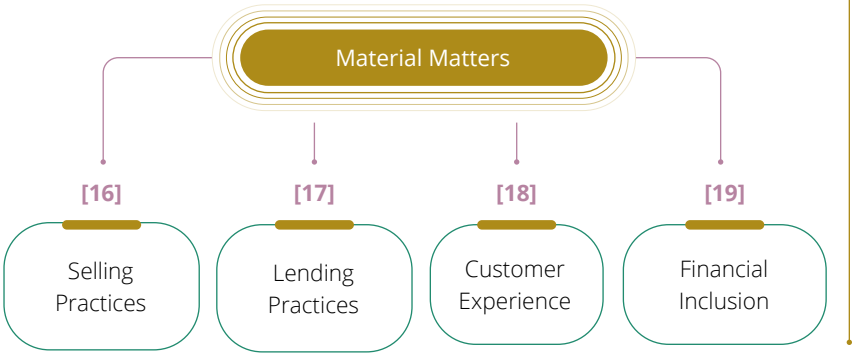
To ensure impactful and sustainable community engagement and effective employee development, LBF adopts a strategic and balanced approach. This includes carefully selecting community projects that align with our mission and values to maintain consistency and integrity, prioritising projects that offer both social and business benefits to maximise return on investment and balancing the frequency and type of training provided to employees to avoid overwhelming them while focusing on practical, hands-on development that enhances their skills and contributes to organisational success.

MATERIALITY

GRI: 2-16

MT 5 Serving and Meeting Customer Needs

Serving and Meeting Customer Needs requires a deep understanding of their individual expectations and the delivery of tailored financial solutions that offer tangible value, ease of accessibility, and unparalleled convenience. For LBF, this commitment translates into fostering long-term relationships built on personalised support, exceptional service, and proactive engagement to anticipate and fulfil their evolving financial requirements.



Material Matters: Matters that Help or Hinder Our Ability to Deliver on Our Strategy

Help

- Personalised financial solutions
- Technological advancements
- Strong customer support
- Customer feedback channels

Hinder

- Limited initiatives on market research
- Inadequate product knowledge
- Accessibility barriers

Why is this a Material Theme?

Serving and Meeting Customer Needs is a material theme for LBF because it is crucial to the Company's long-term success and competitiveness. By focusing on ethical selling, responsible lending practices, and prioritising customer experience, LBF fosters trust and strengthens customer loyalty, which are key drivers of sustainable revenue growth. Ensuring financial inclusion and meeting the diverse needs of customers, especially underserved populations, expands the Company's market reach and creates significant value for both customers and the organisation. This approach not only enhances customer satisfaction, but also ensures long-term financial stability, positioning LBF as a trusted and responsible player in the market.

Strategic Alignment

- S 1 Sustainable Growth
- S 2 Customer Centricity
- S 3 Digital Leadership
- S 5 Empowering People
- S 6 Risk Management and Governance

SDG

Capitals Impacted

SRC MC HC

GRI

GRI: 3-1, 3-2

Associated Risks

- Operational risk
- Reputation Risk
- Sustainability Risk

Associated Opportunities

- Use customer insights to offer targeted financial advice and solutions, enhancing relevance and value
- Implement AI-driven solutions to streamline processes like loan approval, providing faster and more efficient services
- Anticipate customer needs and provide proactive solutions, preventing issues before they arise

Actions

To uphold our commitment to responsible and ethical business practices, we implement a multi-faceted approach focused on training our sales teams to use ethical, customer-first selling techniques and ensuring strict compliance with all relevant regulations. Additionally, we ensure that our lending policies are consistently non-discriminatory, transparent, and fully compliant with all regulatory standards. To continuously improve the overall customer journey and address any concerns promptly and effectively, we have implemented robust feedback systems that allow us to listen to and respond to customer needs in a timely manner.

Communication of Critical Concerns

If there is/are critical concern/s, management will communicate the same to the Board of Directors for their discussion and Board will provide narrations and direction to solve or mitigate the concern/s.

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

<IR 3A, 3E, 4E> GRI: 2-23, 2-24

1. 'ELEVATE 2030' PATH TO PEAK PERFORMANCE

"Path to Peak Performance" is more than a strategy. We pledge to lead with integrity, innovate passionately, and grow purposefully, setting new standards for industry excellence.

To navigate this path and build a future-ready organisation, we are guided by six strategic priorities for the short to medium-term and four strategic value drivers defining our long-term aspirations. Recognising the lasting ecosystem impact of our long-term financial framework, integrating Economic, Environmental, Social, and Governance (EESG) principles into all operations and collaborations is fundamental to this journey, ensuring sustainable growth and operational resilience are embedded in our pursuit of peak performance.

Approach to Strategy

Background Analysis
- Vision/mission
- Situation anlaysis
- Setting objectives
- Formulate strategy

Navigating Tech Disruption
- Embrace fintech
- Digital platforms
- Cyber security

Stakeholder Centric Approach
- Personalisation
- Feedback mechanism
- Diverse offerings

Expansion
- Local and regional markets
- Partnership and merges
- Regulatory compliance

Sustainability and Social Response
- Green business
- Community development
- Ethical operation

Managing Regulatory Changes
- Rules and regulations
- Risk management
- Corporate governance

DELIVERING OUR STRATEGY

Strategic Value Drivers

Growth | Stability | Digitalisation | Shaping the Future of Risk and Governance

Strategic Value Unlocks

S 1 Sustainable Growth | S 2 Customer Centricity | S 3 Digital Leadership | S 4 Positive Impacts | S 5 Empowering People | S 6 Risk and Governance

2. STRATEGIC FOCUS AND RESOURCE ALLOCATION OF LBF

This section provides a detailed analysis of our resource allocation strategies and their impact on capital and our business model. Management Discussion and Analysis (MD&A) on pages 46 to 244 for specific financial performance metrics. Contextual analysis, including the operating environment and our strategic responses, is summarised in the Managing Director's Remarks (page 50), while the Chairman's Remarks (page 46) offers a broader perspective.

At LBF, the Board of Directors has traditionally provided strategic direction and served as the guardian of corporate governance. They act as enablers, empowering the Management team to drive the Company's vision forward. LBF's progress is outlined through a series of three-year strategies, highlighting how the management has taken timely initiatives to foster sustainable growth, and continues to do so to maintain this growth trajectory.

Shifting Our Business Model

Following our overview of the operating environment (page 56), this section focuses on how specific challenges influence our business model and necessitate adaptation. For our stakeholders, we will clarify the required changes to our business model needed to navigate these fundamental forces, mitigate key risks (page 311), and strategically pursue opportunities arising from market shifts.

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

Resource Allocation Process

Strategy (Our Purpose)

We focus on creating long-term value for stakeholders while ensuring sustainable growth and profitability.

FILTERS

- Does the opportunity add value to our stakeholders, evidenced by measurable value and growth metrics?
- Is the opportunity aligned with LBF's purpose and long-term goals?
- Can we scale this opportunity across the financial market efficiently?

If yes

Capability (Our Risk Appetite and Capacity)

Tested against LBF's risk appetite and capacity. It is essential to ensure we have the resources and capability to realise the identified opportunities.

FILTERS

- Is the opportunity within risk appetite?
- Do we have the required resources, both financial and human capital, to execute the opportunity effectively?

If yes

Allocation Testing

LBF regularly reviews and adjusts its risk appetite across various segments and markets to ensure that capital is allocated to areas with the highest return potential while mitigating associated risks.

Scenario Thinking and Planning

LBF adopts a robust scenario planning approach to challenge current assumptions and test how proposed initiatives will perform under various market conditions. This enables the Company to make informed decisions that balance long-term sustainability

2.1 Resource Allocation Principles

1

Alignment with Strategic Objectives

Allocate resources towards initiatives that directly support the organisation's strategic objectives and long-term vision, ensuring efficient use of resources to achieve core goals.

2

Risk-return Optimisation

Allocate resources to maximise risk-adjusted returns. This requires carefully assessing risks to ensure they align with the organisation's overall risk appetite.

3

Capital Efficiency

Maximise the productivity of deployed capital (financial and human), optimising utilisation to achieve the highest possible return on investment while minimising waste and inefficiency.

4

Regulatory Compliance

Ensure all resource allocation strictly adheres to legal and regulatory mandates by embedding compliance requirements into investment decisions and funding necessary systems and processes to mitigate risk.

5

Sustainable Growth and Innovation

Allocate resources to foster sustainable long-term growth and drive innovation, building an adaptable business model that creates enduring value while integrating EESG considerations.

3. ADDRESS SUSTAINABILITY-RELATED AND CLIMATE-RELATED RISKS AND OPPORTUNITIES (SRROs AND CRROs)

Strategy

This section outlines LBF's strategy formulation and execution framework, with a specific focus on how we address SRROs and CRROs. Our strategic approach begins with the identification, assessment, and management of these emerging factors, which are then integrated into our corporate planning and decision-making processes across short, medium, and long-term horizons.

We adopt a materiality-driven lens to ensure critical Environmental, Social, and Governance (ESG) concerns are embedded in our strategic priorities, resource allocation, and business model evolution. This section explains how we incorporate sustainability and climate considerations into our enterprise strategy and the initiatives we have implemented to drive sustainable growth, operational resilience, and long-term stakeholder value.

3.1 Impact on Business Model

Ongoing changes in SRROs and CRROs are expected to significantly influence LBF's business model in the medium to long-term. In response, we recognise the need to further diversify our product portfolio (page 222) to better address emerging environmental and social dynamics, such as climate-induced financial vulnerability and evolving consumer expectations.

As part of our forward-looking strategy, we plan to strategically realign our investment portfolio, integrating ESG and climate risk considerations into resource allocation decisions. This approach ensures that our financial resources are directed towards sectors and instruments that align with long-term sustainability.

These transformations reflect our commitment to building a resilient, future-ready business model that adapts to both market opportunities and systemic climate threats. The anticipated impacts on our business model and broader value chain under various climate scenarios.

3.2 Value Chain Impact

The impact of SRROs and CRROs is increasingly being felt across LBF's value chain, necessitating transformation in both our upstream and downstream operations to ensure long-term sustainability and resilience.

3.2.1 Upstream Value Chain

In the upstream segment, key functions such as product development, credit assessment, and business partner engagement undergo significant adaptation. With rising environmental volatility and evolving risk profiles, our financial products, particularly the lending portfolio, must now reflect considerations like climate vulnerability and regional exposure.

To address this, we are enhancing our data and analytics capabilities to incorporate geospatial risk mapping, localised climate patterns, and socio-economic vulnerability indicators into our credit and product design processes.

Additionally, our funding and investment decisions are being increasingly influenced by climate-related financial disclosures, interest rate risk, credit exposure, and geopolitical instability, requiring a robust approach to investment risk assessment and portfolio rebalancing over the medium to long-term.

3.2.2 Downstream Value Chain

The downstream operations comprising customer interaction, service delivery, and collection strategies are facing a highly dynamic and disruptive environment. Health and safety risks for our field staff, particularly due to air pollution, extreme temperatures, and unpredictable weather events, are increasingly evident. These risks have prompted us to invest in digital service models that reduce physical dependency and enhance customer convenience.

Simultaneously, changing customer expectations driven by digital familiarity and climate awareness demand more personalised, responsive, and sustainable financial solutions. To meet this need, we are redesigning engagement strategies to leverage mobile channels, self-service tools, and environmentally conscious branding.

As LBF evolves to meet future challenges, we remain committed to strengthening our entire value chain from product innovation to customer delivery with resilience, sustainability, and long-term impact at the core.

3.3 Addressing Climate-Related Risks and Opportunities in Strategy and Decision-Making

At LBF, our strategic planning and financial forecasting have been increasingly shaped by the evolving landscape of SRROs and CRROs. As a licensed finance company operating within a highly dynamic economic and environmental context, we understand the urgency of embedding climate resilience into our core business strategy.

Within our three year strategic plan, management conducted a thorough evaluation of material SRROs and CRROs. These assessments informed of a realignment of our strategic pillars to better the Company in responding to climate and sustainability challenges while leveraging emerging opportunities.

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

GRI: 2-22

STRATEGY 01

S 1 Sustainable Growth - Long-term Value Creation

Why Does it Matter?

'Sustainable Growth' drives long-term stakeholder value by integrating financial objectives with social and environmental responsibility. This approach defines success beyond short-term profits, measuring contributions to a sustainable future and fostering resilience against market and environmental shifts. Furthermore, it ensures business thrives responsibly, creating a positive legacy for future generations, society, and the planet.

Material Theme

MT 1 MT 2 MT 3 MT 5

Related Stakeholders

Capitals Impacted

FC MC IC HC

SDGs Impacted

8

SRROs and CRROs Impacted

SR 01 CR 4

Year in Review

- Net interest income recorded a growth of 3.19% Year on Year (YoY) to Rs. 25.12 Billion in Financial Year (FY) 2024/25 (page 132)
- Profit after Tax for 2024/25 increased to Rs. 10.80 Billion, surpassing the previous year's Rs. 9.56 Billion by 12.99% YoY (page 133)
- Total assets reached Rs. 240.89 Billion as of 31 March 2025, recording a 19.15% increase YoY (Rs. 202.17 Billion in 2023/24)
- We distributed 8.06% (2023/24: 7.13%) of the value created to investors through the payment of dividends (page 480)
- LBF achieved significant growth in FY 2024/25, recording a 38% growth in market capitalisation (14% in 2023/24) and a Rs. 19.50 Earnings Per Share (EPS) compared to the previous year (Rs. 17.26 in 2023/24)
- LBF successfully expanded its branch network by 10, bringing the total number of branches to 216. Among the new openings, 03 branches were established in the North and East, further strengthening our market presence and supporting sustainable growth (page 142)
- The adoption of new systems, system upgrades, and digitalisation has improved our efficiency, enhanced productivity, and strengthened customer experience. Leveraging technology provides a competitive advantage, enabling us to stay ahead in the market and ensure long-term sustainability (page 172)

Resource Allocation

Strategic allocation of intellectual and human capital, fuelled by investment in employee development and innovation, drives efficient, sustainable growth. Our commitment to sustainability ensures this progress also meets environmental and social responsibilities. This balanced approach directly translates to stronger operations, enhanced resilience, and a sustained competitive advantage.

Trade-off and Business Model Shift

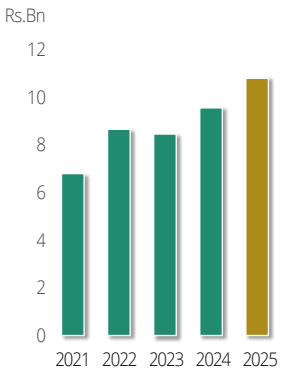
Trade-off

Balancing short-term financial performance with long-term sustainability goals requires investing in sustainable technologies and practices. While this may impact immediate profits, such investments are crucial for building long-term resilience and creating lasting value.

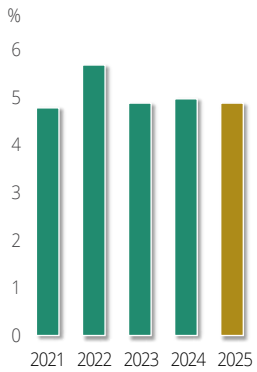
Business Model Shift

Integrating sustainability transforms the core business model by expanding its focus beyond profit alone to include environmental and social value. This requires fundamentally re-evaluating operations, products, and partnerships to ensure growth benefits people and the planet long-term.

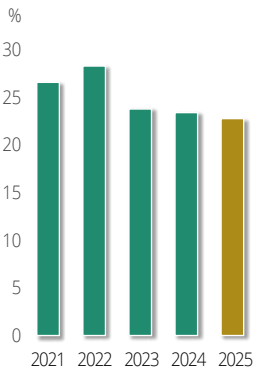
Profit After Tax



Return on Assets



Return on Equity



ESG Impact and Compliance

Environmental

Digitalisation and system upgrades, incorporating eco-friendly technologies including digital transactions and paperless processes, enhance resource efficiency, minimise waste, and foster environmental sustainability and business growth.

Social

Strategic expansion allows us to drive inclusive growth - creating jobs, supporting community development, promoting social responsibility, which in turn underpins long-term stability and equitable stakeholder value.

Governance

By strengthening governance to ensure transparency, ethics, and accountability, and adhering to relevant frameworks, we foster sustainable revenue growth. This nurtures a stable, resilient business model designed to create enduring value for all stakeholders.

Looking Ahead

Focus	Anticipated Outcomes
Expand market presence and diversify offerings	Achieved stable business growth, increased market share, and expanded revenue streams
Focus on innovation and technology adoption	Created competitive advantages, supported sustainable revenue growth, and expanded business opportunities
Strategically deploy capital into growth sectors while optimising asset performance	Improved cash flow quality via targeted investments in high-potential sectors to support higher valuations and drive sustained growth

STRATEGY 02

S 2 Customer Centricity - Market-leading Customer Experience

Why Does it Matter?

'Customer Centricity' focuses on understanding needs and delivering personalised solutions, nurtures trust, loyalty, and lasting relationships. This engagement directly drives satisfaction, sparks innovation, and fuels sustainable business growth.

Material Theme

MT 1 MT 5

Related Stakeholders

Capitals Impacted

FC IC HC

SDGs Impacted

5 7 8 10 13

SRROs and CRROs Impacted

SR 01 SR 03

Year in Review

- We made significant strides in creating great customer experiences during 2024/25, demonstrated by:
  - Net promoter score reaching 41%
  - Increase in customer queries
  - A 4.4 out of 5 rating for our LB CIM app (page 32)
- As of 31 March 2025, customer deposits totalled Rs. 138.49 Billion, an increase of Rs. 15.68 Billion from the previous financial year (page 224)
- Accelerated digitalisation by deploying agile solutions, enhancing the simplicity, speed, and efficiency of our operational processes and service delivery (page 181)
- Empowered local enterprises by expanding our rural branch network and offering tailored business financing solutions, enabling them to upgrade infrastructure and scale their operations (page 142)
- Gold Loan granted for women empowerment through 'Vanitha Ran Saviya' Rs. 84,374 Million which offered customised financial solutions designed to foster their business growth and personal development (page 231)
- In partnership with NEDA, we promoted financial literacy by launching district-wise SME workshops, reaching over 160 participants with expert-led sessions aimed at enhancing SME capabilities and growth (page 204)
- Empowered customers to identify and avoid illegitimate financial transactions by explaining the dangers and highlighting the security benefits of legitimate financial services (page 180)

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

Trade-off and Business Model Shift

Trade-off

Prioritising long-term relationships and customer privacy over short-term gains is fundamental, rooted in our belief that customer-centric pricing ultimately builds sustainable long-term value.

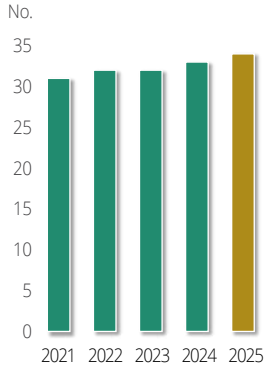
Business Model Shift

Embracing customer centricity is a strategic choice to elevate long-term relationships and trust over short-term financial targets. Our pricing and engagement strategies reflect this, built on the belief that they foster loyalty and yield sustainable returns, ultimately establishing customer relationships as the primary driver of our success.

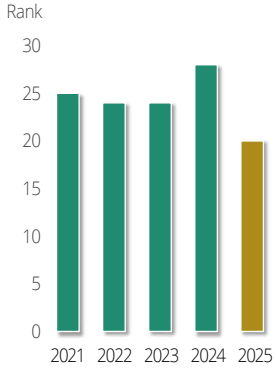
Resource Allocation

By investing financial and human capital in customer-focused initiatives, increasingly delivered via digital channels for personalisation and accessibility, we build loyalty, satisfaction, and trust. This ongoing engagement strengthens relationships and drives retention, enhancing the overall customer experience and our brand reputation.

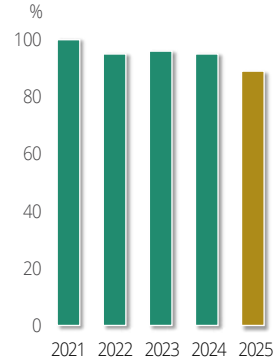
Financial Solutions



Brand Ranking



Customer Complaint Solution



ESG Impact and Compliance

Environmental

Minimising environmental impact by leveraging digital solutions, offering eco-friendly products, and promoting sustainable customer interactions.

Social

Fostering inclusivity, trust, and loyalty by prioritising customer well-being, ensuring accessibility, and engaging positively with communities.

Governance

Upholding transparency, ethical decision-making, and robust data protection to build customer trust and enhance service quality.

Looking Ahead

Focus	Anticipated Outcomes
Simplify customer journeys	Reduced escalations and pain points, driving enhanced customer experience and satisfaction
Strengthen end-to-end security controls	Enhanced customer safety through reduced fraud/scam incidents, building trust and strengthening brand reputation
Customer journeys with predictive analytics, generative AI	Improved customer experience via personalised, proactive engagement, leading to increased retention and deeper customer connection

STRATEGY 03

S 3 Digital Leadership - Innovative Digital Transformation

Why Does it Matter?

'Digital Leadership' drives our competitive edge through streamlined operations, enhanced customer experiences, and greater efficiency, while fostering agility, data-driven insights, innovation, and new revenue streams essential for long-term growth and industry leadership.

Material Theme

MT 2 MT 5

Related Stakeholders

Capitals Impacted

FC MC IC HC

SDGs Impacted

8 10

SRROs and CRROs Impacted

SR 01 SR 03 CR 04

Trade-off and Business Model Shift

Trade-off

Digital leadership involves balancing the allocation of resources between immediate operational needs and long-term digital innovation. By managing these trade-offs, we ensure business continuity and competitive growth, driving resilience and adaptability for future success.

Business Model Shift

Our customers are increasingly moving online for products, services, and support. To meet them where they are, we are strategically shifting our resources to accelerate digital growth. We are managing this change thoughtfully, considering employee morale and ensuring we maintain vital face-to-face connections with clients in specific local markets.

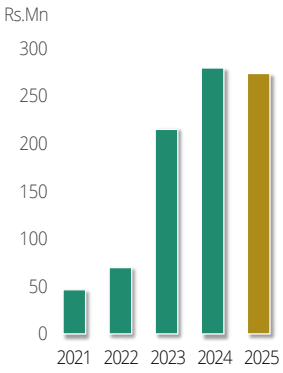
Year in Review

- LB CIM app customer base grew by 73% YoY, demonstrating increasing adoption of our digital channels (page 181)
- Continued to enhance digital servicing capabilities by automating numerous processes previously requiring branch visits or direct human interaction, offering greater convenience (page 190)
- Digital transaction value in the LB CIM app surged 124% YoY, with number of transactions rising 33% YoY (up 19% in 2023/24)
- Our digital transformation accelerated in 2024/25, with significant transactions moving online. Over 180% of Fixed Deposits opened, 114% of Gold Loan top-ups, and 46% of loan and lease payments were processed digitally, showcasing a clear shift towards convenient, paperless financing (page 222)
- Significant investment in our data capabilities enables us to leverage big data and AI through skilled analytics teams, driving insights and pursuing data commercialisation opportunities (page 179)
- Strategic collaborations with technology and security partners, coupled with insights from industry events and expert threat intelligence, fuel our digital innovation pipeline. This external engagement allows us to rapidly assess and adopt emerging technologies, anticipate future threats and opportunities, and continuously refine our digital transformation strategy for sustained leadership

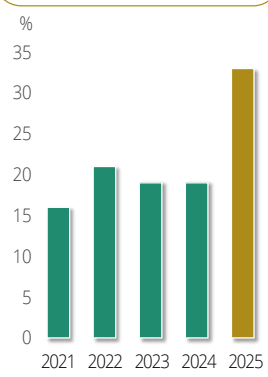
Resource Allocation

Driving digital leadership requires strategic investment of financial capital in advanced technology, digital platforms, and data analytics, alongside cultivating human capital to foster a skilled, innovative workforce. These synergistic investments streamline operations, embed a data-driven culture, and unlock efficiency gains. Ultimately, this digital leadership enhances adaptability, sharpens customer focus, secures sustainable growth, and bolsters profitability and operational resilience.

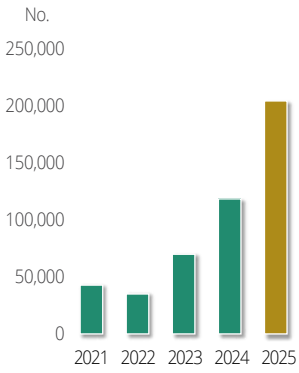
Investment on IT



Digital Transactions Growth



CIM App Downloads



DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

ESG Impact and Compliance

Environmental

Adopting digital solutions to drive resource reduction, improve energy efficiency, and advance sustainability initiatives, significantly lower our operational environmental impact.

Social

Promoting digital inclusivity and enhanced accessibility to serve all customers effectively, while cultivating innovation for diverse community benefit and maintaining strict data responsibility.

Governance

Reinforcing organisational integrity through increased transparency, adherence to ethical principles, and stringent data security measures, ensuring digital solutions comply with governance frameworks to build stakeholder trust and increase accountability.

Looking Ahead

Focus	Anticipated Outcomes
Leverage data-driven insights	Leverage advanced analytics for data-driven insights, enabling faster decision-making, proactive customer assistance, greater operational efficiency, and highly targeted offerings
Implement cutting-edge technology	Deploy innovative technologies to enhance user convenience and overall experience, ensuring a competitive edge and attracting a wider customer base
Strengthen customer trust with data protection	Strengthen customer confidence and foster loyalty through robust data security protocols and consistently transparent practices
Foster digital inclusivity	Increase market reach and engagement by offering accessible digital solutions tailored to diverse customer needs, reinforcing our brand's commitment to social responsibility

STRATEGY 04

S 4 Positive Impacts - Thriving Business with Sustainable Impact

Why Does it Matter?

To create sustainable socio-economic development and long-term value, we strategically align our purpose with action. Adhering to UN SDGs and ESG guidelines ensures our operations deliver 'Positive Impact' for all stakeholders and contribute to progress for future generations.

Material Theme

MT 4 MT 5

Related Stakeholders

Capitals Impacted

FC HC SRC

SDGs Impacted

5 7 8 10 13 16

SRROs and CRROs Impacted

SR 01 CR 04

Year in Review

Purpose-driven programme of work

- Investing in solar energy - Expanded our solar energy programme to 40 branches, increasing to 162 kW capacity. This significantly boosts energy efficiency and reduces our reliance on fossil fuels (page 106)
- Reviving marine ecosystems - Partnered with NARA Sri Lanka to launch the "Colour Fish Project" and support vital coral ecosystem restoration in Devinuwara. We also extended our coastal care through the "Beach Caretaker" programme at Crow Island and Wadduwa in collaboration with MEPA (page 217)

Reducing our carbon impact (do less harm)

- Community-driven reforestation - Collaborated with the Forestry Department of the University of Sri Jayawardenepura on key reforestation and mangrove planting projects. Additionally, integrated tree planting into 5 branch openings, directly contributing to emission reduction and ecological health (pages 215 - 216)
- Sustainable development finance : Launched dedicated solar power loans, granting 13 loans in FY 2024/25 to support renewable energy adoption. Encouraged sustainable transport options by growing our electric and hybrid vehicle leasing portfolio to Rs. 7,351 Million. (page 116)

Trade-off and Business Model Shift

Trade-off

We recognise the inherent trade-off between driving socio-economic progress and preserving environmental integrity. While we invest in uplifting communities and accelerating economic development, we are equally mindful of the environmental costs that may arise. Our sustainability strategy is built around managing this delicate balance maximising social impact and economic opportunities, while actively mitigating environmental risks.

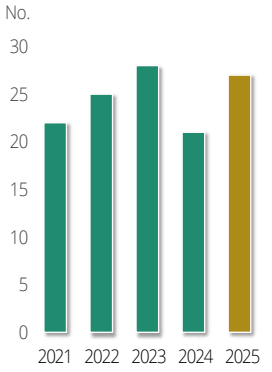
Business Model Shift

This represents a fundamental shift in how we operate, moving to intentionally integrate socioeconomic development with environmental sustainability. Unlike traditional models that often-prioritised profit, sometimes overlooking environmental or social costs, our approach now strategically balances economic progress, community well-being, and environmental responsibility. The objective is to ensure our core business activities create positive, lasting impacts across all three dimensions.

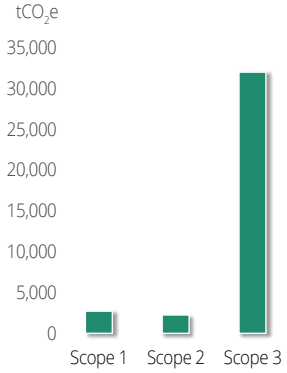
Resource Allocation

We strategically invest Financial, Natural Capital and Human Capital to drive initiatives that create integrated social, environmental, and economic value. By focusing on sustainability, community engagement, and innovation, we address climate change, champion social justice, and strengthen governance. This purposeful allocation delivers measurable positive impacts, builds stronger stakeholder relationships, and secures long-term value for both our business and society, empowering our teams to achieve our sustainability and social responsibility commitments.

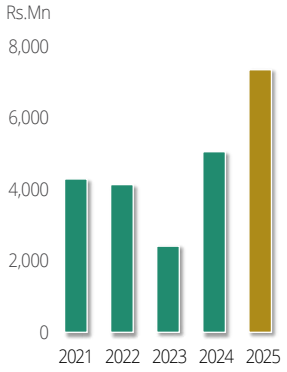
CSR Projects



GHG Emission



Green Financing



ESG Impact and Compliance

Environmental

Mitigating our environmental impact by reducing carbon emissions, optimising resource use, and championing eco-friendly initiatives to promote long-term ecological health.

Social

We are dedicated to advancing social progress by empowering communities, embracing diversity, and advocating for fairness. Our efforts focus on creating inclusive opportunities, ensuring fair access to our services, and launching programmes that uplift well-being and bridge social disparities.

Governance

Ensuring robust governance by upholding the highest ethical standards, maintaining transparency in decision-making, and driving accountability across the organisation. This builds stakeholder trust and fosters sustainable, positive outcomes for business and society.

Looking Ahead

Focus	Anticipated Outcomes
Collaborate with key stakeholders	Building stronger partnerships to achieve shared sustainability targets and deliver lasting socio-economic benefits
Prepare for Climate Risk Stress Test (CRST)	Advanced climate risk management framework for improved stress test preparation and enhanced long-term resilience
Enable sustainable development finance	Continuing to invest in sustainable finance solutions to empower customers' transition journeys and generate positive impact through targeted funding
Execute ESG tech initiatives	Integrating advanced technology to drive ESG progress, speed the adoption of sustainable practices, and improve operational efficiency

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

STRATEGY 05

S 5

Empowering People - Empowering Creativity and Driving Innovation

Why Does it Matter?

Our people-centric culture is a key strategic advantage. We nurture diversity, equity, and inclusion (DEI) to fuel innovation and create a dynamic, future-ready workplace. Moreover, we recruit and develop individuals with the expertise and interpersonal skills essential for our relationship-driven business, while remaining deeply committed to employee health and well-being, especially amid current socioeconomic challenges.

Year in Review

- Invested Rs. 21.70 Million in comprehensive training and development, significantly upskilling our workforce through targeted leadership, skills, and learning programmes (page 158)
- A total of 53,845 training hours were dedicated to developing employees' skills and nurturing future leaders (page 158)
- Equipped employees with critical skills in AI and cybersecurity through targeted training, building a future-ready, digitally adept workforce (pages 179 - 181)
- Delivered 05 targeted training sessions, sharpening employees' product knowledge to ensure exceptional customer service delivery (page 224)
- Hosted 17 events focused on employee engagement, fostering a more connected, motivated, and collaborative workforce (pages 163 - 167)

Material Theme

MT 2 MT 4

Related Stakeholders

Capitals Impacted

FC IC HC

SDGs Impacted

5 8 10

SRROs and CRROs Impacted

SR 02 CR 04

Resource Allocation

Strategically investing financial and human capital in digitally enabled employee training and engagement directly enhances productivity, deepens engagement, and strengthens our brand reputation. This commitment to continuous development nurtures an innovative culture, promotes diversity of thought, and significantly builds our intellectual capital.

Trade-off and Business Model Shift

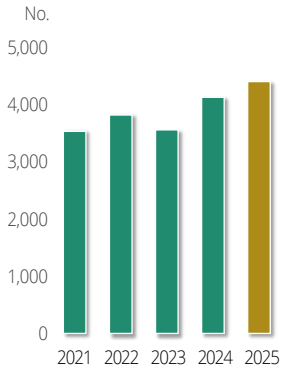
Trade-off

Digitisation and automation are streamlining operations, reducing the need for traditional administrative staff (human capital). To thrive digitally, we are investing heavily in reskilling and acquiring new expertise (human and intellectual capital), driven by our adoption of digital innovation (manufactured and intellectual capital). Consequently, we face heightened cost pressures due to the market scarcity and higher expense associated with these essential digital skills.

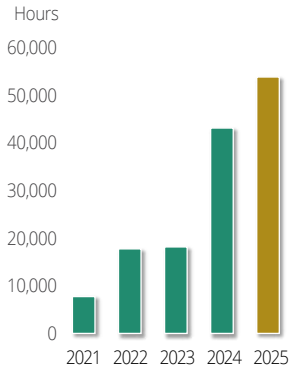
Business Model Shift

Digitisation and automation are fundamentally changing our operational needs, reducing reliance on traditional roles while demanding a digitally proficient workforce. This transformation requires strategic investment in training and development to nurture scarce, high-value digital skills, positioning us for sustained success in an increasingly digital world despite the associated cost pressures.

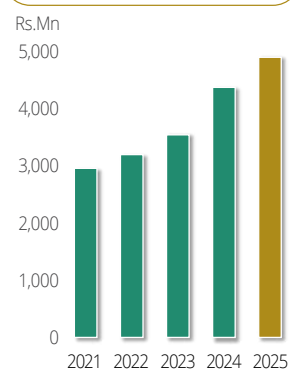
Total Workforce



Training Hours



Investment in Remuneration and Benefit



ESG Impact and Compliance

Environmental

Implementing sustainable work practices, including waste reduction and energy efficiency, to create a greener, more resource-conscious workplace.

Social

Building an inclusive and diverse workforce on a foundation of equal opportunity for advancement and leadership, coupled with strong support for employee well-being and healthy work-life integration.

Governance

Ensuring fair labour standards, ethical leadership, and transparent development processes to foster trust and boost employee engagement.

Looking Ahead

Focus	Anticipated Outcomes
Build future-ready skills by investing in continuous learning and development.	Develop scarce skills internally to reduce external talent dependency
Nurture an inclusive and diverse high-performing team to drive innovation and collaboration.	Drive business growth and secure a competitive advantage by fostering creativity and enabling innovation across the organisation
Review and optimise people structures to ensure alignment with evolving business goals and strategic priorities.	Build a diverse, adaptable workforce aligned for efficient execution of strategic goals

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

STRATEGY 06

S 6 Risk Management and Governance - Building Resilience and Ensuring Integrity

Why Does it Matter?

Robust 'Risk Management and Governance' are critical to protecting our long-term success, reputation, and stakeholder trust. We embed these practices enterprise-wide to ensure compliance, mitigate risks effectively, and maintain operational resilience. This focus guarantees ethical operations, proactive risk handling, regulatory alignment, and supports sustainable, responsible business growth.

Year in Review

- Reinforced governance frameworks by integrating enhanced risk management processes aligned with industry's best practices (page 250)
- Implemented rigorous controls to guarantee adherence across the full spectrum of current and emerging regulations
- Enhanced proactive risk management by expanding monitoring to cover key emerging risks such as cybersecurity threats and climate impacts (page 339 - 344)
- Empowered employees through targeted training sessions on risk management and governance, strengthening their ability to effectively identify and mitigate risks

Resource Allocation

Intellectual and human resources allow us to integrate robust risk management and governance throughout our operations. We invest specifically in assessment tools, compliance initiatives, governance structures, and employee training to proactively manage risks, maintain high ethical standards, safeguard our business, and ensure adherence to best practices at every level.

Material Theme

MT 3

Related Stakeholders

Capitals Impacted

FC IC HC

SDGs Impacted

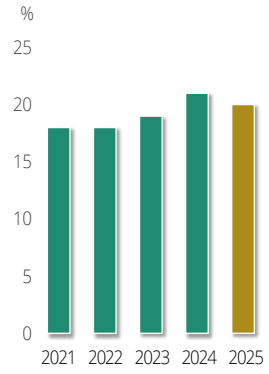
8 16 17

SRROs and CRROs Impacted

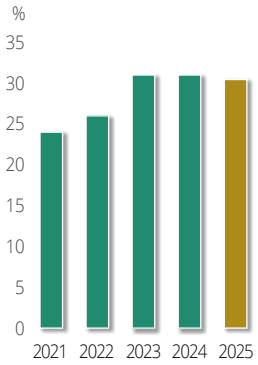
SR 01 SR 02 SR 03 SR 04

CR 01 CR 02 CR 03 CR 04

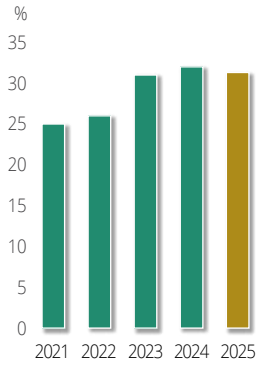
Liquid Assets Ratio



Capital Adequacy Ratio - Tier I



Capital Adequacy Ratio - Total



Trade-off and Business Model Shift

Trade-off

Effective risk management and robust governance frameworks are critical to ensuring business resilience and long-term sustainability. However, developing and maintaining these systems requires significant investment in time, expertise, and resources. The challenge lies in striking an optimal balance, implementing controls that are sufficiently resilient to address evolving risks such as cybersecurity threats and climate-related disruptions, while maintaining operational agility and cost-efficiency.

Key Business Model Shift

Increasing complexity necessitates a strategic shift, embedding robust risk management and governance into the fabric of our organisation. This involves fostering a pervasive culture of compliance, proactively identifying and managing risks early, and aligning governance frameworks with top international standards. Leveraging technology streamlines risk assessment and reporting, fundamentally improving transparency, and driving more effective decision-making Company wide.

ESG Impact and Compliance

Environmental

Embedding environmental risks, including climate change and resource scarcity, into our risk governance framework and business operations to ensure organisation-wide sustainable practices.

Social

Upholding social responsibility by embedding fair labour practices, diversity, and inclusion into risk and governance frameworks, and adopting transparent governance to boost employee engagement and well-being.

Governance

Building stakeholder trust and long-term value by grounding our governance in ethical leadership, transparent decision-making, and accountability, alongside proactive risk management aligned with corporate best practices.

Looking Ahead

Focus	Anticipated Outcomes
Invest in advanced technologies for risk assessment and reporting	Enhanced risk visibility directly leads to sharper decision-making and improved operational agility
Enhance employee awareness and training in risk management and governance	Empowered workforce with heightened risk awareness, better equipped to proactively identify and mitigate risks at all levels
Foster a culture of governance, transparency, and ethical decision-making	Increased stakeholder trust grounded in proven business integrity and regulatory compliance

4. OUR CLIMATE STRATEGY

We have an opportunity and responsibility to plan for and respond to impacts that climate-related risks and opportunities will have on us and our communities in the short, medium and long-term. With climate elevated as a priority in our sustainability strategy, our intent is clearly defined, and our journey is underway.

We have clarified and articulated our purpose and values, defined strategic pillars and set up our organisation to ensure dedicated efforts to sustainability. Our 2050 net zero commitment is one of the key strategic milestones for climate change and we have developed medium-term targets related to our own emissions and our financed emissions.

A finite global carbon budget underscores the urgent need for prompt action to mitigate climate change, highlighting the need for immediate and significant measures to avoid more drastic interventions later. To limit global warming to well below 2°C, aiming for 1.5°C above pre-industrial levels, we must achieve net zero emissions. This requires peaking global emissions by 2030 and achieving rapid reductions towards net zero by 2050, in line with the Paris Agreement's goals. Such efforts demand unprecedented global collaboration, innovative energy solutions, and a collective shift toward sustainable practices and policies.

We continually assess the impact of climate-related risks and opportunities on our businesses, strategy, and financial planning. We evaluate how we can future-proof our company as well as our customer and communities to be resilient in the short, medium and long-term.

Strategy	Promoting Sustainability Decarbonisation Efforts	Lead the Transition to Green Solutions	Enhance Climate Risk and Governance Processes	Engage Our Stakeholders
Intention	Balancing environmental care, social equity, economic growth and reducing emissions	Empower our customers to finance green solutions and adopt sustainable practices	Actively manage current and emerging climate-related risks through our Enterprise Risk Management Framework, and improve Board skill set and oversight	Engage with stakeholders on climate related topics with a systemic and integrated approach to improve awareness and overall relationships
Objectives	Commitment to reduce emissions for our lending portfolio in the fossil fuels sectors requires us to support our large, medium and small corporate customer to align with our net zero intent	Determined to leverage our strategic position to support the transition to a low-carbon economy	Aim to be an active force for good in everything we do, with an explicit focus on managing climate change, biodiversity risks and opportunities	Provide financing solutions that promote the adoption of digital approach by making more accessible and flexible

DESIGNING STRATEGIES FOR LONG-TERM SUSTAINABILITY

Strategy	Promoting Sustainability Decarbonisation Efforts	Lead the Transition to Green Solutions	Enhance Climate Risk and Governance Processes	Engage Our Stakeholders
Actions	• Promoting customers to go for electric and hybrid vehicles • Introduced and encourage solar loan facilities • Constructing green branch for the business operation Refer pages 115, 116	• We digitised the back-end and front-end system to low carbon business operation • Promoted LB CIM app for green financing solutions Refer pages 116 - 117	• Following GHG protocols to calculated scope 3 finance emission • Follow the recommendations of the TCFD and continue to enhance our reporting on climate-related risks and opportunities Refer pages 83, 110	• Developed innovative products that empower LBF digital loan customers to leverage the equity in their business to finance sustainable solutions. Refer pages 190
Future	Sustainability-linked finance, green deposits, financing of climate-related products for individual client base	Alignment with the SDGs across the various green and social bond and loan categories	Accelerate progress towards setting science-based emissions reduction targets	Assessing sustainability risks of the customer's sustainability strategy and targets

5. SUPPORTING OUR CUSTOMERS' TRANSITION

Involving clients in the LBF's sustainability journey is key in achieving our net-zero goal. Engagement with clients on their decarbonisation journeys helps to deepen relationships with our clients as we better understand their businesses. In addition to the conventional lending channels that facilitate the transition, decarbonisation empowers LBF to create and provide sustainable lending and investment solutions. As part of our commitment to supporting Sri Lankan customers in navigating the country's digital adaptation priorities, we have developed innovative digital lending, investing, and payment solutions through a single mobile platform. These solutions empower LBF customers to seamlessly manage their financial needs and transition towards green, sustainable solutions.

6. HOW WE ENGAGE WITH OUR STAKEHOLDERS CLIMATE CHANGE ADAPTATION AND MITIGATION

Our stakeholder engagement on climate-related matters is an integral part of our climate management strategy and we are committed to positive environmental and social impact on the Sri Lanka through the actions we have taken in this regard. We realise that we can play a significant part in the fight against climate change through our influence as a financial solutions provider by engaging with relevant stakeholders on climate issues.

Customers

- We communicated our goals and initiatives around climate change and offered customers sustainable finance opportunities
- We launched solar loan products supporting climate change mitigation and adaptation

Shareholders

- Sustainability Message provide through the social media channels and website addressing stakeholders including climate adaptation and mitigation

Employees

- We conducted Company -wide environmental, social and governance training with a focus on different aspects of climate change
- We engaged via sessions, Newsflash and videos in social media, and sustainability discussions.

Regulators

- We followed CBSL guidelines on sustainability and climate related risk

Refer page 315

Society and Environment

- We engaged in various climate-focused conferences and forums, including a significant discussion with the government and private agencies. Here, we addressed climate adaptation, mitigation and sustainable finance trends, challenges, and solutions relevant to world and Sri Lanka

7. CLIMATE CHANGE MITIGATION: BEYOND BUSINESS OPERATIONS

In an effort to raise awareness about climate change and its impact on local communities, we conducted a comprehensive climate mitigation programme for schools in areas most affected by climate change. This initiative, carried out under the guidance and supervision of the Western Provincial Council, aimed to educate students about the pressing issue of climate change and empower them with knowledge on how to mitigate and adapt to its effects.

The programme focused on two schools in the Kalutara District, one of the most climate-vulnerable regions in the Western Province. Yatagampitiya Kanishta Vidyala and Vivekananda Primary School, with a combined total of 150 students, were the primary participants. During the sessions, we covered critical topics such as climate change awareness, survival strategies in the face of extreme weather events, and practical actions to take during floods and landslides, which are common occurrences in these areas.

In collaboration with the Red Cross and relevant local officials, we delivered two educational sessions, engaging students with practical knowledge on how to act during emergencies. These sessions were well-received, and the students were encouraged to apply what they learned to protect themselves and their communities.

Building on this effort, we are committed to taking further steps to improve the preparedness of these schools for future climate-related challenges.

At Yatagampitiya Kanishta Vidyala, we are planning to develop sanitation facilities that will be crucial during emergencies, ensuring that students and staff have access to proper hygiene. Additionally, at Vivekananda Primary School, we aim to install direction boards that will guide the community on how to act in emergency situations, helping them navigate floods and other crises effectively.

Through these initiatives, we are not only raising awareness about climate change, but also implementing tangible solutions that can help mitigate its effects and prepare future generations to face the challenges of a changing climate.







VIDEO **14**

Scan QR code to watch Paris Agreement

VIDEO **15**

Scan QR code to understand Greenhouse Gas Emission

BEYOND 2025

<IR 3A, 4G>

STEPPING INTO THE FUTURE

LB Finance (LBF) is aligned with Sri Lanka's projected 5% economic growth for 2025. Our strategy focuses on digital transformation, sustainability, and customer-centric innovation to build long-term value and support national progress.

	Short Term	Medium Term	Long Term
F Foster Digital Innovation	Launch upgraded mobile app with instant loans, bill payments, and AI financial advice	Integrate AI/ML into customer support and risk assessment	Establish a fully digital ecosystem offering end-to-end services
	ESG Impact: Reduces paper, lowers energy use, promotes inclusion, and enhances trust		
U Unveil New Financial Solutions	Introduce a digital or flexible loan product for youth	Launch sustainable finance and subscription-based tools	Offer blockchain payments and AI investment advisory
	ESG Impact: Promotes green projects, digital inclusion, affordability, and transparency		
T Target Sustainable Business Practices	Conduct a sustainability audit	Source 40% of energy from renewables and go paperless	Lead in sustainable finance with green bonds and funds
	ESG Impact: Drives eco-efficiency, responsible investing, and ethical leadership		
U Understand and Adapt to Market Trends	Conduct research on digital trends and behaviours	Launch trend-aligned products (e.g., sustainable finance)	Establish continuous innovation using data analytics
	ESG Impact: Enables sustainable, inclusive solutions and transparent growth		
R Revamp Customer Experience	Offer 24/7 chatbot and live support	Use AI for personalised, proactive services	Build a seamless omnichannel model
	ESG Impact: Enables sustainable, inclusive solutions and transparent growth		
E Expand Geographically	Study new regions for expansion	Enter one new market	Scale into multiple regions or international markets
	ESG Impact: Supports local economies, ensures responsible growth, and broadens inclusion		

TRANSFORMING THE ENVIRONMENT

We are committed to creating a lasting, positive impact, driving transformation within our sphere of influence.

Lions, as keystone species, play a vital role in shaping their environment and maintaining ecosystem balance. Mosaics, too, have left a profound mark on art, architecture, and culture, continuing to inspire many of us today. Symbolising diversity and inclusion, mosaics unite distinct elements to create a unified whole, much like our approach to progress.



SECTION 3

The Web Of Life: Weaving Sustainability 98 | Leading The Change, Shaping Tomorrow 99 | Sustainability Strategy 100
Sustainability Governance 104 | Sustainability Pledges 105 | Responsible Operations 105 | Green Building Practices 115
Responsible Products and Services 116 | Identifying Sustainability Related and Climate Related Risks and Opportunities 117
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ESG Integration across Departments and Branches 120 | Sustainability in Myanmar Operations 121 |
Roadmap for Sustainable Finance Activities in Sri Lanka 121 | Sustainability Journey 122

INTEGRATED SUSTAINABILITY REPORT

1 THE WEB OF LIFE: WEAVING SUSTAINABILITY

Global Perspective of Sustainability

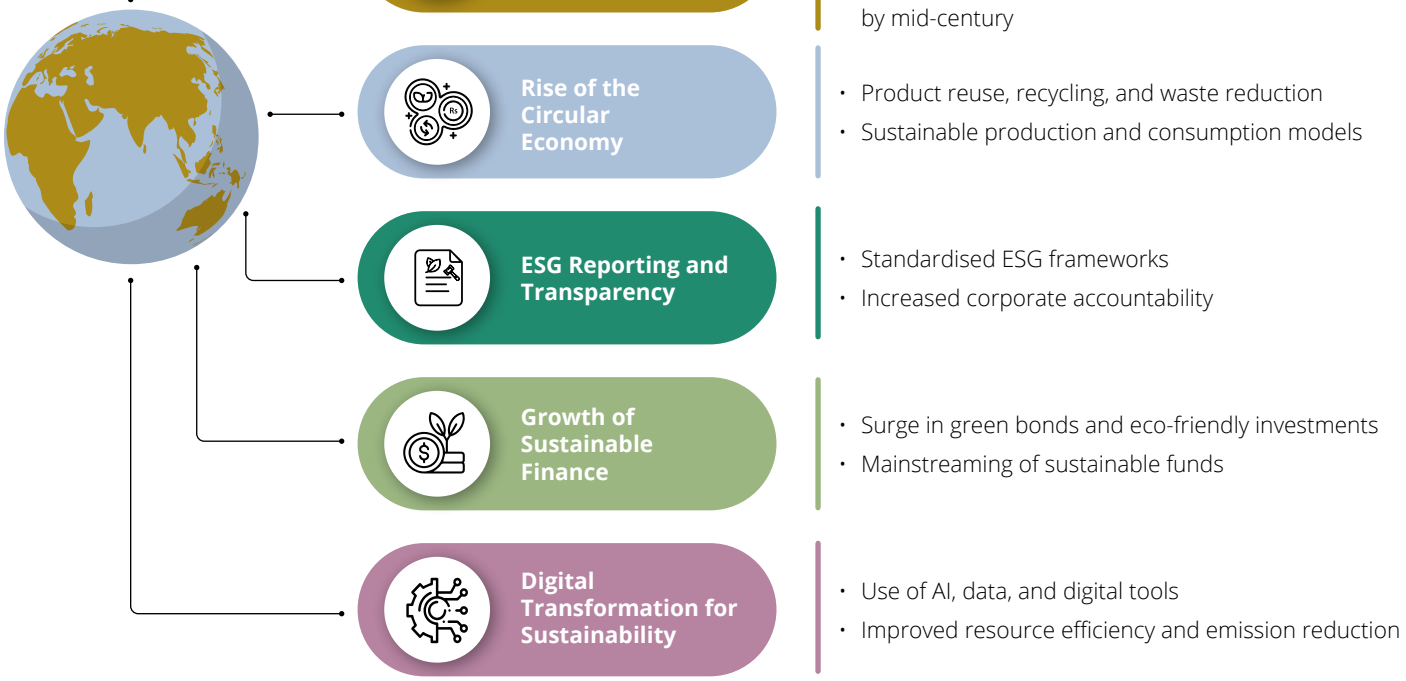
Sustainability has transitioned from a niche concern to a core element of global business strategy and public policy. In this context, energy transition and decarbonisation are now top priorities for businesses worldwide. Decarbonisation requires a comprehensive approach, with strategic investments in renewable energy and operational efficiency serving as key pathways. Success is increasingly defined by measurable reductions in emissions. Additionally, sustainability reporting has become a critical component of corporate accountability. The integration of technology to automate reporting and align sustainability disclosures across business functions is essential to demonstrate a genuine commitment to progress.

1.2. The Role of Sri Lankan Banking and Finance Companies in Promoting Sustainability

Sri Lanka's banking and finance sector is demonstrating proactive leadership in sustainability, fundamentally incorporating ESG principles into its operational and financing decisions. In direct response to pressing global and local climate challenges, these institutions are channelling capital towards sustainable projects, expanding green loan portfolios, and promoting innovative eco-conscious products like green bonds and dedicated sustainability funds.

There is a clear and growing commitment to funding renewable energy and energy-efficient infrastructure, critically supporting Sri Lanka's shift towards a low-carbon economy. Digital innovation is further amplifying their impact, reducing their operational carbon footprint via paperless solutions and enhancing financial accessibility. As investor appetite for sustainable opportunities intensifies, Sri Lankan financial institutions are well-equipped to spearhead significant environmental and social advancements with forward-thinking financial mechanisms.

Global Sustainability Trends



2. LEADING THE CHANGE, SHAPING TOMORROW

2.1 Message from the Chairperson – Board Sustainability Committee



Ms. Yanika Amarasekera
Chairperson – Board Sustainability Committee

As Chairperson of the Board Sustainability Committee, I am pleased to report on the significant progress LBF has made in integrating responsible and forward-thinking business practices. This year, we have made substantial improvements to our ESG framework, beginning with a comprehensive review and revitalisation of our ESG Policy.

This update ensures alignment with evolving stakeholder expectations, global best practices, and critical sectoral risks.

A key milestone was the development of our Climate Policy, which outlines our strategic approach to identifying, managing, and mitigating climate-related risks while seizing opportunities for sustainable innovation. In addition, we have started establishing clear sustainability-related Key Performance Indicators (KPIs) to effectively measure our progress and foster accountability for sustainability performance across all levels of the organisation.

Our Committee remains committed to embedding sustainability into the core of our corporate governance and strategic planning. We have made tangible progress in strengthening our compliance with both national and international regulatory standards, reinforcing our culture of transparency and ethical leadership. At the same time, we have launched impactful sustainability projects that support community development, promote gender equity, and reduce our environmental footprint. These initiatives reflect our broader goal of going beyond compliance and leading by example.

Looking ahead, the Board Sustainability Committee will continue to provide rigorous oversight, ensure strategic alignment, and drive long-term value creation. We are committed to reinforcing LBF's position as a purpose-driven organisation dedicated to building a more sustainable and inclusive future.

2.2 Message from the Chairman – Sustainability Management Committee



Mr. Niroshan Udage
Chairman – Sustainability Management Committee

At LBF, sustainability is a core driving force embedded in our operations, innovation, and growth. As Chairman of the Sustainability Management Committee, I am proud to lead a dedicated team focused on integrating sustainable outcomes at every level of the business. This year, we strengthened our ESG governance, including early adoption of SLFRS S1 and S2, and became the first NBFI in Sri Lanka to calculate and verify our finance emissions under our carbon footprint, with Control Union Sri Lanka.

Our strategy is guided by key pillars such as customer centricity, sustainable growth, digital leadership, and risk governance, while safeguarding the six capitals essential for our success: financial, manufactured, human, intellectual, social, and natural. We also formed strategic partnerships with organisations like MEPA, NARA, SMEConnect, and universities, advancing our sustainability journey.

As we scale our initiatives, our goal is to deliver value for shareholders and the broader ecosystem. We are committed to continuous innovation, inclusivity, and integrity, positioning LBF as a leader in sustainability within the financial services sector.

3. SUSTAINABILITY STRATEGY

Sustainability is a core strategic focus at LB Finance, underpinning our vision to create long-term value for all stakeholders. Our approach is centered on integrating responsible business practices with financial performance, environmental stewardship, and social impact. The following strategies reflect our commitment to embedding sustainability across our operations, driving growth that is resilient, inclusive, and future-ready.

Strengthening Long-Term Financial Resilience

As a leading financial institution, LB Finance is committed to sound financial governance and risk management. By embedding resilience into our business model, we ensure sustainable value creation for stakeholders while navigating evolving market dynamics with stability and foresight. Our disciplined approach to financial stewardship underpins our ability to support the economy and remain agile in the face of uncertainty.

UNCG - Principle 8, 10

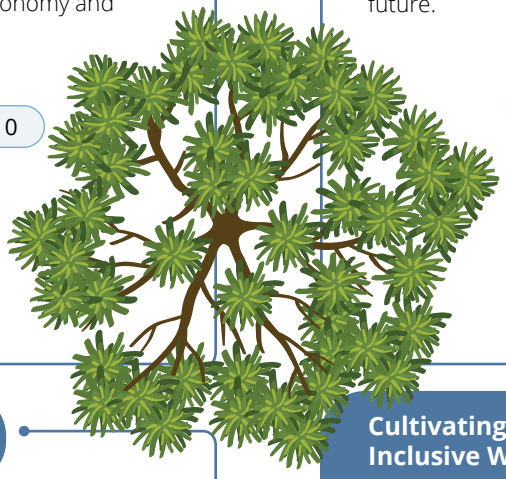


Minimising Environmental Footprint through Sustainable Practices

Environmental responsibility is a key pillar of our sustainability strategy. We continue to reduce our operational impact through energy-efficient practices, resource conservation, and investment in green financing solutions. Our alignment with global climate commitments reflects our dedication to protecting the planet and contributing to a low-carbon, sustainable future.

UNCG - Principle 7, 8, 9





Fostering Equitable and Inclusive Economic Progress

We believe sustainable development must be inclusive and far-reaching. Through expanded access to financial services, support for SMEs, and targeted regional outreach, LB Finance empowers individuals and communities to participate in economic progress. Our inclusive approach helps reduce inequalities and fosters shared prosperity across all segments of society.

UNCG - Principle 1, 2, 3, 4, 5, 6



Cultivating an Empowering and Inclusive Work Culture

We place our people at the core of all our endeavours. We are committed to creating a safe, inclusive, and inspiring work environment where employees are valued, respected, and given opportunities to grow. By prioritising diversity, continuous learning, and well-being, we foster a high-performing culture that supports both employee satisfaction and organisational excellence.

UNCG - Principle 6, 10



Input Capitals

Sustainability Value Creating Model

Output and Outcome of Capitals

Solidifying Financial Stability

Driving sustainable long-term profitability grounded in ethical practices, continuous innovation, and significant contributions to national economic advancement

Refer page 126

Reducing Environmental Impact

Minimising our environmental footprint by promoting green financial solutions and championing pioneering eco-friendly initiatives in energy efficiency and waste reduction

Refer page 119



Transparency

Championing open and consistent stakeholder communication to build enduring trust and transparently report on measurable sustainability progress and impact

Refer pages 8 - 9

Driving Inclusive Growth

Advancing financial inclusion and empowering communities through financial literacy programmes and widely accessible, tailored financial services

Refer page 200

Governance and Accountability

Upholding the highest standards of governance through transparent, ethical, and accountable operations, aligned with leading global ESG frameworks

Refer page 104

Core activities to integrate sustainability

- Responsible Financing
- Sustainability Product Innovation
- Climate Risk Embedded to Business Operations
- Financial Inclusion

Our commitment to sustainability is reflected in our ESG scorecard. Refer page 103

3.1 Integration of Sustainability into the Company's Vision, Mission and Core Values

At LBF, sustainability is the core driver of our vision to elevate the quality of life for our depositors, customers, employees, and the broader community. Our commitment to inclusive economic growth and social well-being is deeply embedded in our mission: to mobilise public funds through innovative financial solutions, empower entrepreneurs with prudent lending, and cultivate enduring stakeholder relationships built on caring, personalised service. Our unwavering emphasis on employee empowerment, through continuous training and development, underscores our dedication to nurturing human capital and creating sustainable, long-term value. The foundational pillars of our operations, ethics, transparency, innovation, quality, professionalism, and teamwork guide our pursuit of responsible and resilient growth, meticulously aligned with the interests of all our stakeholders.

3.2 Embedding sustainability in every decision

At LBF, embedding sustainability into the heart of our decision-making is a strategic imperative. We are dedicated to ensuring that Environmental, Social, and Governance (ESG) principles are systematically integrated and rigorously upheld throughout all departments, branches, and across every tier of our operations

Explanation	Our Action
Align purpose and sustainability strategic pillars	
Foster cross-functional collaboration to embed sustainability initiatives directly into core business strategies, transcending standalone projects.	Established a specialised sustainability unit to strategically oversee and drive the Company's comprehensive sustainability agenda. (See more on page 104)
Activate 'Purpose Ambassadors' across the organisation to promote and embed sustainability consciousness.	Formed a 'Green Team' comprising 59 dedicated members to champion sustainability initiatives across the organisation.
Establish a dedicated committee to provide oversight and ensure commitment to our sustainability agenda.	Reinforced our commitment through the establishment of a dedicated Board Sustainability Subcommittee and a Management-level Sustainability Committee. (See more on page 104)
Develop actions and outcomes	
Identify key sustainability metrics and set ambitious, measurable targets that are intrinsically linked to core business objectives.	Our clearly defined sustainability metrics and measurable targets, detailed on page 119, guide our performance in key areas including energy, water, waste management, and emissions reduction. The target is not validated by an external third party, however we are in the process of engaging a verifier in the upcoming financial period.
Announce our net-zero ambition and establish clear targets to progressively reduce climate-related exposures.	Our net-zero emissions target for 2050, aligning with national climate goals, includes an interim target of a 5% emissions reduction by 2030. (See more on page 221)
Integrate sustainability into our operations	
Ensure sustainability is foundational to all operations, integrated into every business unit and process.	Enhanced operational efficiency and promoted sustainable resource consumption by automating over 24 business processes, alongside expanding our green finance portfolio with the introduction of a dedicated solar loan product. (See more on pages 116 - 117)
	Introduced the Solar Loan scheme to the product portfolio.
	Introduced the green building concept and initiating the first green branch development in Chilaw.
	Launched the first AI-powered business loan to support digital transformation.
Drive skills development and awareness on sustainability	
Launch a company-wide learning and development platform dedicated to enhancing sustainability knowledge and skills.	Conducted 9 targeted training sessions for Board members on critical sustainability topics and evolving best practices.
Equip and empower all employees with the knowledge and tools to champion sustainable practices within their respective roles and beyond.	Dedicated to comprehensive sustainability engagement activities with key stakeholders, fostering dialogue and shared understanding.
Digital Transformation	
Digital transformation to reduce environmental impact, enhance operational efficiency, and deliver eco-friendly financial solutions to our customers	Achieved 39% growth in number of digital transactions through the LB CIM app, including the implementation of paperless concepts.
Hybrid Energy Adoption	
Transitioning to hybrid energy solutions and solarising branches to minimise carbon emissions	Commenced 40 hybrid solar-powered branches, reducing energy consumption and increasing operational sustainability. (See more on page 106)

3.3 Our ESG Strategy at LBF

At LBF, our ESG focus is fundamentally anchored in the United Nations' 2030 Sustainable Development Goals (SDGs), reflecting our commitment to building a sustainable and inclusive future. We believe that true value creation transcends mere financial performance; it demands a holistic commitment to Environmental, Social, and Governance (ESG) excellence. Through the identification and strategic management of Sustainability-related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs), we ensure our strategy is resilient, forward-looking, and inherently responsible.

This comprehensive approach, continuously informed by stakeholder engagement, empowers us to create enduring value for all our stakeholders—customers, employees, communities, regulators, and investors while championing long-term sustainable growth. Stakeholder dialogue is not just a process, but a cornerstone shaping strategies that are both responsible and future-proof.



Environmental

Governance

We uphold robust governance frameworks and policies to ensure effective oversight of climate-related risks. Refer page 278

Strategy

Our strategic focus includes climate adaptation and resilience, with proactive identification of climate-related risks and opportunities that may impact our operations, disclosures, and long-term outlook. Refer page 93

Risk Management

We are committed to monitoring, managing, and reporting on relevant climate risks while enhancing the resilience of our operations. Refer page 320

Metrics, Targets, and Reporting

We are implementing key projects to reduce emissions within our operations. Refer page 109

Short to Medium-Term: Our focus is on reducing our operational footprint per employee. This includes targeted initiatives to enhance sustainability across our supply chain and embed eco-efficient business practices.

Long-Term: We are committed to achieving net-zero emissions across our operations by 2050. Refer page 221



Social

Our People

We are committed to cultivating an exceptional workplace, prioritising job creation, employee wellness, diversity, inclusion, and equitable employment practices. Our strategy encompasses fair remuneration, continuous employee development, robust succession planning, and talent retention, solidifying our position as a trusted and sought-after employer.

Our Supply Chain

We strive to be an exemplary partner by promoting enterprise development within our supply chain, championing fair treatment for all suppliers, and embedding inclusive procurement practices. Refer page 199

Our Communities, Customers, Products, and Services

We provide accessible, affordable insurance solutions complemented by expert advice and exceptional service experiences. Building and maintaining consumer trust is paramount, achieved through the protection of privacy and adherence to responsible marketing practices. Our commitment extends into the community, where we contribute through targeted initiatives and impactful programmes. Refer pages 200 - 204



Governance

Governance, Oversight, and Accountability

We champion highly effective governance structures designed to ensure robust oversight and the execution of our corporate strategies. Our framework emphasises clear accountability mechanisms, strict role independence, and meticulous succession planning across the Board, Senior Management, and all critical control functions.

Risk Management, Control, Reporting, and Transparency

Our comprehensive risk management framework is foundational to maintaining resilient operations. We cultivate an effective internal control environment that guarantees strict regulatory compliance, ensures transparent reporting, and supports fair remuneration practices, all precisely aligned with our corporate strategy, prevailing regulations, and the evolving expectations of our stakeholders. Refer page 319

Ethics

A culture of ethics and robust risk awareness is intrinsically woven into the fabric of our operations, guiding responsible corporate conduct rooted in our core values. We manage potential conflicts of interest and maintain an absolute zero-tolerance policy towards financial crimes, fraud, bribery, and corruption. Refer pages 278 - 279

Our ESG Policy

The ESG Policy of LBF articulates our strategic imperative to champion responsible and sustainable business practices across all operational domains. Acknowledging the critical and growing significance of ESG factors, we have instituted a robust and integrated governance framework. This framework empowers us to diligently identify, measure, monitor, and manage our multifaceted impacts on the economy, environment, and society, all while adhering to governance standards. Designed to foster integrated thinking and optimise resource allocation, the policy underpins our pursuit of financial resilience and long-term sustainable growth. Furthermore, it ensures alignment with pivotal regulatory standards such as SLFRS S1 and SLFRS S2, governing comprehensive sustainability disclosures and climate-related reporting.



Scan QR code to view our ESG Policy

4. SUSTAINABILITY GOVERNANCE

Board Sustainability Committee

Oversight and Strategic Direction	Ensuring Skills & Competencies	Setting and Monitoring of Sustainability Targets
• Board evaluates trade-offs in climate-related risks and opportunities. • Provides ultimate oversight and strategic direction for the company's sustainability agenda, ensuring alignment with corporate objectives and stakeholder expectations.	• Guides management to ensure staff have or develop relevant sustainability-related expertise. • Supports capacity-building and upskilling efforts aligned with strategic ESG goals	• Quarterly reviews of climate- related targets and risks. • Oversees annual GHG reduction goals and project onboarding. • Monitors SDGs targets for priority sectors aligned with sustainable practices • Links sustainability progress with business unit performance metrics.

Sustainability Management Committee

Chaired by the Deputy Managing Director, this committee is responsible for developing and driving the ESG strategy, conducting materiality assessments, proactively managing sustainability-related risks and opportunities, and monitoring progress against established sustainability goals.

Sustainability Department

Leads the coordination and integration of sustainability efforts company-wide, ensuring robust and accurate reporting, and overseeing the effective implementation and impact of sustainability initiatives.

Sustainability Champions

A network of designated individuals embedded within various departments, responsible for supporting and championing sustainability efforts, and driving the grassroots execution of initiatives within their respective areas.

5. SUSTAINABILITY PLEDGES

We have articulated unwavering pledges across each ESG domain. Environmentally, we are resolutely committed to minimising our ecological footprint through sustainable operational practices and a pursuit of resource efficiency. Socially, we champion inclusivity, drive impactful community development, and are dedicated to tangibly improving the quality of life for all stakeholders. In governance, our pledge is to uphold the highest standards of transparency, maintain impeccable ethical conduct, and ensure adherence to exemplary corporate governance principles. This structured, principle-driven framework underpins our vision of proactive corporate citizenship and the creation of enduring, long-term value.







6. RESPONSIBLE OPERATIONS

As a leading financial institution in Sri Lanka, we are committed to combating climate change and environmental degradation. We have adopted a strategic approach to minimise our environmental impact, addressing the most material concerns arising from our daily operations. Our Environment Policy prioritises the efficient and responsible use of resources, following the principles (Reduce, Reuse, Recycle, and Refuse) where necessary. We promote employee engagement and awareness to ensure consistent adherence to these practices.

Our Environmental Management System

Input Management		Output Management	
Energy	Water	Waste	Emissions
We manage our energy consumption across all branches by implementing efficiency measures and leveraging new technologies to monitor electricity usage. Regular energy audits identify opportunities for optimisation and enable the integration of renewable energy solutions where feasible.	We monitor water consumption within branches to enhance efficiency and reduce unnecessary usage.	We minimise waste by promoting best practices and maximising recycling efforts throughout our operations. This ensures responsible waste disposal and contributes to environmental sustainability.	We manage our carbon footprint by measuring and reducing emissions across the Company. Through energy-efficient infrastructure and remote working policies, we minimise our environmental impact and contribute to a low-carbon economy.

6.1 Energy Management and Footprint

Recognising the significant impact of energy consumption on our carbon footprint, we have prioritised energy management and established baseline standards within our EMS to measure and monitor energy use.

Energy Footprint

55,714 GJ	Per employee 12.64 GJ	Per working day 232.14 GJ	Per outlet 257.94 GJ

LBF's Ongoing Actions on Energy Management

Reduce consumption

Actions Taken

- Employing high-tech, energy-efficient equipment across all operations
- Installing solar water heating systems to reduce electricity consumption
- Utilising energy-efficient lighting for all signage and interior spaces
- Optimising HVAC (Heating, Ventilation, and Air Conditioning) systems using proven energy reduction methodologies
- Implementing electronic data collection and analysis tools to track energy consumption and identify areas for improvement
- Conducting energy audits and periodic assessments to ensure continuous improvement
- Maximising the use of natural light in all facilities
- Promoting green building concepts in new construction and renovations
- Transitioning branch operations to solar energy where feasible

Awareness

Actions Taken

- Promoting energy-saving tips through engaging displays
- Launching e-mail and social media campaigns to highlight the benefits of energy conservation

Employee engagement policies and procedures

Actions Taken

- Implementing energy reduction methods in the office and encouraging their adoption at home
- Securing employee commitment to our Sustainability Pledge and Energy Policy
- Regulating equipment operating times to minimise energy consumption

Refuse

Actions Taken

- Avoiding unnecessary power usage

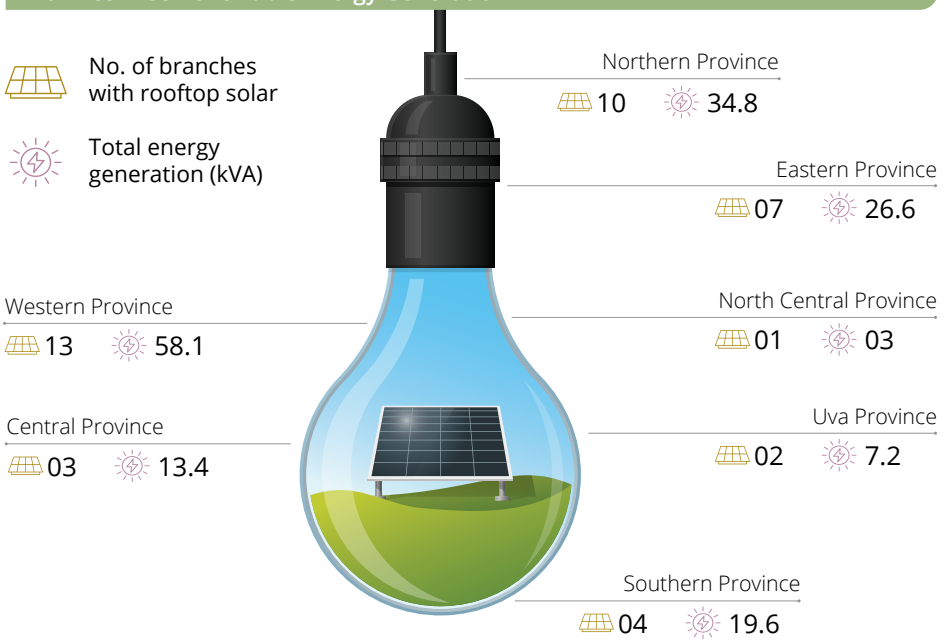
Energy Audit

To better understand our energy footprint, we partnered with U Tech Company this year to conduct a thorough energy audit encompassing energy consumption, power quality, and environmental conditions within our building. The audit identified our chiller system as the primary energy consumer, followed by lighting, office operations, and kitchen activities. Notably, temperature and humidity levels exceeded optimal ranges on weekends when the chiller system was inactive. We are now implementing U Tech's recommended strategies, targeting a 10% reduction in energy consumption to achieve a more sustainable and energy-efficient operation.

Our Renewable Energy Imperative

As part of our commitment to sustainability and reducing our carbon footprint, our solar powered branches programme remains a key initiative in our journey towards achieving net-zero carbon operations. We have invested in rooftop solar panel installations across our branches, demonstrating our commitment to renewable energy integration. This year, we equipped 14 additional branches with solar PV systems, bringing the total to 40 branches now operating with rooftop solar technology.

Province-wise Renewable Energy Generation



6.2 Water Management and Footprint

As a financial services institution, our water footprint is relatively small, primarily limited to utility and sanitary needs across our branch network, responsible water management remains a key priority. Our Company-wide water management plan provides clear guidelines for reducing daily water usage and promoting efficient consumption practices, guided by our comprehensive Environmental Policy.

LBF's Ongoing Actions on Water Management

Reduce consumption

Actions Taken

- Installing pressure-reducing valves to maintain consistent water pressure
- Equipping taps with spray attachments to regulate water flow effectively
- Utilising high-intensity pressure pumps for efficient vehicle washing

Awareness

Actions Taken

- Signage providing water-saving tips

Reuse

Actions Taken

- Using drain water for air conditioning cooling

Water Efficiency Interventions

Actions Taken

- Leak detection tools
- Automatic shutdown valves

Policies and procedures

Actions Taken

- Engaging employees through a Sustainability Pledge and enforcing our Water Policy, both integral to our Environmental Policy.

Water Footprint

48,514 m^3	Per employee 11.01 m^3	Per working day 202.14 m^3	Per outlet 224.60 m^3
44,908 m^3 2023/24	10.87 m^3 2023/24	186.34 m^3 2023/24	224.54 m^3 2023/24

6.3 Waste Management and Footprint

We have integrated the 4R principles into our daily operations. Our Sustainability Department educates employees on these practices to promote responsible resource consumption. Furthermore, we partner with Neptune (Pvt) Ltd, a registered recycling company, for the responsible disposal of paper waste. As part of our long-term strategy to reduce paper use by 10% within five years, we established the Digital Financial Service unit in 2019 and the LB Centre for Innovation and Technology in 2020.

LBF's Ongoing Actions on Waste Management

Refuse

Actions Taken

- Digitising document storage and archiving processes to create a paperless environment
- Implementing a centralised web portal to facilitate a paperless work environment
- Transitioning to e-business cards to reduce paper consumption

Reuse

Actions Taken

- Reducing paper waste by reusing paper and envelopes for appropriate purposes
- Minimising plastic waste by providing reusable glass water bottles for all Board meetings

Reduce

Actions Taken

- Monitoring and controlling inventory consumption through the inventory management system

Recycle

Actions Taken

- Designating specific collection areas in each office for paper items to be sent for recycling
- Recycling all paper waste through our partnership with Neptune (Pvt) Ltd
- Partnering with an authorised e-waste recycling provider to ensure the responsible recycling of all electronic waste

Awareness

Actions Taken

- Distributing regular email notifications to enhance employee awareness of sustainability initiatives
- Conducting awareness campaigns to promote effective waste management practices among employees
- Educating employees on our Waste Policy to encourage responsible environmental behaviour

Waste Footprint

Total paper recycled
52,604 kg
20,109 kg (2023/24)

Saved

894
342 (2023/24)
No. of fully-grown trees

92,320 Litres
35,291 Litres (2023/24)
of oil

210,416 kWh
80,436 kWh (2023/24)
of electricity

1,671,755 Litres
639,064 Litres (2023/24)
of water

158 m³
60 m³ (2023/24)
of landfill

'SIHINA'

Discards to Dreams 2025

Turning Waste into Opportunities for Children's Dreams

Through Sihina, we believe that every bit of waste holds the potential to shape a child's brighter future. In our commitment to sustainability and social responsibility, we challenge our branches and departments to collect and dispose of waste responsibly over 80 days.

The funds generated from recycling waste through Sihina directly support children facing financial hardship in their pursuit of education. By transforming waste into a valuable resource, we not only contribute to environmental conservation but also empower the next generation with the gift of education. This initiative embodies our commitment to creating a sustainable and inclusive future, where business success is inextricably linked to positive social impact.





6.4 Emissions Management and Footprint

At LBF, we understand the urgency of addressing climate change and are fully committed to minimising our environmental impact. Recognising our responsibility to reduce greenhouse gas emissions, we are focused on reducing emissions across all our operations. Although our direct (Scope 1) emissions are limited, we are actively managing Scope 2 and 3 emissions through a combination of energy efficiency initiatives, increased renewable energy adoption, and the implementation of sustainable workplace practices. These strategies include reducing reliance on grid electricity, incentivising sustainable commuting choices, and exploring flexible work arrangements. As a responsible financial institution we have initiated the calculation of finance emissions under indirect emissions. Our long-term vision includes achieving consistent year-on-year reductions in our overall carbon footprint, contributing to a more sustainable future.

LBF's Ongoing Actions on Emission Management

Reduce consumption

Actions Taken

- Transitioning to energy-saving equipment to replace high-energy intensive alternatives
- Promoting the use of public transportation and carpooling to reduce reliance on private vehicles
- Regulating energy usage during peak demand periods
- Providing integrated transportation solutions for business-related travel
- Encouraging green building construction practices
- Transitioning to electronic business cards to minimise paper consumption

Awareness

Actions Taken

- Implementing e-mail campaigns to educate employees on energy and water-saving mechanisms
- Encouraging customers, corporate partners, and the public to adopt low-emission practices
- Providing sustainability training and orientation to all new employees

Inspire

Actions Taken

- Championing carbon neutrality by adopting a carbon footprint calculation process and encouraging peers to do the same

Policies and procedures

Actions Taken

- Gaining employee commitment to environmental stewardship
- Emissions Policy (as part of our Environmental Policy)

Emission Footprint

$36,934\ tCO_2$	Per employee $8.38\ tCO_2$	Per working day $153.89\ tCO_2$	Per outlet $170.99\ tCO_2$

Carbon Journey

Driven by our commitment to a low-carbon future, we have been certified as a Carbon Conscious Company since 2013/14. We also became the first in the industry to achieve carbon neutral status three times, a testament to our ongoing efforts to refine our policies and procedures and continuously improve our products and services through technological innovation.

Our carbon reduction journey is guided by the Greenhouse Gas (GHG) Protocol, the ISO 14064-1:2018 Standard for carbon footprint verification, and national sustainability frameworks that drive corporate climate action. To further enhance our commitment, we will pursue the Science-Based Targets initiative (SBTi) ensuring our emissions reduction goals align with the Paris Agreement's ambition to limit global warming to well below 2°C.

Furthermore, we recognise the importance of addressing Scope 3 emissions and are committed to engaging our supply chain to reduce financed emissions, aligning with the UN Sustainable Development Goals (SDGs), particularly Goal 13 on Climate Action.

Refer page 08 for more information on our carbon journey

GRI: 305-1, 305-2, 305-3

Scope 1
Direct emissions
2,711 tCO_2e

Scope 2*
Indirect emissions
2,241 tCO_2e

Scope 3
Other indirect emissions
31,981 tCO_2e

Total carbon footprint
36,934 tCO_2e

*Scope 2 emissions are location-based.

Scope 1

Actions Taken

- Reduce GHG emissions in workplace arrangements, construction, and maintenance of office premises
- Implemented sensor-based, energy-efficient lighting where feasible
- Enhanced employee awareness of LBF's Sustainability Pledge and Environmental Policy
- Promoted the use of online platforms for business meetings
- Conducted energy audits

Scope 2

Actions Taken

- Installed solar panels across 40 branches to generate 122,472 kWh/year of renewable energy
- Educated employees on electricity conservation best practices through email campaigns and workshops

Scope 3

Actions Taken

- Reduced financed emissions through strategic initiatives and promote electric vehicle leasing options for employees
- Encouraged the use of public transportation
- Awareness on prominent water conservation tips
- Promoted recycling and circular economy practices

6.4.1 Our own carbon emissions

As a financial institution, we have a direct impact on the environment through energy consumption, waste generation, and water use, all contributing to resource depletion and carbon emissions. We are committed to continuously reducing our direct environmental impact by minimising resource use and preventing pollution. These commitments are detailed in our environmental action plan, which sets medium to long-term targets for our environmental footprint.

6.4.2 Our Scope 3 Financed Emissions

As a financial institution, our primary impact on the economy and society arises from mainly Auto Finance we provide. To understand our climate impact, it is crucial to quantify the emissions associated with the activities we finance.

While climate emissions represent a significant part of the overall environmental impact, they do not encompass it entirely. To accurately assess and report our financed emissions, we have adopted the methodology developed by the Partnership for Carbon Accounting Financials (PCAF). This approach aligns with the Greenhouse Gas (GHG) Protocol and standardises the reporting of Scope 3 Category 15 emissions, commonly referred to as financed emissions. Although LB Finance is not yet an official PCAF member, this methodology enables us to deliver transparent, consistent, and comparable measurements of financed emissions across the NBFI sector.

Financed emissions: Auto Finance

Calculation methodology

According to PCAF, the financed emissions from Auto Finance can be calculated in several ways depending on the availability of data to derive the financed vehicle's emissions. Overall, PCAF distinguishes three options to calculate the financed emissions from Auto Finance depending on the data used, these are actual vehicle-specific emissions, estimated vehicle specific emissions and estimated vehicle-unspecific emissions.

As a basic attribution principle, the financial institution accounts for a portion of the borrower's annual vehicle emissions as determined by the ratio between the outstanding amount and the value of the vehicle at loan origination as the denominator. This ratio is called the attribution factor. The financed emissions from a Auto Finance are calculated by multiplying the attribution factor by the emissions factor of the vehicle.

GHG emissions inventory – tCO_2e

GRI: 305-7

Scope	Source	2024/25 tCO_2e
Scope 1	On-site generators	33.96
	Refrigerant leakage	411.63
	Company - owned vehicles	163.57
	Employee commuting - Fuel paid by the Company	2,101.83
	CO_2 fire extinguishers	0.03
Scope 1 total		**2,711.02**
Scope 2	Grid electricity consumption	2,241.45
Scope 2 total		**2,241.45**
Scope 3	Purchased goods & services	1,226.78
	Water consumption	7.27
	Capital goods	380.11
	Upstream emission for purchased fuel	591.22
	Upstream emission for purchased electricity	465.79
	Electricity transmission and distribution losses	229.83
	Waste generation	4.13
	Business air travel	5.80
	Employee commuting	1,806.67
	Teleworking	18.88
	Financed emission - Motor vehicle loans	27,245.12
Scope 3 total		**31,981.60**
Total emissions		**36,934.07**

	Source	tCO_2e	tCO_2	tCH_4	tN_2O	tHFCs
Scope 1	On-site generators	33.96	33.83	0.05	0.08	
	Refrigerant leakage	411.63				411.63
	Company - owned vehicles	163.57	160.56	0.76	2.25	
	Employee commuting - Fuel paid by the Company	2,101.83	2,046.98	29.05	25.80	
	CO_2 fire extinguishers	0.03	0.03			
Scope 1 total		**2,711.02**	**2,241.40**	**29.86**	**28.13**	**411.63**

Carbon Footprint Verification

Our carbon footprint calculations are independently verified according to the ISO 14064-1:2006 standard, ensuring the accuracy and credibility of our reported emissions data.

This carbon footprint assessment provides valuable insights that guide our emission reduction strategies and initiatives.

Scan QR code for more information on the carbon footprint report

Greenhouse Gas Assurance Report

GREENHOUSE GAS VERIFICATION OPINION

Certificate Code: CU904734CU-GHG-01.2025

GHG statement in the reporting year 2024/2025 of

LB Finance PLC

No 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07, Sri Lanka

has been verified in accordance with ISO 14064-3:2019 as meeting the requirements of

ISO 14064-1:2018

Control Union Certifications has inspected and verified the unit(s) of the above-mentioned client, in accordance with the standards mentioned and declares that

01	Direct emissions	2,711.02 tonnes of CO_2e
02	Indirect emissions from imported energy	2,241.45 tonnes of CO_2e
03	Other indirect emissions	31,981.60 tonnes of CO_2e

Total Verified Greenhouse Gas Emissions: 36,934.07 tonnes of CO_2e

GHG statement covers the operations of twelve (12) months
from April 01, 2024, to March 31, 2025

Date of Verification
16 May 2025
Place and Date of Issue:
Colombo 07, 16 May 2025

CONTROL UNION VERIFIED ISO14064-1

CONTROLUNION ENVIRONMENTAL SERVICES

Declared by

On behalf of the Managing Director

Umesh Hettiarachchi
Reviewer
Control Union Inspections (Pvt) Ltd
2nd Floor, BAM Musee Tower,
52 Sir Marcus Fernando Mawatha,
Colombo 07, Sri Lanka

Methodology and Scope

Control Union Inspections (Pvt) Ltd. (Control Union) completed the review in accordance with ISO 14064-3:2019 - Specification with guidance for the verification and validation of greenhouse gas statements. As such, Control Union planned and performed work in order to provide reasonable level assurance with respect to the GHG Statement.

Period covered in GHG verification: April 01, 2024, to March 31, 2025

GHG Sources/sinks included: Direct and indirect emission sources as presented in the GHG statement for the financial year 2024/2025 provided by LB Finance PLC.

Types of GHGs included: CO_2, CH_4, N_2O, HFCs

Directed Actions: None reported**.**

Intended user of the verification statement: To be shared with the intended users as required by LB Finance PLC

Objectives and Criteria:

The purpose of this verification exercise is, by reviewing objective evidence to independently review the GHG emissions are as described by the organization's GHG emissions, and the reported data are accurate, complete, transparent and free of material error or omission. Criteria against which the verification evaluation is undertaken are the requirements specified in ISO 14064-1:2018.

Materiality

Materiality was set at 5% in accordance with the requirements of the intended users

Location/Boundary of the activities

Name of Facility	Location	Process/ Activities
Head Office, LB Finance PLC	No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07, Sri Lanka	Deposits, Loans & Receivables, Value added services
Corporate Office, LB Finance PLC	No. 20, Srimath Anagarika Dharmapala Mawatha, Colombo 03, Sri Lanka	Deposits, Loans & Receivables, Value added services
Branches, LB Finance PLC	Island-wide presence	Deposits, Loans & Receivables, Value added services

Conclusion

Based on our review, nothing has come to our attention which causes us to believe that the GHG Statement is not presented fairly in accordance with the relevant criteria. The emission estimates were calculated in accurate, consistent and transparent manner and were found to be a fair and accurate representation of LB Finance PLC's actual emissions and were free from material misstatement. Control Union identified several minor, immaterial discrepancies in LB Finance PLC's greenhouse gas inventory which were corrected by LB Finance PLC during the course of the verification.

The organization provided the GHG statement based on the requirements of ISO 14064-1:2018 for the period to disclose emissions of 36,934.07 tonnes of CO_2 equivalent are verified by Control Union to a reasonable level assurance, consistent with the agreed verification scope, objectives and criteria.

Control Union concludes with reasonable level assurance that the presented GHG statement is materially correct and is a fair representation of LB Finance PLC's data and information and is prepared following the requirements of ISO 14064-1:2018.

This opinion shall be interpreted with the GHG Statement of 2024/2025 GHG report of LB Finance PLC. as a whole.

Date of Verification
16 May 2025
Place and Date of Issue:
Colombo 07, 16 May 2025

Authenticated by

On behalf of the Managing Director

Umesh Hettiarachchi
Reviewer

7 GREEN BUILDING PRACTICES

LBF Pioneers Sustainability with Green Branch in Chilaw

Demonstrating our commitment to environmental responsibility, we have planned a green branch in Chilaw, designed to meet GREENSL® rating system standards. Certified by the Green Building Council of Sri Lanka (GBCSL), this initiative integrates sustainable practices into our operations and sets a new benchmark for green construction in the financial services sector.

Architectural Design
Maximising natural light with large windows and open spaces significantly reduces the need for artificial lighting. The energy-efficient layout and smart building technologies further optimise energy use and enhance customer convenience.

Energy Efficiency
Integration of energy-efficient lighting, on-site solar power generation, and advanced HVAC systems, resulting in a significant reduction in energy consumption. Employing real-time energy monitoring systems to track performance and identify opportunities for further energy conservation.

Material Usage
Utilising locally sourced, sustainable materials – such as recycled concrete, bamboo, and certified timber – reduces the carbon footprint. Energy-efficient glass minimises heat gain and cooling demands. Non-toxic paints ensure healthier indoor air quality. Durable materials, designed for longevity and reduced maintenance, support circular economic principles.



Waste Management
Implementing zero-waste construction practices and segregating waste disposal systems for operations, promoting a circular economy.

Water Conservation
Installation of rainwater harvesting systems and water-efficient fixtures to minimise water usage.

Environmental Impact
The Chilaw green branch is projected to achieve:

- 20% - 40% reduction in energy consumption compared to conventional buildings
- 10,000 - 20,000 litres of annual water conservation through innovative water management systems
- 25% - 50% reduction in its carbon footprint through renewable energy integration

Social Responsibility and Community Impact

- Employment opportunities will generate during the construction phase and beyond. The branch is designed to be inclusive, offering easy access to differently abled individuals.

Economic Benefits
The Chilaw green branch will generate long-term cost savings through reduced energy and water consumption. This investment in sustainable infrastructure also enhances the building's value and positions LBF as a leader in sustainable finance.

Future Plans
The Chilaw green branch marks the first step in our strategy to integrate green building principles across all LBF branches. Scaling this initiative will reduce our environmental footprint and cultivate a culture of sustainability within the organisation and the communities we serve.







8. RESPONSIBLE PRODUCTS AND SERVICES

We recognise the potential environmental impact of our core business activities and strive to ensure a positive outcome.

8.1 Green Leasing

Our green lending scheme offers preferential terms for leasing hybrid and electric vehicles, which significantly reduce carbon emissions compared to traditional gasoline or diesel vehicles.

	No. of Green Financing Facilities	Amount Granted (Rs. Mn)
2024/25	2,716	7,351
2023/24	1,597	5,056
2022/23	855	2,411
2021/22	1,457	4,135
2020/21	2,293	4,293





8.2 Solar Loan Scheme

The Solar Loan Scheme offers flexible financing with competitive interest rates and customisable repayment terms. It caters to homeowners, small businesses, and enterprises, providing quick approval through streamlined digital processes. Financing covers solar panels, inverters, batteries, and maintenance costs, making solar adoption accessible and hassle-free.

	No. of Solar Financing Facilities	Amount Granted (Rs. Mn)	kW Generated
2024/25	13	25.5	180







8.3 Green Loans through Digital Lending

We streamline green loan applications through advanced digital platforms. Customers enjoy online applications, real-time progress tracking via digital dashboards, and paperless documentation, ensuring a seamless and sustainable lending experience.

	No. of CIM Loans Disbursed	Amount Granted (Rs. Mn)
2024/25	4,056	533.77







8.4 Green Partnerships

Marking a key milestone, we joined the United Nations Global Compact (UNGC) Network Sri Lanka in 2024, reinforcing our dedication to responsible business practices and contributing to global climate action. This partnership enables us to align our strategies with the UNGC's framework for sustainable development.

Beyond the UNGC, we partner to minimise environmental impact. We have collaborated with Neptune Papers (Pvt) Ltd., on responsible paper recycling initiatives. Furthermore, we have strengthened our emissions management by engaging Control Union Inspections (Pvt) Ltd., to conduct Greenhouse Gas (GHG) verification, ensuring adherence to internationally recognised environmental standards.

8.5 Business Process Digitalisation

The LB CIM app promotes sustainable financing with a significantly low environmental footprint. As a cashless and fully digital solution, LB CIM app eliminates the need for paper and reduces customer commuting, minimising its environmental impact.

CIM Cash In Mobile by LB FINANCE

33%
LB CIM app transaction growth

200,000+
LB CIM app downloads

Refer Intellectual Capital on page 172 for information

9. IDENTIFYING SUSTAINABILITY-RELATED AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

The process of determining material matters serves as a strategic cornerstone for identifying critical SRROs and CRROs.

Material matters assessed as highly significant inherently represent notable risks or opportunities for the Company, demanding proactive and strategic management. The Head of Sustainability is tasked with providing the Head of Risk with a prioritised list of these material matters. This ensures the seamless integration of all relevant SRROs and CRROs into the Company's Risk Register, thereby guaranteeing their inclusion and oversight within our broader risk management framework, encompassing robust measurement, continuous monitoring, effective management, and transparent reporting processes.

For more information refer page 337, Integrated Risk Management

10. CONTRIBUTING TO THE UN SDGs

SUSTAINABLE DEVELOPMENT GOALS

Our dedication to a sustainable future at LBF is a driving force, deeply intertwined with our active contribution to the UN Sustainable Development Goals (SDGs). Our initiatives are crafted to stimulate economic prosperity, uphold environmental stewardship, and enhance social well-being. By embedding the SDGs into the core of our business strategies, we aim to deliver a holistic and positive impact, creating lasting value for our customers, the communities we serve, and the planet.

SDGs and Underlying Targets	Initiatives Implemented by LB Finance	Page
1 NO POVERTY No Poverty (1.4)	• Conducted financial inclusion programmes • Offered microfinance facilities in Myanmar	33 - 36 241 - 244
2 ZERO HUNGER Zero Hunger (2.3, 2.4)	• Launched the LB CIM mobile merchant app for SME development • Organised capacity building for entrepreneurs	34 204
3 GOOD HEALTH AND WELL-BEING Good Health & Well-Being (3.1, 3.2, 3.7, 3.8)	• Provided health facilities for selected locations • Conducted mental and physical health programmes	203 201, 203

INTEGRATED SUSTAINABILITY REPORT

SDGs and Underlying Targets	Initiatives Implemented by LB Finance	Page
 Quality Education (4.1, 4.2, 4.4, 4.5, 4.6)	• Continuation of pre-school development project	202
	• Initiated learnerships and targeted business training programmes to foster skill development and enhance professional capabilities	204
	• Supported the development of Sri Lanka's education system through the implementation of targeted awareness programmes	204
 Gender Equality (5.1, 5.2, 5.5, 5b)	• Initiated women empowerment programmes	200
	• Launched a women-centric gold loan product to expand financial accessibility	35, 178, 231
 Clean Water and Sanitation (6.1)	• Provided purified drinking water to students at Sunanda Maha Vidyalaya, Padeniya	203
 Affordable and Clean Energy (7.2, 7.3)	• Converted 40 branches to hybrid solar power systems.	106
	• Conducted energy audits	106
	• Introduced a dedicated Solar Loan product	116
 Decent Work and Economic Growth (8.2, 8.3, 8.5, 8.6, 8.10)	• Enhanced SME service offerings and launched m-commerce platforms to support business growth	204
	• Championed digital transformation in Sri Lanka by implementing and promoting QR-based payment solutions	181
 Industry, Innovation and Infrastructure (9.1, 9.3, 9.4)	• Inclusion through rural connectivity by opening branches	33
	• Strategically deploying disruptive technologies, such as Artificial Intelligence (AI), to optimise business processes	181
 Reduced Inequalities (10.2)	• Developing and delivering targeted financial solutions to empower marginalised communities.	35
 Sustainable Cities and Communities (11.3, 11.7)	• Implemented urban tree planting and landscaping programmes to improve local environments and community well-being	216
	• Expanding our product and service offerings through accessible and user-friendly digital platforms	181
 Responsible Consumption and Production (12.5)	• Instituted comprehensive waste management programmes focused on reduction, reuse, and recycling	219
	• Promoted recycling and responsible use of plastics within our operations and community initiatives	105
	• Pursuing and achieving green building accreditation for our facilities to minimise environmental impact	115
 Climate Action (13.1, 13.3)	• Implementing targeted climate programmes and robust energy efficiency initiatives across operations	95, 213
	• Transitioning towards greater reliance on renewable energy sources for our operational needs	213
 Life Below Water (14.2)	• Protection for marine eco system through projects such as beach care taker and colour fish project	217

SDGs and Underlying Targets	Initiatives Implemented by LB Finance	Page
 Life on Land (15.2, 15.7, 15.5, 15c)	• Implemented reforestation programmes in the Yagirala forest reserve • Instituted a tree planting programme integrated with every new branch opening. • Launched a mangrove planting programme in Ittapana	216 215 215
 Peace, Justice and Strong Institutions (16.4, 16.5, 16.6)	• Implemented anti-money laundering and anti-bribery initiatives within the organisation	277, 296, 313, 335
 Partnerships for the Goals (17.7, 17.8, 17.17)	• Collaborated with the UN Global Compact to advance shared sustainability goals. • Nurtured sustainable partnerships with government and private organisations	303 215 -218

11. SUSTAINABILITY STRATEGY WITH MEASURABLE TARGETS

Pillars Upholding Sustainability	Strategic Focus	KPI	2024	2030	2050	Capital Alignment
Solidifying Financial Stability	Building a Sustainable Portfolio	Enhancing Green and Sustainability-linked portfolio	In Progress	Completed	Completed	NC
	Keeping Strong Fund Mix	Leveraging Green Product-based refinance schemes	In Progress	Completed	Completed	FC
	Embedding Climate and ESG Risk in Credit Evaluation	ESG-based Credit Score	In Progress	Completed	Completed	FC
Reducing Environmental Impact	Responsible Consumption	Reducing Energy Consumption, Water Consumption, Fuel Consumption, Waste Management	Completed	Completed	Completed	NC, MC
	Aligning with Net Zero Emission Target	GHG Carbon Footprint Measurement (Including financed emission)	In Progress	Completed	Completed	NC, MC
	Climate Risk Management and appropriate disclosure	Adoption under IFRS S1 and S2	In Progress	Completed	Completed	FC, NC
Driving Inclusive Growth	Financial Inclusion	Attract more customers through Digital transactions	Completed	Completed	Completed	FC, IC
	Community Well-being	Expanding the net of CSR Beneficiaries and strategic partnerships	Completed	Completed	Completed	SRC
Building a Great Workplace	Empowering Employees	Increase No. of trainings, Employee Benefits, Productivity per employee	Completed	Completed	Completed	HC
	Promoting Diversity & Gender Balance	Increasing Women hires	In Progress	Completed	Completed	HC
	Ensuring Zero Tolerance for Bribery and Corruption	Monitoring and Solving Whistleblowing Cases	In Progress	Completed	Completed	HC

Completed In Progress Not Started

12. OUR COMMITMENT TO THE UNGC 10 PRINCIPLES

UNGC Principles	Examples of LBF Initiatives Aligned with UNGC Principles	Page
Human Rights (Principles 1 and 2)	• Promoting financial inclusion for marginalised groups	228
	• Upholding employee rights and ensuring equal pay across all genders	158
Labour Standards (Principles 3, 4, 5, 6)	• Enforcing fair working conditions and employee safety	152
	• Providing employee development programmes and training opportunities	158
Environment (Principles 7, 8, 9)	• Committing to solar energy projects and energy efficiency	106
	• Implementing green building certifications and waste management initiatives	115, 107 - 108
Anti-Corruption (Principle 10)	• Launching anti-money laundering and anti-bribery initiatives	541
	• Strengthening internal compliance protocols to prevent corruption	541

13. ESG INTEGRATION ACROSS DEPARTMENTS AND BRANCHES

At LBF, we are committed to the systematic integration of ESG principles across all functional units and branch networks. This commitment is reflected in our ongoing efforts to embed sustainability into our daily operations and long-term strategies. We encourage the adoption of ESG-focused documentation and practices at every level of the organisation, ensuring that our systems evolve towards greater environmental efficiency through progressive digitisation.

To further strengthen our sustainability efforts, we have customised ESG policies tailored to the unique operational environments of each department and branch. These policies are designed to address specific local and functional needs, ensuring that sustainability principles are effectively applied and continuously refined. This holistic approach ensures that ESG integration becomes a fundamental part of our organisational culture, driving both operational efficiency and environmental responsibility across the entire network.

13.1 Enhancing Energy Efficiency through Infrastructure

To proactively reduce our environmental footprint and enhance operational efficiency, we have implemented a comprehensive suite of energy-saving measures. A key initiative involves the strategic rollout of solar panel installations across designated branches, resulting in energy savings, a reduction in carbon emissions, and lower operational electricity expenses.

Furthermore, in-depth energy audits have been systematically conducted to identify areas for improvement and recommend actionable solutions. These audits have catalysed crucial upgrades, including the transition to highly efficient LED lighting systems, the optimisation of air conditioning performance, and the implementation of automated schedules for lighting and cooling systems.

Complementing these efforts, we are committed to advancing green branch development. This integrated approach encompasses the design and construction of branches utilising environmentally conscious materials, maximising the use of natural daylight, installing water-efficient low-flow fixtures, and employing sustainable landscaping techniques to minimise water consumption and urban heat island effects. These green building initiatives are fundamentally guided by principles of natural capital preservation, ensuring that our growth aligns seamlessly with our commitment to environmental stewardship. (Refer to our natural capital strategy detailed on page 208).

13.2 Building a Culture of Sustainability

We drive internal sustainability engagement through a robust programme of ongoing employee awareness campaigns, targeted training modules, and skill-enhancing capacity-building workshops. The core aim of these initiatives is to promote and instil sustainable workplace practices, such as optimised energy conservation, proactive waste minimisation, and mindful paper usage. Employees are strongly encouraged to take an active role in our 'Green Office' programmes, lead ESG-focused projects, and engage in sustainability innovation challenges (including the CSR Challenge) that are integral to achieving our long-term ESG goals.

To deeply embed a sustainability mindset within our corporate culture, innovative competitions are frequently organised to stimulate creativity and widespread engagement, especially concerning the resourceful use of recyclable and biodegradable materials. These dynamic events serve as powerful catalysts for innovation while practically and engagingly reinforcing environmental stewardship, thereby enhancing our natural and human capital. (Refer pages 208 to 150).

13.3 Sustainability Impacts

Our strategic commitment at LBF involves the continual analysis and enhancement of our sustainability impact, particularly in critical areas such as carbon emission reduction. Key actions driving this commitment include a systematic shift towards hybrid and electric vehicles to lessen our environmental footprint. Investment in solar-powered branches is another cornerstone, promoting renewable energy utilisation and minimising overall energy demand. Additionally, our adoption of a slipless transaction approach significantly reduces paper waste, advancing our eco-conscious, digital-first service delivery. (Refer pages 105 - 117)

14. SUSTAINABILITY IN MYANMAR OPERATIONS

Sustainability forms the core ethos of LB Microfinance Myanmar's operations, mirroring LBF's overarching dedication to fostering inclusive economic growth and social empowerment. Operating strategically across Bago, Magway, Ayeyarwady, and Yangon, our subsidiary is focused on uplifting underserved communities by providing vital, accessible financial services. With a workforce comprising 60% women and a customer base where more than 95% are female, the organisation champions gender equality, forging pathways to financial independence and entrepreneurial success for women in rural and semi-urban regions. Through tailored group microfinance and SME loans, LB Microfinance Myanmar not only catalyses income generation and robust business development but also significantly strengthens social capital within these communities. Its strategic goal to become one of the top three microfinance institutions in Myanmar within the next three years underscores a commitment to scaling sustainable impact, empowering individuals, and contributing meaningfully to the nation's socioeconomic advancement.

15. ROADMAP FOR SUSTAINABLE FINANCE ACTIVITIES IN SRI LANKA

In 2019, the Central Bank of Sri Lanka (CBSL) introduced the "Roadmap for Sustainable Finance in Sri Lanka," which was revised in 2022. This comprehensive framework provides financial institutions with clear guidelines for effectively managing ESG risks associated with the projects they finance. It also encourages support for businesses that are environmentally sustainable, climate-friendly, and socially inclusive. In 2025, the CBSL issued the "Sustainable Roadmap 2.0," further advancing these objectives and setting clear timelines for the next phase of sustainable finance integration across the financial sector.

In alignment with these evolving frameworks, LBF is committed to embedding sustainability into our core business strategy and financial practices. To reinforce this commitment, we have developed a comprehensive ESG Policy, which has been formally approved by the Board. This policy serves as a foundational framework to ensure that ESG considerations and sustainable finance principles are systematically integrated into our decision-making and operational processes.

The policy outlines the roles and responsibilities of the Board and Senior Management in guiding LBF towards long-term sustainability. While the Board retains ultimate oversight of ESG and sustainable finance governance, Senior Management is responsible for executing the strategy and ensuring that it aligns with both national and global sustainability objectives. This integrated approach ensures that LBF continues to be a leader in driving sustainable growth and responsible business practices, in line with the timelines set out in the newly issued Sustainable Roadmap 2.0.

INTEGRATED SUSTAINABILITY REPORT

Net-zero across all LBF operations

2050/51

2026/27

- Transition of all branch operations to solar energy where feasible
- Innovate sustainable loan products
- Develop sustainable saving products

2030/31

- All new LBF buildings operate at net zero
- Carbon credit generating Company
- Allocate a portion of savings or funding to investment of sustainable bonds

2025/26

- Commencement of first green branch development
- Implement negative lending list
- Adoption of GHG protocol
- Anticipated future financial impact reporting under SLFRS S1
- Climate resilience reporting under SLFRS S2

2024/25

- Obtained UNGC Network Sri Lanka membership
- Introduced Solar Loan product
- Calculated financed emissions
- Revised ESG Policy and introduced a Climate Policy
- Limited assurance on SLFRS S1 and S2

2021/22

- Dedicated Facebook page for integrated reporting and sustainability
- Set sustainability ambition for 2030

2022/23

- Followed transparency checklist issued by Transparency International Sri Lanka
- Carbon conscious Company for the 10th consecutive year

2019/20

- Launch of CIM mobile wallet for digital transactions
- Reached over 34,000 trees planted under "Thuru Wawamu" environmental project

2020/21

- 42,000+ trees planted under 50 to 50,000 tree planting programme
- Focus on business and digital driven CSR initiatives

2017/18

- First QR based online sustainability report
- Relaunch of LB Sustainability website

2018/19

- Launched "Thuru Wawamu" environmental project
- Established a Digital Financial Services Unit

2015/16

- Became the first carbon neutral Finance Company in Sri Lanka
- Initiated a water bottle sticker campaign to pass green messages
- Launch of sustainability dashboard

2016/17

- First time contribution to SDGs
- Modification of 150 islandwide pre-schools

REPORT ON BUSINESS OPERATIONS

RESPONDING WITH AGILITY

We are an agile and responsive entity, expertly navigating change to align with an evolving landscape and deliver unparalleled results.

Lions, with their impressive speed—reaching up to 80 km/h—embody the power of planning, adaptation, and strategy, securing their place as dominant forces in the natural world. Similarly, mosaics have continuously evolved, reflecting their ability to adapt and transform in response to the changing times.



SECTION 4

THE CAPITAL REPORTS

Fortifying Financial Capital 124 | Strategising Manufactured Capital 142 | Framing Human Capital 150 | Mindscaping Intellectual Capital 172
Cultivating Social and Relationship Capital 184 | Nurturing Natural Capital 208

THE BUSINESS REPORTS

Business Review 222 | Subsidiary Information 241

FORTIFYING FINANCIAL CAPITAL

<IR 2A, 2C, 3E> GRI: 2-23, 3-3

1 Input

- Shareholders' equity
- Customer Deposits
- Fee-based income
- Long and short-term borrowings
- Retained earnings post-dividend distribution

2 Strategic Drivers

- Strengthen the core lending and deposit mobilisation business
- Maintain a healthy Net Interest Margin (NIM) across market cycles
- Drive cost optimisation while enabling digital investment
- Sustain the industry's lowest NPL ratio through prudent credit practices
- Ensure competitive and consistent returns to shareholders
- Enhance financial inclusion via targeted micro and SME lending programmes

3 Approaches for Managing Financial Capital Outcomes

- Budgeting and forecasting aligned with strategic goals
- Real-time performance monitoring using Oracle Profitability and Cost Management Module
- Robust liquidity management and funding diversification strategy
- Integrated Risk Management Framework with scenario based stress testing to ensure financial resilience
- Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS), CBSL, and CSE guidelines
- Transparent disclosures and proactive investor relations

4 Space for Development

- Expand into underserved regions and sectors through network rebalancing and product diversification
- Grow green lending and explore blended finance partnerships
- Increase non-interest income to reduce reliance on rate-sensitive sources

5 Challenges

- Volatile interest and exchange rate environments
- Credit concentration and sectoral exposure risks
- Margin pressure amid competitive pricing and rising funding costs
- Evolving regulatory and macroeconomic frameworks affecting liquidity

Fitch Rating	NPL	Taxes Paid	Highest PAT	ROE
A- (lka) (Stable outlook)	2.25%	Rs. 12.65 Bn	Rs. 10.81 Bn	22.77%



		Stakeholders					
Interest	Attractive and sustainable returns	★		★	★		
	Transparent reporting and good governance	★	★	★	★	★	★
	Management of asset quality	★	★	★	★	★	★

6 Key Output

- Highest ever profit after tax in LBF history
- Asset Quality Management - YoY declining NPL ratio
- YoY increase in Assets
- Maintaining adequate capital and liquidity to support the business
- Enhancing operational efficiencies

7 Future

- AI and advanced BI platforms for risk and performance management
- Scale digital lending and financial inclusion initiatives for MSMEs
- Enhance liquidity buffers through dynamic forecasting
- Expand green finance and introduce climate-aligned financial products

Market Capitalisation
Rs. 47.93 Bn

Total Assets
Rs. 240.89 Bn

DPS
Rs. 6.50



Visit web page for our management approach of Financial Capital

Impact from SRROs and CRROs

FORTIFYING FINANCIAL CAPITAL

GRI: 2-23, 3-3

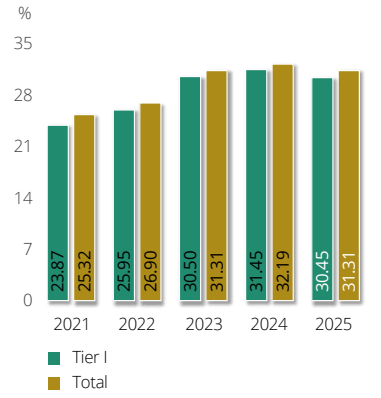
CAMELS – SIX PILLARS OF FINANCIAL STEWARDSHIP

Resilience is not accidental, it is the result of disciplined strategy, sound governance, and data driven insight. Our adapted CAMELS model reflects this core approach, offering a clear and structured evaluation of performance across six core pillars: Capital Adequacy, Asset Quality, Management Efficiency, Earnings, Liquidity, and Sensitivity to Financial and Operating Conditions.

C – CAPITAL ADEQUACY

CAR Tier I **30.45%** 2023/24: 31.45%	CAR Total **31.31%** 2023/24: 32.19%
Stage 3 Loans to Equity Ratio **9.01%** 2023/24: 14.82%	Capital Funds to Deposit Ratio **37.02%** 2023/24: 35.52%

Capital Adequacy Ratio



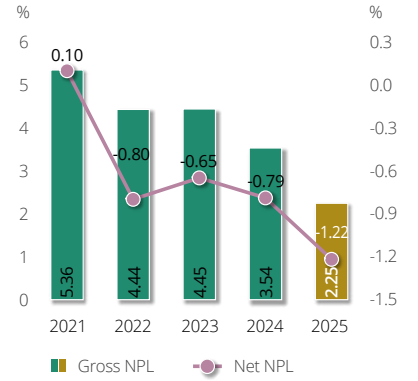
Way forward

We aim to maintain a capital buffer at least 2% above the minimum regulatory requirement set by the CBSL.

A – ASSET QUALITY

Gross NPL **2.25%** 2023/24: 3.54%	Net NPL **-1.22%** 2023/24: -0.79%
Provision Coverage Ratio **154.02%** 2023/24: 122.42%	Open Credit Exposure Ratio **-4.87%** 2023/24: -3.07%

Gross and Net NPL Ratio



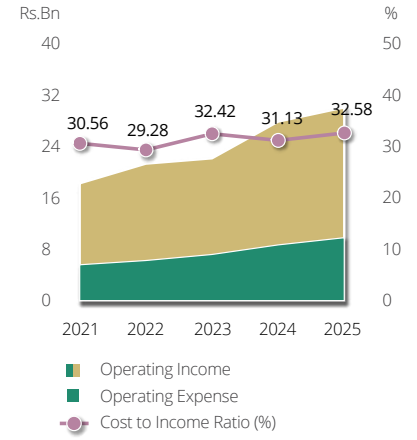
Way forward

To maintain Gross NPL rate below 5% and net NPL Ratio at zero level.

M – MANAGEMENT EFFICIENCY

Cost to Income **32.58%** 2023/24: 31.13%	Profit per Employee **Rs. 2.45 Mn** 2023/24: Rs. 2.31Mn
Impairment Charge to Total Operating Income **-0.85%** 2023/24: 1.34%	Operating Expense to Income **20.95%** 2023/24: 17.61%

Cost to Income Ratio



Way forward

Maintain a lean cost structure with expenses consuming no more than 35% of Operating income

We consider CAMELS as a forward-looking framework that reveals how we safeguard financial stability, respond to market dynamics, and continuously deliver long-term value.

E — EARNINGS

Return on Equity **22.77%** 2023/24: 23.40%	Return on Assets **4.88%** 2023/24: 4.97%
Net Interest Margin **12.22%** 2023/24: 13.72%	Interest Spread **11.05%** 2023/24: 10.35%



Way forward

We aim to achieve a minimum ROE of 20% by optimising our operations and financial performance.

L — LIQUIDITY

Liquid Assets Ratio **20.01%** 2023/24: 21.02%	Loans to Deposit Ratio **142.80%** 2023/24: 131.34%
Total Liquidity Reserves **Rs. 29.60 Bn** 2023/24: Rs. 27.17 Bn	Liquid Assets to External Funds **15.74%** 2023/24: 17.37%

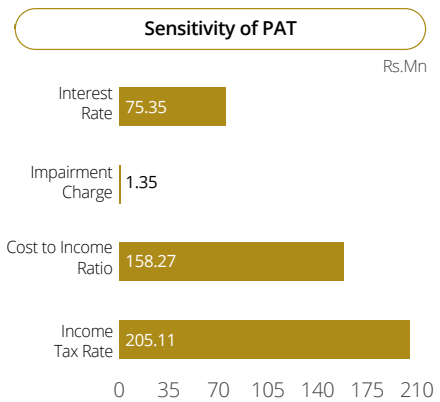


Way forward

Maintain a robust liquidity buffer of minimum 150% to ensure financial stability.

S — SENSITIVITY

Interest Rate Δ 1% **0.70%** Δ PAT Rs. 75.35 Mn	Cost to Income Ratio Δ 1% **1.46%** Δ PAT Rs. 158.27 Mn
Impairment Charge Δ 1% **0.01%** Δ PAT Rs. 1.35 Mn	Income Tax Rate Δ 1% **1.90%** Δ PAT Rs. 205.11 Mn



Way forward

We use sensitivity analysis to support strategic decisions that align with stakeholder interests and maximise shareholder value.

FORTIFYING FINANCIAL CAPITAL

<IR 2B>

1. OVERVIEW

Our Financial Capital serves as the vital monetary resource driving the Company's expansion, drawn from equity, debt, customer deposits, and internally generated funds. We maintain full compliance with Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS), requirements of the regulatory bodies and regularly update our practices to incorporate emerging standards, ensuring transparency, accountability, and global alignment. This capital not only sustains everyday operations but also underpins other forms of capital. It fuels our growth, boosts operational efficiency, supports innovation, and drives sustainable development, all while safeguarding financial stability and creating long term value for our stakeholders.

1.1 Contribution to Value Creation

Value Creation	Value Preservation	Trade-offs
• Expanded credit access with 22.61% growth in lending portfolio; strengthened deposit mobilisation to fund lending growth	• Maintained service continuity, digital touchpoints, and product affordability despite interest rate movements	• Managed interest spreads and funding cost trade-offs to protect margins while ensuring customer value
• Delivered 12.99% net profit growth; declared Rs. 6.50 dividend per share with a 33.33% payout ratio	• Sustained high ROE 22.77% and ROA 4.88% through prudent financial management	• Balanced earnings distribution with reinvestment needs for future lending and liquidity optimisation
• Offered revised compensation, incentives, and internal career growth to reward performance	• Retained skilled workforce and maintained efficient cost to income ratio 32.58% despite cost increases	• Trade-off between rising HR costs and operational efficiency targets
• Ensured compliance with capital and liquidity requirements while expanding credit base	• Maintained strong NPL ratios (Gross: 2.25%, Net: -1.22%) through disciplined risk practices	• Navigated between growth ambitions and regulatory prudence
• Strengthened relationships with funding partners and vendors to support asset growth	• Honoured commitments with reliable partner engagement and timely settlements	• Balanced cost of funding and partnership dependencies with internal capital deployment goals
• Supported financial inclusion and rural access through sector diverse lending; progressed on ESG compliance and awareness	• Maintained alignment with ESG policies and environmental standards in operations	• Prioritised business growth over scaling environmental initiatives in the short term

1.2 Unifying Financial Capital with LB Strategy



1.3 Material Matters and Related Topics

Material Themes	Material Matters	Related Topic	Page
Sustainable and Climate Inclusive Business Growth	Sustainably Growing Revenue	CAMELS - Six Pillars of Financial Stewardship	126
	Risk and Capital Management		
	Operational Resilience		
Good Governance and Risk Optimisation	Internal Control and Risk Management	Profitability Strength, Position of Financial Health	132,136
	Ethical and Transparent Practices		
	Regulatory Compliance		
Supporting Social Cohesion	Corporate Citizenship and Social License to Operate	Contribution to Value Creation	128

FORTIFYING FINANCIAL CAPITAL

1.4 SWOT Analysis for Financial Capital

Strengths

Prudent financial governance frameworks

Stable liquidity and funding position

Regulatory compliance and transparency

Access to diverse funding channels

Weaknesses

Exposure to market volatility

Exposure to credit concentration

Dependence on interest based income



Opportunities

Leverage on improved credit ratings

Adoption of AI in financial analytics

Integration of ESG linked financial products

Expansion into new customer segments and geographical locations

Threats

Regulatory and policy shifts

Economic downturns and inflationary pressure

Increased competition

2 FINANCIAL CAPITAL AND SUSTAINABILITY

2.1 Financial Capital-related Sustainability Risks and Opportunities

Our financial capital is fundamental to sustaining long-term value creation. In line with the SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures), we assess key sustainability risks that could impact our financial stability, such as economic volatility, interest rate fluctuations, regulatory changes, and credit risk exposure. These risks have the potential to affect profitability and capital adequacy. Additionally, rising customer expectations and digital disruptions present strategic and operational challenges.

In accordance with SLFRS S1 and S2, we proactively address these risks by enhancing our risk management framework and aligning our financial strategies with sustainability objectives. We identify opportunities in areas such as strong capital adequacy, diversification of funding sources, and consistent profitability, which provide resilience in the face of emerging economic and environmental challenges.

Furthermore, we focus on strategic investments in technology, green finance, and inclusive lending, contributing to our commitment to responsible growth. By integrating sustainability factors into our financial decision making process, We are well positioned to navigate evolving market dynamics and achieve sustainable long-term success.

2.2 Financial Capital Governance

We apply disciplined financial governance frameworks to manage, protect, and enhance our financial capital in alignment with strategic objectives. Budgeting and forecasting processes follow Board approved guidelines, while capital investments, including major expenditures, undergo rigorous evaluation and approval by the Board and relevant sub-committees.

Our Risk Management Framework governs exposure to credit, market, and liquidity risks. These risks are continuously monitored and reported through the Board Integrated Risk Management Committee. Liquidity and funding are managed under a Board approved Treasury Policy, with oversight by ALCO ensuring resilience and cost efficiency.

Internal Audit conducts regular evaluations of financial controls, reporting directly to the Board Audit Committee. The Committee plays a pivotal role in overseeing the control environment, financial reporting integrity, and both internal and external audit activities. It monitors the implementation of audit recommendations and ensures timely remedial action by management.

Our financial statements are prepared in compliance with Sri Lanka Accounting Standards (LKAS/SLFRS) and other regulatory requirements set by the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE). Independent external auditors conduct annual audits, providing assurance on the accuracy and fairness of disclosures. These governance layers reinforce transparency, public trust, and accountability in the management of financial capital.

3. HORIZONTAL ANALYSIS OF INCOME STATEMENT

Income Statement	*CAGR	2024/25		2023/24		2022/23		2021/22		2020/21	
	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Income	12	46,731	(5)	49,230	15	42,756	42	30,160	1	29,766	(5)
Interest Income	11	41,815	(9)	45,730	15	39,644	44	27,511	0	27,458	(6)
Interest Expenses	10	16,687	(22)	21,379	4	20,616	>100	8,847	(23)	11,523	(15)
Net Interest Income	12	25,128	3	24,350	28	19,028	2	18,664	17	15,935	3
Other Operating Income	21	4,916	40	3,500	12	3,113	18	2,649	15	2,308	12
Total Operating Income	13	30,044	8	27,851	26	22,141	4	21,313	17	18,243	4
Impairment Charges/(Reversals)	-	(256)	(>100)	373	(32)	546	(47)	1,026	(39)	1,692	(8)
Total Operating Expenses	15	9,788	13	8,670	21	7,178	15	6,240	12	5,576	(5)
Tax on Financial Services	26	4,170	15	3,628	36	2,670	25	2,137	28	1,669	(27)
Profit before Tax	15	16,342	8	15,180	29	11,747	(1)	11,910	28	9,306	22
Income Tax Expense	22	5,536	(1)	5,616	71	3,287	1	3,248	30	2,503	3
Profit for the Year	12	10,806	13	9,564	13	8,460	(2)	8,662	27	6,803	31

*CAGR - Compound Annual Growth Rate

LBF has demonstrated a consistent growth trajectory over the past five years, marked by a significant increase in income and profitability. Total income rose from Rs. 29.77 billion to Rs. 46.73 billion during this period, reflecting a robust Compound Annual Growth Rate (CAGR) of 12%. This growth is underpinned by strong performance across key income streams, including net interest income, which increased at a CAGR of 12% to Rs. 25.13 billion in 2024/25, and other operating income, which posted a solid 21% CAGR. The Company recorded an impairment reversal for the year 2024/25, indicating a steady improvement in asset quality since the impairment charge of Rs. 1.69 billion in 2020/21. Calculating a CAGR for impairment charges/(reversals) is not meaningful due to the negative value in the current financial year. Operating expenses rose moderately from Rs. 5.58 billion to Rs. 9.79 billion over the same period, indicating prudent cost management despite business expansion and challenging economic conditions. This disciplined expense growth has supported the Company's profitability, with profit for the year reaching a record Rs. 10.81 billion in 2024/25, representing a 12% CAGR. LBF's consistent financial performance highlights its strong fundamentals and effective navigation of market challenges.

4. VERTICAL ANALYSIS OF INCOME STATEMENT

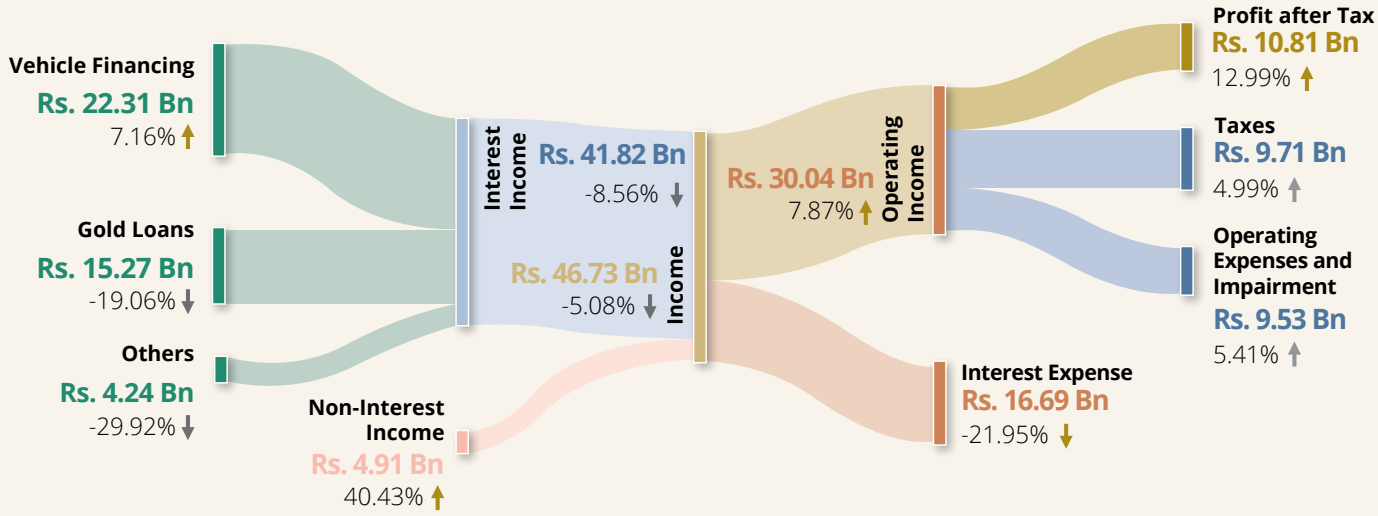
Income Statement	2024/25		2023/24		2022/23		2021/22		2020/21	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Income	46,731	100	49,230	100	42,756	100	30,160	100	29,766	100
Interest Income	41,815	89	45,730	93	39,644	93	27,511	91	27,458	92
Interest Expenses	16,687	36	21,379	43	20,616	48	8,847	29	11,523	39
Net Interest Income	25,128	53	24,350	50	19,028	45	18,664	62	15,935	53
Other Operating Income	4,916	11	3,500	7	3,113	7	2,649	9	2,308	8
Total Operating Income	30,044	64	27,851	57	22,141	52	21,313	71	18,243	61
Impairment Charges/(Reversals)	(256)	(1)	373	1	546	1	1,026	3	1,692	6
Total Operating Expenses	9,788	21	8,670	18	7,178	17	6,240	21	5,576	19
Tax on Financial Services	4,170	9	3,628	7	2,670	6	2,137	7	1,669	6
Profit before Tax	16,342	35	15,180	31	11,747	28	11,910	40	9,306	30
Income Tax Expense	5,536	12	5,616	11	3,287	8	3,248	11	2,503	8
Profit for the Year	10,806	23	9,564	20	8,460	20	8,662	29	6,803	22

The vertical analysis of LBF's income statement offers valuable insight into the Company's revenue and expense structure. Interest income has consistently accounted for a substantial share of total income, ranging between 89% and 93% over the past five years, underscoring the Company's strategic focus on interest generating activities. Meanwhile, interest expenses have stood between 48% and 29% of total income, indicating effective management of the Company's cost of funds. Taxes on financial services and income tax expenses, which form a significant portion of total expenses, have ranged from 13% to 21% of income reflecting the Company's substantial contribution to government revenue. Importantly, LBF has maintained a consistently strong level of profitability, with profit margins averaging over 19% during the period. This performance reflects the Company's operational efficiency, its ability to optimise shareholder returns, and its meaningful contribution to the national economy.

5. PROFITABILITY STRENGTH

5.1 Analysis of the Income Statement

The diagram illustrates LBF's income distribution for FY 2024/25. The Company generated a total income of Rs. 46.73 billion, primarily from vehicle financing, gold loans, other loans together with non-interest income. After deducting interest expenses of Rs. 16.69 billion, the total operating income stood at Rs. 30.04 billion. Overheads, including operating expenses and impairment charges, amounted to Rs. 9.53 billion, while tax expenses totalled Rs. 9.71 billion. After accounting for these elements, the Company recorded a solid profit of Rs. 10.81 billion, reflecting operational efficiencies, prudent financial management, and strong profitability.

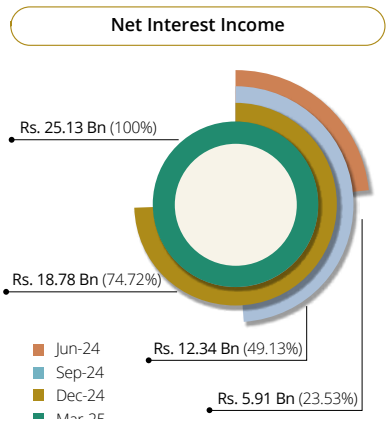


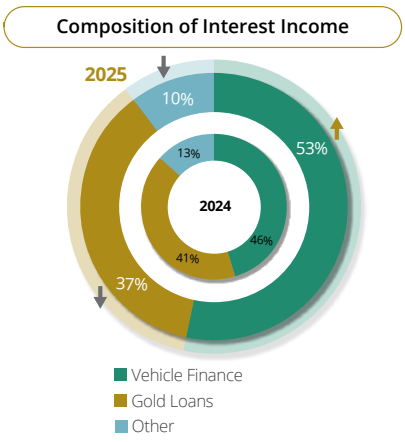
5.2 Net Interest Income

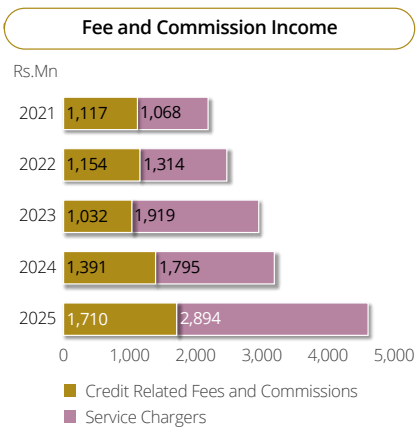
In FY 2024/25, our financial results in interest income reflect the trade-off between strong volume expansion and the impact of declining market yields. We achieved a commendable 22.61% YoY growth in business volumes, successfully increasing our lending base. Even with the repricing of our lending and funding portfolios at lower interest rates, we managed to sustain healthy interest margins, which positively contributed to our overall profitability for the year. Interest Income decreased by 8.56% to Rs. 41.82 billion from Rs. 45.73 billion in FY 2023/24. Interest expense demonstrated positive management, reducing by 21.95% to Rs. 16.69 billion from Rs. 21.38 billion. The composition of our growth this year leaned significantly towards vehicle financing, with gold loans showing moderate growth. This evolving portfolio, currently around 42% gold loans and 50% vehicle finance, experienced the full effect of yield adjustments driven by market rates, which consequently lowered the overall weighted average yield despite higher volumes. For context, the previous financial year's interest income was comparatively higher partly due to the benefit of higher interest yields.

5.3 Non-Interest Income

Non-interest income demonstrated robust growth, increasing by 40.43% YoY to Rs. 4.92 billion (FY 2023/24: Rs. 3.50 billion). This strong performance is a direct outcome of the significant expansion in our underlying business volumes, predominantly from gold loans and vehicle financing activities. The increase in Credit Related Fees and Commissions, aligning with this volume growth, was particularly evident in the second half of the year, coinciding with the improvement in overall economic conditions, which stimulated business generation.

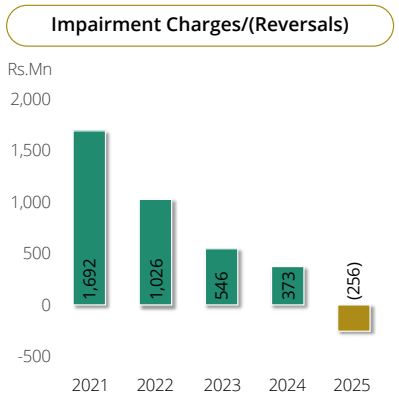






5.4 Impairment Charges

A key indicator of our strong asset quality management in FY 2024/25 is reflected in the significant improvement in impairment charges. We transitioned from an impairment charge of Rs. 373.24 million in FY 2023/24 to a net impairment reversal of Rs. 256.24 million.

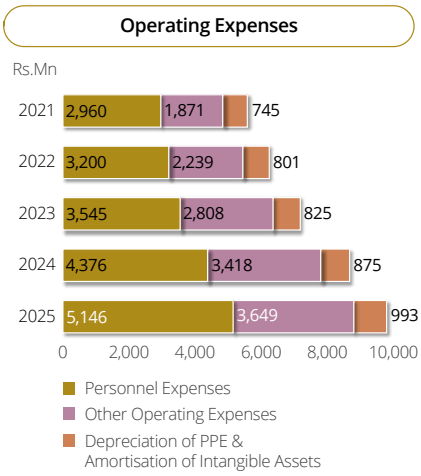


This shift, equivalent to an improvement of over 168.65% compared to the previous year's charge, is a direct result of our proactive efforts to enhance the quality of our assets throughout the financial year. This decline in required provisioning is attributable to multiple factors: a favourable shift in our lending product mix, consistently improved credit underwriting standards, and robust recovery mechanisms, all implemented despite operating within challenging macroeconomic conditions. The management's vigilant oversight of credit monitoring, coupled with diligent efforts in managing credit risk and efficiently recovering finance receivables, has significantly lowered our level of non-performing loans (NPL) and led to better overall management of the loan portfolio.

5.5 Operating Expenses

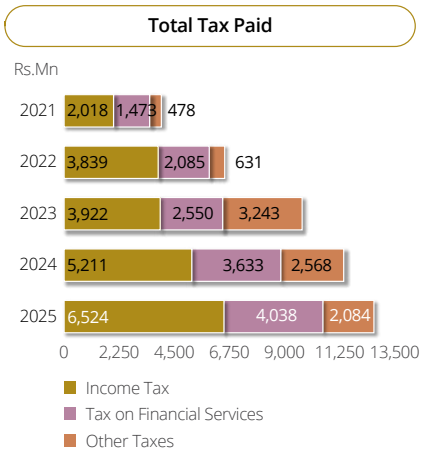
Operating expenses recorded an increase of 12.91% YoY, from Rs. 8.67 billion in FY 2023/24 to Rs. 9.79 billion in FY 2024/25. Consequently, our Cost to Income Ratio increased marginally from 31.13% to 32.58%. While this reflects an increase in absolute terms, it is crucial to highlight that our Cost to Income Ratio remains the highest efficiency rate in the industry, a testament to our disciplined operational management.

The increase in operating expenses was primarily driven by higher personnel expenses, which account for approximately 52.57% of our total operating costs. This includes planned investments in staff training and development, necessary salary adjustments to account for inflation and support our employees, and performance linked staff incentives. Additionally, administrative expenses, along with advertising and business promotional expenses, saw a notable increase compared to the previous financial year, supporting our market presence and business growth initiatives.



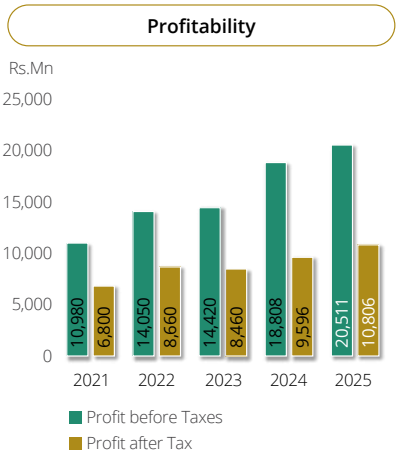
5.6 Taxes

LBF has paid a total tax of Rs. 12.65 billion for the FY 2024/25, reflecting a 10.82% increase over the previous year. Despite the rise in total tax paid, the effective income tax rate has seen a modest decline from 36.89% in FY 2023/24 to 33.91% in FY 2024/25 , highlighting prudent and efficient management practices. As a key player and the highest taxpayer in the Non-Bank Financial Institution (NBFI) sector, LBF continues to make significant contributions to the country's economic growth and development.



5.7 Profit for the Year

Profit before Taxes increased to Rs. 20.51 billion in FY 2024/25, reflecting a 9.06% growth from Rs. 18.81 billion in FY 2023/24. This growth contributed to the continued positive momentum in our Profit after Tax (PAT), which rose by 12.99% YoY to Rs. 10.81 billion, up from Rs. 9.56 billion in FY 2023/24. This result extends our track record of consistent profitability over the years. The positive bottom line performance was primarily driven by the factors contributing to our Profit before Taxes, which include effective management of our net interest margin through timely repricing of interest sensitive assets and liabilities; disciplined control of operating expenses, maintained at optimal levels, continued effectiveness of our operational strategies and significantly reduced credit loss provisioning impact, a result of our focus on quality credit granting and strong recovery procedures. These operational and financial efficiencies, combined with the tax outcome for the year, culminated in the reported Profit after Tax.



6. HORIZONTAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	CAGR*	2024/25		2023/24		2022/23		2021/22		2020/21	
	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Assets											
Cash and Cash Equivalents	10	9,024	22	7,406	86	3,981	(72)	14,459	>100	6,187	0
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	>100	718	(63)	1,923	>100	554	>100	13	22	11	>100
Financial Assets at Amortised Cost - Loans and Receivables	15	197,767	23	161,291	11	145,190	8	134,396	18	114,138	(4)
Financial Assets Measured at Fair Value Through Other Comprehensive Income	21	165	39	119	1	117	36	86	11	78	32
Other Financial Assets	19	21,202	4	20,375	(6)	21,686	>100	5,599	(46)	10,454	15
Other Non Financial Assets	(17)	439	2	431	(9)	474	5	454	(51)	920	(5)
Investment in Subsidiary	-	521	(25)	699	(24)	922	0	921	77	521	-
Property, Plant and Equipment and Right-of-Use Assets	4	9,726	8	8,984	4	8,633	3	8,422	2	8,241	0
Investment Properties	100	5	100	-	-	-	-	-	-	-	-
Intangible Assets	27	67	>100	21	(9)	23	52	15	(43)	26	(38)
Deferred Tax Assets	100	1,256	35	928	21	767	100	-	-	-	-
Total Assets	14	240,890	19	202,177	11	182,347	11	164,365	17	140,576	(2)
Liabilities											
Due to Banks	23	37,412	72	21,702	12	19,370	(28)	26,859	63	16,467	(28)
Financial Liabilities at Amortised Cost - Due to Depositors	13	138,497	13	122,808	8	114,012	28	89,144	4	85,860	(4)
Debt Instruments Issued and Other Borrowed Funds	13	5,005	(9)	5,491	41	3,882	(55)	8,565	>100	3,114	0
Other Financial Liabilities	9	4,303	15	3,758	15	3,256	(1)	3,305	9	3,044	10
Other Non Financial Liabilities	13	1,672	8	1,549	42	1,089	(4)	1,135	10	1,028	13
Current Tax Liabilities	4	2,183	(21)	2,770	23	2,256	20	1,882	1	1,872	>100
Deferred Tax Liabilities	(100)	-	-	-	-	-	(100)	111	(83)	637	(39)
Post Employment Benefit Liability	11	552	17	473	29	366	15	317	(13)	365	5
Total Liabilities	14	189,624	20	158,551	10	144,231	10	131,318	17	112,387	(7)
Equity											
Stated Capital	-	838	-	838	-	838	-	838	-	838	-
Reserves	6	9,522	6	8,973	6	8,493	6	8,039	6	7,596	22
Retained Earnings	20	40,906	21	33,815	17	28,785	19	24,170	22	19,755	24
Total Equity	16	51,266	18	43,626	14	38,116	15	33,047	17	28,189	23
Total Liabilities and Equity	14	240,890	19	202,177	11	182,347	11	164,365	17	140,576	(2)

*CAGR - Compound Annual Growth Rate

The horizontal analysis of LBF's Statement of Financial Position highlights a strong financial performance, characterised by consistent growth in assets and equity over the past five years. The Company's lending portfolio has recorded a notable Compound Annual Growth Rate (CAGR) of 15%, reflecting its strategic focus on expanding core business operations. This growth is further underpinned by a robust 16% CAGR in internal capital generation, which increased from Rs. 28.18 billion to Rs. 51.26 billion during the period. In parallel, the Company has upheld a stable dividend policy, consistently distributing 1/3 of its earnings to shareholders. Although total liabilities have gradually increased over the period, this has primarily been driven by growth in customer deposits from Rs. 85.86 billion to Rs. 138.50 billion at a CAGR of 13%. Notably, the pace of liability growth has remained slower than the growth in assets. This balanced approach to managing liabilities, alongside sustained growth in assets and equity, underscores LBF's strong financial position and effective financial resource management.

7. VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	2024/25		2023/24		2022/23		2021/22		2020/21	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Assets										
Cash and Cash Equivalents	9,024	4	7,406	4	3,981	2	14,459	9	6,187	4
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718	0	1,923	1	554	0	13	0	11	0
Financial Assets at Amortised Cost - Loans and Receivables	197,767	82	161,291	80	145,190	80	134,396	82	114,138	81
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165	0	119	0	117	0	86	0	78	0
Other Financial Assets	21,202	9	20,375	10	21,686	12	5,599	3	10,454	7
Other Non Financial Assets	439	0	431	0	474	0	454	0	920	1
Investment in Subsidiary	521	0	699	0	922	1	921	1	521	1
Property, Plant and Equipment	9,726	4	8,984	5	8,633	5	8,422	5	8,241	6
Investment Properties	5	0	-	-						
Intangible Assets	67	0	21	0	23	0	15	0	26	0
Deferred Tax Assets	1,256	1	928	0	767	0	-	-	-	-
Total Assets	240,890	100	202,177	100	182,347	100	164,365	100	140,576	100
Liabilities										
Due to Banks	37,412	16	21,702	11	19,370	11	26,859	16	16,467	12
Financial Liabilities at Amortised Cost - Due to Depositors	138,497	57	122,808	61	114,012	62	89,144	54	85,860	61
Debt Instruments Issued and Other Borrowed Funds	5,005	2	5,491	3	3,882	2	8,565	5	3,114	2
Other Financial Liabilities	4,303	2	3,758	2	3,256	2	3,305	2	3,044	2
Other Non Financial Liabilities	1,672	1	1,549	0	1,089	1	1,135	1	1,028	1
Current Tax Liabilities	2,183	1	2,770	1	2,256	1	1,882	1	1,872	1
Deferred Tax Liabilities	-	-	-	-	-	-	111	0	637	1
Post Employment Benefit Liability	552	0	473	0	366	0	317	0	365	0
Total Liabilities	189,624	79	158,551	78	144,231	79	131,318	79	112,387	80
Equity										
Stated Capital	838	0	838	0	838	0	838	1	838	1
Reserves	9,522	4	8,973	5	8,493	5	8,039	5	7,596	5
Retained Earnings	40,906	17	33,815	17	28,785	16	24,170	15	19,755	14
Total Equity	51,266	21	43,626	22	38,116	21	33,047	21	28,189	20
Total Liabilities and Equity	240,890	100	202,177	100	182,347	100	164,365	100	140,576	100

The vertical analysis of LBF's Statement of Financial Position provides a comprehensive view of the Company's assets and liability structure over the past five years. The analysis reveals that the majority of LBF's total assets are comprised of interest earning assets, such as loans and receivables and other financial assets, consistently accounting for between 92% and 85% of total assets. This highlights the Company's focus on generating income through its core lending and investment activities. On the liability and equity side, customer deposits represent the largest source of funding, consistently comprising approximately 57%, demonstrating LBF's commitment to prioritising customer deposits. From the financial year 2020/21 to 2024/25, total equity has consistently grown from Rs. 28.18 billion to Rs. 51.26 billion, while its contribution to the company's funding mix has remained relatively stable, ranging between 20% and 22%, suggesting that the company continues to maintain a balanced approach between debt and equity. This stability implies prudent financial management, with an emphasis on sustaining leverage while gradually strengthening the equity base to support long term growth.

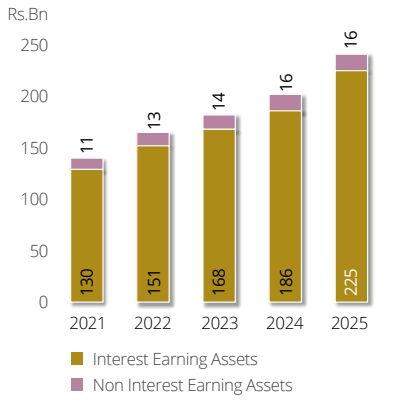
8. POSITION OF FINANCIAL HEALTH

8.1 Total Assets

Our balance sheet growth in FY 2024/25 was largely driven by the significant expansion of our core lending portfolio. Loans and receivables recorded exceptional growth, increasing by 22.61% YoY from Rs. 161.29 billion to Rs. 197.77 billion. This marks the highest loan growth achieved in the past five years and reflects our strategic focus and successful execution in key lending segments, particularly gold loans and vehicle finance.

As a result, our total assets grew to Rs. 240.89 billion as at 31 March 2025, compared to Rs. 202.18 billion as at 31 March 2024, reflecting a YoY increase of approximately 19.15%. Interest earning assets, which include cash and cash equivalents, loans and receivables, and other financial instruments, accounted for 93.35% of total assets, slightly higher than the 92.25% recorded in the previous year. This high proportion underscores our continued focus on deploying capital effectively into income generating assets.

Total Assets

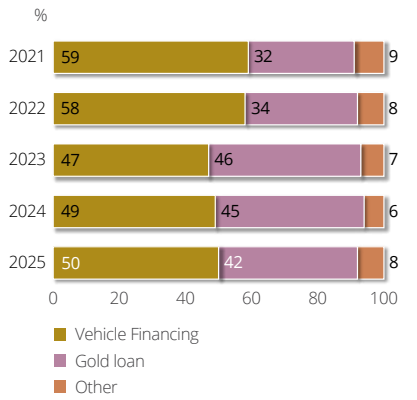


8.2 Lending Portfolio

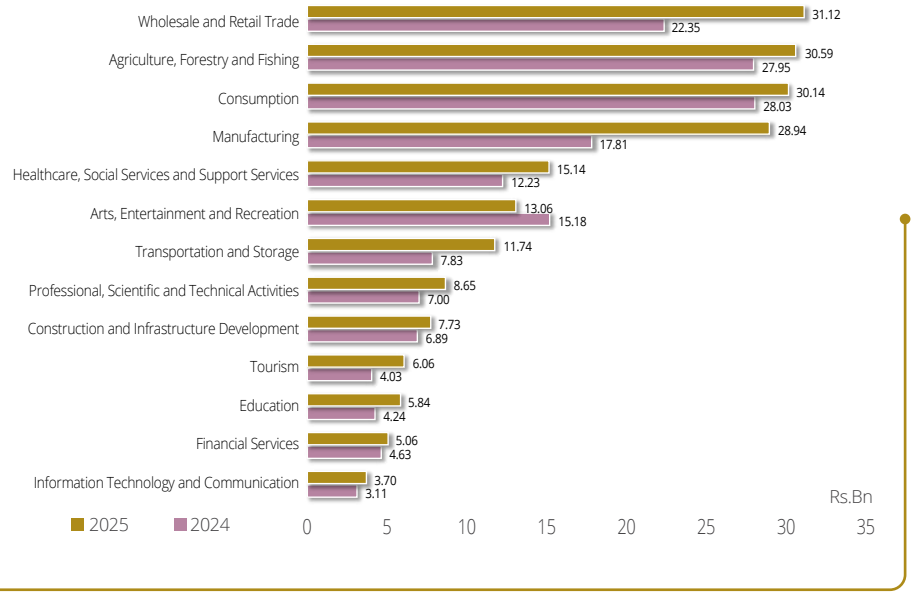
Reflecting our strategic focus, our lending base expanded significantly in FY 2024/25, achieving a robust 22.61% YoY growth. The portfolio reached Rs. 197.77 billion as of 31 March 2025, up from Rs. 161.29 billion a year prior. This strong performance was driven by notable growth in our key product segments: Vehicle Financing recorded a 27.04% increase, contributing Rs. 99.84 billion to the portfolio, while Gold Loans also posted healthy growth of 14.86%, reaching Rs. 83.97 billion. While driving this growth, we remain strongly committed to diversification.

Our well diversified lending portfolio helps strategically mitigate concentration risks across sectors, thereby enhancing the stability and resilience of the Company's asset base.

Lending Product Mix



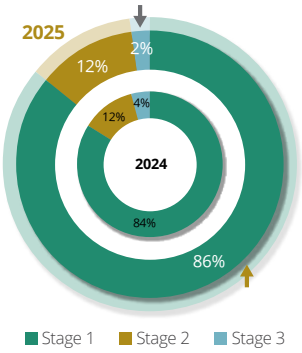
Sector-wise Analysis



8.3 Credit Quality

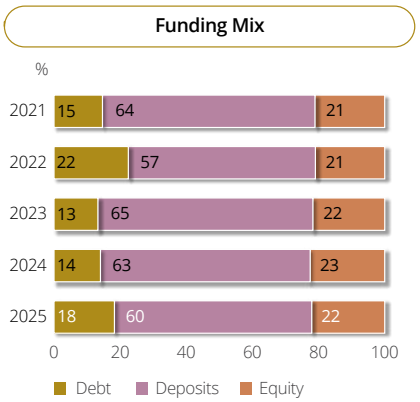
In FY 2024/25, the Company demonstrated exceptional credit quality, reporting a low gross NPL ratio of just 2.25%. Even more notably, the net NPL ratio stood at a negative 1.22%. This negative figure signifies that the Company maintains provision levels significantly above its current non-performing loan balance, reflecting robust provision coverage. These strong results were achieved under the stricter 90 day past due NPL classification criteria implemented from April 1, 2023. This 90 day threshold, directly comparable to the Stage 3 impairment criteria used by banks, underscores the Company's superior asset quality, effective credit risk management practices, and strong coverage relative to industry peers operating under similar rigorous standards.

Loans and Receivables (Stage-wise Analysis)



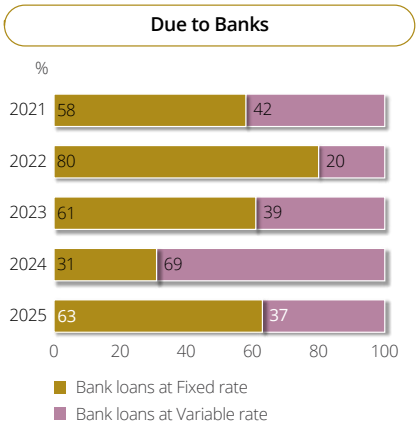
8.4 Liability Overview

Total liabilities of the Company increased by 19.60% YoY to Rs. 189.62 billion as of 31 March 2025 from Rs. 158.55 billion the previous year. This primarily comprises due to banks, customer deposits, debt instruments, other borrowed funds, and other financial liabilities. These items collectively represent 97.68% of total liabilities as of 31 March 2025.



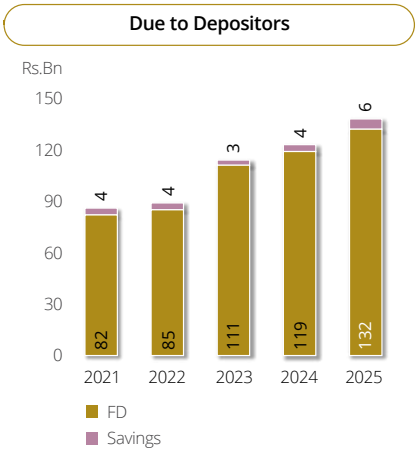
8.5 Due to Banks

As of 31 March 2025, funds obtained from banks increased by 72.39% YoY, reaching Rs. 37.41 billion. This substantial rise in bank borrowings, strategically undertaken towards the end of the financial year, was driven by multiple factors: meeting growing credit demand, capitalising on a favourable cost of funds offered by banks and proactively managing the maturity profile to mitigate potential maturity mismatches.



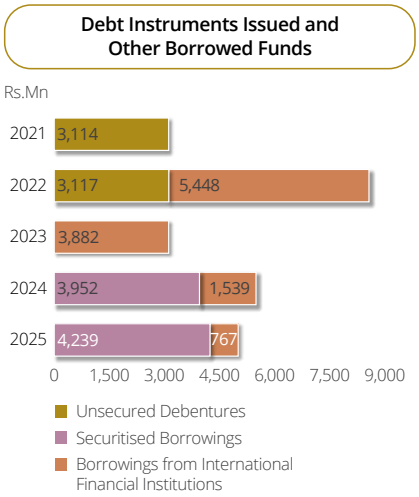
8.6 Due to Depositors

As of 31 March 2025, customer deposits grew by approximately 12.78% YoY to Rs. 138.50 billion, driven largely by a 10.90% increase in fixed deposits. The Company focused on fixed deposits to leverage favourable interest rates, strengthening its funding base and maturity profile. With a strong renewal ratio above 80%, this reflects deep customer trust and the ability to retain and attract depositors, while maintaining adequate liquidity to support operations.



8.7 Debt Instruments Issued and Other Borrowed Funds

The Company's debt instruments issued, and other borrowed funds decreased by 8.85% YoY to Rs. 5.00 billion as of 31 March 2025. This reduction was primarily due to the repayment of foreign borrowings.



8.8 Equity

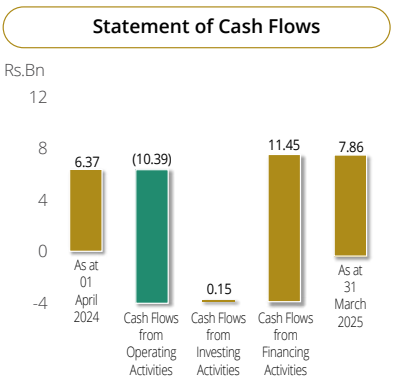
As of 31 March 2025, the Company's Equity reached Rs. 51.27 billion, reflecting a 17.51% YoY increase from Rs. 43.63 billion the previous year. This growth of Rs. 7.64 billion is primarily attributed to the strong retained earnings generated from this year's profits. This healthy level of earnings retention, even while maintaining a consistent dividend payout of 1/3 of profit, underscores the Company's strong internal capital generation capabilities. As a direct result, the Company's capital adequacy remains well above regulatory requirements, providing a strong and sufficient capital base to support its future growth plans.

9. CASH FLOWS STRENGTH

In FY 2024/25, the Company maintained a strategic focus on liquidity and funding management amid challenging market conditions, while adhering to regulatory requirements. Cash and cash equivalents increased by 23.36% YoY, reaching Rs. 7.86 billion as of 31 March 2025. This growth reflects the Company's emphasis on managing financial flexibility through prudent cash management.

Operating activities recorded a cash outflow of Rs. 10.39 billion during the year, primarily driven by lending growth. This lending was funded partly through customer deposits and the remaining balance through increased bank borrowings, which are reflected in financing activities. Investing activities included capital investments amounting to Rs. 1.20 billion, focused on assets intended to generate future cash inflows. Financing activities showed a net inflow of Rs. 11.45 billion, supported mainly by the rise in bank loans.

Overall, the Company's cash flow management accelerated growth by ensuring efficient funding and strategically positioning the Company to capitalise on future market opportunities.

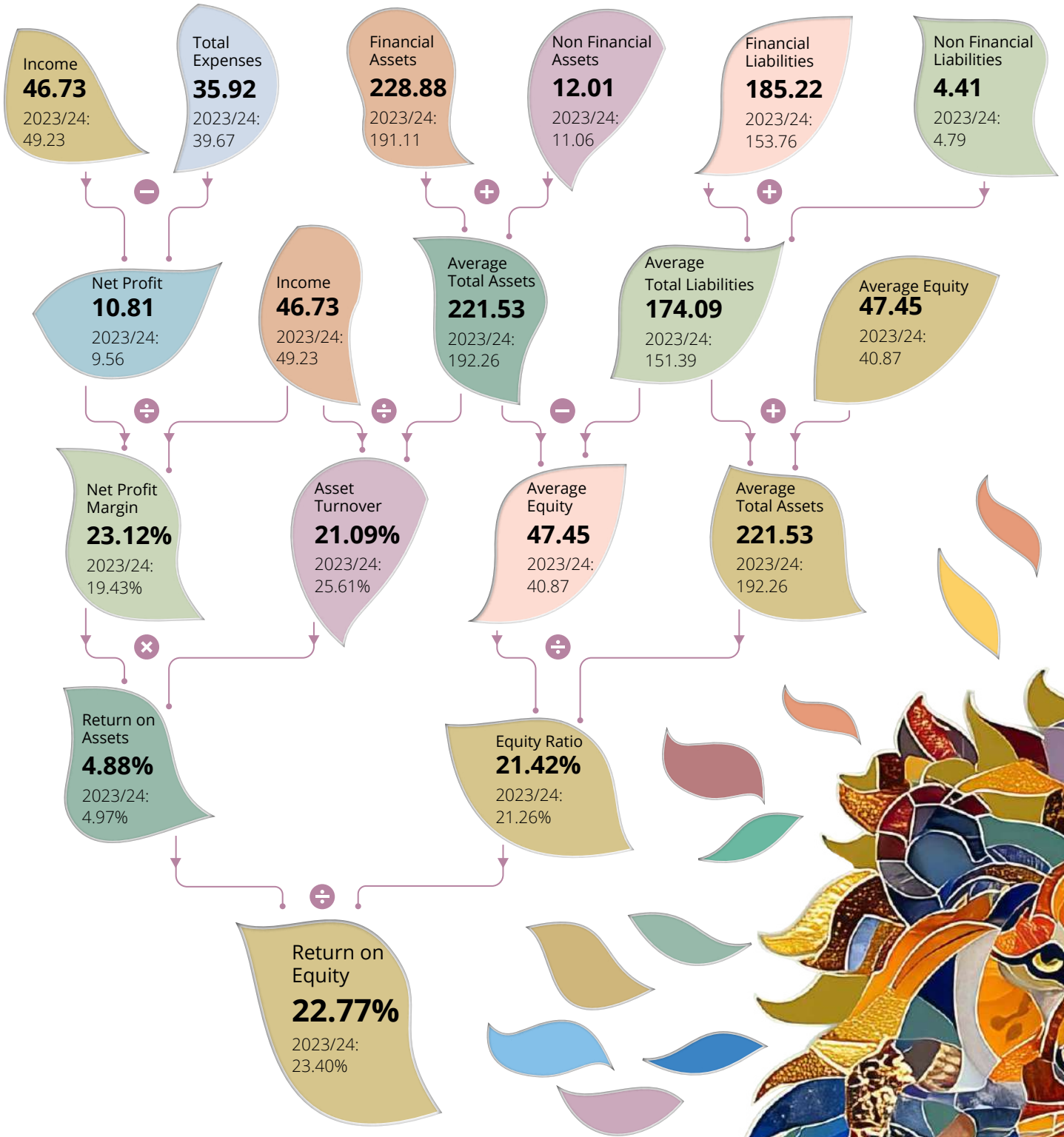


FORTIFYING FINANCIAL CAPITAL

10. DUPONT ANALYSIS

DuPont analysis decomposes Return on Equity (ROE) into profit margin, asset turnover, and financial leverage, offering insights into profitability, efficiency, and risk. ROE declined slightly from 23.40% to 22.77% despite a higher net profit margin from 19.43% to 23.12%. This was mainly due to a decrease in asset turnover from 25.61% to 21.09% and an increase in the equity ratio. Improved margins were offset by leverage effects and YoY asset growth of the Company.

Figures are in Rs. Billion



11. INTERIM FINANCIAL SNAPSHOT

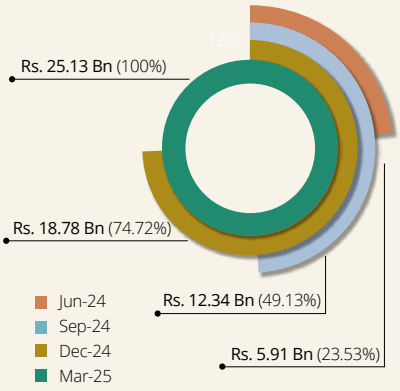
11.1 Overview

LBF demonstrated strong and consistent quarterly growth in FY 2024/25, driven by prudent financial management and strategic execution. Across all four quarters, the company recorded notable improvements in profitability, credit growth, and capital strength. This trend underscores management's ability to navigate evolving market conditions while maintaining sustainable performance.

11.2 Profitability Performance

Net Interest Income

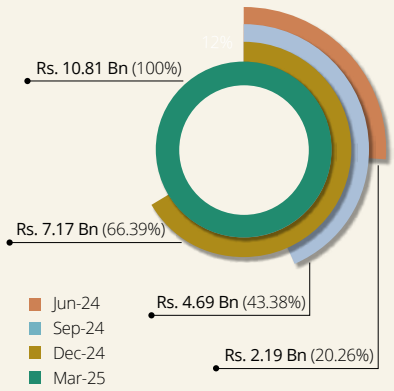
Net Interest Income



Profit after Tax (PAT)

PAT showed steady growth across the year, peaking in Q4 at a 34.50% YoY increase compared to Q4 of FY 2023/24. This reflects improved operational efficiency and revenue generation, especially in the latter half of the year.

Profit after Tax

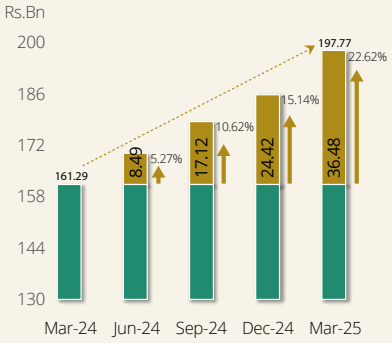


11.3 Credit Growth

Loans and Receivables

LBF recorded consistent growth in its Loans and Receivables portfolio across all quarters of the financial year 2024/25. In Q1 (June 2024), the portfolio reached Rs. 169.78 billion, reflecting a 5.27% growth over the March 2024 closing, continuing the upward momentum from FY 2023/24. This positive trajectory continued throughout the year, culminating in Q4 (March 2025) with a closing balance of Rs. 197.77 billion a 16.48% increase from Q1, underscoring the strength of our lending strategy and sustained demand across key asset segments.

Loans and Receivables

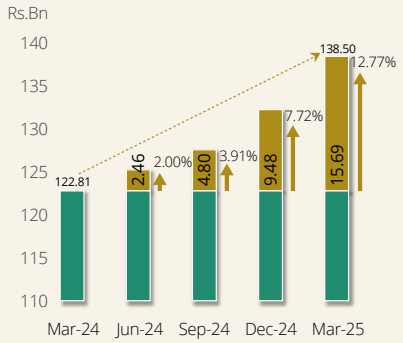


11.4 Funding Strength

Due to Depositors

LBF recorded consistent growth across all four quarters of FY 2024/25. Building on the FY 2023/24 closing deposit base of Rs. 122.81 billion, the Company achieved a 2% increase in Q1 and sustained this momentum throughout the year, culminating in a 10.56% growth by Q4.

Due to Depositors



11.5 Financial Strength and Risk Management

LBF demonstrated solid financial strength and effective risk management throughout FY 2024/25. Profitability ratios showed a consistent upward trend, with ROE rising from 20.01% in Q1 to 22.77% in Q4, and ROA increasing from 4.26% to 4.88%, reflecting efficient asset utilisation and strong returns for shareholders. Tier 1 and Total Capital Adequacy Ratios stood at 30.45% and 31.31%, respectively, by year end well above regulatory requirements indicating a strong capital buffer that supports both growth and resilience. Additionally, asset quality improved significantly, as Gross NPL declined from 3.29% in Q1 to 2.25% in Q4, while Net NPL remained negative throughout the year. This demonstrates robust provisioning, strong credit discipline, and effective recovery efforts, further reinforcing the Company's prudent risk management practices.

Key Performance Indicators	FY 2024/25			
	Q1 Jun-24	Q2 Sep-24	Q3 Dec-24	Q4 Mar-25
Profitability %				
ROE	20.01	20.83	20.67	22.77
ROA	4.26	4.54	4.55	4.88
Capital Adequacy %				
Tier 1	28.90	27.83	25.79	30.45
Total	29.65	28.64	26.63	31.31
Asset Quality %				
Gross NPL	3.29	2.86	2.53	2.25
Net NPL	-0.93	-1.19	-1.42	-1.22

Refer Quarterly Financial Statements on pages 486 to 487

12. PERFORMANCE OVERVIEW OF LBF SUBSIDIARIES

LBF's subsidiaries supported the Group's overall performance during the year. Multi Finance was successfully amalgamated during the period, while our Myanmar operations remained stable under a prudent and risk managed approach.

12.1 Multi Finance PLC

The amalgamation of Multi Finance, which was acquired under the guidance of the Central Bank of Sri Lanka (CBSL) in March 2022, was successfully completed in July 2024. This strategic integration resulted in the full absorption of Multi Finance's assets and liabilities into the Company's (LBF) financial statements. Additionally, six former Multi Finance branches were integrated into the Company's network and rebranded as LBF branches, expanding our operational reach.

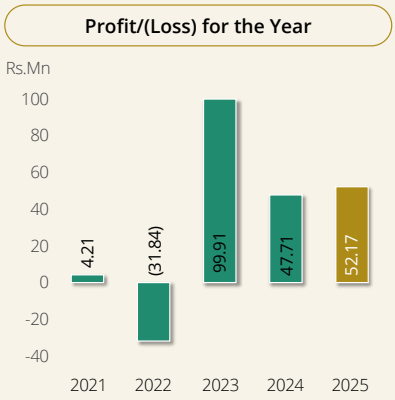
12.2 LB Microfinance Myanmar Company Limited

Financial Journey & Strategic Narrative

The Myanmar operation has shown steady and impressive growth, as the contributor to the regional presence. Starting as a small venture, it has matured into a profitable business with a solid foundation for future expansion. Strategic lending, focused execution, and strong customer relationships have driven this growth. The loan portfolio expanded to Rs. 1.50 billion in FY 2024/25, up from Rs. 1.14 billion in FY 2023/24, generating interest income of Rs. 353.25 million (FY 2023/24: Rs. 272.81 million), while profit after tax held strong at Rs. 52.17 million, marginally increasing from Rs. 47.71 million in the previous year. Customer confidence deepened as deposits more than doubled, while bank borrowings rose by 54.62% YoY. Despite rapid expansion, credit quality remained stable and margins healthy, as net interest income rose by 24.05% and fee-based income increased by 32.51%. The balance sheet crossed Rs. 1.63 billion in assets, up from Rs. 1.23 billion in FY 2023/24, supported by strengthened equity and rising market trust. The launch of voluntary savings in 2023 diversified the product range, deepening customer engagement and improving funding. Since its introduction, voluntary savings quickly grew to nearly 60% of total savings by 2024/25. Meanwhile, compulsory savings, which have been growing since 2018, continued their upward trend. As a result, total savings capital surged to Rs. 327.02 million by FY 2024/25, more than doubling from Rs. 131.06 million in FY 2023/24 a clear indicator of increasing financial inclusion and customer trust. Overall, the Myanmar operation exemplifies disciplined growth, rising strategic importance, and promising long term potential, underpinned by a growing depositor base and a more diversified funding profile.

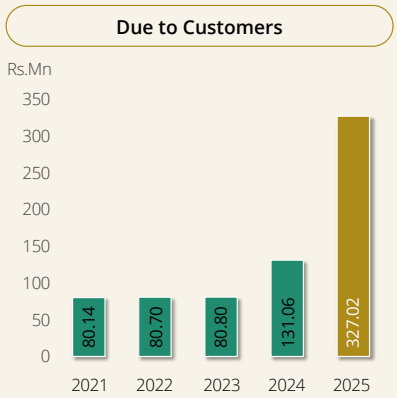
Key Highlights	2020/21	2021/22	2022/23	2023/24	2024/25
Profit After Tax (Rs. Mn)	4.21	-31.84	99.91	47.71	**52.17**
Lending Portfolio (Rs. Mn)	688.39	804.94	890.42	1,139.64	**1,504.36**
Total Assets (Rs. Mn)	909.94	909.55	995.31	1,229.12	**1,628.40**
Due to Customers (Rs. Mn)	80.14	80.70	80.80	131.06	**327.02**
Total Equity (Rs. Mn)	719.12	805.01	831.68	805.19	**845.30**
ROA	0.47%	-3.50%	10.49%	4.29%	**3.65%**
ROE	0.60%	-4.18%	12.21%	5.83%	**6.32%**

Refer Subsidiary Information on page 241 to 244









13. INVESTOR INFORMATION

At LB Finance PLC, we place significant emphasis on creating long-term value for our shareholders by delivering sustainable financial performance. In 2024/25, we continued to uphold strong investor confidence, evidenced by consistent returns, strategic shareholder engagement, and stable dividend payouts. Our performance remained resilient despite market fluctuations, with key metrics such as earnings per share, return on equity, and net asset value per share reflecting sustained growth. Active investor interest and positive trading trends further underscored our robust market positioning. Further insights into our investor relations activities and capital market performance, which underpin our financial capital outcomes, are available in the Supplementary Information section.

Refer Investor Information on page 480 to 483

14. ECONOMIC VALUE CREATION

At LB Finance PLC, we assess our performance by the real economic value we create extending beyond profitability to deliver long-term value to all our stakeholders. Two key metrics that reflect this commitment are Economic Value Added (EVA) and Market Value Added (MVA), which measure the true returns generated on invested capital and the market's valuation of our equity performance, respectively.

In 2024/25, we delivered an EVA of Rs. 4,258 million, a notable increase from Rs. 1,796 million in the previous year, demonstrating enhanced value creation through disciplined capital management and stronger profitability. While the MVA remained negative at Rs. 3,340 million, the improvement compared to negative MVA of Rs. 8,831 million in 2023/24 signals a positive shift in market sentiment and narrowing valuation gaps.

Refer Economic Value Creation on page 35.

15. FINANCE JOURNEY

2020/21

- Commenced migration to cloud-based financial planning systems
- Implementation of Oracle Budgeting and Profitability Module
- Net Asset Value per share reached Rs. 50.88

2021/22

- Secured funding from multilateral partners to support lending expansion
  - FMO - USD 15 million
  - responsAbility - USD 8 million
- Acquired controlling stake of 64.63% of Multi Finance PLC
- Recorded cost to income bellow 30%

2022/23

- Reached over Rs. 40 billion in total income generation amid economic downturn
- Recorded over Rs. 8 billion PAT amids economic downturn
- Due to Depositors reached Rs. 100 billion

2023/24

- Achieved over Rs. 20 billion in Net Interest Income
- Total lending portfolio surpassed Rs. 150 billion
- Total Assets reached Rs. 200 billion, first time in LBF history

2024/25

- Highest ever PAT in LBF history reaching over Rs. 10 billion
- Total assets reached Rs. 240 billion
- Recorded over Rs. 50 billion in Equity
- Completed amalgamation of Multi Finance PLC

16. CRAFTING THE FUTURE

Term	Metrics	Targets
Short Term (< 1 year)	• Profitability • Liquidity • Cost efficiency	• Maintain a minimum ROE of 20%,Strengthen liquidity coverage ratio well above the regulatory thresholds, Maintain cost to income ratio bellow 35%
Medium Term (1-3 years)	• Income diversification • Asset growth • Maintain asset quality • Capital adequacy	• Grow income and profitability by 10% together with assets growth of over 20%, Maintain Gross NPL rate below 5% and net NPL Ratio at zero level, Maintain a capital buffer at least 2% above the minimum regulatory requirement set by the CBSL.
Long Term (> 3 years)	• Sustainable earnings growth • Market competitiveness • Shareholder value creation	• Achieve a minimum of 10% CAGR in net profit over the long term, Reach income generation to Rs. 100 billion, Profitability to Rs. 25 billion and total assets to Rs. 500 billion.

STRATEGISING MANUFACTURED CAPITAL

<IR 2A, 2C, 3E> GRI: 2-23, 3-3

1

Input

- Fit-for-purpose branch network
- Physical and digital infrastructure

2

Strategic Drivers

- Strengthening LBF's physical and digital footprint
- Adoption of world class IT systems
- Improve customer centricity of distribution channels
- Enhance infrastructure resilience and sustainability

4

Space for Development

- Diversify distribution channels
- Launch alternate distribution channels
- Optimise branch operations through automation and digitisation

3

Approaches for Managing Manufactured Capital Outcomes

- Continuously improving branch accessibility and facilities
- Provide digital support to assist employees to maintain the Company's service excellence parameters
- Establish dedicated teams to conduct tech-based research
- Integrate sustainable infrastructure practices

5

Challenges

- The cost involved in keeping up with rapid changes in technology
- Ensuring a timely and relevant infrastructure to support the company's growth strategy
- Competitive landscape in regional markets
- Ensuring sustainability and energy efficiency in physical operations
- Regulatory requirements for infrastructure and security



		Stakeholders					
Interest	Reach	★	★	★	★		★
	IT infrastructure	★		★		★	
	Expansion	★	★	★			★
	Accessibility	★	★	★		★	

6

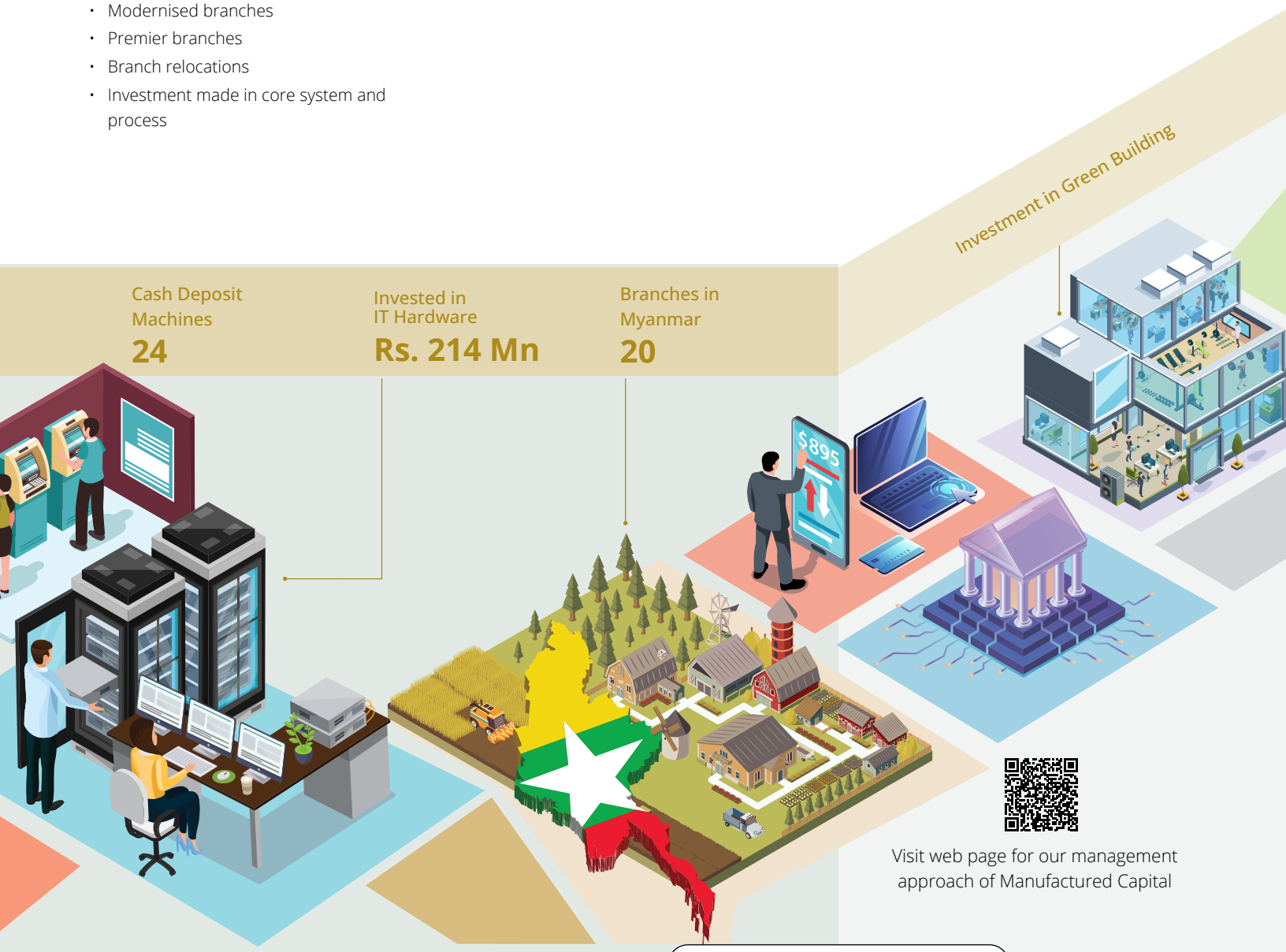
Key Output

- Modernised branches
- Premier branches
- Branch relocations
- Investment made in core system and process

7

Future

- Build sustainable, digital green branches
- Strategic expansion in other international regions



Visit web page for our management approach of Manufactured Capital

Impact from SRROs and CRROs

STRATEGISING MANUFACTURED CAPITAL

<IR 2B>

1 OVERVIEW

Our Manufactured Capital features a robust physical and digital infrastructure supported with an extensive network of 216 branches strategically located across Sri Lanka, along with 20 branches in Myanmar designed to ensure accessibility, convenience, and an exceptional customer experience.

Recognising the critical role of digital infrastructure, we complement our extensive branch network by investing in advanced solutions to enhance digital financial services. This strategic combination of widespread physical presence and innovative digital solutions underscores our commitment to accessible, efficient, and customer-centric financial services, catering to the evolving needs of our diverse clientele.

1.1 Contribution to Value Creation

Value Creation	Value Preservation	Trade-offs
• LB CIM app onboarding adoption increased by 18% • Invested in IT infrastructure Rs. 273.44 Mn	• Achieving a 89% customer complaint resolution rate • Implementing ongoing UI/UX enhancements for the LB CIM app to ensure a user-friendly experience	• Balancing investment between physical infrastructure (requiring significant resources for building, relocating, and refurbishing branches) and digital services
• Electricity generation through solar 122,472 kWh • Return on equity 22.77%	• Maintaining return on assets at 4.88%	• Balancing investment in infrastructure growth against maximising short-term profitability
• Branch manager development programmes conducted for 99 employees	• Maintain systems in optimal condition	• Allocating training resources to adapt staff to digital infrastructure while preserving the value of human interaction in service delivery
• Relocated 03 branches • Opening of 10 new branches in approved locations • Investment on freehold buildings Rs. 81.39 Mn	• Conducting continuous awareness sessions on information security	• Balancing resource allocation between mandatory compliance requirements and investments in customer-focused infrastructure
• Establishing partnership to develop green branches • Forming partnership to introduce new product schemes (e.g., Solar Loans)	• Renewing critical partnerships essential for supporting branch operations • Updating software licenses with existing partners to ensure digital continuity	• Balancing resources between enhancing customer-facing infrastructure and ensuring seamless integration with partner systems
• Creating 2,207 jobs • Enhancing branch-level participation in new community projects	• Maintaining positive feedback from local communities regarding services	• Balancing the economic benefits of branch expansion against its environmental and social impacts

1.2 Unifying Manufactured Capital with LB Strategy

Linking LB Strategy	Contribution to Our Mission	Related SDGs and UNGC Principles
SUSTAINABLE GROWTH Long-term Value Creation Ensure operational efficiency and scalability, supporting sustained business growth over time.	To innovate investment products that attract public funds and deliver enhanced value to our depositors	
CUSTOMER CENTRICITY Market-leading Customer Experience Combining strategically located branches with user-friendly digital channels provides customers with seamless access to services	To pursue investments with clearly measurable results and seize emerging market opportunities	UNCG - Principle 6 UNCG - Principle 9
DIGITAL LEADERSHIP Innovative Digital Transformation Leverage technology to innovate services, streamline processes, and create new digital solutions that align with market trends		
POSITIVE IMPACTS Thriving Business with Sustainable Impact By providing essential resources, our physical and digital infrastructure supports employee collaboration, innovation, and knowledge sharing to drive continuous growth.	To provide prudent lending that empowers entrepreneurs to create wealth	

1.3 Material Matters and Related Topics

We create value by focusing on our stakeholders. We listen to their needs and take actions that promote long-term sustainability, primarily through responsible environmental stewardship. Through our materiality determination process, we have identified the following issues as critical to our Manufactured Capital.

Material Themes	Material Matters	Related Topic	Page
Future-fit organisation	Digital transformation	Gaining competitive advantage through Manufactured Capital	148
	Process excellence		
Serving and meeting customer needs	Customer experience	Building a distinctive physical presence	146

STRATEGISING MANUFACTURED CAPITAL

1.4 SWOT Analysis for Manufactured Capital

Strengths

Modern infrastructure

Secure systems

Extensive branch network

Advanced digital platforms

Weaknesses

High initial capital expenditure

Scalability challenges

Under-utilised facilities



Opportunities

Expansion of digital channels

Cost efficiency through technological advancements

Smart branch concepts

Expansion of remote services

Threats

Cybersecurity risks

Regulatory and compliance challenges

Technological obsolescence

Vulnerability of physical infrastructure to environmental factors

2 MANUFACTURED CAPITAL AND SUSTAINABILITY

2.1 Manufactured Capital-related Sustainability Risks and Opportunities

The management of our Manufactured Capital incorporates sustainability risks and opportunities as defined by SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures). This involves addressing risks such as branch energy inefficiency and outdated technology, while pursuing opportunities including green infrastructure investment and digitalisation. These actions aim to improve operational efficiency, lessen environmental impact, meet regulatory requirements, and capture growth opportunities in an increasingly eco-conscious market.

For more information refer page 311, Integrated Risk Management.

2.2 Manufactured Capital Governance

We implement comprehensive processes to manage and safeguard our Manufactured Capital responsibly. Our Procurement Policy governs the acquisition of physical and digital assets, outlining clear guidelines for supplier selection, quality evaluation, and negotiation protocols. Additionally, the Fixed Assets Procedure Manual provides a structured framework for the protection and management of physical assets. Regular verifications of fixed assets are carried out by the Internal Audit function, with findings reported to the Board through the Audit Committee, ensuring transparency and accountability

3 CATALYSTS OF MANUFACTURED CAPITAL

3.1 Investments in Digital Infrastructure

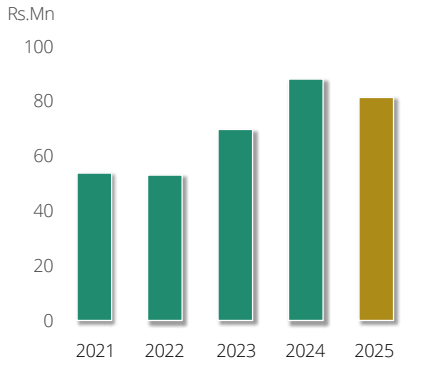
Technology investments are fuelling our digital transformation, yielding streamlined processes and significant operational improvements. By replacing traditional methods with efficient, automated workflows, we have reduced redundancies, minimised errors, and boosted overall efficiency. Additionally, automation and data analytics empower data-driven decision-making and foster innovation.

For further details, refer Intellectual Capital report on page 172

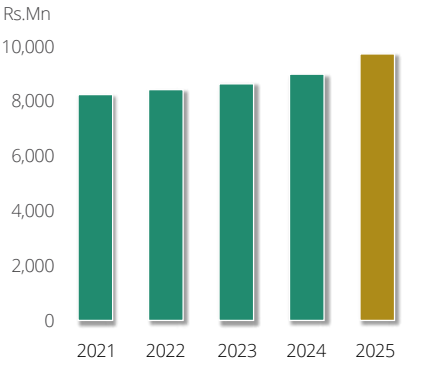
3.2 Building a Distinctive Physical Presence

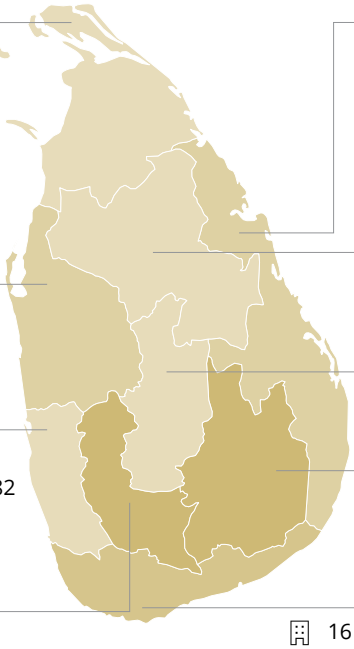
Our island wide network of 216 branches serves over 850,000 customers across Sri Lanka. We continuously expand and optimise this network, using customer feedback, transaction data, and footfall analysis to strategically position branches and meet evolving needs. In FY 2024/25, this resulted in the relocation of 03 branches to higher-density areas for improved accessibility and the opening of 10 new branches. Concurrently, standardised branch formats and targeted team training ensure consistent, exceptional service delivery across all locations.

Investment in Freehold Buildings



Carrying Value of PPE





Northern Province
30 | 272
1,149 | 1,245,665

Eastern Province
27 | 362
1,782 | 1,298,136

North Central Province
09 | 158
1,407 | 1,329,760

North Western Province
12 | 228
2,579 | 3,016,741

Central Province
19 | 330
2,713 | 2,844,197

Western Province
88 | 2,418
6,114 | 12,073,982

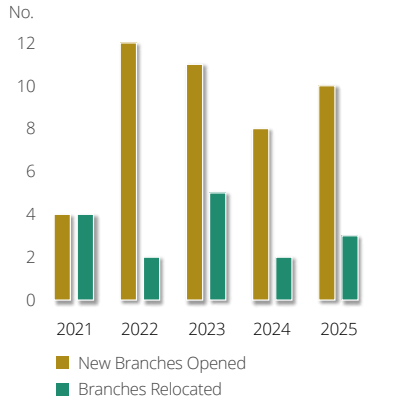
Uva Province
07 | 133
1,399 | 1,300,538

Sabaragamuwa Province
08 | 181
2,015 | 1,939,907

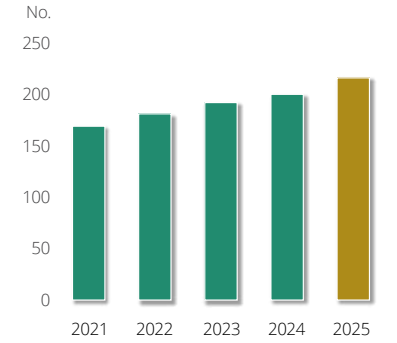
Southern Province
16 | 325
2,606 | 2,580,739

No. of Branches | No. of Employees | Mid Year Population ('000) | GDP Rs. Mn (in 2023)

New Branches and Branch Relocations



Branch Network







'Green' Infrastructure

Demonstrating our commitment to environmental sustainability, we launched our first 'green' branch construction in Chilaw, adhering to Green Building Council of Sri Lanka guidelines. This initiative reduces our environmental impact while enhancing operational efficiencies. Such eco-friendly practices, central to our sustainability programme, also play a key role in de-risking the business for the long term. For further details, refer Nurturing Natural Capital on page 208.

STRATEGISING MANUFACTURED CAPITAL

3.3 Gaining Competitive Advantage through Manufactured Capital

3.3.1 Advanced infrastructure and operational assets

Our robust physical infrastructure (branches, IT systems) and secure digital platforms drive cost savings, operational efficiency, and enhanced customer experience, solidifying our market position.

3.3.2 Superior technological integration

Integrating advanced technologies (including AI tools) enhances automation, fosters service innovation, and optimises delivery, providing superior services and a key competitive advantage.

3.3.3 Sustainability and ESG integration

Utilising sustainable Manufactured Capital (e.g., energy-efficient buildings, green technologies) supports ESG alignment, reduces environmental impact, attracts eco-conscious customers, and offers a distinct competitive edge.

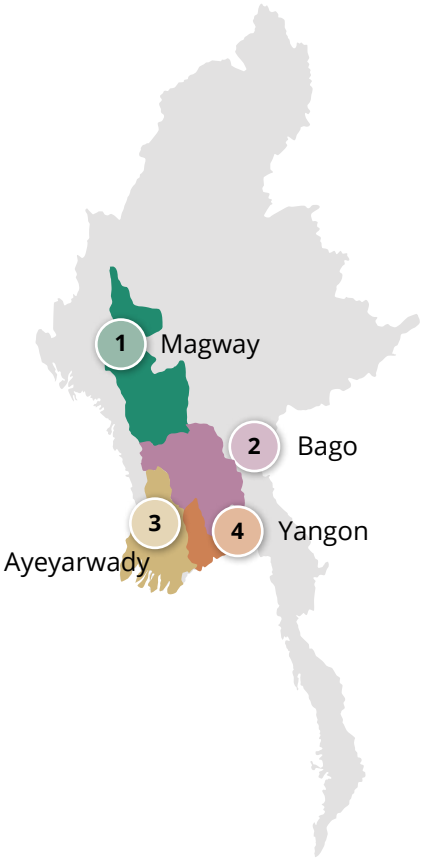
3.3.4 Geographic reach and accessibility

Our expanding branch network and digital presence ensure broad customer accessibility and engagement, enabling market share growth, particularly within underserved regions.

4. MANUFACTURED CAPITAL IN MYANMAR OPERATIONS

Expanding beyond Sri Lanka into the regional market, LBF established LB Microfinance Myanmar Company (LBMM) in December 2017 to tap into Myanmar's growing microfinance sector. Since then, LBMM has steadily strengthened its presence in key regions, including Bago, Magway, and Ayeyarwady. In the financial year 2024/25, the company extended its operations to the Yangon region, bringing its total branch network to 20 across four regions. This strategic expansion reflects LBF's commitment to regional financial inclusion and sustainable growth.

To support its expanding operations, LBMM relies on a diverse range of manufactured capital, including physical and digital infrastructures. This approach enhances productivity and minimises operational disruptions, ensuring that LBMM's physical infrastructure consistently supports high service standards and operational excellence.



4.1 Footprint of LB Microfinance Myanmar

1. Magway Region
Aunglan
Magway
Minbu
Myothit
Sinbaungwe
Thayet

2. Bago Region
Letpadan
Monyo
Nattalin
Okeshitpin
Paukkhaung
Paungde
Pyay
Shwedaung

3. Ayeyarwady
Ingapu
Kyangin
Myanaung
Myaungmya
Pathein

4. Yangon Region
Yankin

5 MANUFACTURED CAPITAL JOURNEY

2020/21

- Opened 04 branches in Myanmar
- Set up LBF innovation center
- 18 gold loan centres converted as fully fledged branches
- 04 branches added to the branch network

2021/22

- LBF tied up with DRP to fast-track digital financial services
- Partnered with WEBXPAY to promote 'CIM' business loans to MSMEs
- Install data visualisation and modelling software
- Established robotic process automated software
- Further strengthened the ISO 27001 Information security standard
- Tied up with FinCSIRT (computer security incident response team for Sri Lanka's financial sector)

2022/23

- Reached 192 branches
- 11 new branches opened
- 65,000+ LB CIM app downloads

2023/24

- Reached 200 branches
- 08 new branches opened
- 26 hybrid solar power branches

2024/25

- Reached 216 branches
- 10 new branches opened
- 40 hybrid solar power branches
- Initiation of green branch development
- Entered Yangon region in Myanmar with one branch

6 CRAFTING THE FUTURE

Term	Metrics	Targets
Short Term (< 1 year)	• Asset utilisation (office space, equipment) • Efficiency of technology infrastructure • Green practices in existing branches	• Improve office space utilisation by 100% • Achieve 80% branch coverage with energy-saving lighting systems
Medium Term (1-3 years)	• Capital investment in infrastructure • Asset maintenance and upgrades • Technology integration • Green branch development	• Complete 100% upgrade of office and IT infrastructure • Reduce asset maintenance costs by 10% • Implement cloud-based solutions • Launch a green branch with eco-friendly designs (solar panels, energy-efficient systems)
Long Term (> 3 years)	• Sustainability in office space and assets • Expansion of physical infrastructure • Technology advancements • Green branch network	• Achieve energy efficiency in office spaces (reduce energy consumption by 10%) • Implement AI-driven financial tools to enhance service delivery • Develop a network of green branches island wide, focusing on renewable energy and sustainable materials

FRAMING HUMAN CAPITAL

<IR 2A, 2C, 3E> GRI: 2-23, 3-3

1 Input

- Workforce composition
- Pay and benefits
- Skills, qualifications and competencies
- Regulatory compliance

2 Strategic Drivers

- Improve workforce productivity
- Invest in strengthening employee knowledge and skills
- Empower employees through better work life balance
- Provide opportunities for innovation and idea generation

4 Space for Development

- Encouraging and motivating employees to stay aligned with LBF's organisational values and culture
- Developing critical skills and succession planning to achieve long term strategic objectives
- Building inclusive leadership capabilities to support diversity and equity across teams
- Strengthening cross-functional collaboration to boost innovation and agility

3 Approaches for Managing Human Capital Outcomes

- Recruitment and retention
- Performance management
- Learning and competency development
- Organisational development and design
- Reward and recognition
- Workforce and succession planning
- Employee engagement
- Employee wellness

5 Challenges

- Attracting, retaining key staff in the highly competitive financial services sector
- Employee engagement and mental well-being
- Addressing change management issues arising from increased digitisation and process automation

Total number of Employees
4,407

New Employees
2,207

Employees were Promoted
1,145

Investment in Training
Rs. 21 Mn



		Stakeholders					
Interest	Performance management	★		★			
	Safety and well-being	★	★	★			★
	Enhanced employee skillset	★	★	★		★	
	Accessibility	★	★	★		★	

7

Future

- Establish a sustainable employer brand that inspires talent and supports long-term growth
- Automated performance evaluation

6

Key Output

- Leadership capability
- Workforce capability
- Workforce performance
- Diversity and inclusivity
- Engagement and wellbeing

Training Hours
46,380

Female Employees
2,090

Gender ratio
1:0.91
(Male:Female)





Visit web page for our management approach of Human Capital

Impact from SRROs and CRROs

FRAMING HUMAN CAPITAL

<IR 2B>

1. OVERVIEW

Our employees are the heart of LB Finance PLC (LBF), the core strength behind our success, competitive advantage, and growth. We partner with them by fostering their well-being and providing a meaningful employee value proposition designed to support both their personal aspirations and our organisational goals.

1.1 Contribution to Value Creation

Value Creation	Value Preservation	Trade-offs
• Enhancing customer experience by equipping our staff with enhanced skills and knowledge customer-focused training programmes	• Technical training given to 641 Gold Loan and 268 cash operations staff to improve customer service and financial literacy	• Balancing employee training investment with short-term operational needs
• 09 Board level training sessions were conducted to strengthen organisational performance and governance	• Retaining skilled employees through competitive compensation and career development	• Increased HR costs vs. long-term business sustainability
• Creating a positive work culture by implementing diversity, inclusion, and well-being initiatives • 19.7% increase in employee benefits	• 1,145 internal promotions were granted during the year for career growth and job security	• Increased investment in employee benefits vs. short-term cost efficiency
• 05 compliance related training programmes were conducted to enhance compliance with labour laws, workplace safety, and fair employment practices	• Adopting ethical HR policies (internally developed) to ensure fair treatment of employees • Compliance with HR regulations (external)	• Balancing regulatory requirements with business flexibility
• Collaborating with partners prioritising employee well-being and fair labour practices	• Maintaining ethical labour standards in all business dealings • Conducted regular supplier evaluations during the year	• Cost-efficiency vs. ethical employment practices
• 150 career opportunities were created through educational and skill-building programmes, including management trainee and internship positions	• Supporting youth employment and skills development initiatives • 59.85% internship-to-employment conversion	• Balancing corporate responsibility with business priorities

1.2 Unifying Human Capital with LB Strategy

Linking LB Strategy	Contribution to Our Mission	Related SDGs and UNGC Principles
SUSTAINABLE GROWTH Long-term Value Creation Fostering a skilled, motivated, and diverse workforce, ensuring continuous employee development, and building a strong organisational culture	Establish a foundation for developing lasting partnerships with our stakeholders, employees, and the general public by offering a caring and personalised service	
CUSTOMER CENTRICITY Market-leading Customer Experience Investing in employee training, financial literacy programmes, and service excellence to enhance customer interaction		
DIGITAL LEADERSHIP Innovative Digital Transformation Equipping employees with digital skills and leveraging technology to enhance workplace efficiency	To invest in training and career development to build an empowered, committed workforce that drives exceptional company achievement	UNCG - Principle 1 UNCG - Principle 2 UNCG - Principle 3 UNCG - Principle 4 UNCG - Principle 5 UNCG - Principle 6 UNCG - Principle 10
POSITIVE IMPACTS Thriving Business with Sustainable Impact Compliance with labour laws, ethical HR policies and fair employment policies		
EMPOWERING PEOPLE Empowering creativity and driving innovation Developing a diverse, inclusive, and engaging work environment, providing career growth opportunities, and encouraging employees to participate in sustainability initiatives		

FRAMING HUMAN CAPITAL

1.3 Material Matters and Related Topics

Our people are central to creating value for our customers, shareholders, and communities. We firmly believe that a skilled, engaged, and diverse workforce underpins our long-term success and sustainability. Therefore, our investments focus on employee well-being, professional growth, and ethical conduct, fostering a positive and inclusive culture.

Material Themes	Material Matters	Related Topic	Page
Supporting social cohesion	Employee engagement	Supporting employee health, well-being and work life balance	161
	Health and well-being		
	Training and development		
	Corporate citizenship and social license to operate		
Good governance and risk optimisation	Ethics and transparency (anti-fraud environment)	Human Capital and sustainability	155
	Regulatory compliance		
	Data security and customer privacy		

1.4 SWOT Analysis for Human Capital

Strengths

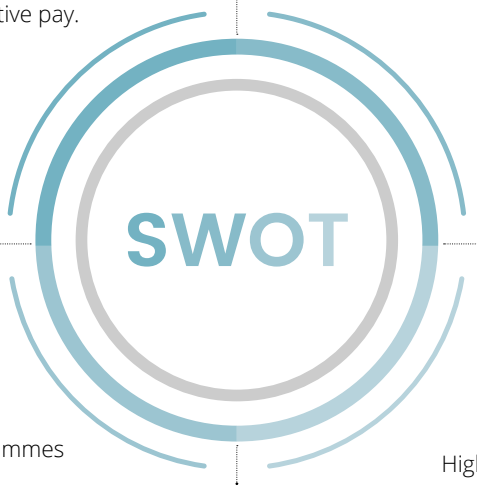
Attracting multitalented teams via competitive pay.

A robust work environment that promotes engagement and performance-based rewards

Weaknesses

Slow adoption to automated HR systems

Lower retention ratio of operational staff



Opportunities

Implement a framework that supports employees in achieving a better work-life balance

Launch AI based/digitalised training programmes

LBF branding to attract top talent

Threats

Competitors headhunt skilled employees, offering strong incentives and targeted approaches

High competition for labour in low-skill market

2 HUMAN CAPITAL AND SUSTAINABILITY

2.1 Human Capital-related Risks and Opportunities

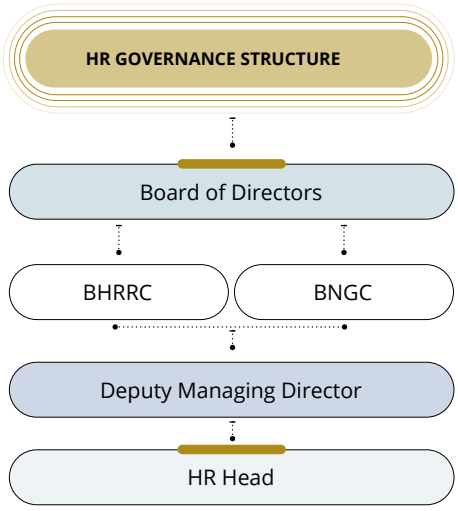
In alignment with SLFRS S1 and SLFRS S2, LBF is committed to integrating ESG principles into Human Capital management, enhancing workforce sustainability and transparently reporting on the financial and non-financial impacts of Human Capital.

For more information refer to page 338, under the Integrated Risk Management section

2.2 Human Resource Governance

The HR governance at LBF is centralised under the Human Resource Department (HRD). The department is headed by the Head of HR, who holds direct reporting responsibility to the Deputy Managing Director. Furthermore, the Head of HR maintains close collaboration with the Board's Human Resources and Remuneration Committee (BHRRC) and the Board Nominations and Governance Committee (BNGC) concerning key HR functions and decisions.

Key responsibilities of the HRD include ensuring full compliance with all applicable labour laws and regulations and overseeing the implementation of human capital development initiatives aligned with Board-approved policy frameworks.



Moreover, to reinforce our desired workplace culture, we recently relaunched our corporate values, including our seventh value 'team work' clearly defining them to guide employee behaviour. We are currently implementing initiatives to formally recognise and reward employees who consistently exemplify these core values. This commitment to our values complements the HRD's guarantee of full compliance with all applicable labour laws and regulations.

2.2.1 Key HR policies

- Whistle-blowing Policy
- Working Hours and Leave Policy
- Remuneration Policy
- Performance Based Bonus Payment Policy
- Training and Development Policy
- Performance Management and Appraisal Policy
- Anti-Discrimination and Harassment Policy
- Talent Acquisition Policy

3 CATALYSTS OF HUMAN CAPITAL

3.1 Our People Management Model

Our People Management Model is strategically aligned with our organisational vision and is built on three foundational pillars: Building the Right Team, Developing the Right Skills, and Creating the Right Culture. These pillars guide our efforts to create a dynamic, capable, and engaged workforce that is future ready.

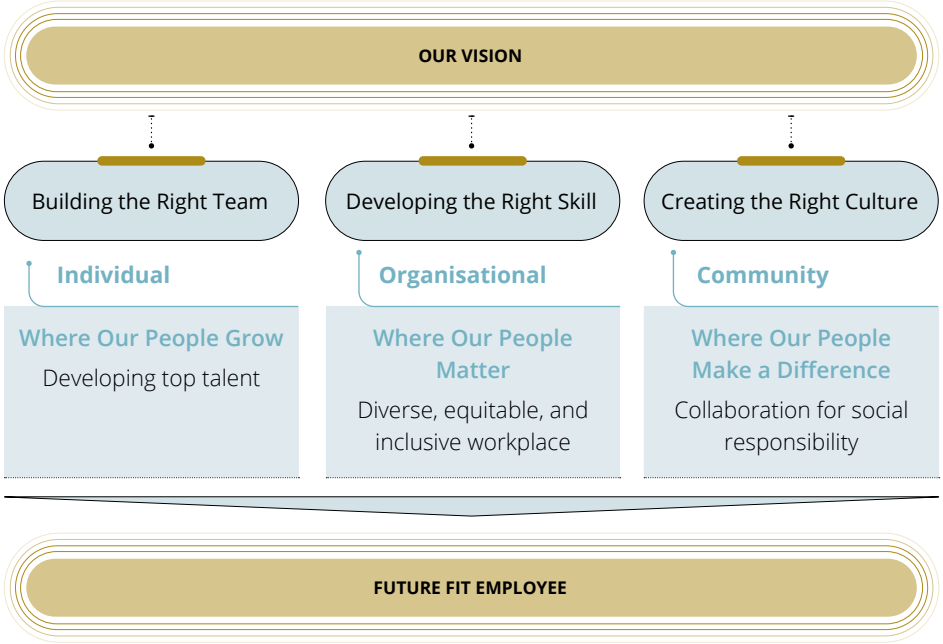
At the individual level, we focus on creating an environment "Where Our People Grow."

This involves nurturing top talent through targeted development programmes, continuous learning opportunities, and personalised career growth pathways. Our goal is to empower every employee to reach their full potential, thereby building a strong and capable team.

At the organisational level, we emphasise the importance of a workplace 'Where Our People Matter.' We are committed to fostering a diverse, equitable, and inclusive environment where every employee feels valued, respected, and heard. This focus ensures that our people thrive in a culture that supports collaboration, innovation, and high performance.

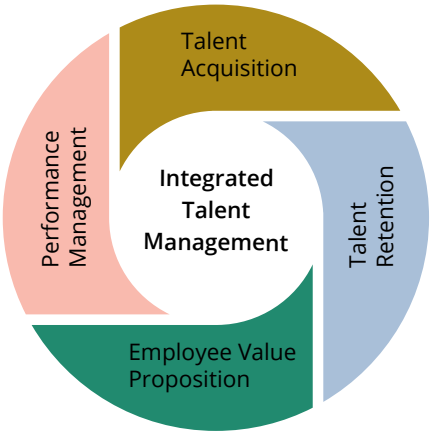
At the community level, we aim to build a culture 'Where Our People Make a Difference.' This involves actively encouraging our employees to participate in initiatives that promote social responsibility and community development. Through collaboration and engagement beyond the workplace, our people contribute to building a better society.

All these efforts converge towards developing the 'Future Fit Employee', individuals who are not only aligned with our core values, but are also equipped with the right skills, mindset, and purpose to drive sustainable growth for the organisation and society at large.



4 INTEGRATED TALENT MANAGEMENT

Our team of 4,407 employees drives our success and fuels our competitive edge. As an equal opportunity employer, we cultivate a diverse and inclusive workplace where the unique talents and contributions of every individual are valued. We are firmly committed to fairness, ensuring equal opportunities regardless of gender, age, religion, race, or other protected characteristics. In FY 2024/25, our workforce comprises 2,317 men and 2,090 women.



4.1 Talent Acquisition

We recruit talented individuals who not only possess the required skills, but also resonate with our values and business model. Our role-specific recruitment strategy utilises targeted methods such as career fairs, industry partnerships, walk-in interviews, a robust employee referral programme, and digital branding. Across our 216 branches nationwide, we foster continuous internal career progression, ensuring long-term development within the organisation. In FY 2024/25, we welcomed 2,207 new individuals to the LBF team.

A key component targeting early talent is our 'Discover You' programme. This signature programme builds our employer brand with undergraduates and Advanced Level students while also providing them with valuable career guidance to make informed choices.

New Recruits

1,149	1,058
Male	Female

A key challenge remains attracting candidates genuinely committed to field-based business roles (e.g., credit, marketing) as opposed to back-office functions, especially beyond the entry level. To enhance efficiency and candidate experience, we have automated interview scheduling for qualified applicants and incorporated online assessment tools. We continue to invest in future talent through our established Management Trainee (undergraduate) and Clerical Trainee (advanced level) programmes.

New Recruitments by Designation



Female	Contract Type	Male
1,049	Employees on permanent basis	1,134
09	Employees on contract basis	15
	Staff Category	
-	Executive Directors	-
01	Senior Management	05
-	Middle Management	61
114	Executive	182
943	Other	901



4.2 Talent Retention and Management

Our performance review mechanism is vital for retaining high-potential employees and nurturing our future leaders. Recognising the challenges of a youthful workforce and high mobility within Sri Lanka's financial sector.

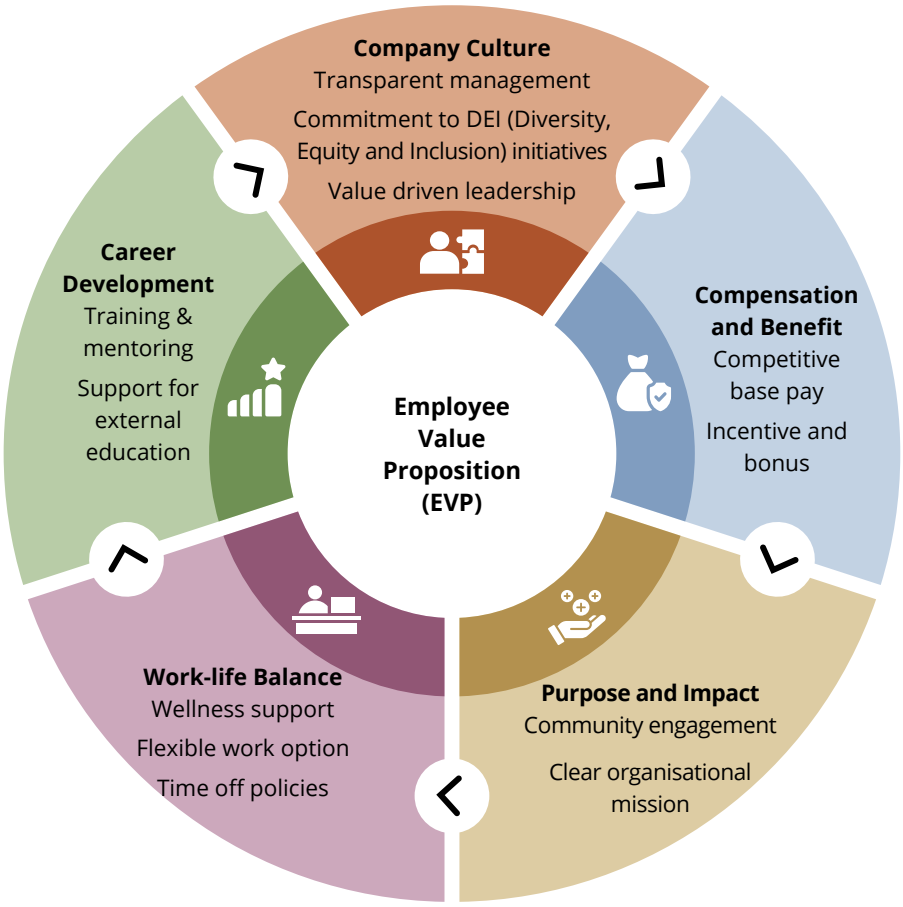
We acknowledge employee turnover as a challenge, particularly in the financial sector. Accordingly, we implemented various development initiatives to foster retention and growth. Key programmes include:

- The 60-Day Buddy Programme ensures smooth onboarding which pairs new hires with a dedicated buddy
- The ongoing Staff Development Programmes offer targeted training and development across diverse roles for second-tier management
- The Marketing Officer Development Programme is a specialised three-day training initiative focused on Professional Certification in Credit and Marketing
- Leadership Development Programmes

We nurture leadership talent through dedicated development programmes by identifying employees with inherent leadership potential via thorough performance evaluations. Those demonstrating promise receive specialised training designed to refine their skills and prepare them for expanded responsibilities within their roles. Reflecting a significant emphasis over the past year, our comprehensive, multi-tiered approach included external expert coaching for Senior Management, which subsequently cascaded into intensive leadership training comparable to a condensed MBA programme for Upper-middle Management and Heads of Branches

- Regular foundational training continued for junior-level employees

4.3 Employee Value Proposition



4.4 Performance Management

Our performance management system drives our high-performance culture and effective talent management through several key components:

Goal Alignment

Clear, pre-agreed KPIs linked to Company objectives are set annually.

Continuous Feedback

Regular monitoring of our annual reviews, ensures ongoing feedback and identification of development opportunities.

Data-Driven Talent Decisions

Performance data directly informs choices regarding compensation, promotions, training allocation, and development planning.

We ensure comprehensive participation; during the year under review, 100% of permanent employees received performance appraisals.

Moreover, we are enhancing our Employee Value Proposition (EVP) by adopting a holistic evaluation approach that assesses both 'performance character' and 'moral character'. While performance character continues to be measured via the traditional annual performance review based on KPIs, we introduced two new components in January 2025 to evaluate moral character. Firstly, we implemented a corporate value index, a peer-to-peer recognition system where employees can award 1-3 points to colleagues observed actively practicing our core values. Each employee receives a quarterly allocation of 25 points to donate, accompanied by a justification for each award. To ensure integrity, these donations are reviewed and validated by a dedicated Corporate Value Review Committee. Secondly, we track employee volunteering hours, accumulated through participation in company CSR initiatives or validated independent volunteering efforts. This dual focus aims to embed core values throughout the organisation, positively influencing culture and overall performance.

4.4.1 Recognition and Rewards

During the year, we enhanced our appreciation culture through structured programs that recognised outstanding performance.

The Pinnacle Club recognises top-performing Branch Heads in the Credit Department each quarter, based on consistent high achievement. To encourage sustained excellence, we introduced tiered honours - Three-Peat, Legacy, and Crown of Legacy Awards - each with exclusive, personalised rewards.

The Silver Circle recognises high-performing junior employees in the Credit Department, using the same tiered recognition system to encourage consistent achievement and support early-career development.

In January 2025, we launched the DFS Catalyst Awards, an annual programme recognising individual and team excellence within the DFS Department, celebrating outstanding contributions island-wide and reinforcing a high-performance culture.



GRI: 2-19, 201-3

5 DISTINCTIVE DEVELOPMENT OPPORTUNITIES

5.1 Training and Development

At the heart of our people strategy is a commitment to continuous learning, capability building, and professional growth. In line with evolving business needs and labour market trends, we focused on equipping our workforce with future-ready skills to drive the Company's strategic ambitions. A wide range of learning interventions - including digital learning, structured leadership programmes, and targeted departmental training were deployed to strengthen both individual and organisational capability.

In FY 2024/25, the total investment in training amounted to Rs. 21.7 Mn. The average number of training hours per employee stood at 6 hours.

Training Programme	Participants		Training Hours	
	Male	Female	Male	Female
Management Development Programmes	120	20	2,655	600
Inspiring Leadership Programme for Heads of Branches	36	-	1,224	-
Ultimate Leadership Programme for Gold Loan OIC and Second Officers	8	61	60	457.5
Transformational Leadership - Gold Loan Team	85	123	606.5	870
Your leadership Blueprint - Recovery Department	156	65	1248	520

5.1.1 Comprehensive Training & Development Approach

Targeted training programmes were delivered for all departments, segmented by employee grade. These sessions were designed to enhance functional competencies and align team capabilities with operational needs.

5.2 Training Milestones

We offered assistance programmes to support ongoing employability and help employees navigate career transitions and growth. Our initiatives include:

5.2.1 Rolled out 'Succession Planning'

Our performance appraisal process proactively identifies potential successors for key roles by evaluating employee potential and pinpointing development needs.

5.2.2 Launched new e-Learning modules through LMS

We enhanced our digital learning ecosystem by expanding our Learning Management System (LMS), providing 24/7 access to customised e-courses covering soft skills, compliance, functional expertise, and digital literacy. The LMS supports continuous, self-paced learning through assessments and development-aligned pathways.

Additionally, our exclusive e-library platform offers staff free access to diverse technical resources, reading materials, novels, and more - actively encouraging a culture of continuous learning and reading.

Looking ahead, we are exploring AI-driven features like personalised recommendations, adaptive assessments, and real-time analytics to make learning smarter and more efficient.

5.2.3 One-on-One Coaching

We offered one-on-one coaching sessions for selected employees, particularly those in leadership pipelines or key transition roles. These sessions provided a confidential, tailored environment to enhance self-awareness, unlock potential, and address individual performance and growth goals.

5.2.4 Conducted Management Development Programmes (MDPs)

To cultivate future leaders, we conducted structured Management Development Programmes aimed at middle and emerging managers. These programmes focused on critical areas such as strategic thinking, team leadership, effective communication, performance management, and innovation. MDPs were facilitated through a blend of classroom sessions, workshops, and experiential learning modules.

5.3 Training in Anti-bribery and Corruption (ABAC)

Upon recruitment, all employees sign a declaration acknowledging their responsibility to read and understand the ABAC Policy. This commitment is reinforced through mandatory training on policy obligations during induction and regular refresher programmes. Furthermore, e-learning modules are provided to ensure ongoing employee awareness and understanding of the policy.

6 SUSTAINING EMPLOYEE RESOURCES

6.1 Remuneration and Benefits

We are committed to a transparent, fair, and unbiased remuneration framework designed for equitable employee compensation. As an equal opportunity employer, this commitment includes strictly upholding gender pay parity across all levels, ensuring equal remuneration for men and women in comparable roles. Our framework structures compensation based on key parameters, including:

- Job role and level of responsibility
- Skills and competencies
- Work experience

To ensure our compensation remains competitive, we conduct periodic industry studies and adjust salary structures accordingly. Reflecting this commitment, salary structures were revised during the financial year under review based on the latest market analysis.

GRI: 403-1 GRI: 401-2

Complementing competitive salaries, we provide a comprehensive benefits package. Accordingly, we meet all statutory obligations under relevant legislation, including the Shop and Office Employees Act of 1954, EPF Act, ETF Act, and Payment of Gratuity Act. Key statutory provisions include contributions to the Employees' Provident Fund (EPF) at 12% of basic salary, the Employees' Trust Fund (ETF) at 3% of basic salary, and annual provisions to a Gratuity Fund for all eligible employees.

Beyond these statutory requirements, we offer an extensive range of additional employee benefits, including:

- Comprehensive health and medical insurance coverage
- Performance-based bonuses aligned with our high-performance culture
- High performers recognition programmes

6.2 Benefits Offered to Our Employees

Benefit	2024/25	2023/24
Salaries and other related expenses (Rs. Mn)	4,319.15	3,617.72
Employer's contribution to EPF (Rs. Mn)	353.09	296.72
Employer's contribution to ETF (Rs. Mn)	77.28	63.21
Gratuity (Rs. Mn)	153.44	118.28

7 ACCELERATING DIVERSITY

Grounded in equal opportunity, we foster a diverse and inclusive environment where our workforce reflects varied demographics across age, gender, employment type, and region. Moreover, we uphold strict non-discrimination policies, ensuring fairness and prohibiting bias based on race, religion, age, nationality, social background, disability, sexual orientation, gender identity, political beliefs, or opinions.

Diversity and Inclusion Policy: Our commitment to gender equality is embedded across all HR processes through our Diversity and Inclusion policy. This covers key areas including recruitment, remuneration and benefits, training and development, promotions, retention strategies, flexible work arrangements, leave entitlements, overall policy design, Board appointments, and succession planning.

Gender Pay Equity Policy: This policy guides the Board and management decisions to ensure equal remuneration for men and women in comparable roles across the organisation. Furthermore, we have implemented Workplace Anti-Harassment policies to safeguard all employees from sexual harassment and provide clear guidelines for reporting any incidents.

7.1 Opportunities for Gender Equity and Strategies for Gender Parity

As a responsible corporate steward, LBF is committed to support greater inclusivity on the basis that a more diverse workforce will drive innovation and broader perspectives for the benefit of the Company and all its stakeholders. In this context, we are looking in particular to bridge the gender parity at all levels of our business. Stemming from our non-discriminatory approach, we have established specific gender parity thresholds for every stage of the employment lifecycle. Our efforts are supported by LBF's HR policy framework.

In testimony to our commitment to gender equality, women made up 47% of our workforce and accounted for 51.8% of promotions in the current financial year.

7.2 Our Internal Policy Frameworks/Actions/ Activities that Promote Gender Equality

Our Policy Framework reflects LBF's commitment to maintain gender equality across all HR processes including recruitment, remuneration and benefits, training and development, promotions, employee retention, flexible work arrangements, leave entitlement, policies and procedures, Board appointments, and succession planning.

Gender pay equity - Guides LBF's Board and management in remuneration decisions, ensuring that men and women in similar roles at any level of the organisation are entitled to be remunerated equally. Specific policies on sexual harassment in the workplace are aimed at safeguarding employees of all sexes from unwanted sexual advances and providing them with guidelines to report incidents.

7.3 The Discrimination and Harassment

The discrimination and harassment which stipulates that the Company does not tolerate discrimination or harassment against any person on any status protected by law, including their gender. The Company discourages discrimination based on a person's sex, race, caste, community, marital or family status, religion, age, sexual orientation, and disability. The policy also states that if an employee hears about or observes a possible harassment or discrimination, the respective employee is accountable to report the situation to the HR Department.

7.4 Grievances Redress

All complaints pertaining to workplace harassment or discrimination are handled by LBF's grievance redress actions which comes under the purview of the HR Department. The following principles govern the work of the grievance redress actions and ensure its ability to function independently and without bias:

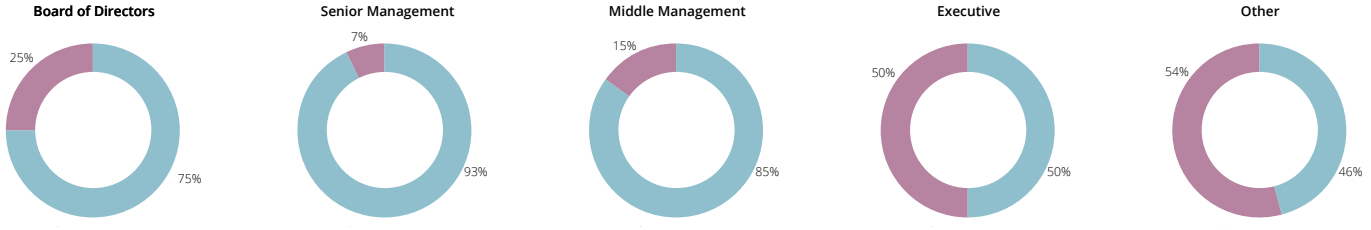
- The HR is required to ensure the confidentiality of the complaint procedure is maintained at all times
- The HR should ensure that complainants or witnesses are not victimised or discriminated against while dealing with complaints
- The HR shall make a report to the management of complaints received and the action taken by them when necessary

FRAMING HUMAN CAPITAL

GRI: 401-3, 405-2

7.5 Composition

Gender Representation per Occupational Level (Male, Female)



The Ratio of Basic Salary and Remuneration of Male to Female for Each Employee Category	2024/25		2023/24	
	Male	Female	Male	Female
Senior Management	1	0.51	1	0.53
Middle Management	1	0.94	1	0.98
Executive	1	0.82	1	0.84
Other	1	0.94	1	0.94

Return to Work after Parental Leave in FY 2024/25	Total
Total number of female employees	2,090
Total number of employees that were entitled to parental leave, by gender	393
Total number of employees that took maternity leave	49
Number of employees who returned to work after maternity leave ended	46
Number of employees who returned to work after maternity leave ended and still employed twelve months after their return to work	29
Return to work rate (%)	94
Retention rate (%)	59

EMPOWERING LBF SMART WOMEN: WHERE EVERY WOMAN LEADS, LIVES, AND BELONGS

'Smart Women' is LBF's signature platform dedicated to empowering all female employees through a holistic blend of professional and personal development. Rooted in our DEIB values, the initiative offers curated experiences in leadership, health and well-being, work-life balance, and personal passions

Importantly, 'Smart Women' also serves as a safe, inclusive, and confidential space where women can openly express personal or professional concerns, access peer and mentor support, and feel heard without hesitation. By nurturing both the mind and the spirit, this platform plays a vital role in supporting the overall well-being and long-term success of our women. It is more than a programme - it's a community where our women are seen, heard, and celebrated.









8. CHAMPIONING EMPLOYEE HEALTH AND WELL-BEING: A BALANCED APPROACH TO WORK AND LIFE

At LBF, we believe that employee well-being is key to a productive and engaged workforce. Going beyond traditional medical insurance, we take a holistic approach to support both mental and physical health. This year, we introduced new stress management programs and initiatives focused on fitness and overall well-being. By offering a variety of resources, we empower our employees to achieve a healthy work-life balance, fostering a culture of productivity, positivity, and personal growth.

We recognise that holistic well-being encompassing both physical and mental health is vital to our people's long-term productivity and happiness. During the year, we rolled out initiatives that supported physical vitality, encouraged sustainable lifestyle habits, and fostered team connection, reflecting our commitment to a healthy, resilient workforce which supported both body and mind.

8.1 Mental Well-being

SMILE Counselling Programme
Provided free, confidential 24/7 access to professional counselling, supporting employees' emotional well-being by reducing stress and building psychological resilience.

Smile Volunteering Club
Facilitated employee participation in community service and CSR activities, fostering empathy, purpose, and emotional satisfaction.

Seasonal & Religious Event-Based Competitions
Organised cultural and festive events island-wide to foster inclusivity and connection, supporting employees' mental well-being by reducing stress and building a positive work environment.

X-citing Friday Quizzes
We introduced weekly online brain teasers, riddles, and IQ quizzes to help staff take a break from routine, think creatively, enjoy fun challenges, uplift their mood, and share light moments with colleagues.

Creative Hub - Idea Submission Platform
Provided a platform for employees to share innovative ideas and suggestions, encouraging psychological safety, recognition, and a culture of innovation.

Beyond the Desk
Encouraged creative talents in art, music, and performance through Spotlight 2024 helping employees reduce stress, boost confidence, and maintain emotional balance.

8.2 Physical Well-being

Fitness First: Post-Work Training Sessions
Weekly CrossFit and Regional boot camp sessions led by a professional coach promoted regular physical activity, enhanced team bonding, and supported work-life balance.

Branch-Level Gym Access
Regional employees received complimentary access to nearby gyms, enabling convenient maintenance of fitness routines.

Sports Engagement & Team Competitions
Employees participated in various sports and Mercantile tournaments, fostering camaraderie, inter-branch relationships, and healthy competition.

Outbound Training & Regional Team Gathering
Outbound training emphasised communication, collaboration, problem-solving, and physical wellness awareness, while promoting team bonding during the regional team gathering.

Regular Health Screening Initiatives
Free health campaigns and comprehensive check-ups, including for drivers and minor staff, supported early detection and overall employee well-being.

Vision Matters: Eye Care Programme
Partnered with Vision World Colombo to offer free eye checkups for Corporate Office staff, along with exclusive discounts on spectacles.







FRAMING HUMAN CAPITAL

9. CREATING AN ENTREPRENEURIAL AND INNOVATIVE CULTURE

Strategic resource planning is integral to meeting our future business needs and achieving operational excellence. We continuously enhance efficiency through digitalisation and process automation, a transformation that depends on attracting and retaining skilled professionals suited for a dynamic, data-driven organisation. Our success in fully staffing the Digital Financial Services (DFS) unit this year exemplifies our effective approach to securing the right talent for these critical areas.

9.1 Digitalisation and the Changing Organisation

We are strategically enhancing our operational efficiency and employee experience through significant investments in HR technology. Accordingly, we are implementing advanced solutions, including artificial intelligence (AI) and automation, to streamline processes and improve internal communication.

Recognising that human capital is the key driver of our digital transformation, we provide targeted IT-related training to nurture a tech-savvy and digitally empowered workforce. This commitment to fostering a digital-first culture is further reinforced by leadership development and well-being programmes designed to support our employees navigating a rapidly evolving workplace. Collectively, these efforts position us as a future-ready organisation, advancing our vision to become Sri Lanka's leading digital financial services institution.



10. LIFE AT LB

10.1 Employees' Journey

Recognising that our employees are our greatest asset, we consider it our responsibility to nurture a positive, supportive, and enriching work environment that contributes to their overall well-being.

Family

Supporting our employees and their families through their vulnerable moments and difficult life circumstances.

Extending our culture of savings and investment to encourage our employees and their families to cultivate the savings habit.

Providing a better work-life balance to enable our employees to manage their family commitments.

Financial

Supporting the development of financial acumen and a culture of saving and investment to empower our employees.

Physical and mental well-being

Providing a healthy, supportive and enabling work environment free from discrimination or harassment. Refer page 161 for more information about the training programmes.

Relationships

Creating a place to work that embraces diversity and facilitates opportunities for employees to 'give back'.

Promoting a culture of respect and fosters positive working relationships.

Work, job, career and employment

Empowering employees through meaningful roles within an environment that supports career progression, encourages collaboration, facilitates learning from mistakes, and drives high performance.

Lifestyle, dreams, aspirations

Positioning LBF as a prominent financial services organisation by engaging prospective employees prior to their LBF journey

11. EMPLOYEE ENGAGEMENT

At LBF, we believe that true sustainability begins within our organisation. Our employee engagement initiatives are designed to foster a culture of inclusion, continuous development, and shared responsibility - values that align closely with our broader sustainability goals. During the year under review, we launched a variety of programmes aimed at enhancing employee well-being, supporting professional growth, and improving workplace satisfaction.

By empowering our people through targeted training sessions, wellness events, and open communication initiatives held throughout the year, we fostered a motivated workforce that actively contributed to ethical practices, community engagement, and environmental sustainability across LBF.

Providing Holistic Well-being and Support

We offer support during key life events and promote physical and mental well-being within a safe, inclusive environment. Flexible work arrangements help employees balance work and family needs.

Financial Empowerment

We encourage financial literacy and security by promoting saving and investment habits among employees and their families.

Positive and Engaging Culture

LBF fosters a respectful, diverse, and collaborative culture, with opportunities for employees to engage in CSR initiatives that enhance community connection and purpose.

11.1 HR Event Gallery

Boot Camp 2024

LBF hosted a fantastic Fitness Workshop led by the esteemed Sensei Sampath Lasantha at Independence Square, Colombo 07. The session promoted staff well-being through a series of dynamic exercises. Additionally, Panadura Regional teams joined the Beach Boot Camp 2024 at Mount Lavinia, making it a refreshing and energising experience.





LBF's Glamorous අවුරුදු කුමරා සහ කුමරිය 2024

Our Sinhala and Tamil New Year celebration was full of elegance, as we crowned our very own Avurudu Kumara and Kumariya. The event blended traditional games, vibrant outfits, and joyful performances. It was a tribute to Sri Lankan culture and employee spirit.





හොඳම April Activities 2024

Staff actively participated in various activities that highlighted their artistic skills and creative writing talents. These initiatives provided an ideal platform for employees to showcase their abilities, allowing them to shine across the entire branch network.






FRAMING HUMAN CAPITAL

LBF වෙසක් කලාපය 2024

Vesak 2024 at LBF was a celebration of peace and light. From decorative lanterns to thoughtful rituals, the event showcased our dedication to cultural values. The spirit of compassion and community was evident throughout.





LBF's Great Debater 2024 – Northern and Eastern Regions

LBF's Great Debater 2024: The Voice of Future Leaders. Words became weapons of wit as the Northern Warriors, Northern Lighting, and Northern Challengers clashed with the Eastern Fact Fighters, Kolar Gold Fields, and Eastern Warriors. The high-stakes debate, held on 15 September at the Green Grass Hotel & Restaurant in Jaffna, showcased intellect, eloquence, and regional unity.





LB Premier League 2024

An action-packed day of cricket unfolded at the LBPL 2024, hosted exclusively for our support staff on 7 September 2024 at Cooray Park Ground, Colombo 06. Teams displayed sportsmanship, teamwork, and unmatched enthusiasm throughout the one-day tournament. The event left a trail of excitement, camaraderie, and unforgettable field moments.





LB Got Talent Spotlight 2024

Talent took center stage at the LB Got Talent Spotlight 2024 Grand Finale, held on 22 November 2024 at the Western Province Aesthetic Resort. Participants wowed a captivated audience and the esteemed judges Chandrika Siriwardana and Pradeep Rangana, provided invaluable feedback. It was an inspiring evening filled with creativity, confidence, and celebration of in-house talent.






X-citing Fridays 2024

Three Fridays in December 2024 came alive with 'X-citing Fridays', a series of fun virtual competitions, including themed dress codes, puzzles, and selfie challenges. Over 2,600 staff participated, showcasing creativity and celebrating the festive season with joy and teamwork. It was a digital engagement success that boosted morale across the Company.







Bethlehem's Story of Love 2024

The creativity and spirit of the season lit up LBF during Bethlehem's Story of Love 2024 held at LBF Corporate Office. Staff participated in competitions such as Carols and recreating the City of Bethlehem. A panel of distinguished judges celebrated the unity and talent on display.







LB Northern Stars 2025

LB Northern Stars 2025 was held in Jaffna on 12 January, spotlighting exceptional talent from the Northern Region. Outstanding performers from branches such as Pandatharippu, Manipay, and Kopay were honoured for their artistry and passion. The event reflected LBF's commitment to nurturing hidden talents and celebrating regional diversity.







LB Got Sweetest Pongal Fiesta 2025

'LB Got Sweetest Pongal Fiesta 2025' brought tradition and teamwork together through lively cooking, kolam and traditional costume competitions. The event was filled with vibrant music, dance, and laughter. It beautifully celebrated our cultural diversity and unity.







11.2 Special Events

The LB Pinnacle Club and Silver Circle Award Ceremonies

This prestigious awards series celebrated top achievers across three cycles in 2024. The ceremonies highlighted LBF's unwavering pursuit of excellence, dedication, and recognition of outstanding contributions.





NLP Practitioner Certification Ceremony

LBF's HR Team graduated from a transformative 6-day NLP certification programme on 14 May 2024, facilitated by certified NLP Master Trainer Dulanjie Chamilka. The programme deepened participants' understanding of behavioural psychology and communication. Graced by Managing Director Mr. Sumith Adihetty, the ceremony marked a significant milestone in HR development.







'Crafting Endless Possibilities' - Promotion Ceremony 2024

Following the annual promotion cycle, team members elevated to Management Grade and above were formally recognised at a special ceremony themed 'Crafting Endless Possibilities.' To support their growth, a targeted Leadership Programme was launched, equipping them with the strategic skills, business acumen, and leadership mindset needed for success in their new roles.





DFS Catalyst Awards 2025

On 6 January 2025, the DFS Catalyst Awards celebrated the exceptional individuals and teams behind the success of the CIM Business Loan service. Held at LBF Corporate Auditorium, the event honoured their unwavering dedication and high performance.






Victorious 2025

'Victorious 2025: Empowering Success!' took centre stage at the LBF Auditorium on 8 January, led by motivational speaker Dr. Philip Nehri. Staff gained powerful insights into personal and professional growth through engaging sessions. The event set a motivational tone for the year, inspiring employees to pursue excellence and success.





'A Leap Forward' - Welcoming Our New Talent

With the energy of an athlete at the starting block, our 'A Leap Forward' orientation programmes set the pace for new recruits, turning their first steps into powerful strides. Blending inspiration with innovation, the athlete-themed sessions offered a refreshing and immersive experience, embodying our culture of excellence and momentum.

In FY 2024/25, we hosted 11 dynamic programmes, including specially tailored Tamil-medium sessions for our Northern and Eastern regional teams ensuring every team member starts their race at LBF with confidence, clarity, and connection.





12. ETHICAL BUSINESS CONDUCT

Maintaining the highest ethical standards is crucial to our reputation and credibility. This commitment starts with leadership setting the tone for integrity and diligently overseeing adherence across the organisation.

Code of Conduct

Our Code provides clear guidelines for all employees, defining expected behaviour and responsibilities in stakeholder interactions. It is introduced to new recruits during orientation to ensure alignment from the start.

Ethics Training

Regular training programmes reinforce our ethical principles and raise employee awareness of potential violations. In the year under review, specific ethics training delivered as part of the orientation programme. Complementing this education, our integrated approach to fostering an ethical culture includes providing multiple channels for employees to confidentially raise concerns regarding conflicts of interest or perceived ethical violations.

Reporting Mechanisms

We maintain multiple channels enabling employees to voice concerns about potential conflicts of interest or ethical breaches. Furthermore, a dedicated Whistleblower Policy allows for anonymous reporting of suspected fraud, financial irregularities, or misappropriation.

Voice of our employees

FRAMING HUMAN CAPITAL

12.1 Handling Grievances

We nurture a culture of open communication, encouraging employees to voice work-related concerns or grievances without hesitation. To facilitate this, we maintain established and accessible channels for support and formal grievance handling. These include a dedicated toll-free number for escalating general workplace issues, the 'Smile Counselling' toll-free service primarily offering support for psychological well-being, and a direct HR hotline. Together, these avenues ensure employees can confidently raise concerns or seek assistance, knowing they will be heard.

Regular Team Briefings

Regular team meetings (daily, weekly, monthly) facilitate open dialogue and collective feedback

Open-Door Policy

Our open-door approach allows employees direct access to Senior Management to discuss concerns related to their work

Formal Grievance Procedure

Our structured grievance procedure, detailed in the Code of Conduct, provides a formal escalation path to the Head of HR and ensures timely, clear resolution according to set timelines

12.2 Employee Volunteerism

Employee volunteerism plays a key role in building a socially responsible and well-rounded workforce. Through community initiatives in social welfare and sustainability, our employees enhance leadership, teamwork, and problem-solving skills, supporting both personal fulfilment and professional growth.

Refer pages 215 to 218 and 200 to 204 for more information on employee volunteerism

13. GAINING A COMPETITIVE ADVANTAGE

Our people are central to our success. By strategically recruiting talent aligned with our culture and equipped with innovation, problem-solving skills, and financial expertise, we stay ahead of evolving industry demands and deliver standout, market-relevant solutions.

Moreover, we recognise that talent development is key to maintaining our competitive edge. Through continuous learning, professional growth programmes, and a culture of innovation, we equip our employees to stay current with industry trends and technologies. This investment ensures an agile, skilled workforce committed to delivering exceptional customer service.

14. HUMAN CAPITAL IN MYANMAR

The employee composition of LB Microfinance Myanmar by designation and gender for the financial year 2024/25 is presented in the table below.

	Male	Female
Management (Sri Lankan)	3	-
Management (Burmese)	15	12
Loan officers	49	41
Savings officers	1	5
Back office and other	9	54
Total staff	77	112



14.1 Training and Development in 2024/25

LB Microfinance Myanmar views Human Capital as a critical asset in achieving sustainable growth and long-term success. By investing in the development, engagement, and well-being of its employees, the company aims to build a skilled, motivated, and resilient workforce. In the 2024/25 financial year, various initiatives were undertaken to strengthen employee capabilities, foster a positive work environment, and align talent development with organisational goals.

- The company conducted training sessions to enhance staff knowledge on Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Customer Due Diligence (CDD)
- In collaboration with the Myanmar Microfinance Association, training was provided to strengthen staff capabilities in credit appraisal analysis, customer evaluation, and credit risk mitigation
- The company participated in training programmes on digital financing and green financing, facilitated by the Financial Regulatory Department and the Central Bank of Myanmar

14.2 Employee Well-being in 2024/25

The company supported staff well-being and career growth through the following initiatives.

- Conducted fair and transparent performance evaluations, leading to employee promotions and career development opportunities
- Competitive salaries and performance-based bonuses are offered to ensure employees' financial well-being
- Promoted team-building activities to foster strong workplace relationships and a collaborative culture

14. HR JOURNEY

2020/21

- 999 employees were recruited
- 1,237 employees were promoted
- Rs. 4.01 Mn invested on training and development

2021/22

- 1,734 employees were recruited
- 45 employees were promoted
- Launched e-learning academy
- Capitalised on online training programmes

2022/23

- 1,281 employees were recruited
- Employee training hours 18,163 and Rs. 11.71 Mn invested in training and development
- 1,214 employees were promoted

2023/24

- 2,194 employees were recruited
- Employee training hours 43,677 and Rs. 23.22 Mn invested in training and development
- 1,037 employees were promoted

2024/25

- 2,207 employees were recruited
- Employee training hours 53,845 and Rs. 21.70 Mn invested in training and development
- 1,145 employees were promoted
- Revamped the orientation programme under the theme 'A Leap Forward'

16. CRAFTING THE FUTURE

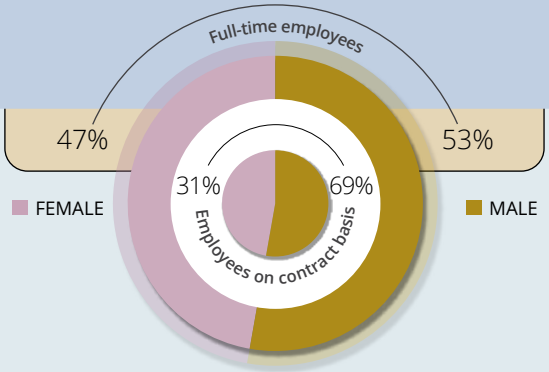
Term	Metrics	Targets
Short Term (< 1 year)	• Prioritising key employee development to build team competence • Improve employee engagement and employee camaraderie • Training completion rate • Employee satisfaction and engagement rate	• 100% of employees to complete basic skill development programmes • 100% increase in employee engagement • Above 95% employee satisfaction score
Medium Term (1-3 years)	• Nurture a loyal and committed team of employees • Sustaining our long-term strategic focus on leadership and management, customer service, sales and marketing training, along with required compliance/regulatory training • Employee retention rate • Skill development progress	• Achieve a minimum retention rate of 75% or higher • 60% of employees to complete training on the e-learning platform
Long Term (> 3 years)	• Effective succession planning and a steady leadership pipeline • Uphold diversity, equity, and inclusion • Leverage increased HR automation and data analytics to inform strategic decision-making and enhance workforce planning • Internal promotions to leadership positions • Workforce diversity and inclusion	• 50% female representation in management positions • 50% female employees • Automation of HR processes

FRAMING HUMAN CAPITAL

17. HR DASHBOARD

GRI: 2-7, 2-8, 2-20, 401-1, 405-2

4,407 TOTAL EMPLOYEES



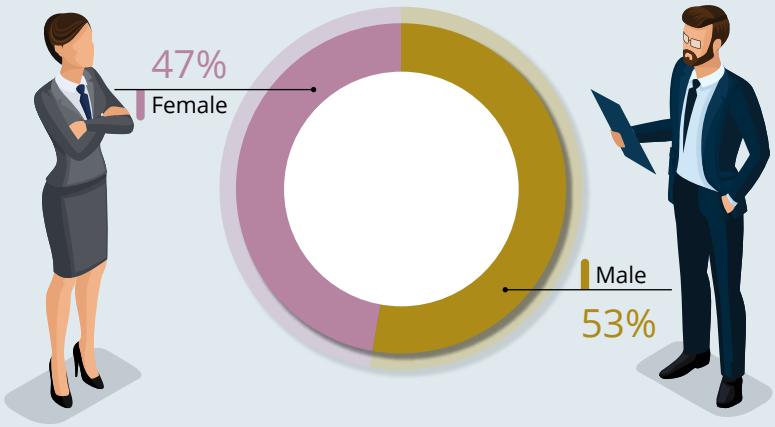
Total Employees by Region and Gender

Province	2024/25 No. of Branches	2024/25 No of Employees Male	2024/25 No of Employees Female	2024/25 No of Employees Total	2023/24 No. of Branches	2023/24 No of Employees Male	2023/24 No of Employees Female	2023/24 No of Employees Total
Central	19	209	121	330	18	197	113	310
Eastern	27	179	183	362	25	168	163	331
Northern	30	107	165	272	29	113	145	258
North Central	9	106	52	158	8	96	42	138
North Western	12	128	100	228	11	118	92	210
Sabaragamuwa	8	100	81	181	7	97	65	162
Southern	16	201	124	325	13	169	101	270
Uva	7	83	50	133	6	80	42	122
Western	88	1204	1214	2,418	83	1199	1132	2,331
Total	216	2,317	2,090	4,407	200	2,237	1,895	4,132

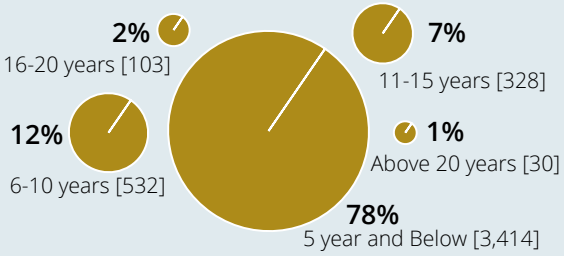
Ratio of the basic salary and remuneration of women to men for each employee category



Employee Composition by Gender



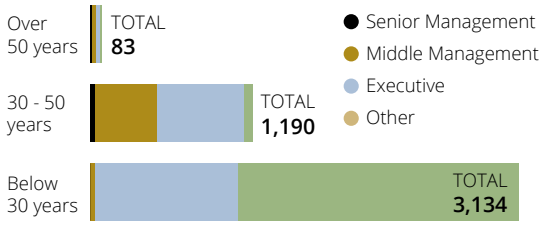
Service analysis of employees by category



Employee promotions from category and gender

	Senior Management	12
21	Middle Management	154
573	Executive	380
	Other	5

Composition of the Board and employees by employee category and age group



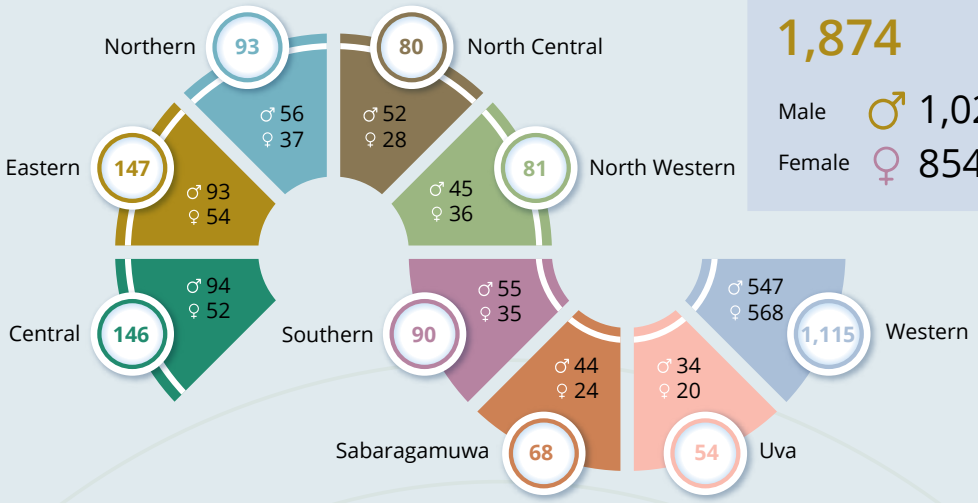
Average hours of training per year per employee

Category	Total Training Hours	No. of Employees	Avg. Hrs
Senior Management	617.0	158	4
Middle Management	6,579.0	1,118	6
Executive	12,780.00	2,681	5
Clerical	33,848.0	5,398	6
Minor	21.0	7	3
Total	53,845.0	9,362	6

Programmes for upgrading employee skills and transition assistance programmes

	Senior Management	Middle Management	Executive	Clerical	Minor
	♂ 144	♂ 909	♂ 1,187	♂ 2,784	♂ 7
	♀ 14	♀ 209	♀ 1,494	♀ 2,614	♀ 0
Total Training Hours	617	6,579	12,780	33,848	21

Employee turnover by region and gender



TOTAL
1,874

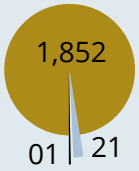
Male ♂ 1,020
Female ♀ 854

Employee turnover by reason

Resignation ■
♂ 1,005
♀ 847

Retirement ■
♂ 14
♀ 7

Deceased ■
♂ 01
♀ 00



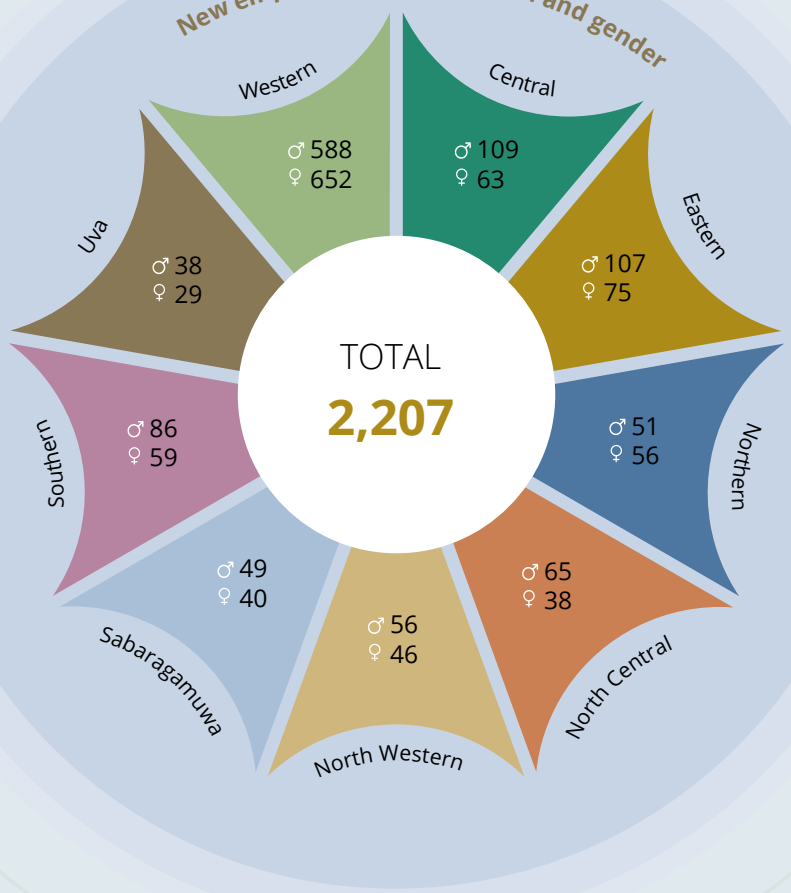
Employee turnover by age group and Gender

1,020 ♂ | 854 ♀

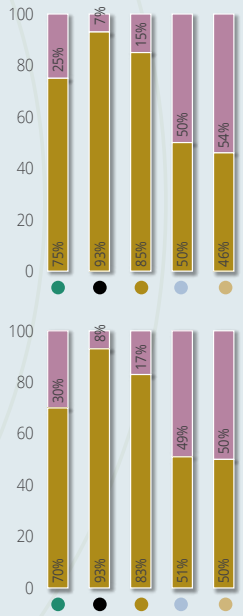
Below 30 years		30-50 years	
♂ 04	♀ 00	♂ 56	♀ 09
♂ 191	♀ 221	♂ 85	♀ 74
♂ 664	♀ 542	♂ 09	♀ 03

Over 50 years
- ♂ 02 ♀ 01
- ♂ 02 ♀ 01
- ♂ 03 ♀ 03
- ♂ 04 ♀ 00

New employee hired by region and gender



Diversity of Governance Bodies and Employees



MINDSCAPING INTELLECTUAL CAPITAL

<IR 2A, 2C, 3E> GRI: 2-23, 3-3

1 Input

- Rename LB CIM app with biometric authentication
- Implemented Snowflake cloud-based solution
- Major UI-UX revamp
- AI based pre-approved business loan handling
- AI incorporated gold loan higher advance
- Eclipse system modification

2 Strategic Drivers

- Maintain a consistent brand position
- Adhere to the latest globally accepted best practices
- Continuous R & D to boost ideation and innovation capabilities
- Pursue automation as a means of improving internal efficiency and service delivery to customers

4 Space for Development

- Convert LB CIM app to a super app which serves as an eco-system
- Strengthening the internal governance of information security and data privacy
- Better use of AI technology based robotic process automation and predictive analysis to increase internal efficiency
- Strengthening talent capabilities in data science, cybersecurity, and digital finance

3 Approaches for Managing Intellectual Capital Outcomes

- Demonstrate the commitment to live up to LBF's brand value
- Maintain world-class information technology infrastructure
- Ensure control systems and frameworks are continuously reviewed and updated
- Ongoing investment to enhance knowledge-based systems

5 Challenges

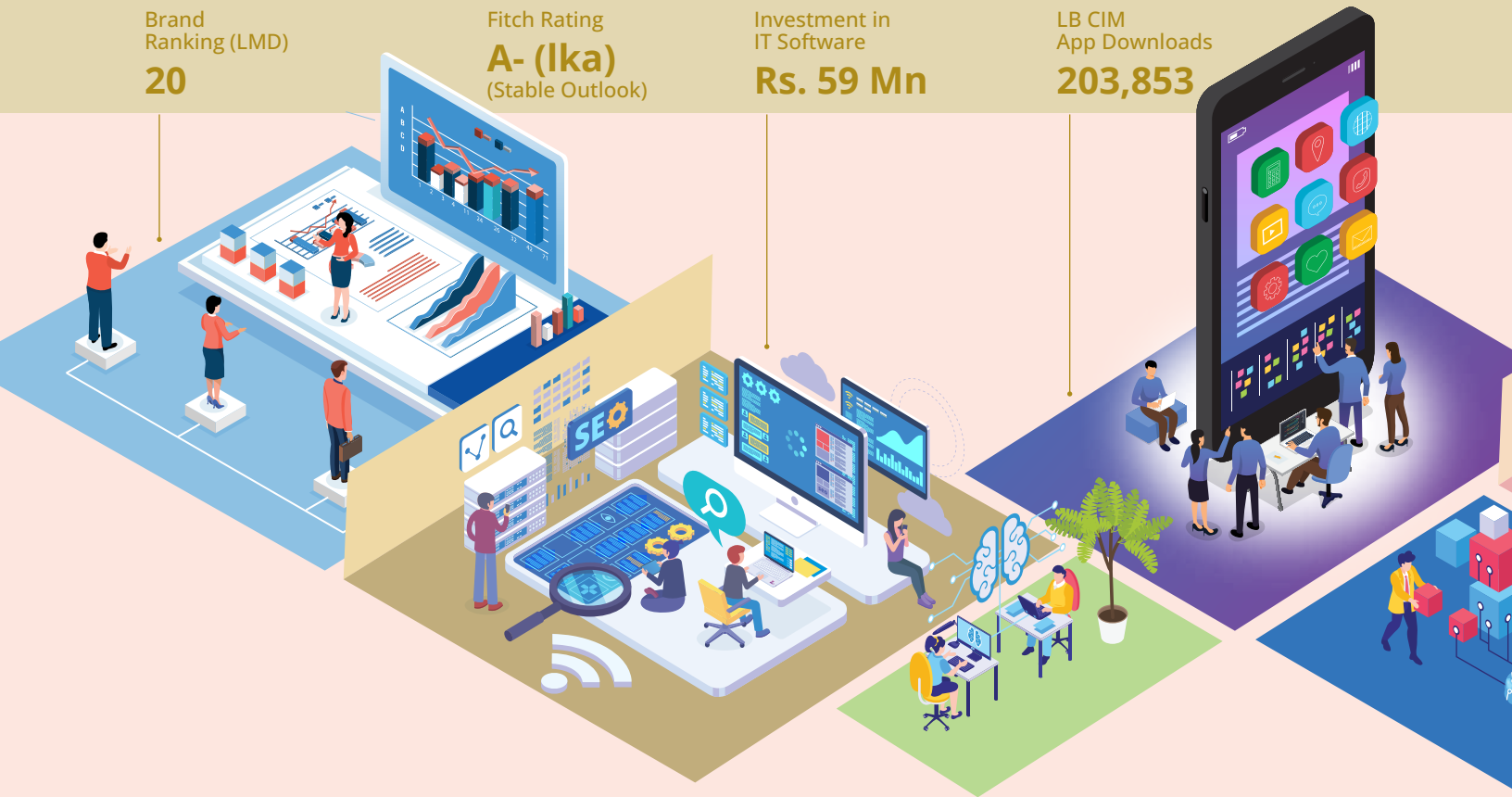
- Risk associated system failure and connectivity failure
- Rapid increase in cyber threats
- Competitive pressure in the digital finance space, especially from the banking sector

Brand Ranking (LMD)
20

Fitch Rating
A- (lka)
(Stable Outlook)

Investment in IT Software
Rs. 59 Mn

LB CIM App Downloads
203,853



		Stakeholders					
Interest	In-house software development	★		★			★
	Business process digitalisation		★	★		★	
	Knowledge management		★	★		★	

7

Future

- Converting the digital platform to a virtual bank

6

Key Output

- Awarded as the most popular digital payment product by The LankaPay (LB CIM app)
- Over 200,000+ downloads of the LB CIM app
- AI powered transactions and operations
- System revamping and modifications

Information Security Standards Rectified
ISO 27001:2022

LB CIM Wallet Transactions
3,871,817

Digital Loan Portfolio
Rs. 4,857 Mn



Visit web page for our management approach of Intellectual Capital

Impact from SRROs and CRROs

MINDSCAPING INTELLECTUAL CAPITAL

<IR 2B>

1 OVERVIEW

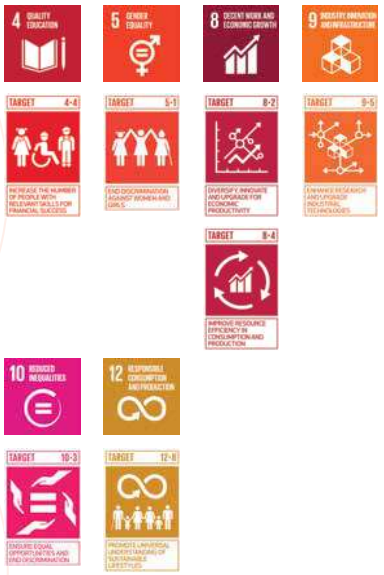
At LB Finance PLC (LBF), Intellectual Capital is the cornerstone of our sustained competitive advantage in the financial sector. Our brand equity, earned through years of unwavering trust and performance, underpins enduring relationships with customers and stakeholders. This is complemented by a robust and advanced IT infrastructure that enables the secure, efficient, and forward-looking delivery of financial services, anticipating market shifts and evolving client needs. Integral to our strategy, rigorous control systems guarantee regulatory integrity and operational transparency, equipping us to navigate market volatility effectively.

Equally vital is our team's knowledge-based capital. Our people's expertise and experience directly drive strategic decision-making, fuel innovation, and foster continuous improvement across LBF. We are committed to nurturing this crucial asset, empowering our team to master evolving challenges and deliver exceptional financial solutions that create tangible customer value.

1.1 Contribution to Value Creation

Value Creation	Value Preservation	Trade-offs
• Added innovations to the LB CIM app to enhance business process efficiency • Enhanced customer satisfaction and efficiency via streamlined/ automated lending	• Maintain customer complaint solutions at 89% • Leverage data analytics for continuous customer insights to enhance service delivery	• Balancing personalised customer service vs. operational automation efficiency • Balancing service quality vs. cost efficiency in offerings
• Delivered targeted information security and IT governance training to the Board of Directors	• Uphold robust risk management protocols to safeguard investor value • Maintain brand trust and investor confidence	• Balancing operational flexibility vs. the cost of compliance • Balancing long-term growth objectives vs. short-term profitability targets
• Recruited 58 IT professionals to enhance departmental capabilities • Conducted 12 tech talks • Enhanced operational and technical expertise through international training and conferences	• Ensure availability of functional on-site work facilities • Safeguards internal data and operational integrity.	• Balancing investing resources in employee training vs. meeting immediate workload demands • Balancing employee autonomy vs. management control
• Achieved compliance with new regulatory requirements • Updated and streamlined existing reporting formats	• Ensure ongoing compliance with reporting and operational requirements	• Balancing driving innovation vs. adhering to regulatory restrictions • Balancing short-term operational agility vs. long-term compliance assurance
• Leveraged partnerships with digital experts/providers to advance our digital capabilities	• Maintain/Renew key IT service agreements	• Balancing investing in high-quality technology vs. adhering to budget constraints
• Created new IT positions • Engaged in social responsibility programmes, such as promoting LB CIM app in collaboration with NEDA	• Promote environmental sustainability through digital operations	• Balancing IT infrastructure expansion vs. addressing local community needs/impacts • Balancing maximising profitability vs. ensuring sustainable social impact

1.2 Unifying Intellectual Capital with LB Strategy

Linking LB Strategy	Contribution to Our Mission	Related SDGs and UNGC Principles
SUSTAINABLE GROWTH Long-term Value Creation Drive sustainable growth by optimising operational efficiency and ensuring business scalability for long-term success	Drive deposit growth by developing innovative investment products that deliver superior value to our depositors	
CUSTOMER CENTRICITY Market-leading Customer Experience Cultivate long-term customer relationships by delivering personalised services grounded in a deep understanding of their evolving needs		
DIGITAL LEADERSHIP Innovative Digital Transformation Establish digital leadership by embracing cutting-edge technology, fostering innovation, and ensuring robust cybersecurity to enhance operational effectiveness and competitive advantage	Empower and engage employees through targeted training and career development to drive exceptional Company performance	
POSITIVE IMPACTS Thriving Business with Sustainable Impact Foster employee empowerment by investing in continuous development and upskilling, nurturing a dynamic culture of collaboration and shared leadership		

1.3 Material Matters and Related Topics

Material Themes	Material Matters	Related Topic	Page
Future-fit organisation	Process excellence	Leveraging our technology investments	179
	Digital transformation		
Good governance and risk optimisation	Ethics and transparency (anti-fraud environment)	Intellectual Capital and sustainability	176
	Regulatory compliance		
	Data security and customer privacy		
Supporting social cohesion	Training and development	Knowledge-based systems and process	180

MINDSCAPING INTELLECTUAL CAPITAL

1.4 SWOT Analysis for Intellectual Capital

Strengths

Strong brand reputation and established market presence

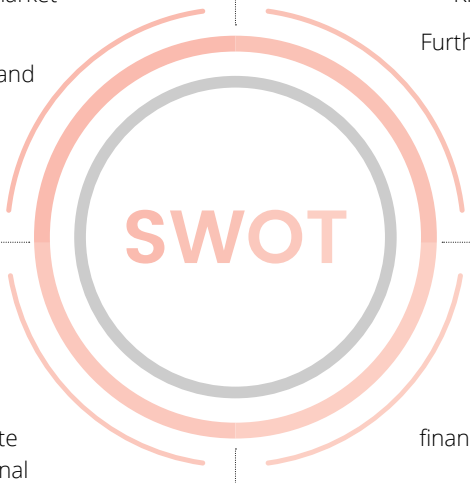
Skilled workforce with expertise in finance and investment

Advanced technological systems for efficient financial services

Weaknesses

Knowledge sharing gaps across departments

Further space to develop new financial products and innovations



Opportunities

Investing in employee development programmes to nurture advanced skills and foster innovation

Partnering with fintech solutions to integrate innovative technologies and leverage external innovation

Enhancing knowledge management systems to facilitate seamless internal knowledge sharing and accelerate innovation

Threats

Risk of employee skill sets lagging behind rapid technological advancements

Heightened competition from digital-native financial services leveraging superior technology and data analytics

2 INTELLECTUAL CAPITAL AND SUSTAINABILITY

2.1 Intellectual Capital-Related Sustainability Risks and Opportunities

The sustainability disclosure requirements mandated by SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and SLFRS S2 (Climate-related Disclosures) necessitate that we assess and report on material risks and opportunities, including those impacting our Intellectual Capital.

Key Intellectual Capital risks identified under this framework include:

Knowledge Erosion
The potential loss of valuable expertise and institutional knowledge due to employee turnover, particularly in critical roles, which could disrupt operations and impede innovation.

Innovation Lag
Insufficient investment in, or prioritisation of, innovation initiatives, potentially hindering our ability to capitalise on emerging technologies and develop competitive new financial products.

Key opportunities to enhance our Intellectual Capital include:

Strategic Talent Development
Investing in continuous learning and upskilling programmes to elevate employee expertise, enhance service delivery, and build organisational resilience.

Enhanced Knowledge Sharing and Collaboration
Implementing robust knowledge management systems and nurturing a collaborative culture to drive operational efficiency and spur innovation.

Digital Transformation and Innovation
Leveraging emerging technologies such as fintech advancements and AI-driven solutions to enhance decision-making, streamline operations, and accelerate growth within a rapidly evolving financial landscape.

For more information refer page 311, Integrated Risk Management.

VIDEO **16**

Scan QR code to understand cyber security

2.2 Intellectual Capital Governance

Business Continuity Planning
We maintain robust Business Continuity Plans (BCP), regularly updated and evaluated through simulations, to ensure uninterrupted service delivery and protect critical institutional knowledge during disruptions.

Information Security
We prioritise information security, implementing advanced systems and measures to safeguard sensitive data, secure digital platforms, and prevent unauthorised access to intellectual assets.

Information Security Risk Monitoring
We proactively monitor information security risks, utilising comprehensive risk assessment tools and techniques to identify potential threats and mitigate emerging vulnerabilities.

Customer Privacy Assurance
We uphold stringent data privacy standards, complying with relevant regulations and employing secure data handling protocols, including encryption and secure storage, to protect customer information.

Information Systems Audits

We conduct periodic Information Systems (IS) Audits to evaluate the effectiveness of security controls, ensure compliance, and identify opportunities for strengthening the governance and protection of intellectual capital.

2.3 LB Sustainable Kids: Innovating Digital Sustainability through Animation

Breaking new ground in Sri Lanka's financial sector, we launched "LB Sustainable Kids," the country's first animated video series dedicated to teaching children about sustainability. This innovative digital initiative leverages engaging animation to make environmental and social responsibility concepts accessible and fun for younger audiences. Beyond education, the series aims to cultivate environmental stewardship in future generations, demonstrating our forward-thinking commitment to community engagement and sustainable practices. Hosted on the LB Sustainability Facebook page, the videos are easily accessible, alongside updates on the Company's broader sustainability journey.

3 CATALYSTS OF INTELLECTUAL CAPITAL

3.1 Our Brand

Brand Strategy

Our focus is on boosting brand visibility through a targeted digital marketing transformation. This involves revamping our online presence, optimising channel strategies, and leveraging data to increase reach and impact.

Our Brand Performance - 2024

LMD THE VOICE OF BUSINESS

Brand Finance®

Brand value reflects the image of the Company in the eyes of customers, existing or potential and other important stakeholders. Since LBF recognises the importance of brand as a key value driver the Company is constantly striving to preserve and nurture it.

20th place in MOST RESPECTED ENTITY

01st place in FINANCE AND LEASING SECTOR

ATTRIBUTE RANKING AMONG THE CORPORATE ENTITIES IN SRI LANKA

25th place in ASPIRATIONAL WORKPLACE	40th place in CORPORATE CULTURE	13th place in CRISIS MANAGEMENT
26th place in CORPORATE DYNAMISM	18th place in EMPLOYEE WELL-BEING	29th place in ETHICAL OUTLOOK
23rd place in BUSINESS EXPANSION	11th place in FINANCIAL PERFORMANCES	14th place in BUSINESS INNOVATIONS
15th place in LEADERSHIP PROFILE	28th place in NATIONAL PERSPECTIVE	17th place in QUALITY CONSCIOUSNESS
16th place in STRATEGIC VISION	18th place in TAX COMPLIANCE	

Brand Promise

Our commitment to delivering reliable, innovative, and customer-centric financial solutions.

Brand Positioning

Established as a trusted leader within the Sri Lankan financial services sector.

Brand Communication

Our strategy involves communicating the LBF brand across digital, social media, and traditional channels to ensure broad reach and consistent engagement.

MINDSCAPING INTELLECTUAL CAPITAL

3.1.1 Brand Building and Marketing Campaigns

Our marketing efforts focused on strengthening brand presence, promoting specific products, and engaging directly with target audiences through various channels. Key initiatives included:

Integrated Brand Building and Advertising

- Conducted comprehensive advertising campaigns and sales promotions to enhance product visibility and overall brand recognition
- Adopted a mix of mass marketing for broad reach and focused campaigns targeting specific customer segments



Product-specific Campaigns

Leasing

- Launched targeted campaigns, including advertising for hybrid vehicle leasing options
- Capitalised on the opening of the unregistered vehicle market by promoting a highly competitive leasing offer themed around 'highest loan amount, lowest interest rate'
- Promoted specific leasing products including 'Power Draft'



Gold Loans

- Continued the successful 'Vanitha Ran Saviya' programme, supporting female entrepreneurs with Gold Loans



Deposits

- Promoted the 'Premier Savings' account through integrated mass media and digital marketing channels
- Utilised digital platforms extensively for promoting Deposit Products



Value Added Services (VAS)

- Executed targeted promotions for services such as Western Union bill payments, focusing on peak transaction months



Digital Channel Enhancement

- Upgraded the LB CIM app to improve user experience and functionality



Below-the-Line (BTL) Activations and Community Engagement:

Implemented intensive field activations, including:

- A 10-day door-to-door campaign covering selected areas in the Northern Province
- 'Town storming' promotional activities and evening community engagement events
- Culturally relevant activations, such as participating in Thaipongal celebrations

Strategic Partnerships and New Offerings

- Facilitated gold jewellery sales through partnerships with vendors, supported by offering dedicated credit facilities to customers



3.1.2 Brand Health Monitoring

We monitor brand health and customer perception through targeted research and ongoing feedback channels. Key activities include:

- Undertook a detailed study specifically for Gold Loans to evaluate customer perception, identify potential weaknesses, and pinpoint areas for improvement
- Utilised our customer call centre as a key channel for gathering ongoing customer feedback and insights

3.1.3 Social Media Strategy

The core social media strategy for 2024/25 is centred on positioning us as the preferred financial services provider for our target audience. We will implement a focused marketing approach, concentrating resources on specific customer segments and developing relevant, value-driven content designed to resonate with their unique financial goals and establish our distinct advantage.

Refer to customer capital on page 197 for statistics of our social media following.

3.2 Leveraging Our Technology Investments

Asset Name/Initiative	Objective	Source
LB CIM app revamp	To enhance the user experience	In-house software
LB CIM Business Loan top-up	To grant AI driven instance business loan	In-house software
Digital Personal Loan scoring	AI driven digital Personal Loan to get instance personal loan	In-house software
Eclipse RMV module	Digitalisation of RMV module to disburse loan funds within a day	In-house software
Eclipse loan settlement module	Digitalisation of loan settlement process of LBF	In-house software
Money exchange solution	New application to manage money exchange process more efficiently	In-house software
User access management solution (LUNA)	User access management (application, network, employee onboarding and resignation)	In-house software
Snowflake cloud-based solution	To establish a scalable, cloud-native data platform that unifies data storage, processing, and analytics	Licensed Software
Privilege access management solution	To enhance cybersecurity by controlling, monitoring, and securing elevated access to critical systems and data	Licensed Software
Development of customer onboarding solution	To develop a product for internal customer onboarding and also to go to market.	In-house software
Digitalisation of vehicle insurance process	To digitalise vehicle insurance process of LBF	In-house software

3.3 Control Systems and Frameworks

3.3.1 Business Continuity Planning

Our BCP builds operational resilience, enabling critical functions to continue or rapidly resume after disruptions such as natural disasters, cyber-attacks, or system failures. The plan features comprehensive risk assessments, disaster recovery procedures, and contingency strategies focused on minimising downtime and sustaining customer service. Regular drills validate our preparedness, and continuous updates ensure the plan evolves to meet emerging threats effectively. The BCP outlines specific procedures, ensuring that designated employees understand how to maintain operations. Key policies within the BCP are subject to annual review involving relevant stakeholders to ensure they remain current and effective. During the financial year under review, two BCP drills were conducted at the Head Office and Corporate Office.

3.3.2 Information Security Management

In response to the heightened need for security within our digitalisation efforts and to meet Central Bank mandates, we bolstered our governance framework by creating an independent Information Security Department in April 2024, led by a dedicated Chief Information Security Officer (CISO). This department's core mandate is to ensure security is intrinsically addressed in all digital initiatives. Our governance relies on a "Defence-in-Depth" model with three clear lines of responsibility: IT Operations (1st line), oversight functions including the new Information Security Dept, Risk, and Compliance (2nd line), and independent assurance via Internal Audit (3rd line). Critically, security is integrated from the start through "secure by design" principles. The second and third lines work closely with IT during project development, ensuring security protocols and regulatory needs are embedded and validated before go-live.

SASB: FN-CF-230a.3

Our robust information security management practices continued to protect sensitive data and prevent unauthorised access. The following initiatives were implemented in FY 2024/25.

Organisation-Wide Data Inventorying and Classification

Undertook a structured enterprise-wide exercise to catalogue and classify data assets, enabling the application of appropriate security measures based on data sensitivity and business value.

Security Monitoring and Incident Response

Established monitoring capabilities and defined response protocols to detect and respond swiftly to security incidents. The establishment of a 24x7 Security Operations Center (SOC) has been initiated. This central capability is designed for continuous monitoring across our entire digital ecosystem, enabling rapid detection and response to cyber incidents.

Security Assessments and Infrastructure Hardening

Ongoing security assessments and infrastructure hardening efforts are being carried out to proactively strengthen critical digital systems and network assets, enhancing the organisation's resilience against evolving cyber threats.

Phishing Simulations

Simulated phishing attacks to measure employee response and reinforce awareness around email-based threats.

Formalised Security Integration in Projects

Provided security oversight and guidance for major technology initiatives to ensure secure implementation from design to deployment.

Red Teaming and Cyber Simulation Exercises

Regular red teaming engagements are carried out to simulate advanced cyber threats, enabling independent validation of security controls and rigorous testing of incident detection and response readiness.

End-User Security Training and Awareness

Introduced a mandatory, organisation-wide security awareness and certification programme, reinforcing compliance and cultivating a strong security culture

Personal Data Protection Act (PDPA) Compliance Programme

Established a dedicated Data Protection Officer (DPO) function within Compliance to ensure adherence to the Personal Data Protection Act (PDPA) and strengthen safeguards for employee and customer Personally Identifiable Information.

Enhance Information Security Policies and Procedures

Updated and formalised key security policies and operational procedures in line with industry best practices and regulatory requirements.

Attack Surface Management Exercises

Mapped and monitored the organisation's digital footprint to reduce exposure and mitigate potential entry points for attackers.

Enhancements for Data Leakage Prevention Measures

Improved data protection strategies by initiated implementing advanced data leakage prevention (DLP) technologies and processes to monitor and prevent unauthorised data transfers or leaks.

3.3.3 Data Privacy

Data privacy is a key priority. We ensure all collection, storage, and processing of customer and Company data strictly adheres to data protection regulations. By implementing data security best practices and enforcing rigorous access controls, we safeguard sensitive information. We obtain customer consent where necessary and utilise anonymisation or encryption techniques to prevent breaches, thereby building and maintaining trust in our digital services.

3.4 Knowledge-Based Systems and Processes

3.4.1 Human Resource Development

Investing in our people is fundamental. We focus on human resource development, providing continuous learning opportunities, skill enhancement programmes, and leadership training. By empowering our workforce, we ensure our employees possess the knowledge and capabilities essential for driving innovation and contributing to the Company's sustained success.

3.4.2 Process Re-engineering

Optimising operational effectiveness is achieved through process re-engineering. We continuously re-evaluate and redesign internal workflows to eliminate inefficiencies, improve resource utilisation, reduce costs, and enhance service speed. This focus on streamlining operations leads directly to higher customer satisfaction and increased organisational agility. Key process improvements include the completed automation of RMV procedures and the ongoing project to automate insurance processes.

3.4.3 Innovation Capabilities

We continuously invest in and cultivate our innovation capabilities, fostering a culture that champions creative problem-solving and the development of novel financial solutions. By strategically leveraging emerging technologies such as AI, data analytics, and digital platforms, we enhance service delivery, enrich customer experiences, anticipate market trends, and secure long-term growth.

3.4.4 Building Intellectual Capital

Building and leveraging Intellectual Capital is key to our sustainable growth. We foster a knowledge-driven environment to enhance our core intellectual assets, including specialised expertise, proprietary systems, and innovative processes. This strategic investment yields significant long-term benefits, such as improved decision-making, superior service offerings, and a strengthened market position.

4. REVOLUTIONISING WITH LB CIM

LB CIM app continues to be a powerful catalyst, reshaping how our customers engage with LBF. Driven by cutting-edge features and continuous enhancements, the app streamlines internal operations and significantly elevates customer experience, empowering individuals, and businesses with greater control over their financial journeys.

4.1 Transaction volume/amount

Over the past year, LB CIM app processed 3.87 million transactions, amounting to Rs. 116,709 Million in total transaction value. This reflects a significant increase in digital adoption among our customers, highlighting the growing trust in our digital platforms.

4.2 App downloads

LB CIM app has been downloaded by 200,000+ number of users, indicating strong customer interest and trust in the platform.

4.3 Key features and services

The LB CIM app delivers an all-encompassing digital financial management experience, enabling users to effortlessly open savings accounts and manage Fixed Deposits, including securing loans against them.

Our digital platform offers a versatile suite of lending solutions, enhanced by AI-powered capabilities for rapid credit access. Customers can conveniently apply for Personal or Business Loans through the app, with disbursements processed within minutes instantly when AI-based evaluations are available. Key features include an AI-driven Gold Loan top-up and a newly introduced AI-powered Business Loan top-up facility, both providing eligible customers with immediate financing options.

Functioning as an integrated payment hub, the app also facilitates QR payments, bill settlements, and fund transfers. Additional value-added services include digital settlement of financial facilities, scheduled payment setup, and easy access to essential documents such as FD and WHT certificates all within a unified digital platform.

4.4 Achievements

- LB CIM app achieved a 73% growth in app downloads
- Processed 3.87 million of total transactions (including FDs and loans) via the LB CIM app, highlighting its role in operational efficiency
- Recognised as the 'Most Popular Mobile Banking App' by LankaPay in 2025, confirming strong market position and user preference
- Customer satisfaction: A high satisfaction rate was reported by LB CIM users, driven by positive feedback on its user-friendly interface, operational speed, and overall accessibility.

4.5 Disruptive Innovations in Our Digital Evolution: Enhancing Efficiency and Customer Satisfaction

- AI-powered instant Gold Loan top-up – Utilising AI to assess customer profiles and provide instant, personalised gold loan top-ups with customised limits. (A first in the industry)
- Automation of manual RMV process – Minimising processing time and reducing manual errors through complete end-to-end digitisation (first in the industry).
- Automation of settlement process – Enhancing the settlement process with real-time updates to ensure accuracy and compliance.
- Robotic process automation processes to promote sustainable resource consumption through digitalisation and automation

4.5.1 Examples of AI Use Cases

At LBF, the strategic integration of Artificial Intelligence (AI) is driving a transformative shift across our business operations, significantly enhancing efficiency, decision-making, and customer experience. We leverage AI technologies across a wide range of functions, including advanced credit scoring, pre-approved loan disbursements, LLM-powered chatbots for internal decision support, early warning systems for termination prediction, optimised cash operations, targeted cross- and up-selling lead generation, and robust fraud detection. By embedding AI into our core processes, we not only streamline internal workflows but also deliver more personalised, responsive services strengthening our position as an innovation leader in the financial services sector.

To ensure reliability and responsible use, AI models undergo validation during development, also considerations for information security and personal data protection integrated into our broader governance practices. This approach supports the secure and ethical adoption of AI across the organisation.

MINDSCAPING INTELLECTUAL CAPITAL

5. PARTNERSHIPS WITH EXTERNAL ORGANISATIONS

Business Partner	Agreement/Service Type	Benefits to LB Finance	Performance Metrics	Strategic Alignment
Technology providers	Software solutions and data security tools	Improved operational efficiency, enhanced data protection, and technology upgrades	• System uptime • Data security incidents	• Supports digital infrastructure and data security initiatives
Fintech companies	Digital banking, mobile payments, and app development	Digitalisation of services, improved customer access, and reduced operational costs	• Mobile app usage • Digital transactions	• Aligns with digital transformation strategy • Customer-centric approach
Web developers	Website and micro-site developments	User-friendly digital platforms, improved online presence, and automation and efficiency	• Website traffic • User feedback	• Aligns with digital transformation strategy • Stakeholder relationship management
Information security certification	ISO 27001:2022 audit and certification	Independent assurance of control maturity	• Audit pass rates, number of non-conformities	• Enhances credibility and supports regulatory and stakeholder assurance expectations
Enterprise & Business Application Partners	Licensing and support for Oracle ERP, CRM, HRMS, and departmental solutions	End-to-end operational efficiency, compliance, and integrated financial and customer management	• System uptime, SLA compliance, user satisfaction, process coverage	• Supports operational excellence, regulatory compliance, agility

6. LAUNCHING SRI LANKA'S FIRST NBFI SECTOR ANNUAL REPORT MICRO-SITE

Our 2023/24 Annual Report micro-site sets a new benchmark for technological advancement in Sri Lanka, incorporating a suite of innovative features.

Pioneering highlights include the nation's first voice-sensitive AI chatbot, adept at handling both text and voice queries, alongside a smart chart generator enabling users to create custom data visualisations from the report. An integrated dashboard presents dynamic charts covering both financial and non-financial metrics, while a real-time widget connects users directly to our sustainability Facebook page. Designed with accessibility features for diverse users and supported by a user guide, the micro-site significantly enhances usability. Furthermore, we break from tradition by introducing an HTML version, a summarised animated video, and an interactive flipbook, offering a more engaging experience than standard PDFs. These advancements collectively position the micro-site as a landmark achievement in Sri Lankan corporate reporting history.



Scan QR code to visit our 2024/25 Annual Report micro-site

7. INTELLECTUAL CAPITAL IN MYANMAR

At LB Microfinance Myanmar, Intellectual Capital is a cornerstone of innovation and sustainable growth, encompassing the collective knowledge, systems, and culture that drive high-quality financial service delivery. The organisation leverages advanced operational technologies, notably the e-financial system, which enhances real-time data analysis, automates reporting, streamlines workflows, and ensures regulatory compliance enabling agile and informed decision-making. Brand equity is actively nurtured through a strong focus on customer-centric service, consistent client engagement, and the professional development of the sales and marketing teams. Proactive savings campaigns promote financial inclusion while reinforcing LB's image as a trustworthy financial partner. Ongoing training empowers staff to deliver exceptional service, directly influencing positive market perception.

Through these integrated efforts spanning operational excellence, brand stewardship, and community engagement, LB Microfinance Myanmar continues to build lasting trust and competitiveness in Myanmar's financial landscape.

8. INTELLECTUAL CAPITAL JOURNEY

2020/21

- End to end automation of workflow system of the leasing business
- Reduction of paper work and manual task leading to time savings of back-office staff
- Allowing customers to perform their gold loan payments and top-ups without visiting LBF branches
- Introduction of a fully automated risk assessment scorecard for branches and gold loan centers
- Automation of the insurance renewal process

2021/22

- LBF tied up with DRP to fast-track digital financial services
- Partnered with WEBXPAY to promote CIM business loans to MSMEs
- Install data visualisation and modelling software
- Established robotic process automated software

2022/23

- Profitability dashboard linked to the oracle profitability and cost management modules to provide real time analysis of branch-wise and product-wise profitability
- Top-up facility identification dashboard to identify customers with underutilised debt capacities
- Credit scoring for Gold Loan customers
- Call centre customer rating dashboard to analyse the customer complaints and customer satisfaction levels/feedback

2023/24

- Successfully transitioned from ISO 27001:2013 to ISO 27001:2022 Information Security Standard certification
- The technology risk management framework was overhauled to align with the CBSL standards
- Digitisation of the core banking process
- Digitised the entire lifecycle of FD while offering comprehensive services from initiation to maturity
- Developed GOAML, the Anti-Money Laundering system aligned to the recommendations of the Central Bank of Sri Lanka
- Revamped User Interface (UI) and User Experience (UX) of the LB CIM app to make navigation intuitive and interactions seamless

2024/25

- Establishment of an Independent Information Security Department
- Implemented Snowflake cloud-based solution
- Launched "LB Sustainable Kids," the country's first animated video series dedicated to teaching children about sustainability
- Developed Sri Lanka's first NBFI sector micro-site for 2023/24 annual report

9. CRAFTING THE FUTURE

Term	Metrics	Targets
Short Term (< 1 year)	• Frictionless experience • Open finance and API ecosystem	• Delivered real-time transactions, contextual personalisation, and effortless UI/UX, creating a lifestyle-based financial interaction for customers • Introduce open banking APIs, empowering fintech collaborations and extending LB CIM app's capabilities beyond LBF's traditional boundaries
Medium Term (1-3 years)	• Single-app ecosystem mastery • Hyper-personalisation and predictive financing	• Consolidate all major financial services into LB CIM app • Leverage AI/ML to offer personalised financial journeys, including smart nudges, investment suggestions, and automated financial wellness tools
Long Term (> 3 years)	• Green and inclusive digital finance	• Expand CIM's reach into under-served segments and introduce sustainability-linked financial products, creating inclusive impact through digital

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

<IR 2A, 2C, 3E> GRI: 2-23, 3-3

1 Input

- Excellent customer service
- Proactive interaction with communities
- Strengthening CSR activities
- Enhance business partnerships
- Increase branding effort to reach more segments

2 Strategic Drivers

- Updated software, increased automation and employee training
- Partnerships with multilateral organisations
- Analysts and increased engagement through social media

4 Space for Development

- Events that bring various stakeholders on common platforms
- Leverage customer feedback mechanisms to co-create and improve products and services
- Innovative funding options for non-captured segments in partnership with multilateral institutions
- Implement shared-value projects that align business goals with societal needs

3 Approaches for Managing Social and Relationship Capital Outcomes

- Contribute to a stable operating environment by supporting uplifting our communities
- CSR programmes - provide support for communities within and around operations
- Building trust with business partners through proactive communication for business continuity

5 Challenges

- Maintaining strong customer relationships in a digital-first service environment
- Identifying and nurturing strategic partnerships that align with shared values and goals
- Adapting to shifting consumer behaviours and societal trends
- Ensuring inclusive access to financial services for underserved and rural communities
- Demonstrating social responsibility while balancing commercial objectives

Customer Base
Over 850,000

Comprehensive Financial Solutions
31

CIM Transaction Growth
33%

Paid to the Government as Taxes
Rs. 12,645 Mn



		Stakeholders					
Interest	Corporate Social Responsibility	★	★	★	★	★	★
	Customer relationship		★	★		★	
	Brand reputation	★	★	★		★	★

6

Key Output

- Increased customer base by 6.8%
- Enhanced social media engagement
- Innovative digital products

7

Future

- Positioning the brand as a reflection of our core values and strategic ambitions to foster meaningful stakeholder engagement.
- Leverage stakeholder insights to co-create solutions that address emerging market needs.
- Promote long-term stakeholder value by integrating ESG principles into enterprise-wide strategies.



Visit web page for our management approach of Social and relationship Capital

Impact from SRROs and CRROs

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

<IR 2B>

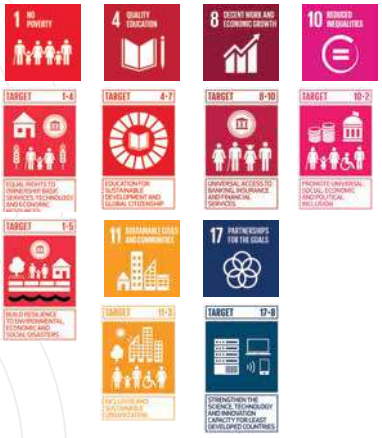
1. OVERVIEW

Social and relationship capital represents the meaningful connections and sustained interactions within our stakeholder network. The collective engagement and collaboration among these stakeholders enhance value creation for everyone involved.

1.1 Contribution to Value Creation

Value Creation	Value Preservation	Trade-offs
• Enhanced digital adoption, with 33% of transactions completed through the LB CIM app • Expanded physical presence by opening 06 branches outside the Western Province	• A strong customer Base • Maintained a low customer complaint ratio	• Investment in digital platforms vs branch opening costs
• Upgraded the Company's rating • Completed the strategic merger of Multi Finance	• Maintained a stable dividend policy	• Managing the balance between long-term investments and short-term return expectations • Addressing increased reporting responsibilities
• Implemented 'Teamwork' as a new core value • Revamped the orientation programme • Offered 1,145 promotions to employees	• Maintained an employee retention ratio of 56% • Fostered a culture of zero discrimination	• Incurred investments related to training, wellness programmes, and policy rollouts
• Compliance with new CBSL requirements	• Maintained 100% timely submission of compliance and audit reports	• Increased compliance and audit costs
• Added new partners to our network • Signed international agreements	• Renewed dealer partnerships • Maintained agreed payment and service conditions	• Addressing potential conflicts of interest. Balancing efforts to increase brand visibility with the risk of brand dilution
• Invested Rs. 27.35 Mn in CSR projects. • Contributed 7,552 volunteer hours. • Signed 04 agreements with government entities	• Continued 05 ongoing CSR programmes • Created vocational opportunities for women	• Allocated financial and manpower resources for non-revenue initiatives • Evaluated the long-term ROI of CSR initiatives

1.2 Unifying Social and Relationship Capital with LB strategy

Linking LB Strategy	Contribution to Our Mission	Related SDGs and UNGC Principles
SUSTAINABLE GROWTH Long-term Value Creation Strengthening long-term relationships with key stakeholders	Mobilise public funds by developing innovative investment products that deliver enhanced value to depositors.	
CUSTOMER CENTRICITY Market-leading Customer Experience Building trust through 24/7 service accessibility, multilingual support, and customer feedback	Engage in prudent lending aimed at assisting entrepreneurs in wealth creation.	UNCG - Principle 1 UNCG - Principle 6 UNCG - Principle 7 UNCG - Principle 10
DIGITAL LEADERSHIP Innovative Digital Transformation Collaborating with fintech partners to expand service reach and leveraging digital channels	Undertake investments where results are clearly measurable and proactively seize new market opportunities.	
POSITIVE IMPACTS Thriving Business with Sustainable Impact Partnering with community organisations		
EMPOWERING PEOPLE Empowering creativity and driving innovation Creating platforms for stakeholder collaboration, including community roundtables and co-creation initiatives with customers and partners	Cultivate enduring partnerships with stakeholders, employees, and the general public by providing caring and personalised service.	

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

1.3 Material Matters and Related Topics

Material Themes	Material Matters	Related Topic	Page
Sustainable business growth	Brand trust	Building customer awareness	191
Future-fit organisation	Process excellence	Product responsibility at LBF	191
	Digital transformation	Converting customers toward embedded sustainability	195
Good governance and risk optimisation	Ethics and Transparency (Anti-Fraud Environment)	Data privacy, Customer privacy and Information security	197
	Data Security and Customer Privacy		
Supporting social cohesion	Corporate citizenship & social license to operate	Community capital	200
	Employee engagement	Customer relationship management	196
Serving and meeting customer needs	Selling practices	Product responsibility at LBF	191
	Lending practices		
	Customer experience		
	Financial inclusion agenda	Personalisation and customisation	192

1.4 SWOT Analysis for Social and Relationship Capital

Strengths

Deep customer trust cultivated over decades of established presence and consistent service delivery.

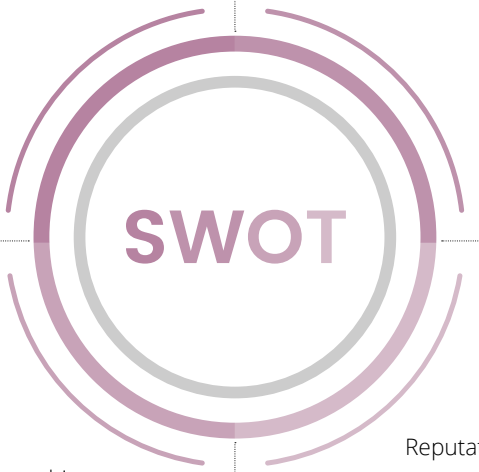
Well-established community outreach and Corporate Social Responsibility (CSR) programmes.

Long-standing, robust partnerships with regulators and financial institutions.

Weaknesses

Significant reliance on the physical branch network for cultivating customer relationships.

Potential limitations in current feedback mechanisms to fully capture stakeholder sentiment.



Opportunities

Strengthen digital channels to enhance customer and overall stakeholder engagement.

Collaborate with community organisations to achieve broader social impact.

Leverage data-driven insights for enhanced stakeholder experience and personalisation.

Utilize partnerships to advance sustainability initiatives.

Threats

Growing competitive pressure from digital financial service providers.

Reputational risk arising from misinformation and adverse social media commentary.

2. SOCIAL AND RELATIONSHIP CAPITAL AND SUSTAINABILITY

2.1 Social and Relationship Capital-Related Sustainability Risks and Opportunities

We address sustainability risks and opportunities related to social and relationship capital in line with the disclosure requirements of SLFRS S1. It mandates reporting on material sustainability risks and opportunities impacting enterprise value

For more details, refer Integrated Risk Management on page 311.

2.2 Social Capital Governance

Our governance framework is designed to uphold stakeholder trust, support inclusive growth, and strengthen social impact. Oversight is provided by the Board of Directors, supported by specialised committees including the Board and Management Sustainability Committees and the Integrated Risk Management Committee.

Key mechanisms underpinning this framework include:

- Stakeholder Engagement: A formal process to regularly identify, prioritise, and address stakeholder concerns.
- Community Investment and CSR Governance: Strategic guidance by the Sustainability Committees ensures alignment of community development initiatives with national priorities and UN Sustainable Development Goals (SDGs).
- Partnership Management: Evaluation of key business and social partnerships is based on shared values, risk exposure, and potential for social value creation.
- Sustainability Reporting: Transparent disclosure of Social and Relationship Capital performance (including community investment, financial inclusion, and stakeholder engagement outcomes) is provided in our Integrated Report, aligning with SLFRS S1 and other sustainability frameworks.

3. CUSTOMER CAPITAL

FUTURE
ONE MILLION
CUSTOMERS FOR LBF

Technology and sustainability strategy

Driving innovation and sustainability to shape the future of financial services.

Strengthening brand trust

Maintaining a strong brand reputation built on trust, financial stability, and reliability.

Seamless digital financial services

Providing robust, user-friendly digital services leveraging advanced platforms.

Wide-ranging product portfolio

Offering a diverse array of competitive and tailored financial products catering to various customer segments.

Exceptional customer service

Delivering superior service standards supported by effective customer relationship management.

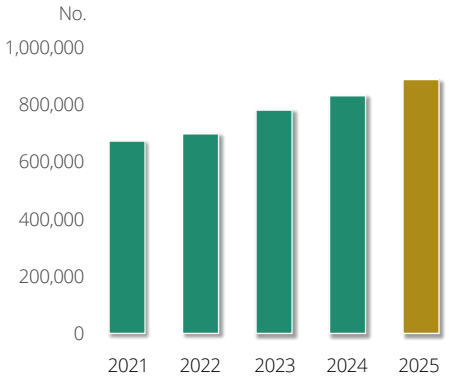
Personalised financial solutions

Customising financial solutions to meet the unique needs of individual customers.

Multi-channel engagement

Expanding customer reach and interaction points through digital channels and strategic partnerships.

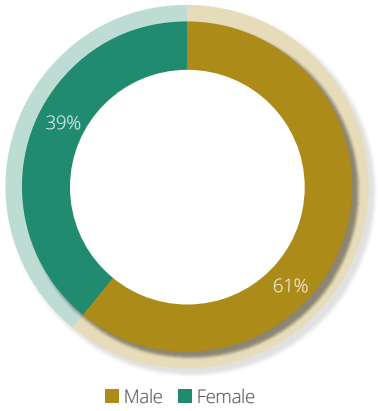
Number of Customers



Demographic Segmentation

2.32%	5.51%
0–14 years	15–24 years
68.64%	12.26%
25–54 years	55–64 years

Customer Profile by Gender



Customer Trends Overview

- Lending Customers ↑
- Deposit Customers ↑
- Repeat Customers ↑
- New Customers ↑

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

3.1 Leveraging Our Digital Platforms To Meet Our Customers' Needs

Drive digital transformation by exploring new technologies and upgrading internal IT systems to enhance customer experience and exceed expectations.

Strategy

We prioritise building customisable digital platforms tailored directly to customer needs, moving beyond standard off-the-shelf solutions.

Action

- Streamlined AI base digital business loan to reduced documentation
- AI-Powered Instant Gold Loan top-up enhanced customer experience by enabling transactions conveniently through the LB CIM app, removing the need for branch visits
- Robotic Process Automation

Highlights

- Rs. 4,857 Mn digital loans portfolio
- Leveraging AI to assess customer profiles and offer instant gold loan top-ups
- 100,000+ digital customer on boarding through LB CIM app
- Automated 24 business process by promoting sustainable resource consumption

3.2 Offering Sustainable Financial Solutions that Combine Innovation

Delivering comprehensive and innovative financial solutions that integrate seamlessly with advanced technology to cater to the diverse needs of our customers.

Strategy

Develop integrated financial solutions that holistically address customer needs, offering convenience and seamless access in addition to financial products.

Action

- Implemented digital customer assessments
- Process automation
- Undertook enhancements to the LB CIM mobile application
- Developed and introduced sustainable product offerings

Highlights

- Enabled personalised, instant Gold Loan top-ups using AI for customer profile assessment
- Automated over 20 business processes
- Provided access to 80% financial solutions via the LB CIM mobile app.
- Introduced a new Solar Loan product

3.3 Delighting Customers by Safeguarding the Customer Journeys

LBF is committed to delighting customers by meticulously safeguarding every step of their journey, ensuring secure, seamless, and trustworthy interactions across all touch-points. Through advanced risk management and proactive service excellence, LBF continuously enhances customer confidence and satisfaction.

Strategy

To deliver secure, responsive, and personalised service experience, we leverage advanced data science and AI analytics for deeper insights into customer journey pain points and implement robust information security measures.

Action

- Cyber security and data protection
- Advanced Threat Detection Systems
- Data Encryption Protocol

Highlights

- 04 training conducted for Information security awareness programmes
- Implemented AI/ML-powered real-time threat detection
- Implemented end-to-end encryption for sensitive customer data
- Conducted regular penetration testing for vulnerability assessment

3.4 Building Customer Awareness

Believing every customer has the right to informed decision-making, we provide the necessary tools, which in turn build trust in the LBF brand.

Strategy

LBF's media and promotional materials adhere to all regulatory compliance requirements and industry standards. Simultaneously, we leverage customer insights to continuously enhance the quality, relevance, and impact of our content, ensuring alignment with customer expectations.

Action

- Prioritised mass media outreach
- Expanded distribution of promotional materials across social media platforms
- Enhanced target audience visibility and engagement

Highlights

- Targeted media campaign for gold loans and leasing business
- Partnered with Lanka QR to support Sri Lanka's digital payment ecosystem and vision
- Strengthen the digital marketing campaigns and increase the advertising social media channels

3.5 Product Responsibility at LBF

At LBF, our commitment to Product Responsibility is paramount, centred on prioritising the financial well-being of our customers while upholding the integrity of the Non-Banking Financial Institution (NBFI) sector. We offer a diverse range of products and services designed to meet the varied needs of our customer segments, encompassing mainstream offerings, innovative tools, and tailored solutions. Furthermore, we are committed to providing personalised advisory services and tailor-made repayment plans for customers facing financial stress, aligning with our product responsibility guidelines.

3.5.1 Product Development Process

Our product development journey is a two-phase process designed for thoroughness and market relevance. It begins with a comprehensive assessment of customer needs, coupled with a comparison of current product offerings and industry best practices.

Phase 1

Ideation and concept development Focused on generating and refining concepts under the close management of the DMD

Phase 2

Review, validation and launch: The finalised concept undergoes review by the Board Integrated Risk Management Committee (BIRMC), followed by prototype development, validation, quality assurance, and rigorous regulatory compliance checks. Successfully validated products then proceed to a controlled pilot run before full launch

3.5.2 Market Responsiveness

We continuously monitor the performance of our launched products and services. This ongoing monitoring enables the identification of underperforming products and facilitates timely corrective action. Findings and actions are reported to the Board Audit Committee for oversight.

3.5.3 Recent Product Highlights

Demonstrating our focus on innovation, diversification, and specific customer needs, recent product launches include:

- Solar financing scheme: A new product targeting existing customers as part of our diversification strategy
- "Wanitha Ran Saviya" Gold Loan: A dedicated Gold Loan product for women, providing low-rate, flexible options

3.5.4 Compliance and Safety Assurance

Ensuring the health and safety impacts of our products and services is fundamental. All offerings undergo rigorous assessment in adherence to stringent health and safety standards. We are pleased to report zero incidents of non-compliance regarding the health and safety impacts of our products and services, underscoring our unwavering commitment to customer protection.

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

3.5.5 Creating Customer Centric Culture

LBF's Customer Promise

Principle	Our Responsibility
Delivering world-class integrated financial solutions.	Provide a diverse, reliable portfolio of financial services tailored to specific customer segments.
Leveraging digital platforms to holistically meet customer needs.	Continuously innovate and enhance digital channels to enable faster, more convenient access.
Ensuring exceptional customer experience and satisfaction.	Ensure consistent delivery of responsive, respectful, and personalised service across all customer touchpoints.
Building and enhancing customer awareness.	Empower customers through transparent communication and targeted financial literacy initiatives.

3.5.6 Personalisation and Customisation

Customer Personas

Persona 1

Kids/teenagers 01-19



Demographics

- Southern Province
- Lives with parents
- Enjoys playing games on a tablet, learning new things, and spending time with friends

Goals and motivation

- Save money for future
- Learn good habits about money from parents

Product preferences

- LB Minor Savings
- LB Regular Savings

Challenges

- Needing parental guidance to set up and manage a savings account

Channel preferences

- Guardians (for minors)
- Branches
- LB CIM app (through parent/ guardian's supervision)

Persona 2

Gen Z 20-29



Demographics

- Western Province
- Single, financially independent
- Freelancer, Digital Marketer, Online Seller

Goals and motivation

- Build financial security for the future
- Plan for long-term savings and retirement
- Invest in personal experiences (e.g., travel, education)

Product preferences

- Personal Loans
- Education Loans
- Digital Financing
- Leasing
- Savings Products

Challenges

- Balancing student loan repayment and savings
- Managing finances while building her career and lifestyle

Channel preferences

- LB CIM app
- Branches (if needed)
- Social media

Persona 3

Young Families 30-39



Demographics

Central Province

Married, 2 or more children

Professionals

Goals and motivation

- Support a comfortable lifestyle for growing families.
- Secure home ownership and long-term financial stability.
- Balance family expenses and saving for children's education

Product preferences

- Leasing
- Gold Loans
- Savings Products
- Mortgage Loans
- Digital Financing

Challenges

- Managing household expenses with both working full-time
- Balancing long-term financial goals with short-term needs

Channel preferences

- Branches
- LB CIM app
- Connected ATMs
- Deposit Kiosks

Persona 4

Established Families 40-55



Demographics

North western Province

Married, 2 or more children

Entrepreneurs, professionals, Consultant

Goals and motivation

- Plan for retirement while funding children's education
- Maintain a comfortable lifestyle and minimise financial stress

Product preferences

- Education Loans
- Savings Products
- Gold Loans

Challenges

- Managing college expenses and retirement planning simultaneously
- Ensuring financial flexibility as children approach adulthood

Channel preferences

- Branches
- LB CIM app
- Connected ATMs
- Standing orders

Persona 5

Matured Well-off 55-60



Demographics

Sabaragamuwa Province

Married, grown-up children

Retired, Business Owner

Goals and motivation

- Secure a higher quality of life post-retirement
- Maximise wealth preservation and reduce financial risks

Product preferences

- FD Products
- Savings Products

Challenges

- Managing fixed income and ensuring it covers lifestyle expenses

Channel preferences

- Branches
- Standing orders
- Connected ATMs

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

Persona 6

Senior Citizens 60+



Demographics

- Uva Province
- Widowed, lives with adult children
- Retired

Goals and motivation

- Maintain her quality of life in retirement
- Ensure stable income through secure, low-risk investments

Product preferences

- Senior Citizens' FD
- Savings Products

Challenges

- Ensuring that investments provide steady returns without risk

Channel preferences

- Branches
- Connected ATMs
- Standing orders

Persona 7

Self-Employed Individuals



Demographics

- Northern Province
- Married, 02 or more children
- Owner of a small retail business

Goals and motivation

- Grow business revenue while managing personal finances
- Seek flexible financial products to expand business and personal assets

Product preferences

- Personal Loan
- Leasing
- Savings Products
- Mortgage Loans
- Gold Loans

Challenges

- Managing cash flow fluctuations in a seasonal business
- Balancing personal and business financial needs

Channel preferences

- LB CIM app
- Social media
- Branches (if needed)

Persona 8

SME and MSMEs



Demographics

- Eastern Province
- Owner of a small business, Business Revenue 500,000 per month

Goals and motivation

- Expand business and stabilise cash flow
- Seek long-term financial solutions for growth

Product preferences

- Personal Loans
- Gold Loans
- Mortgage Loans
- Micro Leasing
- Savings Products

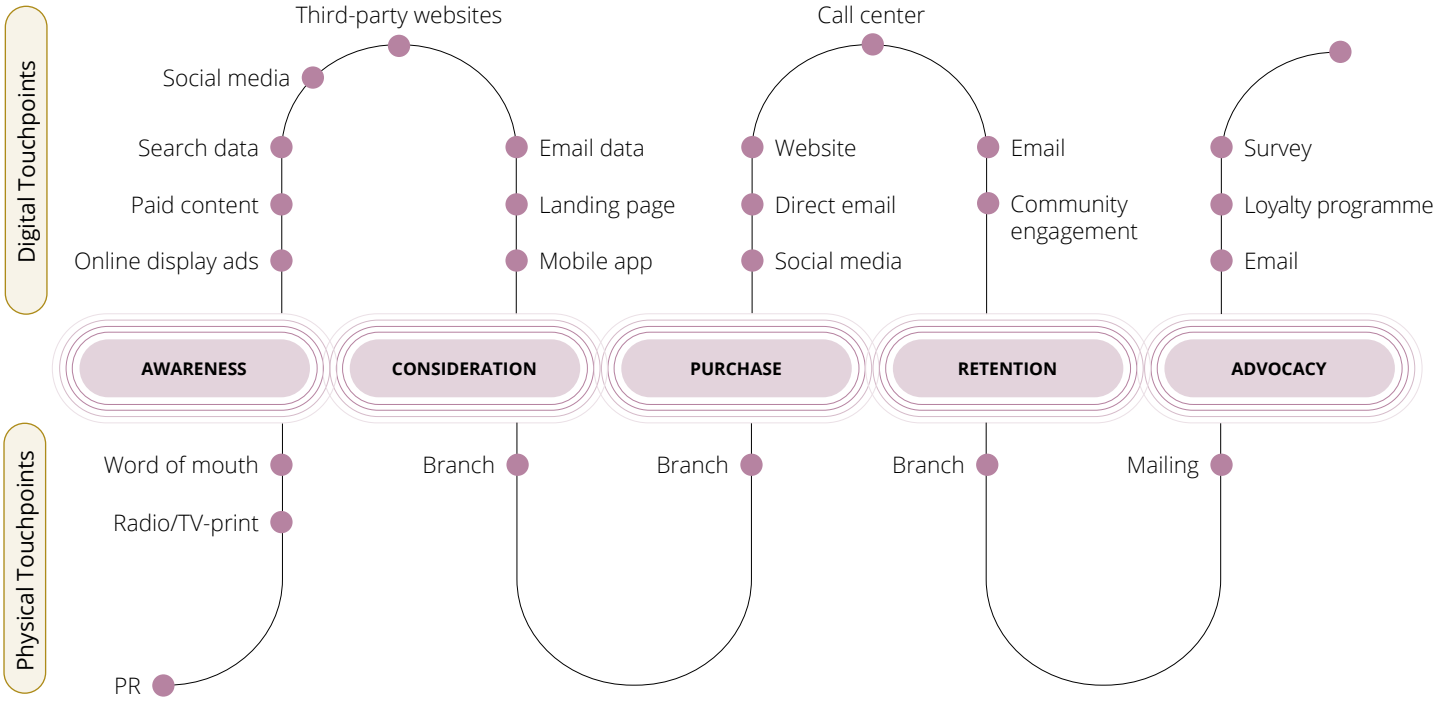
Challenges

- Ensuring business growth while managing tight working capital
- Securing long-term investment solutions for expansion

Channel preferences

- LB CIM app
- Branches
- Connected ATMs
- Standing orders

3.6 Customer Journey Mapping



3.7 Converting Customers Towards Embedded Sustainability

3.7.1 LBF Market-Leading CIM App: Revolutionising Digital Financing for the Future

Our market-leading LB CIM app provides a seamless, world-class digital banking experience designed to redefine customer convenience. With a strategic focus on sustainability and future banking trends, we continuously introduce features that enhance customer satisfaction and align with evolving digital needs.

By improving the User Interface (UI) and User Experience (UX), we ensure intuitive, efficient, and enjoyable interactions. These advancements aim to transform mobile banking, empowering customers with groundbreaking capabilities to manage finances with ease and confidence. At LBF, we are not merely keeping pace with technology; we are pioneering innovative, sustainable solutions for more accessible, faster, and personalised banking.

- Transitioning from conventional to digital-only banking (CIM Easy Loan, Loan against FD, Gold Loan Top-up)
- Facility disbursements are instantly credited to the CIM app for seamless access
- AI-driven financial personalisation: Utilising AI for financial personalisation, including Instant Gold Loan Top-Up based on customer profiles
- Processing staff disbursements directly to the LB CIM wallet
- Ensuring seamless user experience for transactions within LBF. Finance. Loan Repayments – Allowing customers to service personal and business loans via JustPay
- Automated lease payments – Encouraging customers to schedule monthly rentals through automated features
- FD withdrawals and interest transfers – Enabling seamless withdrawals and interest transfers from Fixed Deposits to other banks via SLIPS
- Free CEFTS transfer quota – Providing personalised fund transfer incentives based on customer grading, transaction frequency, and savings balance
- QR cashback offers – Offering QR cashback offers to boost transaction usage among existing customers
- Seamless rental collection – Facilitating rental payments directly from the LB CIM app for efficient and hassle-free transactions



CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL





3.7.2 LBF Green Lending

Driving a Sustainable Future

Through our green lending for hybrid and electric vehicles, we are directly contributing to environmental sustainability. Financing 2,716 vehicles has led to an estimated carbon emission reduction of 2,033 tCO_2e, supporting a cleaner environment and more sustainable future.

Learn more about how this initiative is transforming mobility and its full impact.

Refer to page 116 for more information

3.7.3 LBF Solar Loan

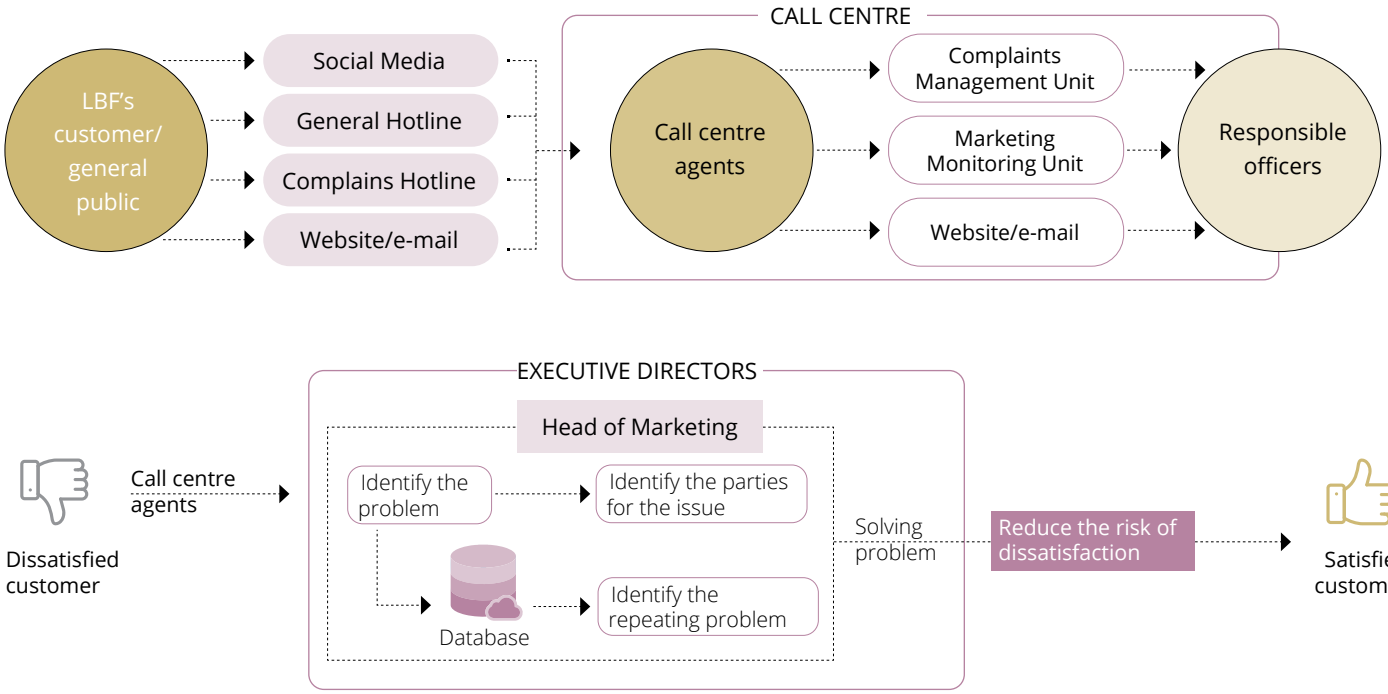
Powering a Sustainable Future

Our Solar Loan product enables customers to adopt clean energy solutions. To date, we have disbursed 13 solar loans to generate 180 kW of solar power. This initiative supports reduced reliance on traditional energy sources and contributes to lowering carbon emissions.

The financed solar installations are projected to reduce carbon emissions by an estimated 58 tCO_2e. Customers benefit from long-term energy bill savings while contributing to a greener future. Together, we are accelerating the shift towards sustainability.

3.8 Customer Relationship Management

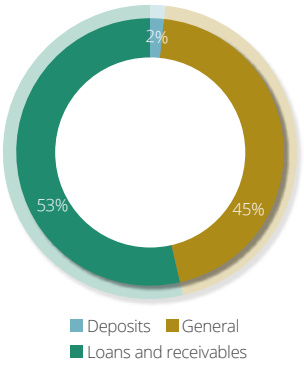
Customer Relationship Enhancement Model



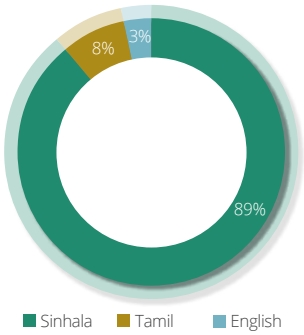
3.8.1 Call Centre Performance

Total Normal Calls Received

Product-wise

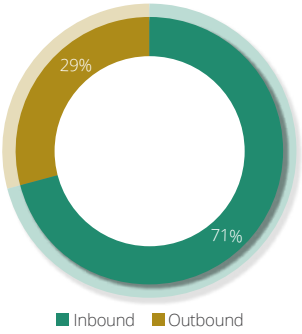


Language-wise

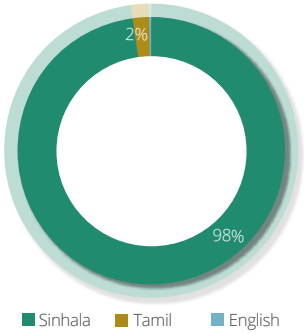


LB CIM Call Centre Performance

Inbound and Outbound



Language-wise



Our social media footprint

	Reach	Followers	Impressions
2024/25	5.5 M	185 K	55 M
2023/24	5.6 M	178 K	51 M

	Reach	Followers	Impressions
2024/25	369.4 K	15 K	N/A
2023/24	506.7 K	15 K	N/A

	Reach	Followers	Impressions
2024/25	3.4 M	71.9 K	3.8 M
2023/24	648.9 K	31 K	1.3 M

	Reach	Followers	Impressions
2024/25	5.2 M	73 K	301.8 K
2023/24	N/A	10 K	48.2 K

3.8.2 Customer Communication

Channel	Purpose
Social media	Engage, inform, and promote brand values
SMS and email	Transaction alerts, updates, promotions
Website	Product information and financial literacy
Call centre	Customer service and support
LB CIM app	Self-service convenience
Branch communication	Personal interaction, relationship building
Surveys and feedback	Understand needs and improve service

3.9 Customer Privacy and Protection at LBF

Safeguarding customer privacy stands as a fundamental value and legal responsibility at LBF. Our comprehensive Customer Protection Framework, aligned with the Finance Business Act No. 42 of 2011, formalises this commitment and provides clear guidelines to all staff regarding the confidentiality and privacy of customer data.

Stringent measures are in place for the secure handling of customer information, covering data storage, transmission, and access control. Access to sensitive data is strictly limited to authorised personnel for legitimate business purposes. We maintain adherence to relevant data protection laws and proactively update security protocols to manage emerging risks and prevent unauthorised access or misuse.

In the review year, our commitment was further reinforced through the implementation of a Board-approved Personal Data Protection Policy, which documents company-wide procedures for data handling. Employee understanding and compliance with these new procedures were ensured through a series of educational workshops.

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

The effectiveness of our framework was evidenced when a customer privacy breach complaint was received. This incident was promptly addressed through our established grievance mechanism, with the Human Resources department leading the investigation and ensuring continuous customer communication. The findings from this investigation led to the reinforcement of internal controls, further strengthening customer confidentiality.







3.10 Monitoring Customer Loyalty and Satisfaction

At LBF, monitoring customer loyalty and satisfaction is central to sustaining long-term business success and fostering meaningful relationships. By systematically tracking key performance metrics, the company gains valuable insights into customer behaviour, retention patterns, and overall satisfaction levels. These insights enable LBF to tailor strategies that enhance customer experience, drive repeat business, and build brand advocacy.

LB BRAND LOYALTY SURVEY

A pilot study was conducted by LB Finance PLC (LBF) to comprehensively evaluate brand loyalty. Feedback was systematically collected from over 200 customers across more than 40 branches in multiple provinces using a structured questionnaire. Presented below are the insights derived from this pilot study on brand loyalty. The findings have been independently verified by Dr. C.P. Atappattu, Senior Lecturer, Department of Business Economics, Faculty of Management and Finance, University of Colombo.



1. Overall, I am highly loyal to LBF
2. LBF is my preferred brand for financial services
3. I consider myself a long-term customer of LBF

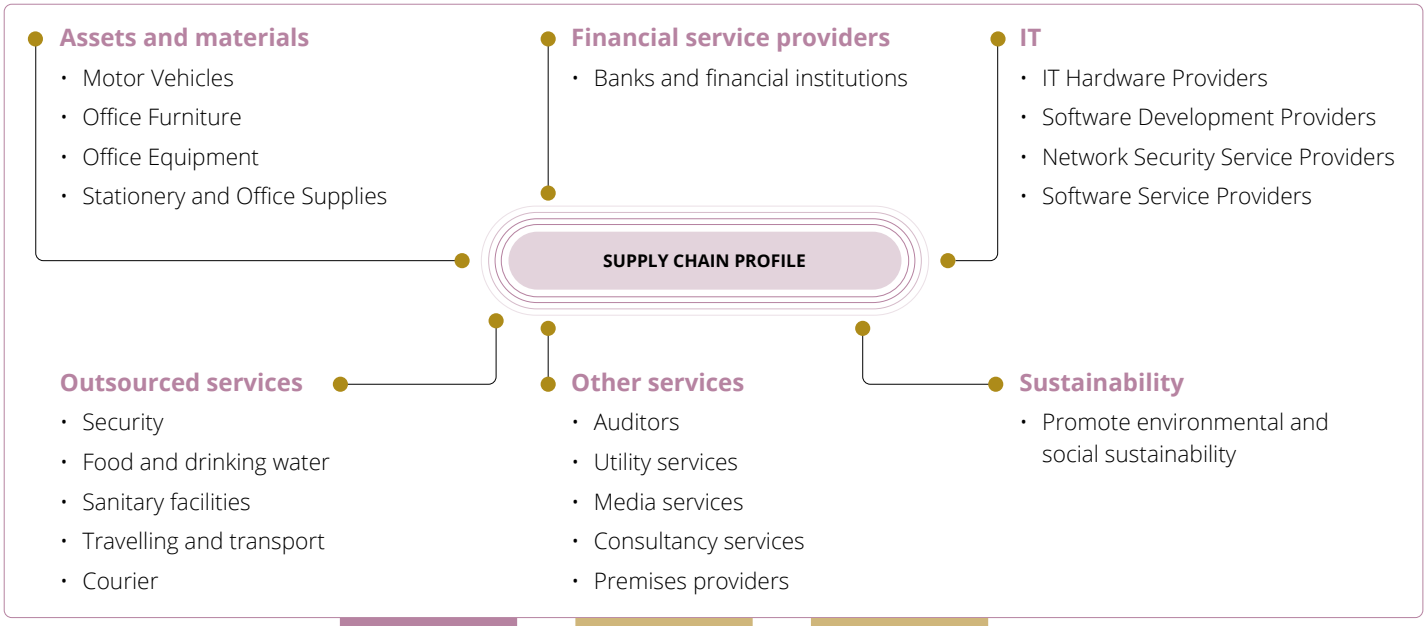
To review the full statistical analysis, scan the QR code

4 BUSINESS PARTNER CAPITAL

4.1 Supply Chain Management Approach

Our supply chain management is governed by a commitment to responsibility and transparency, prioritising ethical sourcing, regulatory compliance, and long-term value creation. We partner with suppliers who demonstrate alignment with our sustainability values and adhere to fair procurement practices. Emphasis is placed on ensuring quality, reliability, and cost-efficiency, underpinned by rigorous processes including regular evaluations, due diligence, and the use of digital procurement systems to maintain seamless and accountable relationships.

4.2 Supply Chain Profile



	2024/25	2023/24	2022/23
No. of business partners	19,000+	10,000+	6,900+

4.3 Developing Suppliers as Strategic Partners

We collaborate with our suppliers as long-term strategic partners. Through training and open communication, we enhance supplier capabilities in digital compliance, ESG alignment, and operational excellence. By involving these key partners in innovation and sustainability initiatives, we cultivate mutual growth opportunities and shared success.

4.4 Risks and Challenges

A well-structured and resilient business partner network underpins our operations, currently presenting no material risks. This strength is cultivated through proactive supplier assessment, clear procurement guidelines, and continuous engagement, fostering transparent, long-term relationships aligned with our governance and sustainability standards. By ensuring ongoing monitoring and collaboration, we facilitate the early identification and prompt mitigation of emerging risks, thereby preserving operational continuity and mutual trust.

4.5 Creating Value for Business Partner Capital

By proactively implementing rigorous supplier assessment, clear procurement guidelines, and continuous engagement, we have nurtured a resilient and reliable business partner network. This strategy builds transparent, long-term relationships that align with our governance and sustainability standards. Through ongoing monitoring and collaboration, we ensure the early identification and prompt mitigation of emerging risks, resulting in a network that currently poses no material risks and safeguards operational continuity and mutual trust.

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

GRI: 413-1

5 COMMUNITY CAPITAL

As a responsible corporate citizen, we are committed to fostering the social and economic development of the nation. We undertake impact community engagement projects focused on significantly uplifting the quality of life for undeserved communities across the country.

5.1. LBF's Commitment to Community Investment

At LBF, our community investment strategy is guided by national priorities and local needs, aiming to create positive and meaningful change. Recognising the vital link between society and our long-term success, we are focusing on uplifting marginalised areas, with a specific emphasis on rural communities.

We invest in community capital by supporting initiatives that drive inclusive, long-term socio-economic development. Our community investment strategy prioritises undeserved and rural areas across Sri Lanka, focusing on education, health, and livelihood development. We achieve this through targeted CSR projects, strategic partnerships, and employee volunteerism, aiming to uplift communities, improve access to essential services, and promote financial literacy. Aligning our efforts with national priorities and global sustainability goals ensures our impact is both meaningful and measurable, contributing to a stronger, more resilient society.

The community investments LBF make could be categorised into the following priority areas.

Knowledge sharing | Community well-being | Access to education | Build partnerships | Transformative CSR

Some of these investments are part of a continued historical journey, underscoring our enduring commitment to advancing community initiatives and promoting societal well-being. Examples of these ongoing initiatives are outlined below.

PROJECT

LCES Tailoring School

Priority Area

To equip individuals with skills in tailoring and sewing, LBF sponsored a vocational training programme at the La Sallian Community Education Center (LCES) in Colombo.

What we did in past

In 2023/24, we completed training of the first batch from the LCES Tailoring School, paving the way for better career paths for them

Partnership

LCES Tailoring School

Expected Benefits and impact

- Empowering women by equipping them with practical skills and knowledge.
- Expanding career opportunities, facilitating entry into diverse and skilled professions (including potentially traditionally male-dominated fields).
- Increasing earning potential and fostering greater financial stability.
- Enabling contributions to community development through participation in skilled labour markets.

Current year

Activity 01

An SME workshop, supported by SME Connect, was conducted at the LCES Tailoring School. The workshop equipped students with essential skills in entrepreneurship, leadership, basic social media usage, and fundamental financial management, empowering them for future success.

Investment (Rs.)	:	35,000
No. of Beneficiaries	:	26
Man hours	:	40

Activity 02

The Graduation Ceremony for the second batch of the LCES Tailoring School celebrated student achievements and facilitated economic empowerment by providing job opportunities at a garment factory, supporting their career advancement.

Investment (Rs.)	:	1,638,000
No. of Beneficiaries	:	15
Man hours	:	52





FUTURE ROAD MAP

We plan to commence the 3rd batch, enabling them to become skilled professionals like the previous batches.

PROJECT

Drug Abuse Prevention Programme

Priority Area

LBF is proud to support the Drug Abuse Prevention Programme as part of our commitment to fostering healthier communities. By investing in awareness and education, we aim to create a positive social impact beyond our financial services.

What we did in past

We established a drug rehabilitation centre in Rumassala in 2019 and have been operating it since

Partnership

National Dangerous Drugs Control Board (NDDCB)

Expected Benefits and impact

- Programmes engage teachers, parents, local organisations, and the community, fostering collaboration and shared responsibility.
- Successful programmes reduce student drug and alcohol use, positively impacting community health.
- Prevention programmes can improve student academic outcomes, contributing to community educational attainment.
- Educate students, families, and the community on substance abuse risks, raising vital awareness.

Current year

Activity 01

A collaborative project was launched with the National Dangerous Drugs Control Board (NDDCB) aimed at raising awareness and educating children, parents, and teachers for drug abuse prevention, specifically focusing on the Western Province.

Investment (Rs.)	:	373,190
No. of Beneficiaries	:	26
Teachers	:	270
Students	:	200
Parents	:	50
Man hours	:	177





FUTURE ROAD MAP

Going forward, we will continue our efforts through these awareness sessions and the rehabilitation center to tackle substance abuse in the country.

PROJECT

Blood Donation Programmes

Priority Area

LBF actively supports Blood Donation Programmes as a key part of our commitment to social responsibility and community wellbeing. Through these initiatives, we strive to save lives and promote a culture of giving within and beyond our organisation

What we did in past

Over the past several years, LB has been actively engaged in blood donation drives, contributing to the saving of thousands of lives. This ongoing effort reflects LB's deep commitment to humanitarian causes and its role in supporting public health initiatives

Partnership

National Blood Centre

Current year

Activity 01

During 2024/25 LBF conducted two blood donation campaigns, one at the head office and the other one at Kekirawa branch in collaboration with National Blood Centre.

Investment (Rs.)	:	110,000
No. of Beneficiaries	:	Many
Man hours	:	195

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

Expected Benefits and impact

- Builds stronger connections with local communities
- Promotes a culture of compassion and volunteerism
- Supports healthcare systems during emergencies
- Encourages collective social responsibility
- Fosters unity and inclusivity across society
- Enhances LB's image as a caring, socially responsible organisation





FUTURE ROAD MAP

Going forward, we will continue our blood donation drives and awareness sessions to strengthen community health and save more lives.

PROJECT

Stationery Donation to Pre-School

Priority Area

LBF is dedicated to supporting education by donating stationery to local pre-schools, helping to create a positive learning environment for children. This initiative reflects our commitment to nurturing future generations and empowering communities through education.

What we did in past

LBF established 120 number of pre-schools around the country to support kindergarten education

Partnership

Stanley Janz Pre-school

Expected Benefits and impact

- Supports early childhood education and learning
- Encourages school attendance and participation
- Reduces financial burden on families
- Builds positive relationships with local communities
- Enhances LBF's reputation as a socially responsible organisation
- Empowers children with the tools needed for academic success
- Promotes long-term community development through education

Current year

Activity 01

We donated stationery to Stanley Janz Pre-school to support educational activities of the children.

Investment (Rs.)	:	80,820
No. of Beneficiaries	:	28
Man hours	:	10





FUTURE ROAD MAP

Going forward, LBF will continue to expand its support for early childhood education through regular stationery donations and other initiatives that empower young learners and strengthen our community ties.

Community well-being

Project	Description	Beneficiaries	Investment (Rs.)	Employee volunteer hours
Donation to HelpAge Eye Hospital	Supported eye patients through donations to HelpAge Eye Hospital.	10	200,000	6
Donation to Little Heart Foundation	Supported children with heart diseases through donations to the "Little Hearts Foundation" at Lady Ridgeway Hospital for Children.	3 children	1,350,000	8
Water Purification Project	In collaboration with the NIDA Foundation, provided purified drinking water to students at Sunanda Maha Vidyalaya, Padeniya, enhancing their health and well-being.	400 students	1,600,000	92
Sihina - Discards to Dreams	Launched the Sihina initiative, promoting responsible waste collection and recycling across LBF, with proceeds directly funding the education of children facing financial hardship. This project links environmental sustainability with social empowerment.	Many	155,000	576
Promoting purposeful living	Launched the LB "Saara Siththam" video initiative using Buddhist philosophy to encourage reflection on life, aiming to inspire understanding of impermanence and purposeful living through mindfulness and compassion.	Many	350,000	16
Community Awareness Programmes	Conducted awareness campaigns for international days via social media platforms.	Many	-	112

Employee well-being

Project	Description	Beneficiaries	Investment (Rs.)	Time Spent (Hours)
Smile Programme	The Smile programme is an employee well-being initiative by LBF aimed at nurturing the mental and emotional health of its workforce. Through this programme, employees were offered access to free professional counselling services in a confidential and supportive environment. By prioritising mental wellbeing, Smile fosters a healthier, more resilient workplace culture where employees feel valued, supported, and empowered to thrive both personally and professionally.	3	18,600	8
Free Health and Vision Clinic	LBF conducted a free Health and Vision Clinic as part of its commitment to employee wellbeing and preventive healthcare. This initiative provided employees with access to comprehensive eye check-ups and necessary treatments, helping to identify vision-related issues early and promote overall eye health.	50	-	40
Weekly Cross Fit and Boot Camp Sessions	To promote a healthy and active lifestyle among employees, LBF introduced weekly yoga sessions, boot camps, and regional fitness programmes across its network. These initiatives are designed to enhance both physical and mental wellbeing, reduce stress, and encourage team bonding through shared wellness experiences.	15	350,000	35

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

Education for development

Project	Description	Beneficiaries	Investment (Rs.)	Time Spent (Hours)
Tutoring Fee for Blind School	Launched an initiative in partnership with the Blind School in Ratmalana, providing financial assistance for English language and computer literacy education to visually impaired students, empowering them with essential skills.	53 students	110,000	10
World Children's Day Celebration	Celebrated World Children's Day by organising the 'LB Thirasara Daruwo' initiative, featuring various competitions (e.g., creative writing, innovative solutions, upcycling crafts, speech, photography, digital art) to inspire creativity and environmental awareness among children.	112 school children	1,200,000	264

Build partnerships

Project	Description	Beneficiaries	Investment (Rs.)	Time Spent (Hours)
SME Workshop	In collaboration with NEDA, LBF conducted SME workshops in Monaragala, Ratnapura, and Badulla. This initiative directly addressed the critical need for digital literacy and online financial solution adoption among regional small and medium enterprises. By equipping participants with the knowledge to effectively use the LB CIM app for business transactions, the workshops empower SMEs, supporting their growth, efficiency, and integration into the digital economy. This aligns with national development goals and strengthens relationships with a key customer segment.	162	-	32

Transformative CSR

Project	Description	Beneficiaries	Investment (Rs.)	Time Spent (Hours)
Cyber security awareness	In the digital age, customers are increasingly exposed to cyber threats, including phishing emails, malware on devices, and attempts to steal sensitive personal and financial information. By providing actionable tips through accessible platforms such as social media, we directly empower customers to protect themselves. This proactive measure helps reduce the likelihood of customers falling victim to fraud or data breaches, safeguarding their financial assets and personal data. Accordingly, we conducted social media awareness campaigns providing cybersecurity tips on identifying fraudulent emails, securing portable devices, and protecting sensitive information.	Many	-	5,393

Fostering Culture

We develop video contents focused on sharing positive perspectives and insights throughout society, thereby helping to build a positive culture. Though not always directly tied to our commercial objectives, these videos deliver meaningful messages that encourage deeper thought.

Voice of our customers

6. SOCIAL AND RELATIONSHIP CAPITAL IN MYANMAR OPERATIONS

LB Microfinance Myanmar exemplifies our commitment to building strong social and relationship capital in the region. Operating across Bago, Magway, Ayeyarwady, and Yangon, the company engages deeply with local communities, particularly women, who constitute over 95% of its 31,000+ customer base. Furthermore, with a workforce exceeding 60% female, LB Microfinance actively advances gender empowerment and financial inclusion.

6.1 Customer Satisfaction and Loyalty

LB Microfinance Myanmar places a strong emphasis on understanding and responding to the evolving needs of its customers. In the 2024/25 financial year, the company took several strategic steps to measure and enhance customer satisfaction and loyalty:

- Product Innovation: New loan products such as Trading Loans were introduced to better serve the diverse financial needs of clients, particularly small business owners and market traders.
- Digital Integration: The company implemented customised digital payment solutions, offering clients greater convenience, security, and efficiency in managing their loan repayments. These services were tailored to suit customer preferences and accessibility, thereby increasing overall satisfaction.
- Client Feedback Mechanisms: Regular feedback is collected from customers through surveys and branch-level interactions. This feedback is analysed and used to inform product development and service improvements.
- Personalised Services: Field officers and branch staff are trained to build strong client relationships, offering personalised financial advice and solutions, which enhances customer loyalty and retention.

6.2 Supplier Relationship Management

LB Microfinance Myanmar recognises that effective supplier relationships are crucial for maintaining smooth operations and service quality. The company maintains collaborative, long-term relationships with its suppliers by:

- Establishing Clear Communication Channels: Regular interaction and open dialogue with suppliers ensure mutual understanding and efficient problem-solving.
- Fostering Mutual Trust: The Company engages with suppliers in a transparent and fair manner, encouraging accountability and reliability.
- Evaluating Performance: Periodic performance assessments are conducted to ensure suppliers meet quality, delivery, and compliance standards.
- Supporting Local Vendors: Where possible, the company prioritises working with local suppliers, contributing to the growth of local economies.

6.3 Corporate Social Responsibility (CSR) in 2024/25

As part of its commitment to social responsibility, LB Microfinance Myanmar actively supports the communities in which it operates. A notable initiative during the 2024/25 financial year was the company's rapid response to the Myanmar earthquake on March 29th, 2025.

In collaboration with its parent Company, LBF, Sri Lanka, LB Microfinance Myanmar provided essential relief items to individuals and families affected by the disaster in Mandalay Township. This included the distribution of food supplies, clothing, hygiene kits, and basic necessities to help those in need recover from the impact.

This humanitarian effort reflects the company's core values of compassion, community engagement, and solidarity in times of crisis. Beyond emergency relief, the company continues to explore initiatives that promote financial literacy, support local development, and uplift underprivileged communities across its operating regions.

7. SOCIAL AND RELATIONSHIP CAPITAL JOURNEY

2020/21

- Invested Rs. 37.29 Mn on CSR projects

2021/22

- Established digital classrooms in 06 schools
- Further strengthened the ISO 27001 Information security standard
- Tied up with FinCSIRT (computer security incident response team for Sri Lanka's financial sector)

2022/23

- Entered into a Memorandum of Understanding (MoU) with WEBXPAY Ltd., to promote LB CIM business loans
- Instant Fixed Deposits placement was enabled through LB CIM app
- Invested Rs. 15.56 Mn in community development projects

2023/24

- A new inquiry channel was introduced to improve customer accessibility
- 800,000 + customer base
- Established a business unit to follow up on potential business leads
- Invested Rs. 18.68 Mn in community development projects

2024/25

- Implemented a Board-approved Personal Data Protection Policy
- A Memorandum of Understanding (MoU) was signed with NDDCB and NEDA to support social welfare initiatives
- Invested Rs. 27.35 Mn in CSR projects

CULTIVATING SOCIAL AND RELATIONSHIP CAPITAL

8. CRAFTING THE FUTURE

8.1 Customer Capital

Term	Metrics	Targets
Short Term (< 1 year)	• NPS • No. of digital transactions	• NPS > 75% • 25% increase in digital transactions
Medium Term (1-3 years)	• Customer retention rate	• 75% retention rate • 100% increase in customer onboarding
Long Term (> 3 years)	• Convert core business module to digital	• 100% app user growth • 100% conversion to digital

8.2 Business Partner Capital

Term	Metrics	Targets
Short Term (< 1 year)	• No. of vendor assessments • On-time payment rate	• 10% vendor assessments completed • 100% focus on on-time payments
Medium Term (1-3 years)	• Vendor satisfaction score	• Keep 100% satisfied business partners
Long Term (> 3 years)	• Strategic partnership ratio	• Key suppliers integrated digitally

8.3 Community Capital

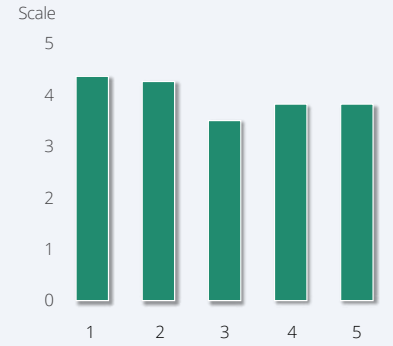
Term	Metrics	Targets
Short Term (< 1 year)	• No. of CSR projects	• 50+ projects
Medium Term (1-3 years)	• % of CSR spend on sustainable programmes	• 50% of CSR focused on education & livelihood
Long Term (> 3 years)	• Long-term beneficiary uplift (income, education)	• Increase in average income/education level

LB QUALITY SURVEY

A pilot study was conducted by LB Finance PLC (LBF) to comprehensively evaluate service quality. Feedback was systematically collected from over 200 customers across more than 40 branches in multiple provinces using a structured questionnaire. Presented below are the insights derived from this pilot study on service quality. The findings have been independently verified by Dr. C.P. Atappattu, Senior Lecturer, Department of Business Economics, Faculty of Management and Finance, University of Colombo.

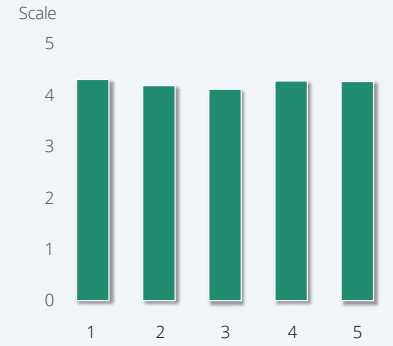
To review the full statistical analysis, scan the QR code

Tangibility



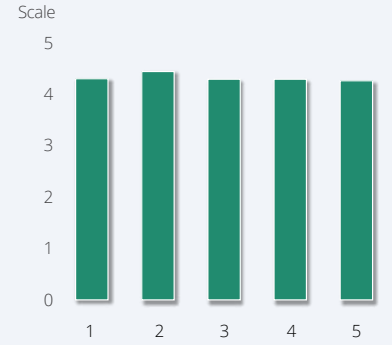
1. LB staff's appearance is professional and presentable
2. The brochures, documents, and promotional materials of LBF are clear and easy to understand
3. The parking and convenience facilities at LB branches are satisfactory
4. The seating and waiting area available at LB branches are comfortable
5. The digital solutions provided by LBF are up-to-date

Reliability



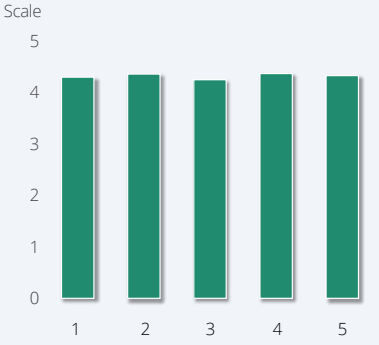
1. LBF provides products that meet my expectations
2. I am confident that LBF will deliver on its promises
3. The service delivery process at LBF is completed without errors
4. I trust LBF to provide accurate information about its products and services
5. LBF has a good track record of fulfilling agreements on time

Responsiveness



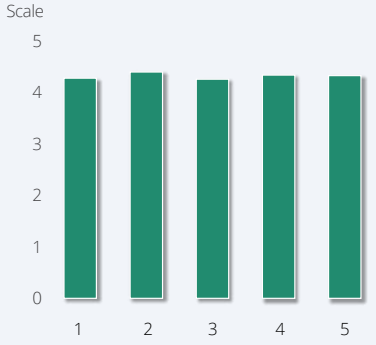
1. The staff at LBF are quick to respond to my inquiries
2. LBF employees are always willing to help when I have questions
3. LBF handles urgent requests or emergencies effectively
4. The staff at LBF provide me with timely updates regarding the products and services
5. LBF makes efforts to resolve issues in a timely and efficient manner

Assurance



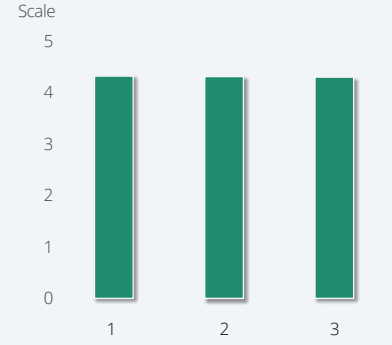
1. LBF staff are knowledgeable about their products and services
2. LBF staff explain products or services in a way I can understand
3. I feel confident that LBF is managing my needs effectively
4. The staff at LBF make me feel secure about the transaction process
5. The employees at LBF are courteous and respectful during all interactions

Empathy



1. The staff at LBF understand my specific financial needs better
2. I feel that LBF values me as a customer
3. LB Finance offers customised solutions based on my financial requirements
4. The staff at LBF are patient and understanding when addressing my concerns
5. I believe LBF cares about providing the best options for me

Overall Service Quality



1. Overall, I am satisfied with the product I received from LBF
2. I would recommend LBF's products to others
3. I am likely to continue using LBF for future needs

NURTURING NATURAL CAPITAL

<IR 2A, 2C, 3E> GRI: 2-23, 3-3

1 Input

- Environmental Management System (EMS)
- Carbon footprint calculation
- Employee voluntarism for green initiatives
- Actions taken for resource utilisation
- Focus digital financing for green business practices

2 Strategic Drivers

- Environmental strategy
- Environmental initiatives
- Green financing
- Climate Policy
- Environmental pledge

4 Space for Development

- Process of shifting towards a paperless e-office system
- Customised products & services for green financing
- Offering financial incentives for customers and businesses that adopt green technologies and eco-friendly practices
- Launching digital platforms for customers to track and manage their carbon footprint through financial activities

3 Approaches for Managing Natural Capital Outcomes

- Conducting organisation wide carbon footprint calculation project
- Leveraging relationships with business partners to enhance green financing
- Strengthen the e-learning platforms
- System automation to reduce paper consumption

5 Challenges

- Lowering the carbon footprint across the organisation
- Scenario analysis for climate risks and opportunities
- Increasing green financing

Carbon conscious company for 12 consecutive years

Carbon footprint **36,934 tCO_2e**

Green lending **Rs. 7,351 Mn**

Green product development

Invested in environmental initiatives **Rs. 19 Mn**



		Stakeholders					
Interest	Environmental friendly initiatives		★	★	★	★	
	Green financing		★	★	★	★	
	Carbon footprint calculation	★		★		★	

7

Future

- Transition to a fully digital ecosystem, enabling seamless, paperless operations for both employees and customers, while enhancing efficiency and sustainability.

6

Key Output

- Promoting solar based and green branches
- Contribution towards the low carbon economy
- Monitoring financed emissions to control GHG emissions
- E-business card creation
- Increase in Sri Lanka's Forest cover

Solar Powered Hybrid Branches
40

Strengthening e-learning platforms

Social media awareness campaigns
11



Visit web page for our management approach of Natural Capital

Impact from SRROs and CRROs

NURTURING NATURAL CAPITAL

<IR 2B>

1 OVERVIEW

At LB Finance PLC (LBF) we understand that global warming and climate change present significant environmental challenges. While our direct environmental impact is relatively modest, we are committed to transparently implementing and reporting on sustainable and green initiatives within our operations. Our efforts are guided by a comprehensive regulatory framework designed to achieve measurable reductions in our carbon footprint, aligning with stakeholder expectations. Our overarching goal is to contribute to LBF's transition to a low-carbon economy, demonstrating our commitment to environmental responsibility through verifiable actions and transparent reporting.

1.1 Contribution to Value Creation

Value Creation	Value Preservation	Trade-offs
• Offering green financial products • 13 solar loans	• Promoting paperless banking through 3,871,817 LB CIM app transactions and 6,495,683 e-slips	• Balancing the need for profitability with the desire to prioritise environmentally responsible businesses
• Long-term financial stability through ESG investment	• Risk mitigation by adopting ESG Policy for the Company	• Short-term profit from investments vs. long-term value from green financing
• Building a healthier workplace, one eco-friendly branch at a time. Starting with our new green branch in Chilaw • Engagement in environmental projects • 486 volunteer hours in environmental projects • 50+ members in LB sustainability team	• Sustainability training (13 number of sustainability trainings)	• Investment in environmentally friendly infrastructure vs. cost control
• Compliance with Sri Lanka's environmental finance frameworks and aligning with global sustainability frameworks	• Adopting frameworks to ensure responsible lending (05 number of policies)	• Balancing regulatory requirements vs. business growth
• Encouraging sustainable practices such as energy-efficient technologies	• Partnering with suppliers who follow eco-friendly practices	• Cost-efficient procurement vs. choosing only sustainable business partners
• Initiating 09 green projects for a healthy ecosystem	• Community awareness programmes (109 number of awareness programmes)	• Community development vs. business profitability

1.2 Unifying Natural Capital with LB Strategy

Linking LB Strategy	Contribution to Our Mission	Related SDGs and UNGC Principles
SUSTAINABLE GROWTH Long-term Value Creation Supporting green financing solutions for sustainable businesses **CUSTOMER CENTRICITY** Market-leading Customer Experience Providing eco-friendly financial products **DIGITAL LEADERSHIP** Innovative Digital Transformation Enhancing paperless financial and digital transactions **POSITIVE IMPACTS** Thriving Business with Sustainable Impact Aligning financial growth with environmental responsibility and assessing of climate related risks in alignment with SLFRS S2	Investing in measurable opportunities and seizing new market opportunities Using training and career development to create an empowered workforce	 UNCG - Principle 7 UNCG - Principle 8 UNCG - Principle 9

1.3 Material Matters and Related Topics

We create value by focusing on our stakeholders. We listen to their needs and take actions that promote long-term sustainability, primarily through responsible environmental stewardship. Through our materiality determination process, we have identified the following issues as critical to our Natural Capital.

Material Themes	Material Matters	Related Topic	Page
Supporting social cohesion	Corporate citizenship	Environmental protection and conservation	214 - 219
	License to operate		
	Employee engagement		

NURTURING NATURAL CAPITAL

1.4 SWOT Analysis for Natural Capital

Strengths

Green financing initiatives

Commitment to environmental responsibility

Energy efficient measures

Weaknesses

Indirect exposure through financed activities



Opportunities

Expansion of green financing portfolio

Sustainable partnerships with Government and NGOs to foster environmental initiatives

Threats

Competition in green financing

Climate change impact on loan portfolio

2 NATURAL CAPITAL AND SUSTAINABILITY

2.1 Natural Capital Related Sustainability Risks and Opportunities

Recognising the increasing impact of climate-related risks on the economy and our operations, LBF, as a responsible financial institution, is taking proactive steps. These risks encompass physical risks, such as extreme weather events affecting asset values, and transition risks, stemming from regulatory changes and the shift to a low-carbon economy. However, we also see opportunities in these challenges, including green financing, sustainable investment products, and digital transformation to minimise our carbon footprint. In line with SLFRS S2 – Climate-Related Disclosures, we are committed to greater transparency in climate risk management, integrating ESG considerations into financial decisions, and reporting on climate-related financial impacts.

Refer to page 341 to 344 for more information on risk management at LBF.

2.2 Natural Capital Governance

To oversee and drive sustainability initiatives, we have established the following dedicated structure:

- Board Sustainability Committee
- Sustainability Management Committee
- Corporate Sustainability Department

Refer page 104

2.3 Our Approach to Environmental Sustainability

We are committed to sustainable business practices through a robust ESG Policy framework. This framework integrates environmental responsibility into our operations by monitoring and reducing our carbon footprint, optimising energy usage across all branches. We ensure compliance with environmental regulations while continuously striving to enhance resource efficiency and minimise our negative environmental impact. Our Environmental Management System (EMS) and ESG Policy, driven by ongoing staff training, regular assessments, and a commitment to continuous improvement, helps us achieve our long-term sustainability goals, aligning with regulatory standards and our corporate values.

To encourage collective action towards a more sustainable future, we established 'LB Team Sustainability,' a volunteer group of over 50 dedicated employees. Through this initiative, we empower our employees to integrate sustainability into both their professional and personal lives, reflecting LBF's unwavering commitment to environmental responsibility.

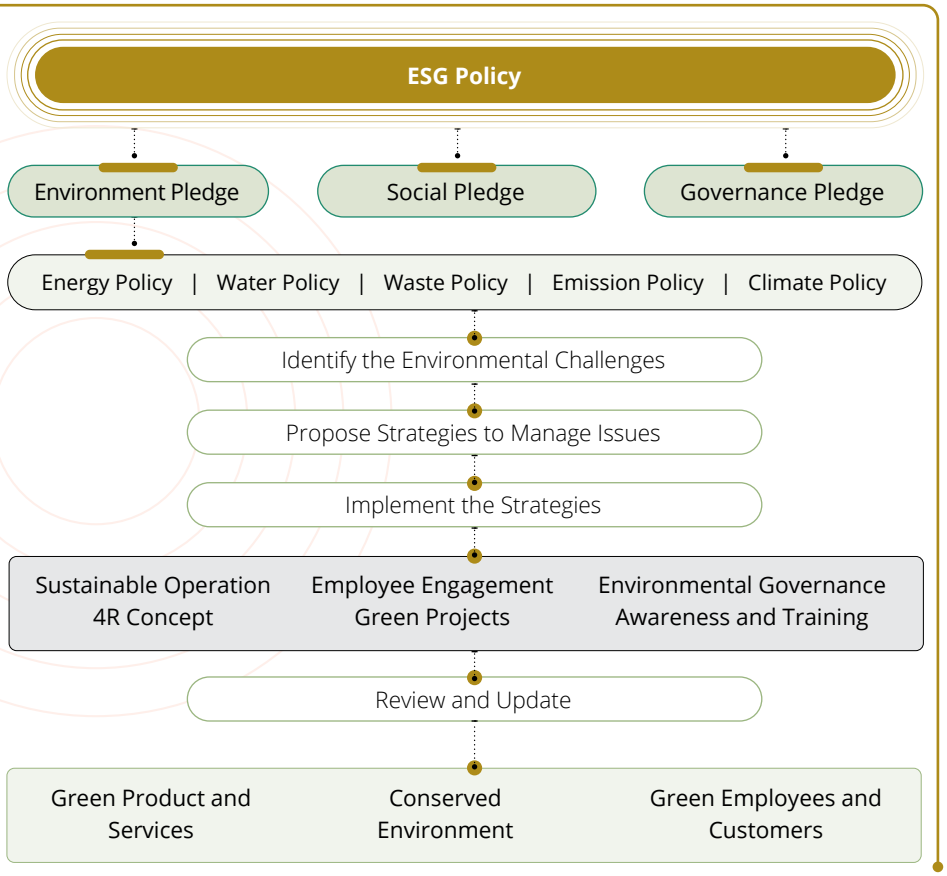
Official LB Team Sustainability Logo

2.4 Policy Framework

Introducing Our ESG Policy

Recognising our moral responsibility to address global climate challenges, LBF has recently implemented a comprehensive ESG Policy. This policy establishes robust energy, emissions, waste, and water management practices to ensure environmental stewardship across our organisation. By minimising resource consumption, reducing waste, mitigating environmental impacts, promoting energy efficiency, lowering greenhouse gas emissions, optimising water use, and enhancing waste management, we are fostering long-term sustainability. These initiatives also empower our employees, partners, and stakeholders to align with our green vision and contribute to a healthier planet.

Scan QR code to read our full ESG Policy



Energy Policy

Objective

Optimise energy consumption, transition to renewable sources, and enhance energy efficiency

Commitments

- Improve energy efficiency in facilities and processes
- Transition to renewable energy
- Monitor and report energy performance

Water Policy

Objective

Manage water usage, avoid water waste, and promote sustainable water management.

Commitments

- Optimise water usage
- Protect water resources through projects
- Implement water recycling and harvesting

Emissions Policy

Objective

Reduce greenhouse gas emissions and transition to a low-carbon economy, with a target to achieve net-zero emissions by 2050.

Commitments

- Set and achieve GHG reduction targets
- Work towards carbon neutrality
- Disclose emissions data transparently
- Implement robust decarbonisation strategies aligned with global best practices

NURTURING NATURAL CAPITAL

GRI: 413-1

Waste Management Policy

Objective

Minimise waste generation and promote recycling using the 5R concept.

Commitments

- Adopt the 5Rs principles to manage all waste streams
- Assign specific focus on e-waste and paper waste management
- Collaborate with suppliers on sustainable practices, including partnership with Neptune Recycles Pvt Ltd
- Ensure responsible waste segregation and disposal

Climate Policy

Objective

Reduce the carbon footprint and support sustainable environmental practices across all operations.

Commitments

- Commit to reducing greenhouse gas emissions through energy-efficient technologies and renewable energy sources
- Set clear reduction targets for carbon emissions in line with global climate goals
- Integrate climate resilience strategies into business operations and decision-making processes

3 ENVIRONMENTAL PROTECTION AND CONSERVATION

We are committed to protecting and preserving the environment through sustainable initiatives that drive positive change. Accordingly, we focus on reducing pollution, promoting responsible waste management, and fostering community engagement in conservation. Through these efforts, we strive to minimise our ecological footprint and contribute to a greener future, integrating environmental responsibility into our core actions to inspire collective action for a more sustainable planet.

38,316

No. of Trees Planted



Northern Province
1,000

Eastern Province
950

North Central Province
9,221

North Western Province
5,421

Central Province
2,490

Western Province
10,546

Uva Province
4,745

Sabaragamuwa Province
625

Southern Province
2,943

3.1 Environment Focused CSR Projects

LBF's environment-focused CSR projects are not just initiatives; they represent a strategic, stage-by-stage roadmap. With each stage, we activate new lines of environmental protection activities, building upon the previous one. This roadmap reflects our commitment to sustainability, where every project marks a step forward in our ongoing journey toward a greener future.

A look back at the progress

Thuru Wawamu

As of March 31, 2025, the Thuru Wawamu project, launched in 2018, has successfully cultivated 38,316 trees



Current year

LB තිරසර පිය සටහන්

To celebrate the opening of our new branches, we launched a tree planting initiative, marking the start of our programme to offset the carbon footprint of new branch openings and contribute to a greener future

Investment	Team engagement	Man hours
Rs. 36,800	12	50







Restoration of degraded mangrove patches in the Ittepana mangrove forest

Recognising the critical role of mangroves in carbon sequestration (storing 3-4 times more carbon than terrestrial forests), we are restoring Sri Lanka's mangrove ecosystems, which have suffered over 50% loss in the last 30 years. Our initial effort will focus on restoring 400 mangrove plants in the Ittepana mangrove forest, with a Memorandum of Understanding (MoU) signed on 25 March 2025.

Partnership

Center for Sustainability of the University of Sri Jayewardenepura

Expected benefits and impact

1. Generate significant ecological improvements
2. Provide sustainable livelihood opportunities for local communities through responsible mangrove resource harvesting
3. Facilitate academic research, environmental education, and skills training

Investment	Beneficiaries
Rs. 376,250	Many
Team engagement	**Man hours**
05	10





NURTURING NATURAL CAPITAL

Restoration of degraded patches of Yagirala forest reserve

With 45% of its plant species endemic to Sri Lanka, the Yagirala forest reserve is a treasure trove of biodiversity. Recognising its importance, we are investing in the future of this valuable ecosystem by planting 700 trees in degraded sections of the reserve. This initiative will enhance Sri Lanka's forest cover and contribute to the long-term health of the region. An MoU for this project was signed on 25 March 2025.

Partnership

Center for Sustainability of the University of Sri Jayewardenepura.

Expected benefits and impact

1. Restore degraded forest areas with native species to facilitate forest rehabilitation
2. Support research and educational initiatives
3. Enhance villagers' livelihoods through nature-based ecotourism

Investment
Rs. 392,700

Team engagement
05

Man hours
10



Urban tree planting

The trees planted at selected urban locations and centers in the towns were carefully maintained throughout the year, reinforcing our ongoing commitment to urban greening and environmental care.

Maintained by
Hemsandu Marketing

Expected benefits and impact

1. Lower urban temperatures through shade
2. Plant trees in urban areas to boost biodiversity and air quality
3. Support for climate resilience and carbon sequestration

Investment
Rs. 15,750,000

Team engagement
06

Man hours
25







Future road map

Moving forward, we will integrate tree planting as a core sustainability initiative across all branches, encouraging employees and customers to actively participate in environmental conservation. By partnering with schools and universities, we will empower students to lead reforestation projects, fostering environmental stewardship from a young age.

Beach caretakers for sustainable beaches

To protect coastal areas, we launched a beach caretaking project in January 2025, selecting two locations in Colombo (Crow Island Beach Park) and Kalutara (Wadduwa Beach). This initiative supports environmental stewardship and provides valuable job opportunities for low-income families.

Partnership

Marine Environment Protection Authority (MEPA)

Expected benefits and impact

1. Reduce marine pollution caused by non-degradable waste
2. Ensure continuous beach cleaning and maintenance
3. Support low-income families with job opportunities
4. Promote community participation in environmental conservation

Investment
Rs. 1,100,000

Beneficiaries
Many

Team engagement
15

Man hours
29







Future road map

We aim to expand the beach cleaning Initiative to additional coastal areas, integrate community-driven conservation programmes, and explore innovative waste management solutions.

Rehabilitation of degraded coastal ecosystems

We launched a project to develop a habitat for ornamental fish at the Kaisawella area of Dondra in Southern Province. This initiative will support the restoration of marine biodiversity by providing shelter for coral reefs and promoting sustainable tourism, marine ornamental fisheries, and community empowerment.

Partnership

National Aquatic Resources Research and Development Agency (NARA)

Expected benefits and impact

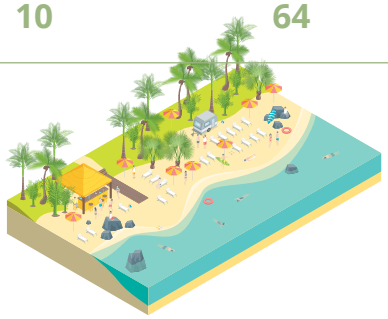
1. Create artificial habitats to promote ornamental fish breeding
2. Cultivate coral reefs to restore marine biodiversity
3. Boost sustainable tourism through snorkelling and ecotourism initiatives
4. Support local fishing communities by creating new economic opportunities

Investment
Rs. 1,995,400

Beneficiaries
Many

Team engagement
10

Man hours
64







Future road map

Moving forward, we will enhance coral reef shelters, collaborate with marine experts to monitor the ecosystem, and engage local communities in conservation efforts. Moreover, we will create sustainable economic opportunities while prioritising environmental sustainability. Strategic partnerships with schools, universities, and environmental organisations will drive awareness and ensure long-term stewardship.

NURTURING NATURAL CAPITAL

Wetland Day celebration

To underscore the vital role of wetland conservation, we partnered in a World Wetlands Day event on 2 February 2025. The event, which included a tree-planting programme, the launch of a Wetland Conservation Museum, and an informative lecture, brought together passionate students from local schools and universities alongside renowned wildlife conservation experts.

Partnership

Department of Wildlife Conservation – Colombo Region

Expected benefits and impact

1. Conservation of natural resources
2. Biodiversity preservation
3. Awareness of environmental conservation

Investment
Rs. 100,000

Team engagement
06

Man hours
16







Future road map

We aim to participate in relevant international and national days, demonstrating our ongoing commitment to environmental and social responsibility.

Climate change awareness programmes at schools

Understanding that Sri Lanka faces regular threats from natural disasters such as floods, landslides, and droughts, we are enhancing community resilience through education. In November and December 2024, we conducted two targeted awareness sessions for students at two schools in the Kalutara District, providing them with critical information and skills to protect themselves from the dangers of floods and landslides.

Partnership

Western Provincial Council

Sri Lanka Red Cross

Expected benefits and impact

1. Foster environmental responsibility among students by educating them on climate change
2. Empower future generations to advocate for climate action
3. Community engagement by involving schools, teachers, and parents in environmental stewardship

Beneficiaries
150 students
16 teachers

Team engagement
05

Man hours
22





Future road map

By partnering with government organisations and NGOs, we will strengthen community resilience and ensure long-term sustainability. Through continuous awareness efforts, we remain committed to equipping future generations with the knowledge and skills needed to stay safe during natural disasters.

3.2 Awareness Campaigns

109
Environmentally friendly awareness campaigns

15
Social media campaigns

80
e-mail campaigns

14
Conventional awareness campaigns



- Promoted sustainability awareness among stakeholders through UN international and national day campaigns
- Launched a sustainability-focused video series for children to enhance their understanding of environmental responsibility

e-mail campaigns for internal staff

- Implemented e-mail campaigns promoting sustainability practices, including energy-saving tips and waste management strategies
- Conducted awareness e-mail campaigns for our employees on workplace and home sustainability practices, linking to the 'Sihina - Discards to Dreams' initiative

In person awareness and trainings:

- Conducted a training session for Directors on sustainability standards and frameworks, including SLFRS S1 and S2
- Partnered with Vibhava Solutions to provide sustainability training for staff, focusing on responsible plastic recycling practices to promote environmental sustainability
- Collaborated with Vibhava Solutions to conduct a waste management awareness session for employees, highlighting waste management techniques, the importance of waste segregation, and the environmental impact of improper disposal
- Implement ESG awareness orientation programmes for all new LB employees











NURTURING NATURAL CAPITAL

4 NATURAL CAPITAL IN MYANMAR

LB Microfinance Myanmar recognises the vital role that Natural Capital plays in ensuring the sustainability and resilience of its operations. Natural Capital comprising ecosystems, biodiversity, water, land, and climate forms the foundation upon which communities and economies depend. As a responsible financial institution, we are committed to protecting and conserving these resources through proactive environmental management and risk mitigation strategies.

During the 2024/25 financial year, Myanmar experienced significant natural disasters, including severe flooding and a major earthquake. These events underscored the importance of integrating environmental risk into business continuity planning. Fortunately, our branches are primarily located in low-disaster-prone regions, such as Bago, Magway, Ayeyarwady, and Yangon, which were largely unaffected by these environmental shocks. This strategic branch placement has helped safeguard both our clients and our operations from direct environmental disruption.

To ensure long-term sustainability and alignment with national environmental goals, LB Microfinance Myanmar strictly complies with the Myanmar Environmental Conservation Law (No. 9/2012). In line with this law and our internal policies, the Company is committed to:

- Reducing our carbon footprint by minimising resource consumption and adopting energy-efficient practices across branches.
- Preserving local ecosystems by avoiding operations that may contribute to environmental degradation in sensitive areas.
- Promoting environmental awareness among staff and clients through training, education, and green lending practices, and
- Supporting disaster resilience in rural communities through responsible financing that enables adaptation to climate and environmental risks.

By integrating environmental considerations into our strategic planning and operational decisions, LB Microfinance Myanmar aims to contribute to a more resilient, sustainable future for both the business and the communities it serves.

5 NATURAL CAPITAL JOURNEY

2020/21

- 42,000 + trees planted under 'Thuru Wawamu' project
- Neutralised carbon footprint 3,110 tCO_2e

2021/22

- 30,000 + LB CIM app downloads
- Digitised environmental conservation projects
- System automation to reduce the paper consumption

2022/23

- Installation of solar water heating systems to save electricity
- Usage of paperless fax machines for day-to-day operations
- Reported GHG emissions against three WBCSD/ WRI scopes

2023/24

- Implemented an organisation-wide carbon reduction and resource optimisation initiatives
- Rs. 5 Bn + green lending
- 8,200 trees planted under 'Thuru Wawamu' project

2024/25

- Initiation of the first green branch development
- Rs. 7 Bn + green lending
- An MoU was signed with NARA and MEPA to initiate environmental projects
- Calculated financed emissions
- Revamped environment pledge

6 CRAFTING THE FUTURE

Forging the path to net zero

Addressing the urgent environmental crisis, we are committed to aligning our business with a below 2°C climate scenario and achieving net-zero operational carbon emissions by 2050. This commitment entails aligning all buildings and operations with global sustainability standards to significantly reduce greenhouse gas emissions.

Phase 1	Phase 2	Phase 3
2025/2026	**2030**	**2050**
• Implement science-based targets to reduce scope 1,2 and 3 GHG emissions • Implement a carbon reduction road map with strategies aligned with SBTis. • Invest in energy efficiency upgrades in key facilities • Strengthen environmental and waste reduction policies targeting waste reduction • Renewable energy capacity installations in 05 branches	• Ensure all new LBF buildings operate at net zero • Achieve 10% reduction in Scope 1 and 2 emissions • Reduce Scope 3 emissions by 5% • Enhance carbon offset initiatives	• Transitioning to 100% renewable energy across all facilities • Reducing Scope 1, 2, and 3 emissions by over 90% • Offsetting any remaining emissions through verified carbon removal initiatives • Ensure full net-zero operational carbon across all LBF operations

BUSINESS REVIEW

GRI: 2-6

LB Finance maintains a strong, customer-centric business model built around a diversified portfolio that addresses the evolving financial needs of individuals and businesses. The company operates through three core business segments Funding, Lending and Value Added Services each playing a strategic role in delivering value to customers while ensuring sustainable growth.

Our extensive branch network and dedicated teams enable seamless service delivery, while continued investments in digital infrastructure have significantly enhanced customer convenience and operational efficiency. From intuitive mobile platforms to integrated service channels, LB Finance remains committed to blending personalised service with digital innovation to create a responsive and future-ready financial ecosystem.

LENDING

Our financing strategy, aligned with our Company's goals, aims to make LBF the top lending solutions provider in Sri Lanka. We focus on enhancing our lending portfolio for individuals and businesses through activities such as leasing, vehicle loans, mortgage loans, gold loans, and other credit options to achieve our long-term, medium-term, and short-term objectives

Category	Value (Rs. Mn)	Lending Mix (%)	Interest income (Rs. Mn)	Contribution to Interest Income(%)
Lease Receivables	36,035	18%	9,462	24%
Vehicle Loans	46,106	23%	10,176	25%
Power Drafts	17,698	9%	2,669	7%
Gold Loans	83,973	42%	15,272	38%
Mortgage Loans	2,178	2%	647	2%
Term Loans	11,777	6%	1,776	4%

FUNDING

We deliver a range of deposit and savings solutions, enabling customers to capitalise on market opportunities to boost their financial capacity. We also focus on fostering enduring customer relationships through personalised services.

Category	Value (Rs. Mn)	Funding Mix (%)	Interest Expense (Rs. Mn)	Contribution to Interest Expense (%)
Deposits	138,497	60%	13,539	81%
Bank Borrowings	42,417	18%	3,148	19%
Equity	51,266	22%	-	-

VALUE ADDED SERVICES

We offer customers streamlined payment systems and a range of Value Added Services (VAS) through interconnected channels, aiming to give them full control over their finances. With an extensive branch network, we efficiently process utility payments, foreign currency exchange, and money remittance (Western Union) to meet our customers' needs comprehensively

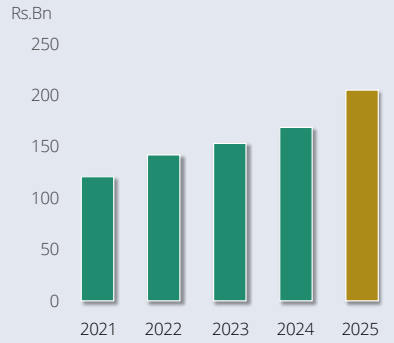
Category	No. of Transactions	Transaction value (Rs. Mn)	Composition	Fee based Income generated (Rs. Mn)
Foreign Currency Exchange	2,983	146	2%	11
Western Union - Money Remittances	51,853	4,554	76%	21
Bill Payments	928,979	1,330	22%	13

Lending Products

Deposit Products

Value Added Services

Loans and Receivables



DIGITAL SUPPORT

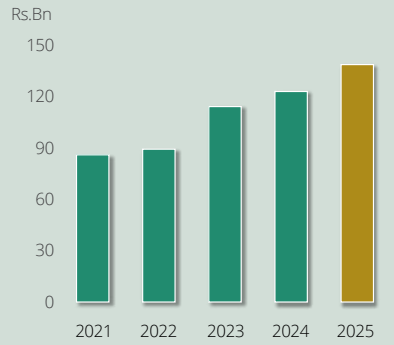
The Company improved process efficiency and customer experience through automation initiatives, including fixed deposit account opening and managing the FD portfolio via the CIM app, e-statement generation, automated tax certificate issuance, and digital due diligence.

Automated RMV Process: Digitises the manual RMV process, reducing turnaround time and minimising errors.

FUTURE FOCUS

We are shaping the future of lending through smart, secure, and seamless solutions. By harnessing technology and data-driven insights, we're making borrowing faster, more transparent, and tailored to the evolving needs of individuals and businesses.

Customer Deposits



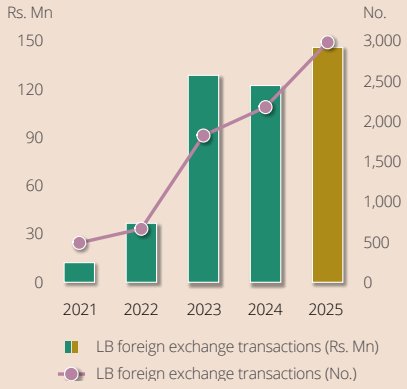
DIGITAL SUPPORT

AI-powered credit facilities: Leveraging artificial intelligence to assess customer profiles and deliver personalised credit solutions.

FUTURE FOCUS

We are committed to revolutionising access to capital by delivering fast, flexible, and tech-driven funding solutions. Our focus is on empowering businesses of tomorrow—leveraging data, automation, and personalised financial products to support growth in an ever-evolving economy.

Foreign Exchange Transactions



DIGITAL SUPPORT

Partnership with leading telco providers enables us to offer exclusive customer benefits. With a user-friendly UI/UX developed for bill payment options, a significant portion of total bill payments are now processed through our digital platforms

FUTURE FOCUS

We aim to enhance customer convenience by digitising and streamlining bill payments, Western Union, and money exchange services for faster, secure, and accessible financial solutions.



DEPOSITS

Deposits constitute the foundation of our funding strategy, representing the primary source of capital financing for our lending operations. The prudent management of deposit inflows and outflows is essential for maintaining adequate liquidity levels, enabling us to meet financial obligations as they arise and to support the continuity of core business activities.

1. OPERATING CONTEXT AND STRATEGY

The drastic decline in deposit interest rates, mirroring the fall in treasury bill rates, creates a less compelling value proposition for depositors seeking returns on their savings. This environment encouraged customers to explore alternative investment options.

Moreover, the increased customer awareness of alternative tax-free and high-return investment instruments, particularly those endorsed by the Central Bank (CBSL), intensified the competition for savings. This creates a direct alternative to traditional deposit accounts.

Challenges/Opportunities	Our Response
The sharp decline in interest rates for deposits paralleled the treasury bill rates, reducing the attractiveness of traditional deposit products	Launched Premier Savings Account, offering customers a high-yield savings option with enhanced digital features and flexible access
Increased customer awareness and adoption of tax-free and high-yielding investment instruments, endorsed by the CBSL has elevated the profile of alternative investments, posing a direct threat to deposit growth and market share	Our strong customer loyalty built on trust and exceptional service enabled us to effectively manage risk perceptions and retain a significant portion of our deposit base

Core Competencies

- Strong brand reputation and longevity
- Competitive deposit rates
- Personalised customer service
- Digital engagement and technology tailored solutions
- Extensive branch network

Strengths

Strong brand equity

Island-wide branch network

Customer loyalty and personal relationships

Attractive deposit schemes

Opportunities

Digital channel expansion

Growing market for premium savings

Financial literacy

Rural financial inclusion



Aspirations

Market leader in savings products

Expand customer base

Enhance digital capabilities

Results

Improved customer satisfaction

Increased product adoption

Growth in deposits

2. ESG IMPACT AND COMPLIANCE

Environmental Sustainability

- Fully digitised account management for savings products reduces paper usage, supporting environmental sustainability
- Online management of FDs with e-statements and SMS notifications eliminates printed documents, further reducing environmental impact

Social Upliftment

- Tailored savings products empower SMEs and individuals to build wealth, secure their future, and enhance social mobility
- Customer awareness campaigns promote responsible savings and investment, helping individuals to improve their financial security and overall well-being

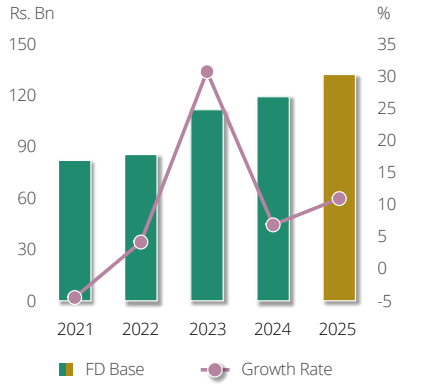
Governance and Compliance

- Deposit products strictly adhere to the guidelines set by the CBSL, ensuring transparency, accountability, and sound financial governance for the protection and confidence of our customers

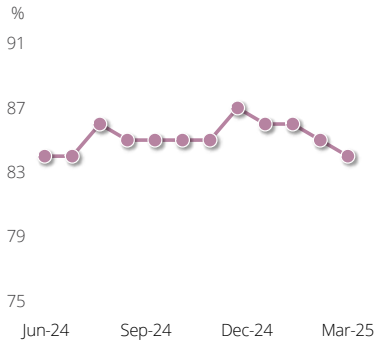
3. PERFORMANCE - FIXED DEPOSITS

Fixed Deposits portfolio recorded a growth of 10.90% YoY to Rs. 132.03 Billion as of 31 March 2025. Customer trust and satisfaction were reflected in the high FD renewal rate, consistently above 80%. The deposit portfolio was diversified, with 77% of deposits in the short term (1 month to 1 year) and 23% invested for longer-term growth (1 to 5 years).

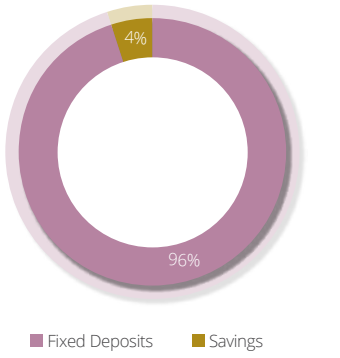
Fixed Deposits Base



Fixed Deposit Renewal Ratio



Deposits Base Mix

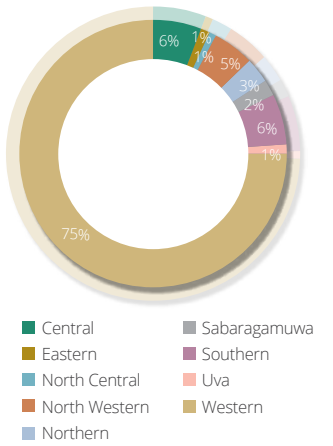


10.92%

YoY growth in the Fixed Deposit base

(2023/24: 7.21%)

Province-wise Fixed Deposits Base



4. ENHANCE CUSTOMER SERVICE

To provide superior service and enhance customer experience, the following initiatives were implemented:

- Operational efficiency through automation: Enhanced workflows and streamlined operations by automating key processes, including the launch of e-statements for easy digital access, automated generation of tax certificates to simplify tax filing, and digital customer due diligence for faster onboarding
- Personalised support: Assigned dedicated Relationship Managers and Regional Heads to offer personalised financial advice and services, ensuring a tailored approach to meeting customer needs.
- Digital renewal and information delivery: Implemented digital renewal processes and expedited the delivery of product information, providing customers with greater convenience, reducing friction, and empowering them to make informed decisions.



Customer testimonial

5. FUTURE FOCUS

Short-Term

- Launch specialised deposit schemes and personalised service, fostering long-term relationships
- Rapidly onboard customers to the digital platform

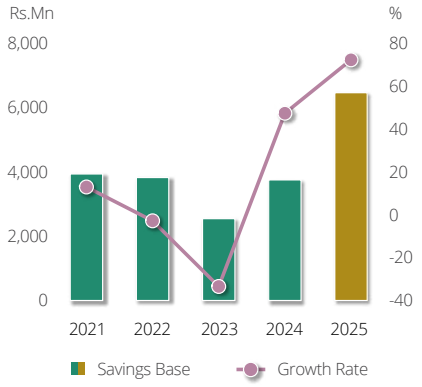
Medium to Long-Term

- Increase digital adoption through LB CIM app training
- Develop innovative deposit-linked options to enhance customer returns
- Empower customers with self-service tools for greater control and convenience

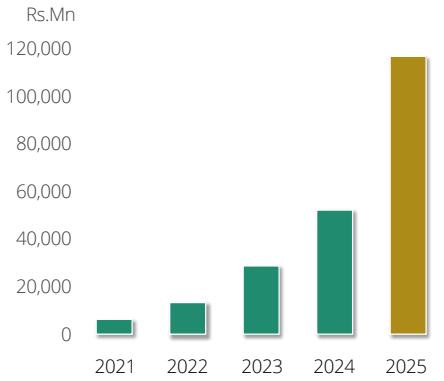
6. PERFORMANCE - SAVINGS

Despite the challenges of declining interest rates, reduced disposable incomes, and heightened competition, the Company's savings deposit base demonstrated strong growth, expanding by 72.30% to Rs. 6.46 billion by the end of FY 2024/25, compared to a growth of 47.38% to Rs. 3.75 billion in FY 2023/24.

Savings Base

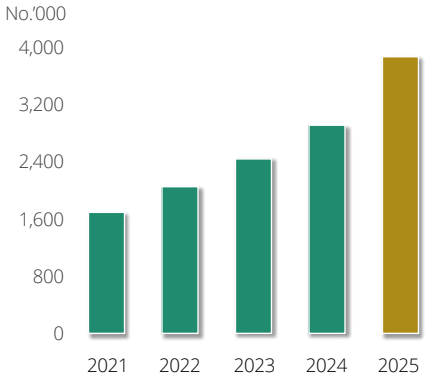


Value of CIM Wallet Transactions



72%
YoY growth in the Savings base
(2023/24: 47%)

CIM Wallet Transactions



7. ENHANCE CUSTOMER SERVICE

To improve customer experience and support our product savings offerings, the following initiatives were implemented:

- Premier savings account platform: Launched a digital platform for the Premier Savings account, allowing customers to conveniently open and manage their accounts directly through the LB CIM app. This initiative was supported by targeted campaigns to increase awareness and drive adoption, offering customers higher returns and enhanced banking experience.
- Seamless app integration: Focused on enhancing customer satisfaction by ensuring the LB CIM app delivers a seamless and consistent experience for savings products.







8. FUTURE FOCUS

Short-Term

Promote Digital Account Opening

Increase awareness of the Premier Savings account and its benefits through targeted marketing campaigns, emphasising the ease of opening and managing accounts via the LB CIM app.

Improve App Functionality

Ensure seamless integration of savings products into the LB CIM app, providing users with convenient access and management of their accounts.

Customer Education

Roll out educational content and resources to help customers understand the benefits of the Premier Savings account and how to maximise their returns.

Medium to Long-Term

Expand Savings Product Range

Introduce additional savings products with varying features to cater to different customer needs and financial goals.

Enhance User Experience

Continuously improve the LB CIM app's functionalities to offer personalised savings solutions and better financial insights for customers.

Loyalty and Retention Programmes

Develop loyalty programmes to reward long-term customers and encourage them to increase their savings, fostering greater customer retention and satisfaction.



LOANS AND RECEIVABLES

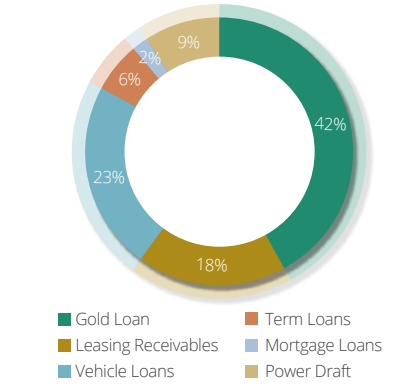
LBF aims to lead Sri Lanka's financing sector by aligning its strategy with long-term goals and expanding its diverse loan offerings to support individual and business growth.

LBF operated in a challenging economic environment marked by declining interest rates and heightened competition but delivered strong performance, reflecting the continued confidence of its customers. To achieve its vision of becoming Sri Lanka's leading lending solutions provider, LBF has aligned its financing strategy with its long-term goals, focusing on expanding a diverse lending portfolio and accelerating digital adoption. The company is committed to delivering a comprehensive range of credit solutions involving leasing, vehicle loans, mortgage loans, gold loans, and other tailored financing products to serve both individual and business clients. Through strategic investments in innovation, customer engagement, and operational efficiency, LBF is well-positioned to achieve its short, medium, and long-term objectives.

Core Competencies

- Comprehensive product suite addresses diverse customer needs
- Strong brand trust and market presence
- Extensive multi-channel network ensures convenient access for all customers
- Quick turnaround time and efficient processing
- Strong field force and relationship management

Product Portfolio



ESG IMPACT AND COMPLIANCE

Environmental Sustainability

- Reduced carbon footprint: By enabling customers to access loan services digitally, we reduce the need for travel to physical branches, cutting down transportation emissions and lowering the overall carbon footprint
- Paperless operations: The transition to digital loan applications, approvals, and document management eliminates the need for paper, contributing to environmental sustainability by reducing paper consumption, deforestation, and waste

Social Upliftment

- Empowering entrepreneurs and communities: We offer tailored financial solutions that empower small businesses, female entrepreneurs, agro-fishery sectors helping them to grow and contribute to the local economy
- Supporting financial inclusion: Our efforts to provide financial education and easy access to loans for SMEs, pensioners, and other segments promote social mobility, enhance financial security, and foster economic growth in underrepresented communities
- Promoting financial well-being: Through customer awareness campaigns and advisory services, we provide individuals with the knowledge and tools necessary to make informed financial decisions, supporting long-term social well-being

Governance and Compliance

- Responsible lending: All loans above a specified threshold are subject to rigorous governance procedures, including approval at the director level, to ensure responsible lending practices and minimise the risk of over-indebtedness
- Regulatory compliance: We ensure full compliance with all relevant regulations demonstrating our commitment to ethical financial management and transparency in all operations
- Audit and monitoring: Regular internal and external audits are conducted to ensure adherence to policies and regulations, ensuring transparency and accountability in all lending activities

Strengths

Diverse product portfolio

Digital platform integration

Reputation and trust

Strong operational efficiency

Strong relationship with Business Partners

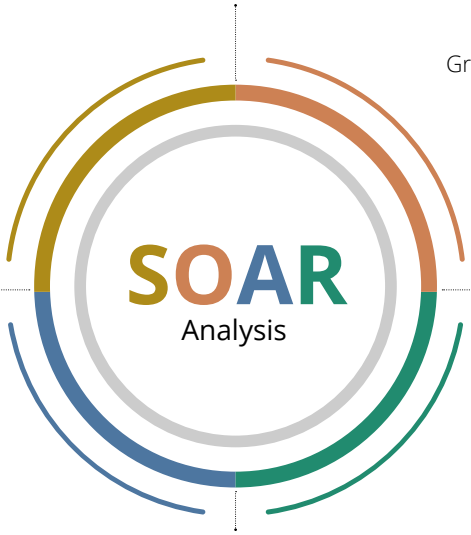
Opportunities

Expansion in underserved segment

Growing demand for digital financial solutions

Higher demand for flexible loan products

Focus on sustainable lending



Aspirations

Market leader in lending products

Customer-centric approach

Enhanced financial inclusion

Integration with emerging technologies

Results

increased market share

improved customer satisfaction

stronger brand position

growth in lending portfolio

1. LEASE/VEHICLE LOAN/ POWER DRAFT (AUTO FINANCE)

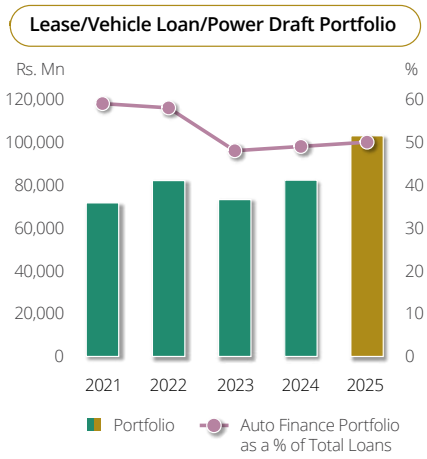
1.1 Operating Context and Strategy

The leasing business in Sri Lanka has benefited from a positive operating environment, marked by a significant reduction in market interest rates, which eased financial pressure on borrowers. This was complemented by improved market sentiment, driven by the announcement of import permits in January 2025 and post-election confidence in economic stability under the new government, which fuelled business optimism, especially in the vehicle leasing sector.

The uptick in vehicle trading activity towards the end of FY 2024/25 created significant opportunities for leasing companies. The reinstatement of import grants, coupled with favourable market conditions, drove a surge in vehicle demand directly benefiting the leasing segment. These developments contributed to a more optimistic outlook for growth, unlocking new business opportunities in the sector.

Challenges/Opportunities	Our Response
Interest rate reduction	We grew our lease portfolio by 21% YoY by offering attractive lending rates to inspire customers
Reduced interest rates and high vehicle prices	The combination of reduced interest rates and historically high vehicle prices contributed to a reduction in NPLs We achieved a low gross NPL ratio of 2.25% reflecting a strong credit quality and effective risk management
Easing vehicle import restrictions	The easing of vehicle import restrictions is expected to increase activity in the vehicle leasing sector
Heightened competition and reduced profit margins	Increased competition has led to reduced profit margins. We offer market-leading rates within the NBFI sector, competitive even with banks. Recent rate reductions have kept us competitive despite tighter margins
Staff retention	Retaining talent in a competitive market A reward and recognition scheme were implemented to evaluate and acknowledge high-performing employees, with the goal of enhancing retention and motivating continued excellence.

1.2 Performance - Auto Finance



27%

YoY growth in lease, vehicle loans and power draft transaction value (2023/24: 14%)





1.3 NPL Management

We successfully kept our NPL ratio below the industry average, recording a gross NPL of 2.60% for Auto Finance sector in FY 2024/25 compared to 4.75% in FY 2023/24. This achievement was driven by several proactive measures, including stringent post-disbursement follow-up by the Call Centre and targeted recovery actions by branch teams, ensuring effective management of portfolio quality throughout the year.

1.4 Enhancing customer services

- Commitment to continuous improvement: We are dedicated to continuously enhancing our systems to elevate customer service delivery standards, ensuring an optimal experience for every customer
- Streamlined processes: Ongoing development of our processes allows for faster online approvals and quicker disbursements, reducing wait times and improving convenience
- Digital app access: Our mobile app offers customers convenient access to their facility details and enables them to manage their accounts seamlessly. It provides a transparent, user-friendly platform for servicing their facilities anytime, anywhere
- Digital innovation: We invest in cutting-edge digital solutions to ensure that our services remain efficient, customer-centric, and aligned with evolving market demands
- Responsible lending: We engage in responsible lending by carefully assessing affordability, offering attractive rates, and maintaining high credit quality standards, ensuring that our customers' financial well-being is safeguarded

1.5 Future focus

Short-Term

- Capture incremental business from new vehicle imports.
- Recruit and train personnel to scale workforce capacity.
- Implement measures to improve staff retention.
- Grow the Alternative Finance Unit (AFU) portfolio by 4x through targeted strengthening.

Medium to Long-Term

- Drive growth in the mortgage loan segment.
- Scale branch network reach and operational strength to support higher volumes.
- Implement measures to retain top-performing employees.
- Build the micro-leasing and personal loan segments to achieve a 20% portfolio share.

2. GOLD LOANS

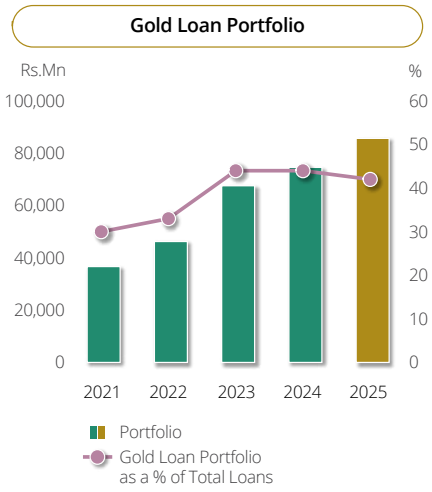
2.1 Operating Context and Strategy

In 2024, the significant increase in gold prices resulted in a notable surge in demand for Gold Loans, providing a conducive environment for expanding lending activities. This upward trend in gold prices not only stimulated growth within the sector but also intensified competition among key players in the market. Established financial institutions swiftly capitalised on the opportunity by expanding their branch networks to cater to the growing demand. Concurrently, existing players within the industry ramped up their efforts, adopting a strategically approach to the Gold Loan business to secure a larger market share and enhance their competitive positioning. This dynamic shift in the marketplace underscored the growing importance of strategic expansion and innovation within the Gold Loan sector

As part of our strategic response to the dynamic challenges within the Gold Loan sector, we implemented targeted initiatives to maintain a competitive edge while ensuring sustainable growth.

Challenges/Opportunities	Our Response
Increased competition	We strategically balanced responsible lending practices with market competitiveness in response to the growing competition in the Gold Loan sector. We maintained optimal pricing models and launched a robust marketing campaign that highlighted our financial stability and long-term commitment to our customers
Reduced interest rates and high vehicle prices	To mitigate the pressures from declining interest rates, we conducted thorough market analysis and ensured that our interest rates remained competitive. Additionally, we focused on enhancing operational efficiency to offset the impact on profit margins and deliver value to our clients
Talent acquisition by competitor	In light of heightened talent acquisition by competitors, we placed a strong emphasis on employee development and retention. This included the implementation of monthly training programmes specifically designed for our Gold Loan staff. Furthermore, we introduced reward and recognition schemes to foster employee loyalty, celebrate achievements, and ensure a motivated and skilled workforce

2.2 Performance - Gold Loans



15%
YoY growth in the Gold Loan portfolio (2023/24: 10%)

42%
Gold Loan share of the total lending portfolio (2023/24: 44%)

2.3 NPL Management

This year, we achieved a notable Non-Performing Loan (NPL) ratio of 0.08%, a reflection of our proactive and customer-focused strategies. Key initiatives contributing to this achievement include:

- Incentive programmes: Implementing reward programmes designed to incentivise and promote consistent on-time payments, fostering a culture of financial responsibility
- Collaborative solutions for at-risk customers: Maintaining close engagement with customers facing potential asset auctions, working together to identify solutions and prevent escalation of overdue loans

These efforts have played a crucial role in maintaining the strength of our loan portfolio and reinforcing our commitment to responsible lending practices

2.4 Enhancing customer services

In line with our commitment to innovation and customer-centric services, the following initiatives have been introduced to enhance our Gold Loan offerings:

- AI and machine learning integration: We have leveraged AI and machine learning technologies to streamline and enhance the efficiency of our Gold Loan operations, improving accuracy and decision-making processes
- Specialised products for women: The introduction of the 'Vanitha' product, tailored specifically for women customers, reflects our dedication to meeting the unique financial needs of this demographic
- Top-Up Option via Digital App: The LB CIM app enhances customer convenience by allowing users to remotely top up their advance value, providing quick and seamless access to additional funds without visiting a branch
- Employee training and development: We invested in comprehensive training programmes to equip our employees with the necessary skills and knowledge to deliver exceptional customer service, ensuring a high standard of support across all touchpoints
- 'Ran Udana Season 3' campaign: To further engage with our customers, we successfully conducted the 'Ran Udana Season 3' campaign, which helped raise awareness and foster deeper connections with our community







2.5 Future focus

Short-Term

- Develop a specialised Gold Plus product
- Create a dedicated programme to foster long-term customer relationships
- Implement a targeted campaign to reactivate inactive customers

Medium to Long-Term

- Develop a customer scoring model for new customers
- Strengthening the AI based Gold Loan products

3. MORTGAGE LOANS

3.1 Operating Context and Strategy

The operating environment for Mortgage Loans in Sri Lanka is gradually recovering as the economy stabilises after periods of uncertainty. With interest rates maintaining a steady course, the Mortgage Loan market is beginning to see increased demand from borrowers seeking long-term housing solutions. The sector is witnessing emerging opportunities, particularly in niche markets, such as foreign workers interested in completed properties. This growing demand is prompting financial institutions to adapt their offerings to meet the unique needs of these customers.

Challenges/Opportunities	Our Response
Difficulty in identifying loan purpose for SMEs	Due to challenges in identifying the specific purpose of Mortgage Loans for SMEs, we focused on offering smaller ticket loans with flexible terms to meet the diverse needs of these businesses.
Underperformance in acquiring new contracts	With a shrinking customer base, we launched targeted campaigns aimed at re-engaging existing customers and attracting new ones, while enhancing our digital platforms to streamline the mortgage application process.
Opportunity in the foreign/ local employee segment	We capitalised on the foreign employee segment by launching tailored marketing campaigns and collaborating with "Kedella" to reach local customers and boost sales, expanding our market reach.

3.2 Performance - Mortgage Loans







3.3 NPL Management

We have refined our approach to effectively manage our NPLs. Our primary focus now lies on small ticket mortgages, specifically those under Rs. 10 Million. Leveraging the synergy between our recovery team and the marketing department, we have adopted a collaborative strategy to expedite the loan recovery processes. This entails close monitoring of accounts, proactive engagement with customers to offer advice, and tailoring solutions to individual requirements.

3.4 Extending Support to Our Customers

To support our customers and ensure their continued satisfaction, the following initiatives were implemented:

- Rescheduled facilities: We offered personalised rescheduling of loan facilities on a case-by-case basis, ensuring flexibility for customers facing financial challenges
- Sub-loan offerings: Sub-loans were provided to assist customers in managing temporary cash flow issues, helping them stay on track with their mortgage commitments
- Rebate programmes: For customers experiencing financial difficulties, we offered rebates upon loan settlement, providing relief and incentivising early loan closures

3.5 Future focus

Short-Term

- Create a tailored mortgage product that meets the specific needs of a diverse customer base, offering competitive rates and flexible terms
- Launch targeted marketing campaigns aimed at re-engaging existing mortgage customers who have become inactive, encouraging them to renew or upgrade their loans
- Focus on enhancing customer experience by improving communication channels and providing personalised services for mortgage customers

Medium to Long-Term

- Establish a programme focused on building long-term relationships with mortgage customers through ongoing support, tailored offerings, and exclusive benefits
- Develop mortgage products designed specifically for sectors such as agriculture, fisheries, or other underserved groups, addressing their unique financial needs
- Enhance the Mortgage Loan offering by integrating artificial intelligence to better predict customer behaviour, optimise loan terms, and improve overall product offerings

4. TERM LOANS

In this section, we discuss the various lending products offered under the category of term loans, designed to meet the diverse needs of our customers:

- Pension Loan: A specialised loan product tailored for pensioners, providing them with easy access to funds based on their pension income
- CIM Digital Loan: A digital-first loan product that offers quick and convenient access to funds through the CIM digital platform, streamlining the loan application and disbursement process
- Loan against FD: A loan product that allows customers to borrow against their Fixed Deposit (FD) holdings, offering lower interest rates due to the secured nature of the loan

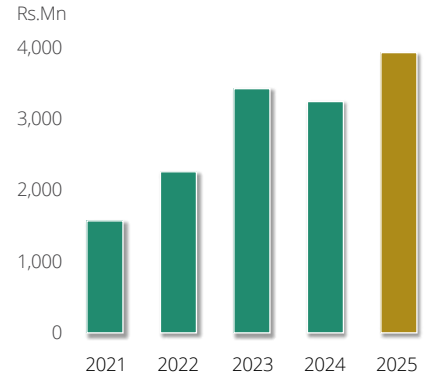
4.1 Pension Loan

4.1.1 Operating Context and Strategy

The Pension Loan market in Sri Lanka is becoming increasingly significant, driven by the country's growing retiring population. Financial institutions have recognised this opportunity and have developed tailored Pension Loan products to meet the unique needs of pensioners. With strong connections to government pension schemes, banks, and other financial entities, institutions leverage their broad branch networks to reach rural and underserved areas, ensuring accessibility to Pension Loans.

4.1.2 Product performance

Pension Loan Portfolio



Challenges/Opportunities	Our Response
Growing retiring population	To address the increasing demand from the retiring population, we proactively engaged potential customers through targeted campaigns, offering tailored investment solutions to meet their retirement needs
Strong existing relationship	Leveraging our strong relationships with Pension Funds, Government Agencies, and Banks, we expanded our market share and acquired new customers, providing them with accessible pension loan options
Wide branch network	We utilised our extensive branch network to reach underserved rural areas, ensuring that pensioners in these regions could easily access our loan offerings and benefit from our services
Government policies	We offer flexible loan rescheduling and period extension options
Increased competition	We ensure exceptional customer service with dedicated relationship managers and efficient support channels. Our streamlined loan disbursement process guarantees funds within two business days, and the LB CIM app enhances convenience by providing a user-friendly platform for loan management

4.1.3 NPL Management

We implemented the following strategies to reduce NPL ratio.

- Thorough evaluation of customer's financial situation
- Inclusion of guarantors to provide additional security

4.1.4 Extending Support to Our Customers

To improve customer satisfaction, we implemented the following initiatives:

- Operational efficiency: Streamlined services through staff training for faster processing
- Simplified application: Reduced document requirements and introduced digital document capture
- Home visits: Offered personal visits to build trust and provide expert advice
- Faster fund access: Enabled quicker disbursements through the LB CIM app
- Complaint resolution: Ensured prompt response and resolution of customer complaints

4.1.5 Future focus

Short-Term

- Increase market penetration and expand our customer base through targeted marketing campaigns, strategic partnerships, and innovative product offerings
- Increase customers' success by providing knowledge to use our loan programmes most effectively
- Streamline the loan application process for existing customers by enabling convenient and secure applications through the LB CIM app

Medium to Long-Term

- Grow the Pension Loan portfolio.

4.2 CIM Digital Loans

4.2.1 Operating Context and Strategy

The introduction of the CIM Business Loan was driven by the need to cater to customers who are often overlooked or underserved by traditional lenders. Unlike other service providers who may engage in selective lending practices and require extensive paperwork, we aim to offer accessible, transparent, and reliable financing solutions. While money lenders may provide fast service, the uncertainty around loan repayment can be a risk. In response to these market gaps, we designed the CIM Business Loan to meet the needs of a wider range of customers, ensuring a more dependable and efficient alternative.

In a challenging business environment, where SMEs are particularly vulnerable and at risk of closure, we took a cautious yet proactive approach in offering support. For our existing customers, we carefully evaluated their cash flows and CRIB reports, providing personalised advice and assistance. Our commitment to supporting our customers through difficult times remains steadfast, as we continue to strive to be a reliable and trusted partner.

Challenges/Opportunities	Our Response
Merchants in Sri Lanka lack access to readily available instant loans	We developed a tailored loan product specifically designed to address the unique needs of merchants, with a focus on speed and accessibility.
Absence of registered companies operating in the instant loan space	We established a compliant and reputable lending platform, setting ourselves apart from unregulated money lenders and building trust with merchants
Extensive network of over 200 branches, enabling island-wide coverage	We leveraged our extensive branch infrastructure to provide accessible loan services to merchants across Sri Lanka, including those in underserved rural areas
Opportunity to provide 'top-up' loans to existing customers with a proven repayment history	We implemented an AI-powered system to assess eligibility and expedite approval for top-up loans, enabling disbursements within 10 minutes upon settlement of the initial loan after 5 months, thus enhancing customer loyalty and driving repeat business
Recruiting qualified staff, particularly young talent, to support expansion and growth	We developed comprehensive training programmes for marketing officers, focusing on product knowledge, sales skills, and ethical lending practices, while also establishing clear career paths and professional development opportunities to attract and retain talent

4.2.2 Product performance



55.82%
YoY growth in the pension loan portfolio (2023/24: 21.16%)

4.2.3 NPL Management

To proactively manage NPLs associated with potential decreases in loan repayment capacity, we implement a multi-pronged approach:

- Maintained a dedicated team of experienced recovery officers responsible for managing delinquent accounts
- Foster collaborative relationships with customers
- Train and equip marketing offer to select creditworthy merchants, conduct thorough investigations, and analyse financial statements

4.2.4 Enhancing Customer Service

To improve customer service and drive business growth, the following initiatives were implemented:

- Targeted customer acquisition: Focused on acquiring new loan customers, especially from underserved segments with high growth potential, to expand our market reach
- Strengthened recovery process: Enhanced the recovery process by integrating GEO location tracking and customer monitoring systems, ensuring efficient follow-up and improved loan recovery
- Merchant community building: Fostered strong communities of merchants by providing a collaborative platform for them to connect, share best practices, and facilitate seamless transactions
- Streamlined loan application: Simplified the loan application process by reducing document requirements, resulting in faster turnaround times and a more convenient customer experience
- Improved repeat loan processing: Automated the repeat loan processing, enabling existing customers to access additional funding instantly, improving speed and efficiency

4.2.5 Future focus

Short-Term

- Increase the average loan value to selected high-potential merchants.
- Recruit and onboard skilled loan officers to fully staff 150 branches.
- Increase the total value of monthly loans, to grow the loan portfolio.
- Streamline the CIM loan process to enable disbursement within 24 hours for both new and existing merchants.

Medium to Long-Term

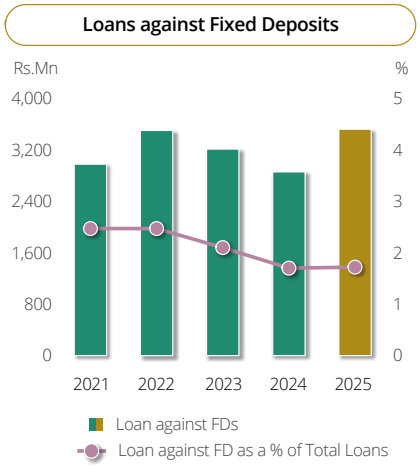
- Strengthen merchant networks.
- Increase customer retention
- Consolidate market officer roles for efficiency
- Develop strategic partnerships
- Develop advanced credit scoring models

4.3 Loans Against Fixed Deposits

4.3.1 Operating Context and Strategy

Challenges/Opportunities	Our Response
Increased customer demand for quick and easy procedures	• Streamlined account opening and loan application processes for faster service • Promoted and facilitated the use of the LB CIM app to enhance customer experience
Rapid adoption of digital platforms by customers	• Expanded features and functionality of the LB CIM app to improve user experience • Promoted digital account opening and management through the LB CIM app • Provided educational resources and support to encourage customers to adopt the app
Rising demand for instant liquidity without breaking FDs	• Developed and launched a competitive FD-backed loan product with attractive margin rates for better customer appeal • Expanded the digital platform to enable instant loan disbursements against FDs, offering quick access to funds
Increased financial inclusion through secured loans	• FD-backed and asset-backed loans to promote financial inclusion, especially for underserved customer segments

4.3.2 Product Performance



23%

YoY growth in the LAFD portfolio (2023/24: -11%)

4.3.3 Enhancing Customer Service

To improve customer service and ensure a seamless borrowing experience, the following initiatives were implemented:

- Loan applications via LB CIM app: Enabled customers to apply for business loans up to Rs. 1 Million directly through the enhanced LB CIM app, offering greater convenience, faster processing, and an overall more satisfying borrowing experience.
- 24/7 loan management: Provided customers with 24/7 access to loan management features, including repayment tracking, loan status updates, and balance inquiries, all through the LB CIM app.
- Instant loan disbursement: Enabled instant loan disbursements against Fixed Deposits (FDs) through the app, ensuring quick access to funds whenever needed.
- Customer support: Offered dedicated customer support via multiple channels, including in-app messaging, to assist customers with any inquiries or concerns

4.3.4 Future focus

Short-Term

- Enhance Digital Loan application: Continue promoting the enhanced LB CIM app for faster, more efficient loan applications up to Rs. 10 Million
- Expand awareness: Increase marketing efforts to raise awareness of the instant loan disbursement feature and the benefits of Digital Loan management
- Improve customer support: Strengthen customer support channels, ensuring customers have quick access to assistance and loan information

Medium to Long-Term

- Develop new loan products: Introduce new FD-backed loan products with more flexible terms to meet diverse customer needs
- Increase digital platform features: Expand the LB CIM app's capabilities, including additional loan management tools and personalised loan recommendations
- Enhance customer engagement: launch loyalty programmes and incentives for repeat customers to encourage long-term relationships and repeat borrowing
- Strengthen financial literacy initiatives: Roll out educational campaigns focused on financial planning and maximising the benefits of FD-backed loans, fostering informed decision-making among customers



VALUE ADDED SERVICES

We empower our customers with comprehensive financial management through streamlined payment systems and a diverse suite of Value-Added Services (VAS), all seamlessly integrated across our interconnected channels. Leveraging our extensive branch network, we efficiently facilitate utility payments, foreign currency exchange, and money remittance services (Western Union), ensuring that our customers' diverse needs are met with convenience and reliability.

These core services not only enhance customer satisfaction but also drive significant income, contributing directly to our profitability. As a part of our digital transformation, we are accelerating the integration of the LB CIM app, enabling seamless bill payments and Western Union transactions, further enhancing convenience and operational efficiency.

1. OPERATING CONTEXT AND STRATEGY

In 2024, LBF faced heightened competition from the unregulated grey market, particularly in Western Union (WU) and Foreign Currency (FC) exchange services, where informal operators attracted customers with lower fees and fewer regulatory constraints. Additionally, the increasing number of digital applications from competing institutions intensified the pressure, while exchange rate volatility posed further challenges to operations.

Despite these challenges, LBF strategically expanded its service reach by leveraging its extensive branch network and appointing 113 agents, making remittance and financial services more accessible. The Company also introduced the Eclipse system to streamline the foreign currency transactions process

Core Competencies

- Strong Brand
- High financial capacity
- Wide accessibility through the island-wide branch network
- Excellent customer service
- Extended Operating Hours

Challenges/Opportunities	Our Response
Unregulated competition	Educating customers about the legal and ethical implications of transacting with legitimate businesses
The emergence of new digital applications	Promoting our LB CIM app through branch networks to retain and attract customers by offering a digital alternative to competitors' apps
Declining cash transactions in WU operations	Promoting and facilitating the transition through our mobile applications

Strengths

Rewarding customer loyalty through value-added services

Hassle-free customer service with extended business hours

Impactful marketing campaigns to build customer awareness and engagement

Opportunities

Leveraging the LB CIM app to navigate market dynamics and provide seamless services

Expanding digital platforms to enhance service accessibility

Increasing customer acquisition by offering tailored services that meet diverse needs

SOAR
Analysis

Aspirations

Elevate customer experience through comprehensive service offerings

Enhance customer loyalty with reward programmes and personalised services

Results

Strengthened customer satisfaction and loyalty, leading to improved revenue generation

Increased user engagement with LB CIM app, driving market growth and long-term customer retention

2. ESG IMPACT AND COMPLIANCE

Environmental Sustainability

- Sustainable operations: By promoting digital transactions through our value-added services, we reduce paper waste and streamline processes

Social Upliftment

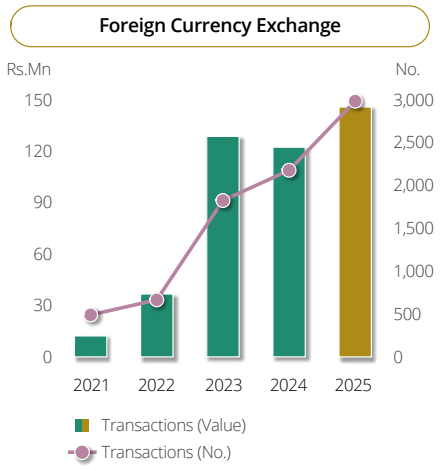
- Affordable financial services: Value-added services are designed to be affordable, especially for underserved populations
- Support for vulnerable populations: Providing accessible financial services to low-income and vulnerable groups

Governance and Compliance

- Regulatory compliance: Operating under the strict supervision of the Central Bank of Sri Lanka (CBSL), ensuring that our value-added services comply with all relevant financial regulations.

3. FOREIGN CURRENCY OPERATIONS

3.1 Product Performance



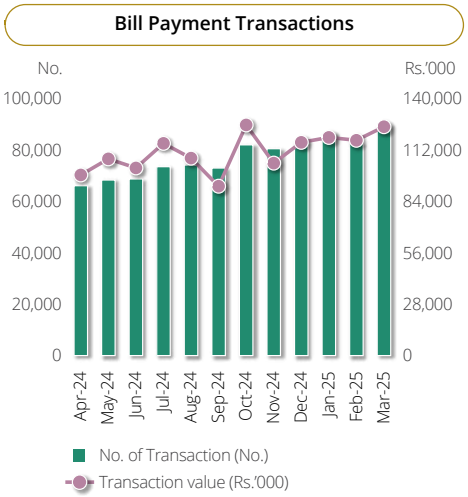
37%
YoY growth in the FC transaction number

19%
YoY growth in the FC transaction value

BUSINESS REVIEW

4. BILL PAYMENTS

4.1 Product Performance





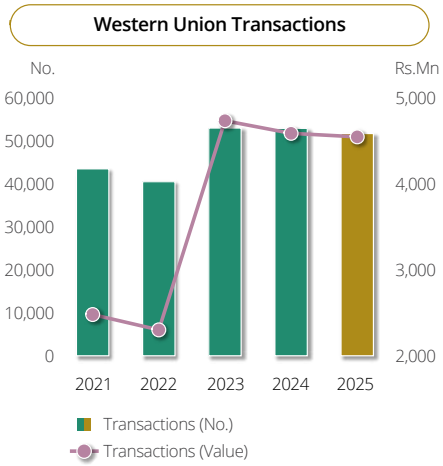
18%
No of transaction YoY growth (2023/24: -4.29%)

32%
YoY growth in the bill payment volume (2023/24: 57%)

5. WESTERN UNION

WU transactions recorded a decrease of 1% YoY to Rs. 4.5 Billion as of 31 March 2025. The number of transactions also decreased by 2% YoY to 52,000.

5.1 Product Performance





6. FUTURE FOCUS

Short-Term

- Build stronger relationships and increase customer retention through competitive pricing and improved customer service
- Expand business volume by implementing targeted marketing campaigns and promotions to attract more customers
- Grow transaction volume and incentivise usage for bill payments and remittance services

Medium to Long-Term

- Collaborate with travel companies and other partners to tap into new customer segments, particularly in the tourism sector, and broaden market reach
- Expand the network of sub-agents to establish a strong LBF presence in underserved areas, ensuring accessibility across all towns
- Digitise operations to reduce costs, improve efficiency, and enhance customer experience by streamlining transactions
- Explore partnerships with other leading remittance providers in addition to WU to diversify revenue streams and maximise market penetration
- Implement direct bank account transfers for senders, offering more flexibility alongside existing cash transaction options

SUBSIDIARY INFORMATION

LB MICROFINANCE MYANMAR

Strategy

Our strategy leverages specialised, seasonal agricultural finance while diversifying into targeted loans (trading, household, education) to meet client goals. We prioritise empowering our predominantly female clientele and capitalise on market opportunities through regional expansion and operational excellence, underpinned by strong non-performing loan management and technology adoption

Vision

To contribute to the development of sustainable and socially significant enterprises that improve the lives of the entire nation

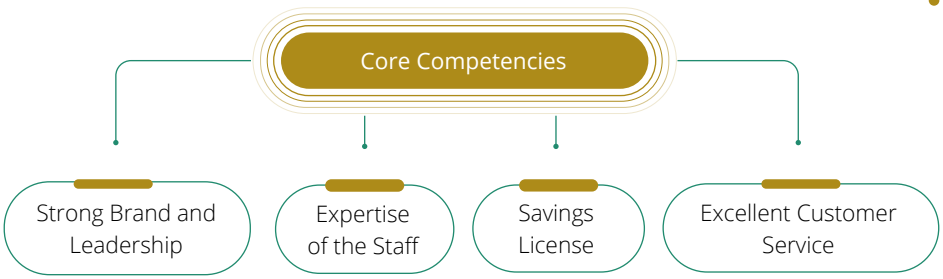
Mission

The mission of LB Microfinance Myanmar is to bridge the gap between ambition and achievement of the low-income individuals of Myanmar by providing financial assistance to creative entrepreneurs, value demanding consumers, and innovative business partners, through a robust microfinance model leading to the creation of businesses and markets, which mutually benefit LB Microfinance Myanmar and the poor communities of Myanmar

Our Products

Our core offering remains the traditional Microfinance Loan, designed to support clients at the grassroot levels. To serve clients who are more financially stable than typical microfinance borrowers, but for whom individual personal loans carry higher risk, we offer Group-based Loans. These are extended to established groups, typically comprising three individuals, with funds disbursed individually within a set collective limit. These loans are often used for trading and small business activities.

We further support enterprise growth through individual business loans. A dedicated Staff Loan product is also available for employees classified within the blue-collar segment. On the deposit side, we operate a compulsory savings scheme, which, in compliance with regulatory requirements, mandates that clients save 5% of their loan principal. Withdrawals from this account are tied to the loan cycle. In addition, we offer voluntary Savings accounts, which are available exclusively to customers who currently hold an active loan with our institution. This voluntary Savings product is offered only by microfinance institutions holding a special license.



Challenges/Opportunities	Our Response
Opportunity to deepen specialisation and grow within the agricultural sector, especially in Ayeyarwady region	2 new branches opened in Ayeyarwady region
Being one of only 38 licensed institutions (out of 182) allowed to accept voluntary savings	Tapping into the deposit potential in commercial centres, including Yangon
Overall, sector NPL is extremely high (over 27%)	Effective and close monitoring and management of NPLs
Heavy reliance (95%) on agriculture	Entry into related financing such as individual loans

SUBSIDIARY INFORMATION

Strategic Imperatives

Deepen Agricultural Finance Specialisation

Aligning loan products, disbursement timing, and repayment schedules precisely with the three distinct cultivation seasons for key local crops (paddy, sesame, peanut, beans) and the specific needs of animal husbandry clients, while exploring related opportunities including peanut value chain financing.

Client-centric Product Diversification

We are expanding our product suite beyond core agriculture to align with clients' expressed goals by offering targeted loans for small traders and financing business-related equipment. At the same time, we provide opportunities to earn income through our voluntary savings product.

Leverage the Female Client Base

Designing all aspects of operations (products, service delivery, communication, and staff training) to effectively serve and empower the predominant (95%+) female client base, utilising their networks and measuring impact holistically, including women's economic empowerment.

Capitalise on Market Opportunity and Regional Strengths

Capitalising on the favourable regulatory environment and limited foreign competition by marketing local expertise. Implementing distinct strategies for agricultural versus commercial (Yangon) regions including deposit focus where licensed, and pursuing systematic branch expansion in high-potential areas.

Enhance Operational Efficiency and Risk Management

Optimising resources and operations (staffing, cash flow) to align them with agricultural seasonality, applying proven, NPL management techniques across the entire portfolio, and investing in appropriate technology to enhance efficiency and reach, particularly in rural areas.

Regional Expansion Strategy

Yangon Region

As Myanmar's primary commercial city, the Yangon Region presents a significant opportunity for deposit mobilisation and loan granting. Its dense population, active trade hubs, and relatively higher financial literacy make it an ideal environment for expanding both savings and credit products. We are one of only 38 microfinance institutions, out of 182 operating nationally, licensed to accept voluntary savings. Capitalising on this license and the region's commercial nature, our focus will be on deposit-taking activities, supported by the planned opening of new branches in here.

Ayeyarwady Region

Our current operations in the Ayeyarwady Region encompass five branches, which have demonstrated exceptional portfolio quality with an NPL ratio of 0%. Based on this strong performance and the region's high agricultural potential, we are proceeding with plans to open few additional branches in this region.

Tanintharyi Region

In addition to the above regions, we have received regulatory approval to establish new branches in the Tanintharyi Region, marking a strategic step in our regional expansion. Our initial operational focus will center on the local agricultural sector, with tailored financing for farmers engaged in the cultivation of Areca nuts, rubber, and other regionally significant crops. We will also offer financing options for the purchase of three-wheel vehicles, which are widely used for both transport and agricultural purposes.

VIDEO **13**

Scan QR code to watch overview of Myanmar

Strengths

Reputation and trustworthiness

Strong community engagement

Diverse financial products

Extensive network across four regions of the country

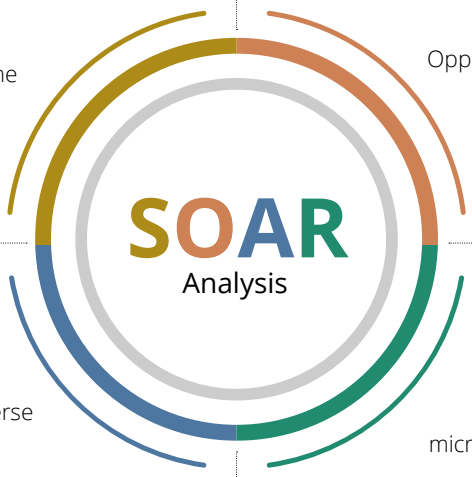
Opportunities

Market expansion, especially in under-served rural areas

Implement digital financial services

Opportunity to collaborate with local NGOs and community organisations

Government policies encourage financial inclusion and support microfinance institutions



Aspirations

Become the leading microfinance service provider in Myanmar

Develop customised loan products for diverse community needs

Set a benchmark in social responsibility, especially in areas such as women's economic empowerment and financial literacy.

Become a digital-first microfinance provider

Results

Increase number of branches to 25 by the end of 2025/26

Target 50,000 customers and a top-10 microfinance ranking within next three financial years

ESG Impact and Compliance

Environmental Sustainability

- Encourage customers to use digital channels for loan repayment
- Actions taken to reduce paper usage in the business process

Social Upliftment

- Supporting women empowerment
- Supporting agriculture and trading
- Our financial products directly address improving health, living conditions, educational access, economic resilience, and future opportunities, empowering individuals and families to build better, more secure lives

Governance and Compliance

- In compliance with the requirements of Finance and Regulatory Department that comes under Ministry of Planning and Finance, Myanmar
- Report regularly to the Central Bank of Myanmar on anti-money laundering and terrorist financing
- Follow a comprehensive Credit Policy in the loan granting process

SUBSIDIARY INFORMATION

NPL Management

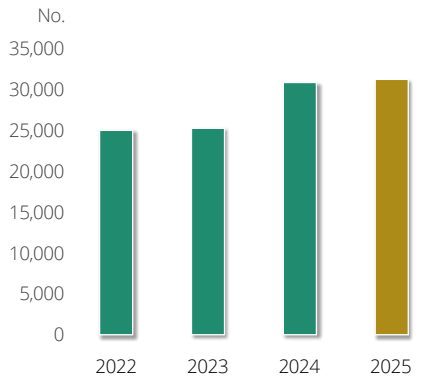
In a sector currently experiencing NPL levels exceeding 27%, LB Microfinance Myanmar maintained an overall NPL ratio of 7.48%. Notably, the portfolio segment comprising over 25,000 customers acquired since April 1, 2021, demonstrates exceptional health with an NPL rate of only 0.48%. This performance is supported by our disciplined approach to recovery management, which includes close monitoring overseen by a dedicated recovery manager, daily reporting structures, and consistent follow-up actions. Furthermore, our policy of potentially increasing facility limits based on customers' positive payment patterns serves as a key motivator for timely repayments.

Key Initiatives Implemented to Grow the Microfinance Operations and Customer Base

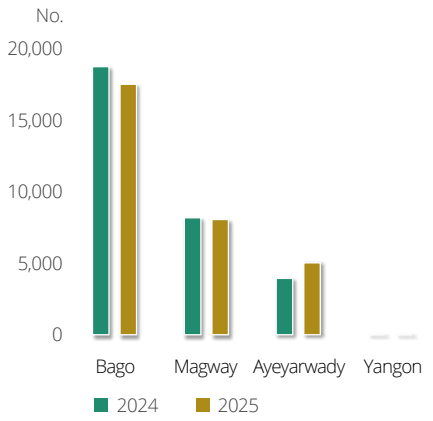
Enhancing Customer Service

- We integrated with leading digital payment providers, KBZ Bank and Wave Money, to streamline the loan repayment process. Customers are enabled to conveniently pay their instalments via their respective mobile wallets
- To improve client experience and increase operational efficiency, we have streamlined the documentation process, reduced paperwork and simplified loan application procedures without compromising compliance
- In parallel, we conduct regular staff training programmes focused on customer service, financial education, and responsible lending practices. These trainings ensure that frontline staff are well-equipped to provide clear guidance, build trust with clients, and respond effectively to their needs, ultimately enhancing customer satisfaction and long-term engagement

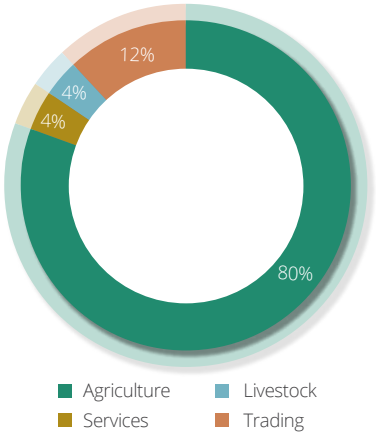
No. of Customers



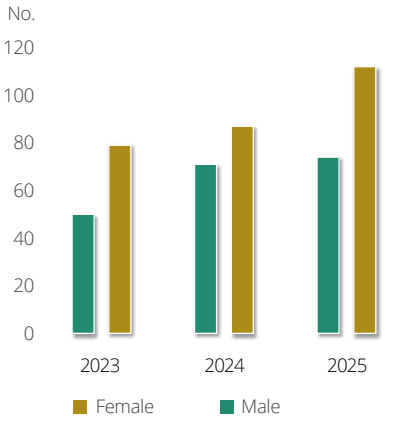
Region-wise Customers



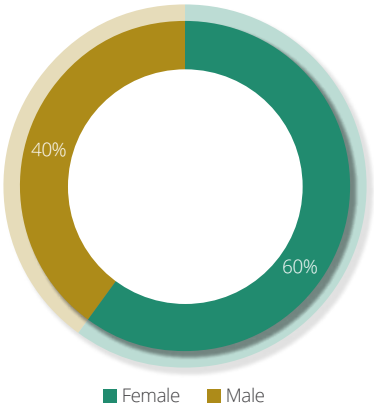
Total Granting Sector-wise



Employee Based on Gender



Employees Gender Composition



ESTABLISHING OUR STRENGTH

We are equipped with the right structures, frameworks, and resources to maximise results and ensure long-term stability and strength.

Lions symbolise unparalleled strength, with their robust structures and frameworks enabling them to achieve remarkable outcomes. Their paws, capable of generating 1,400 lbs of force, exemplify their immense power. Similarly, mosaics are crafted from durable materials, designed to maintain their stability challenging conditions, embodying a spirit of lasting resilience and endurance.



SECTION 5

CORPORATE GOVERNANCE

Chairman's Message 246 | Report of the Senior Independent Director 247 | Governance Philosophy 248 | Board of Directors 254
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CORPORATE GOVERNANCE

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CHAIRMAN'S MESSAGE



G A R D Prasanna
Chairman

Corporate Governance remains the cornerstone of LBF's sustained resilience and success. For over five decades, we have built a Governance Framework that goes beyond compliance, anchored in integrity, transparency, accountability, and fairness.

The operating environment during the year under review remained complex and dynamic, shaped by economic volatility, political tensions, regulatory developments, and rapid digital transformation. Amid an evolving landscape, our Board has remained steadfast in its oversight role, upholding strong governance structures and internal controls to safeguard the interests of depositors, investors, customers, and the broader community, while continuing to honour the social and fiduciary trust placed in us.

This year, we made significant strides in strengthening our governance ecosystem, aligning with both regulatory expectations and global best practices. LBF became one of the early adopters of the Sustainability Reporting Standards (SLFRS S1 and S2), issued by the Sri Lanka Accounting and Auditing Standards Monitoring Board. These standards have been seamlessly embedded into our risk management and reporting frameworks, enabling a more holistic view of ESG factors. In line with this, the scope of both the Board and Management Sustainability Committees was expanded to drive strategic ESG integration across the organisation.

We also reaffirmed our focus on digital resilience and cyber security. The successful re-certification under ISO 27001:2022 reflects our commitment to strengthening information security and IT governance in a fast-evolving digital risk landscape. To further future-proof our operations, we advanced the governance of artificial intelligence and data usage through a structured framework that emphasises ethics, accountability, and transparency.

Recognising the growing importance of stakeholder trust, the Board approved a set of new and revised policies ranging from personal data protection and whistle-blowing, to anti-bribery and corruption underscoring our zero-tolerance stance on unethical practices. The proactive implementation of Personal Data Protection Act No. 9 of 2022 was a critical milestone, including the appointment of a Data Protection Officer and company-wide awareness initiatives.

The composition of our Board continues to reflect a balanced blend of experience, independence, and diversity. This year, we further enhanced Board effectiveness by appointing two (2) Independent Non-Executive Director with sustainability and corporate strategy expertise. Board independence and committee effectiveness were again affirmed through our annual self-evaluation process. Ongoing training sessions covering topics such as climate risk, AI ethics, and regulatory compliance ensured that Directors remained well-informed and forward-thinking in their oversight responsibilities.

In line with our strategy of embedding ESG into every aspect of decision-making, the Board-approved ESG Policy and Pledge provide a clear articulation of our commitments. Our initiatives from branch solarisation and the launch of green financing products, to calculating Scope 3 emissions reinforce our roadmap towards Sri Lanka's net zero goals by 2050. These efforts were closely monitored by the Board Sustainability Committee and remain an integral part of our value creation strategy.

Throughout the year, the Board met regularly and discharged its fiduciary duties with rigour and independence. Enhanced focus was placed on operational risk governance through the formation of a new Operational Risk Management Committee and the realignment of risk management frameworks to emerging threats and opportunities. The internal audit function, risk committees, and compliance teams continued to play a central role in preserving the integrity of our internal control environment.

As we look ahead, we are well aware of the evolving regulatory, technological, and societal shifts that will shape the future of financial services. The Board is committed to strengthening the governance frameworks necessary for long-term success ensuring alignment with new sustainability disclosure standards, evolving data ethics, and the responsible use of emerging technologies.

On behalf of the Board of Directors, I extend my sincere appreciation to our shareholders, customers, regulators, and employees for their continued trust and support. Our governance ethos remains rooted in creating sustainable value responsibly, inclusively, and with purpose.



G A R D Prasanna
Chairman

30 May 2025

REPORT OF THE SENIOR INDEPENDENT DIRECTOR



Ashane Jayasekara
Independent Non-Executive Director/
Senior Independent Director

The Board has a strong representation of Independent Directors that helps to maintain objectivity of the Board which is vital for sound Corporate Governance. The Independence of each Director has been established based on the information and declaration submitted by each Independent Director.

The appointment of the Senior Independent Director was made as per the requirements stipulated in the Finance Business Act Direction No. 5 of 2021 Corporate Governance.

The appointment of a Senior Independent Director aims to strengthen the independent voice in Board proceedings and deliberations whether during formal meetings or through circular resolutions. In order to facilitate the functions of Senior Independent Director, a Board approved Terms of Reference is available which define the roles, responsibilities and authority of this function. To support this role a Board approved TOR is in place clearly outlining the responsibilities, authority and scope of the Senior Independent Director's function.

The Board has a strong representation of Independent Directors that helps to maintain objectivity of the Board which is vital for sound corporate governance. The Independence of each Director has been established based on the information and declaration submitted by each Independent Director. Accordingly, the Board of Directors has concluded that the all the Independent Directors of the Company are compliant with the independent criteria set by "Finance Business act direction no. 5 of 2021", "CSE listing Rule No. 9 Corporate Governance" and "Code of Best Practice of Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka".

During the year under review, two (2) meetings were conducted by the Senior Independent Director with the Non-Executive Directors without the presence of Executive Directors to discuss matters relating to the Company and the operations of the Board.

As required by the "Finance Business act direction no. 5 of 2021", the Non-Executive Directors have assessed the performance of the Chairman of the Board.



Ashane Jayasekara
Independent Non-Executive Director/
Senior Independent Director

30 May 2025

CORPORATE GOVERNANCE

1 GOVERNANCE PHILOSOPHY

1.1 Approach to Governance

Strong Corporate Governance has always been the cornerstone of LBF's success. The Corporate Governance framework of LBF provides a solid foundation for conducting business in a manner that aligns with stakeholder expectations. Guided by this framework, the Board steers the Company towards achieving its strategic objectives and delivering positive outcomes for all stakeholders.

The Governance philosophy of the Company is based on providing a control framework for the Board and its Committees to execute their fiduciary responsibilities. This is achieved by ensuring transparency, accountability, fairness and independence in their decision making. However, we believe Corporate Governance is not just limited to creating checks and balances; it is fundamentally about creating organisational excellence that enhances employee and customer satisfaction and increases shareholder value that upholds our ethics and principles.

We believe that our Company should go beyond mere adherence to regulatory requirements. Our corporate structure, business operations, and disclosure practices are strictly aligned with our Corporate Governance philosophy. At the core of this philosophy is a commitment to system-driven performance and performance-oriented systems, which we prioritise to ensure transparency, efficiency, and accountability. The Board leads the Company with integrity and competence, fostering responsible, fair, and transparent decision-making. By upholding these principles, we protect the interests of all shareholders, particularly minority shareholders, while driving the achievement of strategic objectives, delivering positive outcomes over time, and creating sustainable value for stakeholders.

1.2 Disclosures on Governance

In accordance with regulatory requirements and international best practices, the Company has included comprehensive disclosures regarding its adherence to key governance standards in the following Annexures,

1. Compliance with the Finance Business Act Direction No. 5 of 2021 Corporate Governance issued by Central Bank of Sri Lanka is given on pages 491 to 510
2. Compliance with Colombo Stock Exchange Listing Rule, Section No. 7.6 - Contents of Annual Report and Section No. 9 – Corporate Governance is given on pages 527 to 532
3. The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka is given on pages 511 to 525

1.3 Assurance on Governance

Internal Assurance

The Annual Report of the Board of Directors, along with the Directors' and Sub Committee Reports presented on pages 282 to 304, the Board of Directors reaffirms its commitment to accountability, integrity, and transparency across all facets of the Company's operations. These reports serve as a clear testament to the Board's unwavering dedication to the strong Corporate Governance culture.

External Assurance

The Company's External Auditors, Messrs KPMG, have provided their Assurance Statement to the CBSL after reviewing the Company's compliance with the Direction No. 5 of 2021, Corporate Governance.

1.4 Approach towards Global Standards

Company's approach to sustainability and climate-related disclosures are firmly rooted in emerging global standards, including SLFRS S1 and S2. These standards serve as a guiding framework for identifying, assessing, and managing both material risks and opportunities in a comprehensive and forward-thinking manner. We are deeply committed to sustainability reporting that not only highlights our performance but also underscores our resilience in addressing evolving environmental and social and governance challenges.

Incorporating globally recognised frameworks such as the Global Reporting Initiative, the United Nations Sustainable Development Goals, and the United Nations Global Compact, we ensure our strategies align with best practices in corporate responsibility. These frameworks help us embed sustainability into the heart of our operations, ensuring transparency, accountability, and a commitment to inclusive engagement with our diverse stakeholder groups.

By adhering to these internationally recognised standards, we reinforce responsible business practices, strengthen our sustainability commitments, and foster greater trust and confidence among our stakeholders.

2. EMERGING TRENDS IN CORPORATE GOVERNANCE

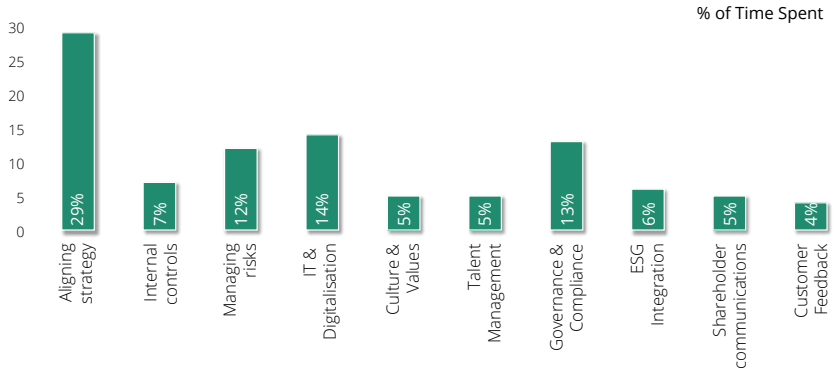
Corporate Governance is undergoing a dynamic transformation, driven by heightened expectations around sustainability, technology, and accountability. ESG considerations are now integral to boardroom discussions, with investors and regulators demanding greater transparency in climate disclosures, social equity, and ethical leadership.

Artificial Intelligence (AI) governance has emerged as a critical area, as organisations deploy advanced algorithms in decision-making. Boards are now responsible for ensuring that AI systems are explainable, fair, and compliant with evolving ethical standards and data regulations.

In parallel, the governance and risk management of models, particularly financial and predictive models, have gained prominence. Institutions are adopting rigorous model validation frameworks, stress testing, and monitoring to mitigate systemic and operational risks. Regulatory bodies, including the Basel Committee and International Accounting Standards Board (IASB), are emphasising model governance as essential for financial stability and stakeholder trust.

3. CORPORATE GOVERNANCE HIGHLIGHTS 2024/25

Board Priorities



Key Shareholder Communications

TOPIC	DATE
Final Dividend announcement	27 May 2024
Annual Report 2023/24	04 June 2024
Appointment of Company Secretary	11 Jun 2024
Annual General Meeting	28 June 2024
Q1 Performance	17 July 2024
Q2 Performance	16 Oct 2024
Appointment of Directors	18 Nov 2024
Q3 Performance	22 Jan 2025
Interim Dividend announcement	19 Feb 2025
Q4 Performance	21 May 2025

Implementation of SLFRS S1 and S2

- Enhancement of composition of BSC by appointing INED with related skills and expertise
- Broadening the mandate of Board and Management level sustainability committees to align with established standards (SLFRS S1 & S2) and regulatory requirements
- Implementation of Board approved ESG Policy
- Adopting an integrated approach to identifying and managing risks and opportunities associated with SLFRS S1 and S2
- Training and awareness on SLFRS S1 and S2 to the employees including BOD
- Alignment of integrated risk management framework to cater SLFRS S1 S2 requirements

IT Governance

- Re-certification of ISO 27001:2022
- Further strengthen the information security and IT Governance team to align with cybersecurity risks
- Well-structured approach on AI and cybersecurity governance.
- Higher investments on information and cybersecurity aspects

Key governance initiatives

- Appointment of two Independent Non-Executive Directors to strengthen the Board's independence
- Formation of Operational risk management committee with a TOR
- Review and update of operational risk management framework
- Review and update of 70 policies, procedures & TORs
- Fully adoption of section 9 of CSE listing rules

Governance Strategies for Future Readiness

- Proactive PDPA initiatives – Appointment of DPO, review and update of PDP Policy, implementation of provisions of PDP act
- Developing Incident reporting mechanism relating to Operational Risk Management

GRI: 2-9

4. FRAMEWORK FOR GOVERNANCE

Our Governance Framework is firmly anchored on four key pillars: competent leadership, robust internal controls, a strong risk culture, and unwavering accountability to our stakeholders. These principles form the foundation of our commitment to transparency, efficiency, and ethical business practices.

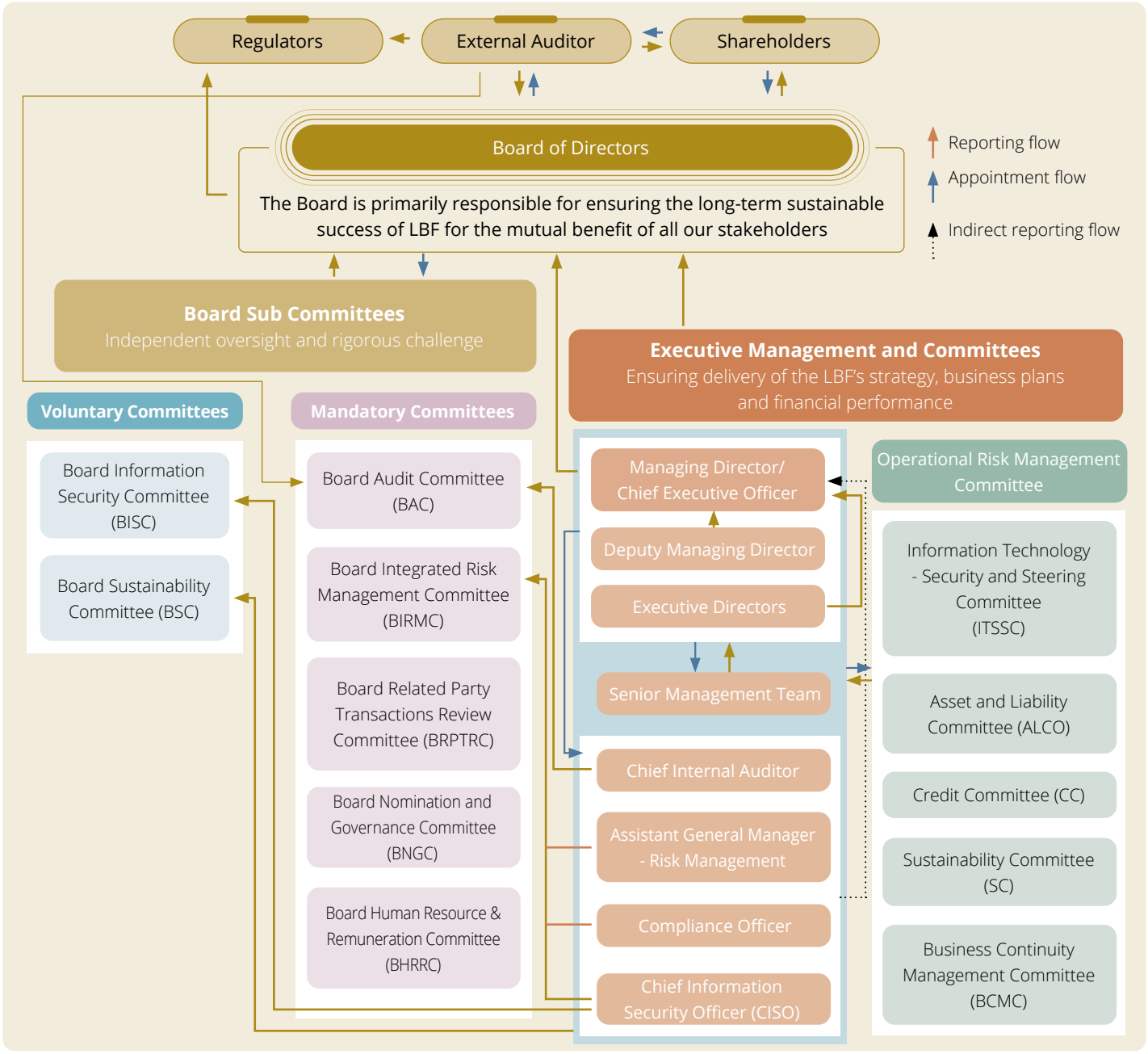
We believe that achieving a harmonious balance between continuity and fresh perspectives on the Board is essential for fostering innovation while maintaining stability. The Board plays a central role in shaping our governance standards, ensuring they align with the evolving expectations of our stakeholders.

Our leadership model is designed to promote an effective distribution of power, ensuring that decision-making is not only accountable but also independent. This balance of authority fosters a governance environment where transparency and responsibility are prioritised, and where every decision is made with the long-term interests of our stakeholders in mind.

4.1 Governance Structure

LBF's commitment to Governance is brought to life through a clear Governance structure and strong Governance Framework that collectively supports the Group's strategy and decision making processes to ensure business continuity and drive growth in order to achieve stakeholder value creation goals.

The Governance structure of the Company is as follows:

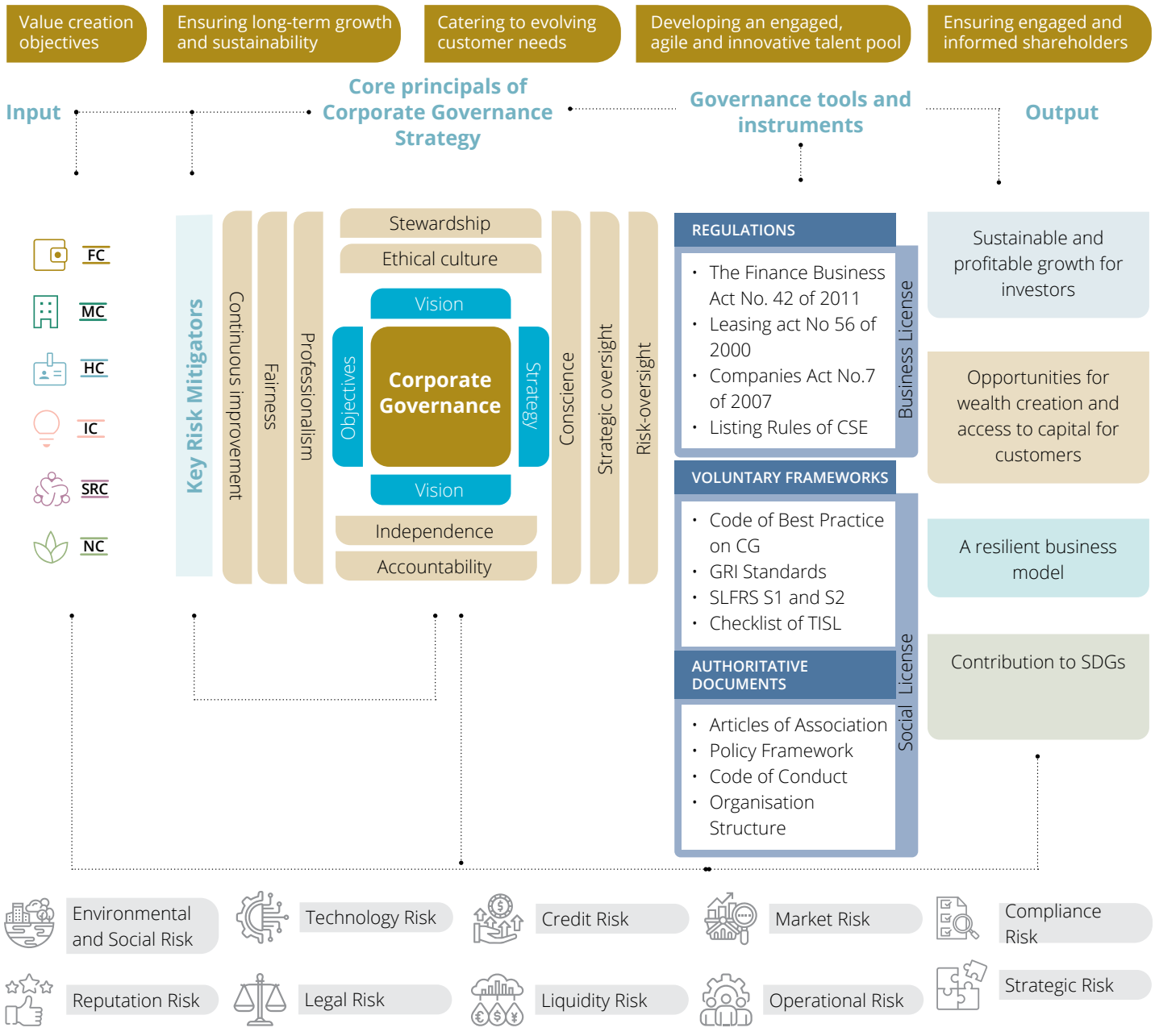


4.2 Value Creation through Governance Framework

As a Company engaged in the business of finance, our business license is issued by the Monetary Board of the Central Bank of Sri Lanka, which also issues directions from time to time. The Board is also cognizant of the need to maintain the trust of its depositors and the confidence of its borrowing customers to act in good faith as custodians of their wealth and providers of capital for their needs. In essence, this reflects our commitment to reserving our social license to operate. Our Governance Framework is designed to ensure that these two licenses, which are necessary for our continuity, are maintained without any impairment.

The legal enactments and regulations support our business licenses, while we look to a range of voluntary frameworks and internal policies adopting best practices to support the social license, as reflected in the Governance Framework. Arguably, the social license is perhaps more fragile than the business license, and the Board and Senior Management are aware of the importance of safeguarding it.

VALUE CREATION THROUGH CORPORATE GOVERNANCE



4.3 Policy Framework

LBF has a comprehensive policy framework that continues to be updated to reflect changes to regulatory requirements, best practice and our own findings. The policies that were updated during the year are set out below:

Policies relating to Board Matters and communication — 3 ✓

- Dividend Policy
- Succession Plan for Key Responsible Persons
- Delegation of Authority
- Policy on Corporate Disclosures New
- Policy on Matters relating to Board of Directors New
- Policy on Relations with Shareholders and Investors New

Other Products and Services — 11 ✓

- Foreign Currency Operations – Policy Manual
- Policy & Procedure for Development of new Products, Processes & Systems
- Procurement Manual- Administration, IT and Marketing Department
- Accessibility Policy New
- Financial Consumer Protection Policy New

Risk Management — 11 ✓

- TOR of BIRMC
- TOR for ORMC New
- Integrated Risk Management Framework
- Operational Risk Management Framework and Policy
- Risk Appetite Statement

Governance, Audit and Compliance — 14 ✓

- Board Audit Committee Charter
- AML/CFT and KYC Policy
- Board Sustainability Committee – TOR
- Policy on Corporate Governance, Nominations and Re-election New
- Policy on Board Committees New

Financial Reporting and Asset Management — 8 ✓

- Impairment Policy Manual
- CBSL Reporting Regulation Manual
- Finance Manual
- Policy on control and management of company assets and shareholder investments New

Liquidity and Capital Management — 4 ✓

- Asset and Liability Management and Liquidity Management Policy
- Investment Policy
- ALCO Charter

Human Resources — 3 ✓

- Human Resource Policy
- Code of Conduct
- Remuneration Policy

IT and Information Security — 8 ✓

- Information Security Policy
- Disaster Recovery Plan
- Information Asset Management Procedure

Credit — 8 ✓

- Credit and Operations Manual
- Credit Committee Charter
- Recovery Procedure Manual

● ✓ No. of Board Approved Policies

VIDEO **12**

Scan QR code to watch history of corporate governance

5 COMPETENT LEADERSHIP

5.2 The Board

CASL code principle (A.1) Every public company should be headed by an effective Board, which should direct, lead and control the Company

The Board of Directors holds ultimate responsibility for the overall governance, strategic direction, and performance of the Company. As the highest governing authority, the Board provides strategic leadership and ensures that management and operational frameworks align with the Company's mission and long-term goals. It exercises close oversight across all functions, with a focus on effective risk management, compliance, and internal controls. Through policy guidance and performance monitoring, the Board plays a key role in driving sustainable growth and protecting stakeholder interests.

In addition to its leadership and oversight functions, the Board is committed to upholding strong ethical standards, transparency, and accountability throughout the organisation. It actively promotes a culture of integrity and continuously reviews the governance framework to reflect global best practices and evolving expectations. This commitment ensures the Company maintains a solid reputation, fosters stakeholder trust, and remains resilient in a dynamic business environment. By reinforcing sound governance at every level, the Board helps secure the Company's long-term success and its ability to adapt to future challenges while delivering consistent value to all stakeholders.

5.2 Governance Structure and Composition

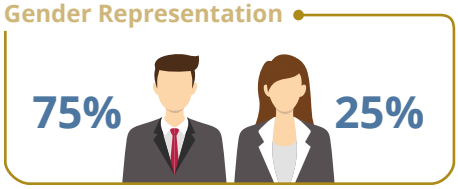
CASL code principle (A.10) Shareholders should be kept advised of relevant details in respect of Directors

The size and composition of the Board are considered appropriate, reflecting the current scale and geographic footprint of our operations. The Board comprises a balanced mix of Executive, Non-Executive, and Independent Non-Executive Directors. This balance enables the Board to provide clear and effective leadership across all areas of company's business activities.

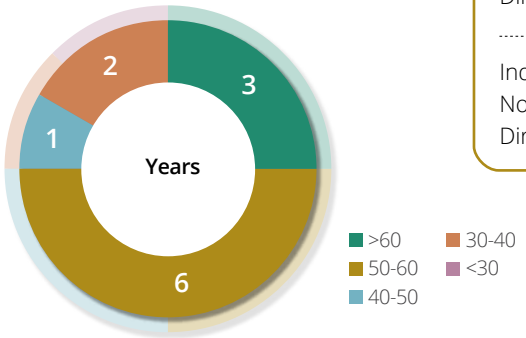
The views of Non-Executive and Independent Non-Executive Directors carry significant weight in Board deliberations, ensuring robust strategic oversight and leadership for the Company. To support this, Company has appointed Directors who are respected professionals, academics, and business leaders, each of whom has held senior positions within their respective fields and brings the appropriate calibre and expertise to the Board.

In addition, the Board benefits from healthy age and gender diversity, bringing fresh perspectives that enhance the sustainability and resilience of our Business. To further strengthen governance, Non-Executive Directors meet during the year, without the presence of Executive Directors, to review management effectiveness. Separate sessions are also held annually for Independent Directors to discuss governance matters, thereby reinforcing the effectiveness of the Board in managing the affairs of both the Company and the Group.

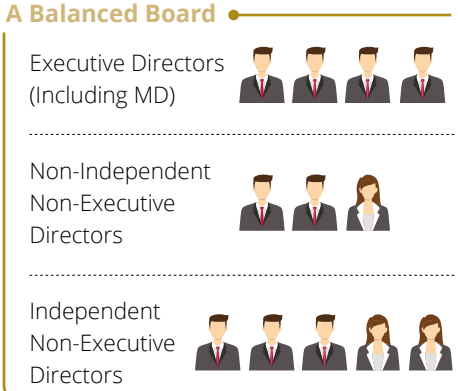
Gender Representation



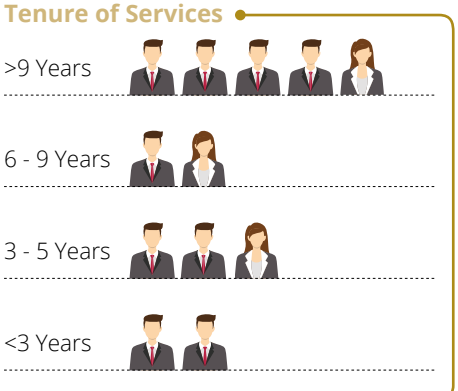
Age Diversity



A Balanced Board



Tenure of Services



CORPORATE GOVERNANCE

BOARD OF DIRECTORS



Left to right
Ms. Ashwini Natesan - Independent Non-Executive Director, **Mr. Dharmadasa Rangalle** - Non-Executive Director,
Mr. Ashane Jayasekara - Independent Non-Executive Director/Senior Independent Director, **Mr. Sumith Adhihetty** - Managing Director,
Mr. Piyal Hennayake - Independent Non-Executive Director, **Ms. Yogadinusha Bhaskaran** - Non-Executive Director



Left to right
Mr. Priyantha Talwatte - Independent Non-Executive Director, **Mr. G A R D Prasanna** - Chairman/Non-Independent Non-Executive Director, **Mr. B D A Perera** - Executive Director, **Mr. Niroshan Udage** - Deputy Managing Director, **Mr. Ravindra Yatawara** - Executive Director, **Ms. Yanika Amarasekera** - Independent Non-Executive Director

CORPORATE GOVERNANCE

Mr. G A R D Prasanna

Appointed to the Board
Appointed to the Board on 1st December 2021 and as the Chairman of the Board of Directors on 1st March 2022.

Role
Chairman / Non-Independent Non-Executive Director

Skills and Experience
He has extensive experience in various business management strategies and is a business leader with a diverse background in manufacturing, banking and finance, leisure, plantations and hydro-power generation. He has many years of experience in managing businesses and has gained substantial governance experience through his leadership of boards of both quoted and unquoted companies.

Current Appointments
He currently holds directorships in fifteen other companies, including serving as a Non-Independent Non-Executive Director of Royal Ceramics Lanka PLC, Managing Director of Wise Property Solutions (Pvt) Ltd, Executive Director of Wise Homes (Pvt) Ltd and Grandmark (Pvt) Ltd, and as a Non-Executive Director of Rocell Bathware Limited, Rocell Ceramics Distributors (Private) Limited, Rocell Properties Limited, Country Energy (Private) Limited, La Forteresse (Private) Limited, Delmege Forsyth & Co. (Shipping) Ltd, Lewis Shipping (Pvt) Ltd, Delmege Air Services (Pvt) Ltd, Delmege Aero Services (Private) Limited, Delmege Insurance Brokers (Pvt) Limited, and Delmege Airline Services (Private) Limited.

Former Appointments
Previously, Mr. Prasanna served as Director of Lanka Ceramics PLC, Delmege Forsyth & Co. Ltd, Delship Services (Pvt) Ltd and Lewis Brown Air Services (Pvt) Ltd. He was also the Chairman of Pan Asian Banking Corporation PLC and held directorships at Tekro Holdings (Pvt) Ltd, Delship Services (Pvt) Ltd and Hayleys Global Beverages (Pvt) Ltd. Furthermore, he served as Director of Delmege Forsyth & Co. (Exports) (Pvt) Ltd, Delmege Coir (Pvt) Ltd, Delmege Aviation Services (Pvt) Ltd and as Alternate Director to Mr. K D D Perera of Lanka Tiles PLC.

Mr. Ashane Jayasekara

Appointed to the Board
On 30th October 2017, and appointed as Senior Independent Director on 1st March 2022.

Role
Independent Non-Executive Director (Senior Independent Director)

Skills and Experience
Mr. Jayasekara is a Fellow Member (FCA) of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member (FCMA) of the Chartered Institute of Management Accountants – UK and a Fellow Member (FBCS) of the British Computer Society - UK. He holds an Associate Membership (AIArb) of the Singapore Institute of Arbitrators. He is a Member of the Council of the University of Colombo. He has a Bachelor of Science Degree [Hons] in Information Systems from London Guildhall University and a Master of Business Administration from the University of Southern Queensland. He also holds a Master of Laws (LLM) from Cardiff Metropolitan University, specialising in Information Technology and Intellectual Property. Mr. Jayasekara is a Certified Internal Auditor [IIA - USA], Certified Fraud Examiner [ACFE - USA], Certified Information Systems Auditor [ISACA - USA] and a Computer Hacking Forensic Investigator [EC Council - USA].

He has over 20 years of experience in the fields of internal audit, cyber security, fraud investigations, corporate governance, risk management and internal controls. His experience spans private, publicly listed, multinational and government enterprises across a wide range of sectors.

He has overseen many forensic audits and provided litigation support for cases ranging from arbitration hearings to Magistrates and High Court cases. Mr. Jayasekara has also served as a consultant to local government and state-owned enterprises on the development of enterprise risk management policies and IPPF-based internal audit manuals. He is a visiting faculty member at leading state and private sector universities and has played a pioneering role in the introduction and delivery of Fraud & Forensic Accounting as a subject in undergraduate and postgraduate programmes in Sri Lanka.

Current Appointments
He holds directorships in five other companies, including:

Deputy Managing Partner of BDO Partners Sri Lanka, Managing Director of BDO Partners (Pvt) Ltd, Independent Non-Executive Director of National Savings Bank, Director of SC Securities (Pvt) Ltd and Staff Link Consulting (Pvt) Ltd.

He is also a Council Member of the Institute of Chartered Accountants Sri Lanka, a Council Member of University of Colombo, President of ISACA Sri Lanka Chapter (affiliated to ISACA Global USA), a Member of the Global Advisory Council of the Association of Certified Fraud Examiners USA, a Member of the Global Advisory Board on Computer Forensics of the EC Council USA.

Former Appointments
Managing Partner of BDO Maldives, Director of BT Communication Lanka (Pvt) Ltd (subsidiary of British Telecom Global Services UK), Director of BDO BPO Services (Pvt) Ltd, Director of BDO Prime Consultants (Pvt) Ltd, President of the Institute of Internal Auditors Sri Lanka (affiliated to IIA Global USA) in 2012/13 and Chairman of the Integrated Reporting Council of Sri Lanka.

Mr. Sumith Adhihetty

Appointed to the Board
On 10th December 2003

Role
Managing Director

Skills and Experience
Mr. Adhihetty is a well-known marketing professional in the marketing field with over 46 years of extensive experience in the financial sector.

Current Appointments
He currently holds directorships in eight other companies viz: Non-Executive Director of Vallibel One PLC, The Fortress Resorts PLC, LB Microfinance Myanmar Company Limited, Greener Water Ltd., Summer Season Ltd., Summer Season Mirissa (Pvt) Ltd., Summer Season Residencies Ltd., and La Forteresse (Pvt) Ltd.

Former Appointments
Mr. Adhihetty previously served as Deputy Managing Director of Mercantile Investments Limited, Non Executive Director of Multi Finance PLC and as a Director of Nuwara Eliya Hotels Company Limited, Grand Hotel (Private) Limited, Royal Palm Beach Hotels Limited, Tangerine Tours Limited, Security Ceylon (Private) Limited, Vallibel Finance PLC and Pan Asia Banking Corporation PLC. He also held the position of Managing Director of The Fortress Resorts PLC.

Mr. Niroshan Udage

Appointed to the Board
On 1st January 2007

Role
Deputy Managing Director

Skills and Experience
Mr. Udage holds a Bachelor's Degree in Science from the University of Colombo and has 34 years of experience in the leasing and finance sector. This includes 10 years at Lanka Orix Leasing Company PLC and 3 years at Mercantile Investments Limited before joining LB Finance PLC in 2004. He has undergone extensive training in Strategy and Management in Banking conducted by International Development Ireland Ltd in Dublin and London. Additionally, he completed the High Potentials Leadership Programme at Harvard Business School in Boston, MA, USA, in 2012.

Current Appointments
He is a Non-Executive Director of LB Microfinance Myanmar Company Limited, and a Council Member of The Finance Houses Association of Sri Lanka (FHA).

Former Appointments
Director of Hayleys Fibre PLC, Multi Finance PLC, Chairman of the Finance Houses Association of Sri Lanka (FHA), Member of the Financial System Stability Consultative Committee established by the Central Bank of Sri Lanka, and Director of the Credit Information Bureau of Sri Lanka (CRIB).

Mr. B D A Perera

Appointment to the Board
On 1st January 2007

Role
Executive Director

Skills and Experience
He is an Associate Member of the Chartered Institute of Management Accountants (ACMA), CGMA (UK) and holds a BSc (Business Administration) Special Degree from the University of Sri Jayewardenepura. He successfully completed the High Potentials Leadership Programme in 2012 at Harvard Business School in Boston, MA, USA. With over 27 years of experience in the leasing industry, his career includes positions at Commercial Leasing Company Limited, Lanka Orix Leasing Company PLC and a Merchant Bank in Bangladesh.

Current Appointments
He is a Non-Executive Director at LB Microfinance Myanmar Company Limited and Deputy Chairman/Senior Independent Non-Executive Director of Pan Asia Banking Corporation PLC.

Former Appointments
He was Non-Executive Director of Multi Finance PLC and Director of Hayleys Fibre PLC.

Mr. Ravindra Yatawara

Appointed to the Board
On 15th March 2016

Role
Executive Director

Skills and Experience
Mr. Yatawara holds a BSc. Degree in Business Administration from Oklahoma State University, USA. He brings over 29 years of experience in the finance industry, having held both managerial and senior managerial positions within the LOLC Group, Hatton National Bank PLC and AMW Capital Leasing PLC.

Current Appointments
He is a Non-Executive Director of LB Microfinance Myanmar Company Limited.

Former Appointments
General Manager of LB Finance PLC, Chairman of The Finance Houses Association of Sri Lanka (FHA), Vice Chairman of the Leasing Association of Sri Lanka (LASL) and Non-Executive Director of Multi Finance PLC.

Ms. Yogadinusha Bhaskaran

Appointed to the Board
On 15th March 2016

Role
Non-Executive Director

Skills and Experience
Ms. Bhaskaran is a Fellow Member of the Chartered Institute of Management Accountants (UK) (FCMA), a Fellow Member of CPA Australia (FCPA), and a Fellow Member of the Institute of Bankers Sri Lanka (IBSL).

CORPORATE GOVERNANCE

Current Appointments
She holds directorships in six other companies viz: Managing Director of Vallibel One PLC, Chairperson / Director of Greener Water Ltd, Executive Director of Delmege Ltd, Non-Executive Director of Vallibel Power Erathna PLC, Non-Executive Director of Country Energy (Private) Limited and Non-Executive Director of Lanka Walltiles PLC.

Former Appointments
Ms. Bhaskaran has previously worked as Chief Financial Officer of Clenergy, Australia, Financial Controller in several Australian companies based in Melbourne, Assistant General Manager (Finance & Planning) at Pan Asia Banking Corporation PLC, Alternate Director to Mr. K D D Perera on the Boards of Haycarb PLC, Hayleys Fabric PLC, and Dipped Products PLC, and Non-Executive Director of Multi Finance PLC

Ms. Ashwini Natesan

Appointed to the Board:
On 1st September 2018

Role:
Independent Non-Executive Director

Skills and Experience:
She is a qualified legal practitioner specialising in Technology, Media and Telecommunications (TMT) Law. She provides consultancy on various TMT law matters, including financial technology (FinTech). She also engages in research projects related to data protection, privacy, the right to information and alternative dispute resolution mechanisms, both independently and collaboratively with other organisations. Additionally, she is a Research Fellow at LIRNEasia, a think tank based in Sri Lanka.

She regularly participates in national and international forums, speaking on broader issues in TMT law. In India, she previously worked with litigation and corporate law offices, including that of Senior Counsel Mr. P. Wilson, former Additional Solicitor General of India and former Additional Advocate General of Tamil Nadu.

She holds an LL.M. (Master of Laws) in International Business Law from the Faculty of Law, National University of Singapore, graduating among the top students in her batch. She earned her Bachelor of Arts and Law degree (B.A. LL.B. (Hons.), Distinction) from the School of Excellence in Law at Tamil Nadu Dr. Ambedkar Law University, Chennai, India. Additionally, she has diplomas in International Business Management (Loyola Institute of Business Administration, India), Commercial Arbitration (ICLP, Sri Lanka) and AI Policy (Center for AI and Digital Policy).

Current Appointments:
None

Former Appointments:
Independent Non-Executive Director of Multi Finance PLC

Mr. Dharmadasa Rangalle

Appointed to the Board
On 10th April 2019

Role
Non-Executive Director

Skills and Experience
Mr. Rangalle is a retired Senior Commissioner of the Department of Inland Revenue (Special Grade) with over 34 years of experience in the Government (Public) Sector. His career includes 31 years of experience in tax administration, having held various positions such as Assessor, Deputy Commissioner, Commissioner and Senior Commissioner.

He holds a Master of Commerce (M. Com) degree from the University of Kelaniya and a Bachelor of Commerce (B. Com) Special Degree, Second Class Upper Division (Honours), from the University of Kelaniya. He has completed all coursework required for a Doctoral Degree programme at the Open University of Malaysia. Mr. Rangalle is also a Fellow Member of the Sri Lanka Institute of Taxation.

He has served as a visiting lecturer at the University of Kelaniya, Sri Lanka Institute of Information Technology (SLIIT), the Business School of the Institute of Chartered Accountants of Sri Lanka and the Sri Lanka Institute of Taxation.

Current Appointments
He holds directorships in five other companies viz: Non-Executive Director of Hayleys Aventura (Pvt) Ltd and Hayleys Advantis Limited, which are subsidiaries of Hayleys PLC, Non-Executive Director of DHS Holdings (Pvt) Ltd, Non-Executive Director of Flying Angel's Flight Academy (Pvt) Ltd. He is also a member of the Executive Council of the Sri Lanka Institute of Taxation.

Former Appointments
Non-Executive Director of Multi Finance PLC and Member of the Chartered Institute of Taxation.

Ms. Yanika Amarasekera

Appointed to the Board:
On 1st July 2021

Role:
Independent Non-Executive Director

Skills and Experience:
Ms. Yanika Amarasekera holds an MSc in Entrepreneurship, Innovation and Management from Imperial College Business School, London and dual Bachelor of Arts degrees in Political Economy and Mass Communication (with a focus on Digital Marketing) from the University of California, Berkeley. She is the founder of Silver Aisle - Sri Lanka's first online wedding registry and luxury gifting platform for all occasions, launched in 2019. Recognised as one of Sri Lanka's emerging entrepreneurs, she was named in the Forbes 30 Under 30 Asia 2025 list.

Current Appointments:
Chief Executive Officer of Silver Aisle (Pvt) Ltd.

Former Appointments:
Director of Greener Water Ltd and Non-Executive Director of Multi Finance PLC

Mr. Piyal Hennayake

Appointed to the Board
On 18th November 2024

Role
Independent Non-Executive Director

Skills and Experience
Accomplished professional with over 40 years of experience spanning engineering, portfolio management, credit, project finance, branch network management, administration, real estate and consultancy. Held 26 years of senior level roles, including 20 years as a C-suite/KMP at Hatton National Bank PLC and Seylan Bank PLC, driving organisational growth, operational excellence, and strategic decision-making. Skilful at leading cross-functional teams, optimising portfolios, and steering complex ventures in both financial services and engineering.

Current Appointments
He serves as the National Finance Expert at the United Nations Industrial Development Organisation (UNIDO) - Accelerating Industrial Climate Response Project.

Mr. Hennayake is also a Commissioner of the Public Utilities Commission of Sri Lanka and currently serves as its Deputy Chairman.

Former Appointments
He has held multiple roles including CEO/ Director, Sithma Developments Ltd (real estate subsidiary of Hatton National Bank PLC), Deputy General Manager – Services at Hatton National Bank PLC, Deputy General Manager – Project Finance at Seylan Bank PLC and Portfolio Manager at Lanka Ventures PLC. He worked as a Civil Engineer at the Central Engineering Consultancy Bureau and was an Independent Non-Executive Director of Seylan Developments PLC.

He served as the Country coordinator – Sri Lanka at the Private Financing Advisory Network (PFAN), hosted by UNIDO and the Renewable Energy Efficiency Partnership (REEEP).

Mr. Priyantha Talwatte

Appointed to the Board
On 18th November 2024

Role
Independent Non-Executive Director (As at 31 March 2025)

Skills and Experience
Priyantha Talwatte is an experienced professional leader with over 32 years of senior management experience across banking and telecommunications. He notably served as the Chief Executive Officer and Director of Nations Trust Bank PLC, where he spearheaded major strategic transformations, including securing the American Express franchise, driving digital innovation and implementing customer-centric practices. He also played a pivotal role as the interim CEO of Sanasa Development Bank PLC. Mr. Talwatte has held numerous directorships in prominent organisations. He holds an Advanced Management Programme from Harvard Business School, an MBA and a Diploma in Marketing.

Current Appointments
Mr. Talwatte assumed the role of Managing Director at Lanka Tiles PLC, Lanka Walltiles PLC, Lanka Ceramics PLC and C P Holdings (Pvt) Limited with effect from 1st April 2025. He was also appointed as a Director of Vallibel Plantation Management Ltd, L W L Plantation Investments Ltd, L C Plantation Projects Ltd, L C Development (Pvt) Ltd, Uni-Dil Packaging Ltd, Uni-Dil Packaging Solutions Ltd, L W L Development (Pvt) Ltd, L T L Development Ltd, Beyon Paradise Collection Ltd, Lanka Tiles USA Inc and Valley View Ceramics LLC.

Former Appointments
Previously, Mr. Talwatte served as the Chief Executive Officer of Sanasa Development Bank PLC, and the Director/Chief Executive Officer of Nations Trust Bank PLC, Director Waldock Mackenzie Ltd, Allied Properties Ltd, Nations Insurance Brokers Limited and Lanka Clear (Pvt) Limited. His career also includes serving as the Country Manager for Tritel Telecommunications Inc. in Manila, Philippines, and as the General Manager of Tritel Sri Lanka (Pvt) Ltd

CORPORATE GOVERNANCE

SENIOR MANAGEMENT



Mr. Ravindra Tissera
Chief Transformation Officer



Mr. Marlon Perera
Senior Deputy General Manager – Deposits



Mr. Ainsley Motha
Senior Deputy General Manager
– Credit and Branch Operations



Mr. Chethana Kahandugoda
Chief Information Officer



Mr. Malith Hewage
Chief Financial Officer



Mr. Roshan Jayawardena
Senior Assistant General Manager



Mr. Kalpa Sanjeewa
Senior Assistant General Manager
– Credit and Branch Operations



Mr. Prasanna Kalinga
Assistant General Manager – Human Resources



Mr. Wickrama Punchihewa
Assistant General Manager – Legal



Mr. Suneth Dabarera
Chief Internal Auditor



Mr. Suraj Karunanayaka
Assistant General Manager – Gold Loan



Ms. Deshika Yatawara
Assistant General Manager – Treasury



Ms. Thisari Gunasekera
Assistant General Manager – Risk Management



Mr. Kenneth Daniel
Assistant General Manager
– Credit and Branch Operations



Mr. Gihan De Silva
Assistant General Manager – Recoveries



Mr. Safras Asmath
Chief Digital Officer



Mr. Gayan Ayuwardane
Chief Manager – Central Region



Mr. Shanaka Perera
Chief Manager – Administration



Mr. Sudeep Perera
Chief Manager – Marketing



Mr. Prasad Surendra
Chief Manager – Credit & Branch Operations



Mr. Surain Silva
Chief Information Security Officer



Mr. Shane Ahamat
Chief Manager – Deposits



Mr. Hirantha Jayasinghe
Chief Manager – Credit & Branch Operations



Mr. Varuna Perera
Senior Manager – Compliance

CORPORATE GOVERNANCE



Mr. Sameera Wanninayake
Senior Manager
– Business Process Development



Mr. Waruna Perera
Country Manager – Myanmar



Mr. Maheshan Karunarathne
Senior Manager – Credit & Branch Operations



Mr. Chanaka Alexander
Senior Manager – Credit & Branch Operations



Mr. Chaminda Perera
Senior Manager – Finance Operations



Mr. Stephan Fonseka
Senior Manager – Insurance



Mr. Hemal Ekanayake
Senior Manager – ERP & Business Analysis



Mr. Thusitha Wickrama
Senior Manager – Corporate Strategy, Sustainability and Market Dynamics



Mr. Jagath Hettiarachchi
Senior Manager – Credit & Branch Operations (Southern Region)



Mr. Chanaka Pemruwan
Senior Manager – Credit & Branch Operations (North Central Region)



Mr. Pamudra Jayatissa
Senior Manager – Credit & Branch Operations



Mr. Panduka Wijekoon
Senior Manager
– Security Surveillances & Transport



Mr. Sampath Kumara
Senior Manager - Solution Architect



Mr. Pathmasiri Rajapaksha
Senior Manager - Recoveries



Mr. Nayan Priyanka
Senior Manager – Deposits



Mr. Thushara Manoj
Senior Manager - Network Infrastructure, Security and Operations

GRI: 2-11

5.3 Roles, Responsibilities & Board Balance

CASL Code Principle (A.5) It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking. ☑

a. Board Balance (A.5/A.5.1)

The Board consists of 12 Directors, with 8 serving as Non-Executive Directors. Of these, 5 Non-Executive Directors are independent, as defined by both regulatory and voluntary independence criteria. The profiles of the Directors and their current appointments can be found on pages 256 to 259. The Articles specify that the Board must have between 3 and 12 Directors. Together, the Board brings a diverse range of skills and experience, enabling effective guidance and oversight of LBF's operations. Furthermore, the Board's diversity in gender, age, and tenure reflects the work of the BNGC in ensuring a wide range of perspectives in its discussions.

b. Role and Responsibilities of the Board (A.1.2/A.1.6)

- Formulate and implement a clear, robust business strategy aligned with the company's long-term vision, market positioning, and growth ambitions.
- Appoint the Chair, Senior Independent Director (if applicable), and ensure the CEO and management team possess the necessary skills, experience, and leadership capabilities.
- Approve annual budgets, major capital expenditures, and investment proposals, ensuring alignment with strategic priorities and the company's financial capacity.
- Clearly define matters reserved for the Board and those delegated to management, including authority limits and accountability frameworks.
- Ensure the establishment of effective systems to safeguard information integrity, maintain strong internal controls, manage key risks (including cybersecurity), and ensure business continuity across operations.
- Oversee the development and implementation of an ICT roadmap that supports the company's strategic goals.
- Ensure the company complies with all relevant laws, regulations, and ethical standards.
- Integrate ESG risks and opportunities into the company's strategy and operations, recognising the importance of sustainable business practices and considering the adoption of integrated reporting frameworks.

In discharging their duties, the Board also reserves the exclusive right to review and approve the following ;

- Evaluating and approving of the Strategic Plan
- Evaluating and approving of the LBF's Annual Budget
- Appointment of the MD/CEO of LBF, its Key Responsible Personnel and the CEOs of all its Subsidiaries
- Approval of the succession plan for the Senior Management including MD/CEO
- Determine and approve the organisation structure
- Evaluating and approval of any type of strategic decisions
- Appointment of Board Sub Committees and defining their scope of work and the extent of delegated powers and authority for them

CASL Code Principle (A.2) There are two key tasks at the top of every public company – conducting of the business of the board and facilitating executive responsibility for management of the company's business. There should be a clear division of responsibilities at the head of the company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. ☑

CASL Code Principle (A.3) The chairman's role in preserving good corporate governance is crucial. As the person responsible for running the board, the chairman should preserve order and facilitate the effective discharge of board functions. ☑

C. Differentiating the Role of the Chairman and the Managing Director (A.2/A.3)

There are two key tasks at the top of every public Company conducting of the business of the Board and facilitating executive responsibility for management of the company's business.

The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.

The role of LBF's Chairman is distinct and separate from that of the Managing Director/Chief Executive Officer, with a clear division of responsibilities between the two. Mr. G.A.R.D. Prasanna, LBF's Chairman, leads the Board, while Mr. Sumith Adhihetty, Managing Director, oversees LBF's day-to-day business operations as per the authority delegated to him by the Board.

To establish a greater element of independence, the Board has appointed Mr. Ashane Jayasekara as the Senior Independent Director, with clear terms of reference to discharge his duties in compliance with Corporate Governance Direction No. 5 of 2021.

d. Role and Responsibilities of the Chairman (A.2/A 5.9/A.3)

- Ensure the Board meets regularly to discuss relevant matters
- Maintain the appropriate balance of power between ED's and NED's
- Secure the effective participation of both ED's and NED's in all Board matters
- Implement decisions/directions of the regulator
- Prepare the agenda for each Board Meeting or delegate such function and to maintain minutes in an orderly manner to the Company Secretary
- Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board
- Oversee the annual assessment on the performance and the contribution during the past 12 months of the Board and the MD/CEO

e. Role and responsibilities of the Managing Director (A.2)

- Implement Business and risk strategies in order to achieve the LBF's strategic objectives
- Establish an appropriate management structure that promotes accountability and transparency
- Throughout LBF's operations and preserves the effectiveness and independence of control functions
- Promote, together with the Board, a sound `corporate culture within LBF which reinforces ethical, prudent and professional behaviour
- Ensure implementation of proper compliance culture and being accountable for accurate submission of information to the regulator
- Strengthen the regulatory and supervisory compliance framework
- Address the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner
- Devote the whole of the professional time to the service of LBF and shall not carry on any other business, except as a Non-Executive Director of another Company

CORPORATE GOVERNANCE

f. Role and responsibilities of Senior Director (A.5.7/A.5.8)

- Represent as an intermediary for other directors and shareholders
- Bring an objective and unbiased perspective to the Board
- Participate in Board meetings, provide expertise, and contribute to strategic decision-making
- Contribute to performance evaluation of MD/CEO's performance evaluation and succession planning
- Conduct semi-annual meetings with only Independent Directors to find out if there are any concerns

g. Role and Responsibilities of Company Secretary (A.1.4)

- Prepare the agenda for Board meetings in concurrence with the Chairperson
- Record Board minutes in sufficient detail to demonstrate that the Board acted with due care and prudence
- Maintain minutes of Board meetings, along with all submissions, in an orderly manner and in compliance with the Articles of Association of LBF
- Ensure that the Annual General Meeting is held in compliance with the Companies Act and the company's Articles of Association
- Act as a key liaison between the Board and shareholders, ensuring effective communication and transparency
- Ensure that shareholders are provided with accurate, timely, and relevant information regarding the company's financial performance, governance, and any material developments

h. Role and responsibilities of Board Sub Committees

- In accordance with the relevant rules and regulations and Corporate Governance best practices, the LBF Board has established 07 Board Sub Committees which include 2 voluntary Sub Committees. Each Committee is chaired by an Independent Non-Executive Director, and has its own terms of reference

The following table depicts the composition as at 31 March 2025 and the area of oversight of each Sub Committee.

Composition	Area of Oversight	Link to Strategy	Link to Capital
Board Nominations and Governance Committee (BNGC) (A.7) – page 297			
Mr. Ashane Jayasekara - Chairperson Mr. G A R D Prasanna Ms. Ashwini Natesan	• Review the Board structure, size, composition and competencies • Appointment of Board of Directors • Overseeing the Board and the Senior Management succession planning • Oversight the overall Governance Framework of the Company	S 5 S 6	HC SRC
Board Audit Committee (BAC) (D.3) – page 289			
Mr. Ashane Jayasekara Chairperson Ms. Yogadinusha Bhaskaran Ms. Ashwini Natesan	• Reviewing the accuracy and integrity of the financial reporting • Internal and external assurance • Reviewing the design and effectiveness of internal control system and risk management	S 1 S 6 S 1 S 6	FC MC IC
Board Human Resource and Remuneration Committee (BHRRC) (B.2) – page 298			
Ms. Yanika Amarasekera Chairperson Mr. G A R D Prasanna Mr. Ashane Jayasekara	• Oversight the Remuneration policy • Remuneration and compensations of Directors, Senior Management and staff salaries in general • Structure for staff performance evaluation	S 1 S 5	FC HC
Board Integrated Risk Management Committee (BIRMC) (D.4) – page 294			
Ms. Ashwini Natesan Chairperson Ms. Yogadinusha Bhaskaran Mr. Ashane Jayasekara	• Oversight the Risk Management Framework • Carry out Risk measurement, monitoring and management • Compliance with regulatory and internal prudential requirements • Reviewing the business continuity planning	S 1 S 2 S 4 S 5 S 6	FC MC IC HC SRC NC
Board Related Party Transactions Review Committee (BRPTRC) (D.5) – page 299			
Mr. Piyal Hennayake Chairperson Mr. Dharmadasa Rangalle Mr. Priyantha Talwatte	• Oversight the Related party transaction policy • Providing independent review, approval and oversight of RPT • Ensuring relevant market disclosures	S 1 S 2	FC HC SRC
Board Information Security Committee (BISC) (G.1 - G.5) – page 301			
Ms. Ashwini Natesan Chairperson Mr. Ashane Jayasekara Mr. B D A Perera	• Strengthen the information security and technology risk resilience process • Continuous evaluation and improvement of information/ data security policies, controls and practices	S 1 S 2 S 5 S 6	FC MC IC HC SRC
Board Sustainability Committee (BSC) (H.1 - H.5) – page 303			
Ms. Yanika Amarasekera Chairperson Mr. G A R D Prasanna Ms. Ashwini Natesan Mr. Niroshan Udage Mr. Piyal Hennayake	• Oversight of processes in place to identify and manage sustainability related risks and opportunities • Review the measures taken to ensure the long-term sustainability of the Company in its ESG dimensions • Review the Company's plans and actions with regard to ESG/ Sustainability topics	S 1 S 2 S 3 S 4 S 5 S 6	FC MC IC HC SRC NC

CORPORATE GOVERNANCE

The Board and Board Sub Committees are supported by Executive Management Committees which are listed below:

Executive Management Committee	Tasks	Members	Frequency of Meetings
IT Security and Steering Committee (ITSSC)	To ensure that IT strategy is aligned with the strategic goals of the Company whilst its top most mandate is to find and align business solutions that may leverage technology. ITSSC also looks into information security-related matters on a regular basis	• Managing Director • Deputy Managing Director • Executive Director - Asset Management • Chief Financial Officer • Chief Information Officer • Chief Information Security Officer • Representatives from relevant departments	Every other month
Asset and Liability Committee (ALCO)	To monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements	• Managing Director • Deputy Managing Director • Executive Directors • AGM - Treasury • Senior DGM - Deposits • Chief Financial Officer • Assistant General Manager – Risk Management	Monthly
Credit Committee (CC)	The Committee shall be responsible for laying out the overall credit policy for the Company. This includes setting lending guidelines in conformity with credit risk appetite set by the Board of Directors	• Managing Director • Deputy Managing Director • Executive Directors • Deputy General Manager - Credit • Chief Financial Officer • Assistant General Manager – Risk Management • Senior Manager - BPD	Quarterly
Sustainability Committee (SC)	The formulation and the review of the Company's Sustainability policy, and ensuring such activities are integrated into the Company's operations. Keeping in line with the Company's ESG focus, the Committee is tasked with the responsibility of steering the Company's policy on sustainability which aimed at uplifting the communities we work with and preserving the environment	• Deputy Managing Director • Chief Financial Officer • AGM - Treasury • Senior Manager - Digital Strategy and Sustainability • Representatives from relevant departments	Quarterly
Business Continuity Management Steering Committee (BCMSC)	Committee is responsible for aligning BCM goals with business goals and provides strategic direction and support in establishing, implementing, operating, monitoring, reviewing and improving the business continuity	• Deputy Managing Director • Senior Manager - BPD • Representatives from the relevant departments	Quarterly
Operational Risk Management Committee (ORMC)	Identify, Assess, Manage and report risk relating to operations of the Company	• Deputy Managing Director • Executive Directors • Chief Risk Officer • Chief Financial Officer • Chief Internal Auditor • Compliance Officer	Quarterly

5.4 Board meetings (A 1.1)

The Board meets monthly while committees of the Board having varying frequencies as set out below in the Attendance matrix. Minutes are circulated within 14 days of the meeting and are ratified and signed by the Chairman at the next meeting. The Company Secretary is responsible for preparation and maintaining the minutes of the board and sub committees except BAC and BIRMC (Chief Internal Auditor and AGM - Risk Management are responsible in preparation and maintaining the minutes of BAC and BIRMC respectively) . Directors have access to minutes of the past months on their devices through a secure link and may request the Company Secretary for extracts of older minutes if required.

Attendance Matrix of the Board and Board Sub-committees

Name of the Director	Designation/ Membership status	Tenure on the Board (years)	Gender	Age	Meeting attendance			Board sub-committee membership and attendance						
					Attended/ eligible to attend	Participation		Mandatory					Voluntary	
						In person	Virtual	BAC	BIRMC	BNGC	BHRRC	BRPTRC	BISC	BSC
Mr. G A R D Prasanna	Chairman / Non-Independent Non-Executive Director	3	Male	54	12/12	12	-	-	-	7/7	5/5	-	-	4/4
Mr. Ashane Jayasekara	Independent Non-Executive Director (Senior Director)	7	Male	46	12/12	12	-	12/12	6/6	7/7	5/5	4/4	4/4	-
Mr. Sumith Adhihetty	Managing Director	21	Male	74	12/12	12	-	(12)	(6)	-	-	-	-	-
Mr. Niroshan Udage	Deputy Managing Director	18	Male	54	11/12	11	-	(12)	(6)	-	(5)	-	(4)	4/4
Mr. B D A Perera	Executive Director	18	Male	57	12/12	12	-	(12)	(6)	-	(5)	(5)	4/4	-
Mr. Ravindra Yatawara	Executive Director	9	Male	54	11/12	11	-	-	(6)	-	(5)	-	-	-
Ms. Yogadinusha Bhaskaran	Non-Executive Director	9	Female	50	12/12	12	-	12/12	5/6	-	-	-	-	-
Ms. Ashwini Natesan	Independent Non-Executive Director	6	Female	37	11/12	11	-	12/12	6/6	7/7	-	4/4	4/4	4/4
Mr. Dharmadasa Rangalle	Non-Executive Director	5	Male	66	12/12	12	-	-	-	-	-	5/5	-	-
Ms. Yanika Amarasekera	Independent Non-Executive Director	3	Female	30	11/12	11	-	-	-	-	5/5	-	-	4/4
Mr. Piyal Hennayake	Independent Non-Executive Director	-	Male	58	5/5	5	-	-	-	-	-	1/1	-	2/2
Mr. Priyantha Talwatte	Independent Non-Executive Director	-	Male	64	4/5	4	-	-	-	-	-	1/1	-	-

(◯) Attended by invitation

CORPORATE GOVERNANCE

Before each meeting

- Meeting calendar is prepared by the Company Secretary annually in advance and communicated to all Board members
- The Company Secretary consult with the Chairman and the Managing Director to set the agenda
- Routine matters on the agenda include: discussions on strategy, the Company's performance, Industry Performance, Financial Results, Treasury updates, status of Human Resources, Risk Management and Compliance, progress on Company's digital initiatives, status on Cyber Security and Data Privacy etc.
- A Board approved procedure is in place to include additional matters and proposals to the agenda by Directors
- The agenda and the information pack containing relevant Board Papers are uploaded to a secure portal at least seven (07) working days prior to the meeting date to give Directors remote access
- Selected members of the Senior Management / Board Committees may also be invited to be present at Board Meetings where necessary
- All Directors are allowed to reach the Company's Senior Management to obtain necessary information or clarifications. They also have the right to seek independent professional advice

At the Board meeting

- The Chairman plays a key role in promoting open and active debate among Directors
- The Chairpersons of each Board committee will be called upon to provide an update on significant matters discussed at their respective Board sub-committee meetings
- The Managing Director provides a comprehensive update on the Company's business and operations and overview of the context in which these outcomes were achieved
- The Chief Financial Officer provides the Board with detailed monthly financial performance reports
- Other Business heads are invited to provide updates on business aspects under their purview
- Directors' interests and related party transactions are tabled at Board Meetings
- In a situation where a conflict of interest arises, the relevant Director shall recuse from the discussions and refrain voting on such matter
- Directors who are unable to attend a Board meeting in person are allowed to participate through virtual means
- The Company secretary maintains the minutes with adequate information

After the Board meeting

- Minutes are first presented to the Chairman for approval prior to being circulated among the Directors
- Minutes of the meetings are circulated within two weeks after the meeting date
- Strong emphasis is placed on encouraging continuous and ongoing engagement of Directors in the matters of the Company
- Directors have access to senior management and may request any additional information to make informed and timely decisions
- The Managing Director keeps the Board updated on LBF's performance and prospects vis-a-vis the prevailing economic and regulatory climate
- Special Board meetings are also convened on occasion as and when the need arises

5.5 Nomination, Selection, Re-election and Succession

a. Appointments and Re-elections

CASL Code Principle (A.7) Board should establish a formal and transparent procedure for the appointment of new Directors to the Board. ☑

CASL Code Principle (A.8) All directors should be required to submit themselves for re-election at regular intervals and at least once in every three years. ☑

The Board Nominations and Governance Committee plays a crucial role in identifying and recommending candidates for appointment as Directors. The Committee evaluates the skills, expertise, and attributes necessary to support the Company's business needs and actively searches for individuals who meet these requirements. All potential candidates undergo a vetting and screening process against fit and proper standards, and for Independent Directors, additional criteria to assess independence are applied. Candidates who satisfy the relevant criteria are then recommended to the Board for approval.

Non-Executive Directors are appointed by shareholders and are subject to retirement and re-election at the Annual General Meeting (AGM), following a brief review of each director's participation, contribution, and engagement in discharging their duties. Executive Directors, meanwhile, are appointed by the Board and typically serve for the duration of their employment contracts. Executive Directors who reach the age of 70 must be re-appointed annually at the AGM, with approval from CBSL.

Non-Executive Directors who either directly or indirectly hold more than 10% of the Company's shares, or who are appointed to represent such shareholders, may serve beyond nine years, subject to approval by the Director, Department of Supervision of Non-Bank Financial Institutions, CBSL. However, the number of Directors serving more than nine years must not exceed one-fourth of the Board.

The Board is also authorised to fill any casual vacancies arising during the year. In such cases, the Board Nominations & Governance Committee will recommend a candidate subject to fit and proper assessment, whose appointment must be vetted and approved by the Board. Directors appointed during the year must retire at the next AGM and may offer themselves for re-election by shareholders at that meeting.

All Director appointments are subject to approval by the Director, Department of Supervision of Non-Bank Financial Institutions, CBSL. Furthermore, every new appointment must be notified to the CSE along with a brief profile of the Director, clearly indicating the capacity in which they are appointed.

b. Retirement and Resignations (A.8.3)

Each year, one-third of the Directors eligible for re-election must retire, with the longest-serving Directors retiring first. These Directors may offer themselves re-election by shareholders at the Annual General Meeting, with a separate resolution presented for each Director's re-election. Non-Executive Directors generally retire after serving nine years, except for those who directly or indirectly hold more than 10% of the Company's shares or represent such shareholders.

Refer Report of the Board of Directors on the Affairs of the Company on page 282.

Directors may also resign at any time by submitting a written notice to the Chairman, stating the reasons for their resignation. The resignation becomes effective upon formal acceptance and approval by the Director, Department of Supervision of Non-Bank Financial Institutions. The Colombo Stock Exchange (CSE) is immediately notified of any resignation or retirement, along with disclosure of the Director's shareholding in the Company, if applicable.

c. Succession (A.7.3)

The Company has in place a Board-approved succession plan designed to ensure leadership continuity and minimise disruption to governance and operations. This plan identifies potential successors for each member of the Board as well as key responsible persons within the organisation.

The succession plan considers factors such as experience, skills, leadership qualities, and alignment with the Company's strategic objectives. It is reviewed periodically to remain aligned with the evolving needs of the business and regulatory requirements. By proactively planning for leadership transitions, the Company ensures stability, preserves institutional knowledge, and maintains the confidence of stakeholders, regulators, and shareholders.

CORPORATE GOVERNANCE

GRI: 2-17

5.6 Skills, Knowledge and Competency of the Board

a. Competence Matrix

CASL Code Principle (A.4) The board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. ☑

Competence Matrix

Competences	 Mr. G A R D Prasanna	 Mr. Ashane Jayasekara	 Mr. Sumith Adhihetty	 Mr. Niroshan Udage	 Mr. B D A Perera	 Mr. Ravindra Yatawara
Business leadership, transformation, innovation and business development	☑	☑	☑	☑	☑	☑
Strategy and Sustainability	☑	☑	☑	☑	☑	☑
Banking and Finance		☑	☑	☑	☑	☑
Audit and Assurance		☑				
Risk management		☑			☑	
People management and development			☑	☑	☑	☑
Information, technology and digital		☑			☑	
Legal and compliance		☑				
Environmental, Social and Governance (ESG)	☑					
Business Management	☑	☑	☑	☑	☑	☑
Leisure and hospitality			☑			
Stakeholder engagement and management	☑	☑	☑	☑	☑	

Competences	 Ms. Yogadinusha Bhaskaran	 Mr. Ashwini Natesan	 Mr. Dharmadasa Rangalle	 Ms. Yanika Amarasekera	 Mr. Piyal Hennayake	 Mr. Priyantha Talwatte
Business leadership, transformation, innovation and business development	☑	☑	☑	☑	☑	☑
Strategy and Sustainability	☑	☑	☑	☑	☑	☑
Banking and Finance	☑		☑		☑	☑
Audit and Assurance	☑		☑			
Risk management	☑	☑	☑		☑	☑
People management and development	☑		☑		☑	
Information, technology and digital	☑	☑	☑	☑		☑
Legal and compliance		☑	☑		☑	☑
Environmental, Social and Governance (ESG)	☑		☑		☑	
Business Management	☑		☑			
Leisure and hospitality	☑		☑			
Stakeholder engagement and management	☑		☑		☑	

b. Training and Induction (A.1.8)

All new Directors have a formal induction programme determined by the Chairman, CEO, and Company Secretary. New Directors receive an orientation pack with relevant external and internal documentation to ensure they have the requisite knowledge of the Company and its operations. They are also given the opportunity to meet with Senior Management.

Directors benefit from regular training programmes throughout their tenure to support ongoing knowledge enhancement and keep them informed of economic, regulatory, and industry trends. Each Director receives adequate training hours annually.

During the year, the following training sessions were conducted for the Board of Directors:

- AML/CFT regulations
- SLFRS S1 & S2
- Information and cybersecurity risk awareness
- Laws and regulations surrounding personal data protection
- Anti-Bribery and corruption
- Corporate Governance best practices

5.7 Delegation and Oversight

a. Overseeing Material Impacts

The Board of Directors is ultimately responsible for overseeing the identification, assessment, and management of the Company's significant economic, environmental, social, and governance impacts. The Board ensures that these impacts are addressed through appropriate strategies, risk management practices, and stakeholder engagement frameworks.

This oversight responsibility is executed through Board sub-committees. These committees ensure that material issues are considered in decision-making, and that the Company remains accountable, transparent, and aligned with long-term stakeholder interests.

The Board also approves key policies and frameworks, reviews performance against sustainability and impact related objectives, and ensures compliance with relevant regulatory and voluntary standards, reinforcing Company's commitment to responsible and ethical business practices.

b. Delegation of Responsibility

The responsibility for effectively managing business objectives of the Company is delegated across multiple organisational levels to ensure effective oversight and execution. While the Board of Directors retains ultimate accountability, specific roles are assigned to Board sub committees and senior management. Functional heads are responsible for implementing Board approved strategies, policies, risk management and regulatory compliance within their areas. Cross functional teams support implementation and monitoring, escalating to senior management and the Board, enabling informed decision-making.

The Board approved Delegation of Authority Policy underpins this structure, promoting accountability, coordination, and a strong culture of sustainability across the organisation.

c. Communication of Critical Concerns

The company maintains a transparent and structured process for the communication and escalation of critical concerns across all levels of the organisation. Critical matters including significant financial, operational, compliance, reputational, or ethical risks are identified through various internal mechanisms such as audit findings, risk assessments, employee feedback, stakeholder engagements, and whistle-blowing reports.

Such concerns are promptly escalated to senior management and, where necessary, to the relevant Board sub-committees. These sub-committees are responsible for reviewing the issues, initiating investigations where appropriate, and recommending corrective actions to the full Board.

5.8 Managing Conflicts

a. Conflicts of Interest

A formal policy on managing Conflict of Interest is in place that provides clear guidelines to help the Board of Directors, Senior Management, and all employees understand the necessary actions to prevent conflicts of interest. Directors are expected to demonstrate the highest standards of good faith, honesty, and integrity in all interactions involving the Company. They must prioritise the Company's best interests by promptly disclosing any actual or potential conflicts of interest to the Board.

All Directors are required to declare any potential conflicts of interest in their annual disclosures and ahead of any meeting where such a conflict might occur. In such situations, Directors recuse themselves from discussions and avoid influencing decisions where a conflict of interest exists or could be perceived to exist. The Company Secretary keeps a Register of Interests, which is updated whenever new declarations are made.

b. Related Party Transactions

CASL Code Principle (D.5) The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business. ☑

CORPORATE GOVERNANCE

GRI: 2-18

The Board has established a Related Party Transactions Policy that sets out the procedures for providing accommodations to Directors, their close family members, Key Responsible Persons, their close family members, related entities and entities where Directors serve as Board members. All such transactions are carried out in accordance with CBSL rules and regulations, and under the same terms and conditions applicable to the Company's other customers.

All the related party transactions are prior reviewed by the BRPTRC through circulation. Such transactions are tabled at the next BRPTRC for ratification. Further, any transactions requiring disclosure under the Listing Rules are reported accordingly. These disclosures are detailed in Note 3.1 of the financial statements on page 445.

5.9 Evaluating Performance

CASL Code Principle (A.9) Boards should periodically appraise their own performance in order to ensure that board responsibilities are satisfactorily discharged. ☑

a. Evaluating the Effectiveness of the Board (A.9.1/A.9.2)

The BNGC conducts an annual self-assessment to evaluate the overall effectiveness of the LBF Board based on established criteria. Directors' feedback is collected, reviewed by the BNGC, and shared with the Board Chairman for discussion in a closed-door meeting. The BNGC is responsible for developing and implementing action plans to address the issues and concerns identified.

b. Evaluating the Effectiveness of the Board Sub Committees (A.9.2)

The effectiveness of each sub-committee was self-evaluated by its members to ensure the effective discharging of its duties for the year and the results were presented to the Board.

The review focused on mandate clarity, skills adequacy, meeting efficiency, and strategic alignment. Findings confirmed that all sub-committees operate effectively and continue to provide robust oversight in their respective areas.

c. Evaluating the Effectiveness of the Chairman

The Chairman of the LBF Board is evaluated annually by the Company's Senior Director and other NEDs to assess his effectiveness in fulfilling the duties and responsibilities of the Board chair.

The Managing Director's performance is assessed annually by the Chairman of the Board, based on the goals and objectives agreed upon at the start of each financial year. After the year end performance evaluation, the BHRRC recommends to the Board both the performance related pay for the completed year and any adjustments to compensation for the upcoming year.

d. Evaluating the Performance of Managing Director

CASL Code Principle (A.11) Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. ☑

The MD's performance is assessed annually by the Chairman of the Board, based on the goals and objectives agreed upon at the start of each financial year. After the year end performance evaluation, the BHRRC recommends to the Board both the performance related pay for the completed year and any adjustments to compensation for the upcoming year.

Performance Evaluation of Managing Director

Establish expectations

The Board agrees goals and key expectations for the MD

The Board negotiates performance goals with the MD

Set expectations

Expectations for the MD performance are agreed by MD and Board

Guide

On going advice, particularly from the Chairman

PERFORMANCE

Assess

The Board undertakes a detailed review using:

- Financial goals
- Non-financial goals

The Board formally discusses the findings

Formal Appraisal

Performance assessment process formally reviewed at Board meeting

e. Evaluating the Performance of Directors

All Directors are required to submit an annual self-evaluation to the BNGC, providing their assessment of the Board's collective performance in areas such as strategy development and monitoring, risk management, internal control systems, and oversight of Board Sub-Committees. These self-evaluations are reviewed by the BNGC in collaboration with the Board Chairman, and the insights are used to facilitate constructive discussions on improving Board effectiveness and to determine whether each Director remains suitably qualified to continue serving on the LBF Board. Based on the evaluation results, the Chairman and/or the Chairperson of the BNGC may recommend the appointment of new Directors or request the resignation of existing ones, if deemed necessary.

5.10 Remuneration

a Remuneration Policy

The Company's Remuneration Policy is structured to align employee rewards with its strategic goals and long-term success. It provides a strong framework aimed at attracting, retaining, and motivating individuals who possess the skills, values, and expertise essential for the Company's sustainable growth.

LBF's Remuneration Policy is designed to establish a competitive and transparent framework that balances strategic business objectives with the principles of fairness, integrity, and prudent risk management, fully complying with the applicable Directions of the Central Bank of Sri Lanka. The policy aims to attract top talent by offering an employee value proposition, retain skilled professionals through competitive rewards and benefits, and inspire behaviours aligned with LBF's core values and goals. It ensures that remuneration structures are aligned with long-term business success and sustainability, while recognising and competitively rewarding high-performing areas, fostering employee engagement, loyalty, and continuous growth across the organisation.

LBF's Remuneration Policy is closely linked to annual business performance and is aligned with its strategy, objectives, values, and long-term interests. It ensures transparency, minimises complexity, and avoids conflicts of interest by discouraging excessive risk-taking. Remuneration structures balance fixed and variable components, reflecting market competitiveness and considering factors such as experience, qualifications, and non-financial benefits. NEDs' pay maintains independence through non-discriminatory practices. The policy promotes meritocracy, includes broader performance metrics beyond sales, and regularly benchmarks compensation to attract and retain top talent in line with regulatory and best practice standards.

Remuneration adjustments such as salary increases, bonuses, and incentives are then awarded based on the evaluation outcomes. High performers are rewarded proportionately, while areas for improvement are identified to support development.

This method not only motivates employees but also fosters a culture of meritocracy, where rewards are directly connected to effort and results. However, it requires careful management to ensure evaluations remain objective, fair, and free from favouritism, and to prevent excessive focus on short-term results at the expense of long-term sustainability.

c. Process to determine remuneration

CASL Code Principle (B.1) Companies should establish a formal and transparent procedure for developing policy on executive remuneration

CASL Code Principle (B.2) Level and makeup of remuneration of both executive and Non-Executive Directors ☑

The remuneration policy is overseen by the BHRRC, comprised entirely of non-executive directors of whom majority are independent. It operates under the authority of the Board of Directors to avoid conflicts of interest.

Performance-based evaluation system ties an individual's remuneration directly to their contributions and achievements within the organisation. This approach aligns employee incentives with business objectives, encouraging high performance and accountability.

The process typically involves setting clear, measurable performance indicators (KPIs) at the start of each evaluation period. These indicators may include quantitative targets such as sales growth, project completion, or efficiency improvements, as well as qualitative assessments like leadership, collaboration, and innovation. Performance is assessed annually at the end of each financial year.

Fairness and Transparency
Evaluation criteria are communicated in advance, ensuring employees understand how their performance influences their pay

Alignment with Organisational Goals
Individual objectives are linked to broader company strategies, ensuring that personal achievements contribute to business success

Consistency and Objectivity
Standardised evaluation tools and processes are used to minimise bias and ensure consistency across teams and departments

5.11 Stakeholder Engagement and communication

CASL Code Principle (C.1) Boards should use the AGM to communicate with shareholders and should encourage their participation. ☑

CASL Code Principle (C.2) Board should implement effective communication with shareholders ☑

The company engages with a diverse range of stakeholders through multiple formal and informal channels, as outlined on page 62 of this report. The Board places strong emphasis on understanding and responding to stakeholder concerns to support long-term value creation.

To gain insights into customer issues, the Board regularly reviews analytics from the call centre. Employee-related matters are assessed through structured surveys, with findings reviewed by both the Board and the BHRRC. Regulatory queries are formally presented at Board meetings, ensuring appropriate oversight and timely response.

The Board, together with the Company Secretary, oversees shareholder communications. In line with regulatory requirements, the Company publishes quarterly performance updates and its Annual Report through the CSE, providing shareholders with a transparent and comprehensive view of the Company's performance and strategic direction.

The AGM serves as the primary platform for direct shareholder engagement. Notice of the AGM is provided both in this report and via the CSE. To further facilitate two-way communication, a shareholder feedback form is included in the Annual Report. Additionally, the Board has approved a Policy on relations with shareholders and Corporate Communication Policy to further strengthen engagement with shareholders and other key stakeholders.

LB Finance's stakeholder engagement approach is grounded in the following principles:

Relevance
Focusing on material issues of concern to stakeholders and identifying optimal ways to address them for mutual benefit

Completeness
Gaining a comprehensive understanding of stakeholder views, needs, expectations, and perceptions, while considering broader local and global trends

Responsiveness
Actively engaging on material issues and providing regular, coherent, and transparent feedback

Through this structured approach, the Board reaffirms its commitment to inclusive, meaningful engagement, aiming to build collaborative, long-term relationships with all stakeholders.

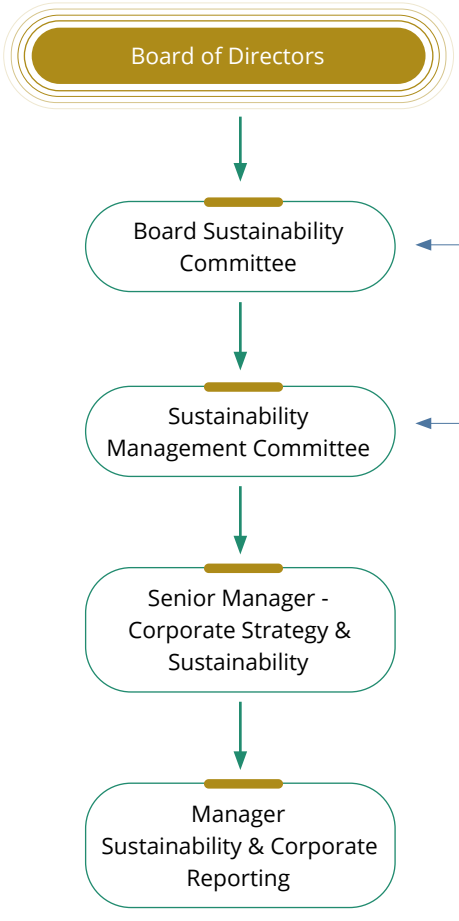
6. FRAMEWORK OF SUSTAINABILITY

6.1 Board and Management Structures

The Board's governance and oversight encompass sustainability-related risks and opportunities (SRROs) as well as climate-related risks and opportunities (CRROs). At LBF, the Board Sustainability Committee (BSC) is responsible for overseeing the identification, management, and integration of SRROs and CRROs across the organisation. This ensures that these crucial factors are embedded into strategic decision-making processes. Annually, based on the recommendation of the BIRMC, the Board reviews and approves the Risk Management Framework, which is designed to effectively assess and manage key risks in alignment with the Company's defined risk appetite and strategic objectives.

The structured ESG governance framework ensures clear accountability for managing environmental, social, and governance matters, including CRROs and SRROs, across all levels of the organisation.

ESG GOVERNANCE



Board Sustainability Committee Members

Ms. Yanika Amarasekera
Chairperson/Independent Non-Executive Director

Mr. G.A.R.D. Prasanna
Non- Independent Non-Executive Director

Mr. Niroshan Udage
Deputy Managing Director

Ms. Ashwini Natesan
Independent Non-Executive Director

Management Committee Members

- Deputy Managing Director
- Chief Financial Officer
- AGM - Risk Management
- Chief Internal Auditor
- AGM - Treasury
- Senior Manager - Compliance
- Senior Manager - Business Process Development
- Senior Manager - Corporate Strategy & Sustainability
- Manager - Sustainability & Corporate Reporting

6.2 Roles and Responsibilities

The Board Sustainability Committee is a key component of our governance structure, entrusted by the Board to guide LBF's strategic direction on ESG matters. It oversees the company's response to global and local sustainability challenges, ensuring alignment between strategic initiatives and overarching sustainability objectives. The Committee is responsible for ensuring that the sustainability strategy remains strong, relevant, and effectively implemented throughout the organisation.

At LBF, we are committed to reducing our carbon footprint in support of Sri Lanka's goal to achieve Net Zero status by 2050. In line with this commitment, we have initiated several key projects and established robust governance practices.

These efforts underscore our dedication to integrating sustainability into our core business strategies, ensuring that our growth contributes positively to both society and the environment.

6.3 Board Empowerment and Capacity Building

As part of its commitment to informed governance, the Board participates in educational sessions led by esteemed academics and industry experts on ESG related topics. These sessions are designed to enhance Board members' understanding of emerging SRRO and CRRO challenges and trends impacting both the region and the financial sector. This ongoing learning empowers the Board to make well-informed decisions and provide effective oversight of LBF's climate strategies and sustainability policies.





6.4 Enhancing ESG Governance and Strategic Integration

The Company has established a comprehensive ESG governance framework that oversees environmental, social, and governance-related matters. This includes the management of CRROs under environmental topics and SRROs within governance areas. The framework is designed to ensure clear accountability and alignment, with a top-to-bottom structure that demonstrates how ESG responsibilities are effectively governed across all levels of the organisation. The BSC convenes quarterly to review and guide the LBF's ESG, related strategies and initiatives. This rigorous scrutiny ensures that our ESG actions are not only aligned with current best practices but are also strategically integrated with the LBF's overarching sustainability goals.

The Board is responsible for guiding the group's strategy and overseeing the progress against strategic priorities and related value drivers, including the delivery of positive impact on society, economies and the environment. The Board is also responsible for assessing the effectiveness of our risk management processes, including business risk, sustainability risk and climate risk.

Sustainability Management Committee

- Oversees LBF's ESG impact, including sustainability and climate-related impacts
- Monitors stakeholders' issues and concerns
- Drive alignment between strategy and effective ESG risk management and ensure business operation and accountability

6.5 Board Sub Committees Focus on ESG Impact

Board Sustainability Committee (BSC)

Oversee the implementation of LBF's ESG Policy, monitor the progress toward climate commitments and targets, and ensures alignment between these commitments and LBF's overall strategy.

Review and discuss updates on sustainability and climate risk management from business sectors, and critically assesses progress against LBF's SDG commitments and targets at the sector level.

Key initiatives of the year

- Board Approved ESG Policy
- Board Approved ESG pledge and sub-environment policies
- Review sustainability metrics and refined KPIs to include Sustainability and climate-related elements in to the ESG Policy

Board Audit Committee

Oversees management's progress towards implementation of SLFRS S1 and S2.

Ensures development of appropriate methodologies and tools to assess financed emissions and monitors progress in terms of the Company's capacity to measure and disclose financed emissions.

Board Integrated Risk Management Committee

Review and ensure alignment of updates on LBF's business risk management and the progress made in integrating sustainability risk management within the overall risk management framework.

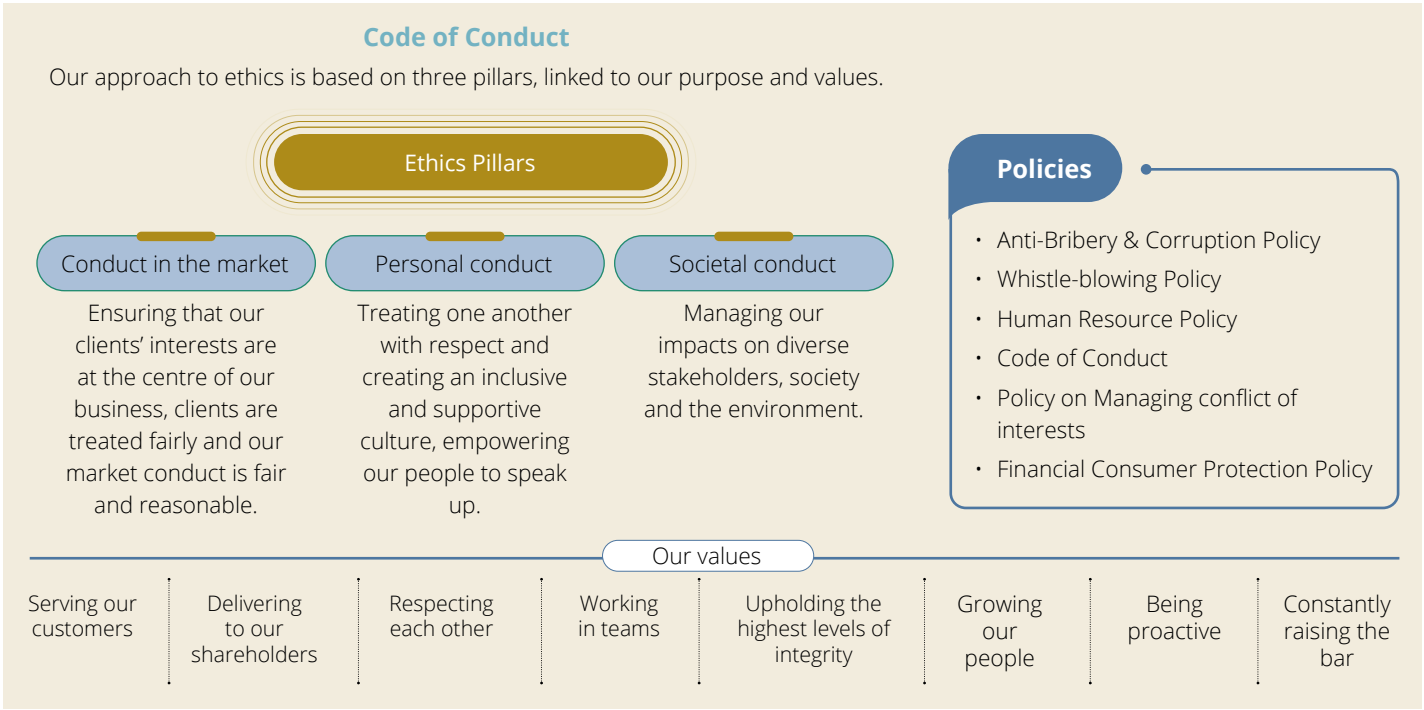
7. OPERATIONAL EXCELLENCE IN ETHICAL GOVERNANCE

7.1 Ethical Practices & Corporate Culture

CASL Code Principle (D.6) Companies must adopt a code of business conduct & ethics for directors, key management personnel and all other employees ☑

With a legacy spanning over five decades, LBF has cultivated a distinctive corporate culture shaped by its core values and Code of Conduct. Over the years, this culture has evolved into one centered on service and mentorship, facilitating the transfer of institutional knowledge and reinforcing the LBF way of doing business an approach that has consistently contributed to the Company's success.

The Code of Conduct, which addresses the areas illustrated in the accompanying graphic, was most recently reviewed in May 2024. All employees are required to sign the Code upon joining, affirming their understanding of the expected standards of behaviour and guidance on managing conflicts of interest and other workplace situations. These expectations are further underpinned by the Company's Anti-Bribery & Corruption Policy and Whistle-blowing Policy, which provide additional layers of ethical governance and oversight.



a. Whistle-Blowing Policy

LB Finance has established a comprehensive Whistle-Blowing Policy designed to act as a broad-spectrum control and deterrent against misconduct. The policy encourages employees to confidentially report any unfair, unethical, illegal, fraudulent, or otherwise irregular activities directly to the Compliance Officer.

All whistle-blower reports are treated with strict confidentiality and are communicated to the BAC which is responsible for updating the Board, overseeing any necessary investigations, and ensuring appropriate corrective actions are taken. The policy includes strong safeguards to protect the identity of whistle-blowers, thereby enhancing its effectiveness by reducing the fear of retaliation. During the reporting year, there were no whistle-blower incidents reported.

b. Anti- Bribery and Corruption Policy

The Company has adopted a comprehensive Anti-Bribery and Corruption (ABC) Policy that applies to all Directors, employees, and third-party service providers including suppliers, contractors, sub-contractors, outsourced personnel, and agents across all jurisdictions and business functions. This Policy outlines LBF's commitment to countering bribery and corruption in all forms and managing related risks throughout its operations and transactions.

LBF maintains a strict zero-tolerance stance toward bribery and corruption, recognising such conduct as a serious threat to the company's integrity and reputation. All parties covered under the Policy are required to uphold its principles, which include rigorous anti-bribery and anti-corruption checks, to ensure ethical conduct and compliance across the organisation.

c. Code of Conduct

The Code of Conduct serves as the cornerstone of ethical behaviour and corporate responsibility. It reflects unwavering commitment to integrity, transparency, and accountability in all aspects of our operations. The Code outlines the ethical standards and expectations for all employees, directors, and representatives of the company, fostering a culture of trust and professionalism across the organisation.

The Code provides clear guidance on appropriate behaviour, decision-making, and interactions with internal and external stakeholders. It addresses key areas such as compliance with laws and regulations, conflict of interest, confidentiality, fair treatment, responsible use of company assets, and upholding the highest standards of professionalism.

All new employees are required to formally acknowledge the Code of Conduct upon joining, ensuring they are well-informed of the behavioural standards expected of them. The Code is reviewed periodically to reflect evolving regulatory requirements and best practices, with the most recent review conducted in May 2024.

d. Personal Data Protection Policy

The company is committed to safeguarding personal data and ensuring full compliance with the Personal Data Protection Act, No. 9 of 2022, and related regulatory requirements. The Personal Data Protection Policy (PDPP) is designed to uphold the highest standards of data privacy and outlines the company's obligations and guiding principles for responsible data management.

The Policy aims to:

- Ensure full compliance with applicable data protection laws and standards.
- Process personal data lawfully, fairly, and transparently.
- Collect data solely for specified, legitimate purposes with clear limitations.
- Limit data collection to what is strictly necessary (data minimisation).
- Maintain accurate, up-to-date records and promptly correct inaccuracies.
- Retain personal data only as long as necessary, with secure disposal measures.
- Protect data integrity and confidentiality through robust security measures.

7.2 Internal Control

Over time, the Board has established a robust and comprehensive system of internal controls, encompassing financial reporting and ensuring compliance with both internal policies and external regulations. The responsibility for overseeing this critical function lies with the BAC. Supporting this framework is an independent Internal Audit function, which operates in alignment with the annually approved internal audit plan.

The BAC closely monitors the execution of this plan, reviews internal audit reports, and tracks the implementation of audit recommendations. In addition, the BAC holds meetings with the Chief Internal Auditor to discuss any potential areas of concern. Further details on internal control processes can be found in the Directors' Statement on Internal Control on page 306 to 307 and the Report of Board Audit Committee on pages 289 to 393.

7.3 Risk Management

CASL Code Principle (D.2) The board should establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets. ☑

CASL Code Principle (D.4) The board should establish a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk. ☑

The Board is assisted by the Board Integrated Risk Management Committee (BIRMC) in this regard and a more detailed description of this vital function is given on Board Integrated Risk Management Committee Report on pages 294 to 296.

7.4 Accounting and Audit

CASL Code Principle (D.1) The Board should present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects. ☑

CASL Code Principle (D.3) The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determine the structure and content of corporate reporting, implement internal control and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's auditors. ☑

The Board holds overall responsibility for ensuring the timely disclosure of quarterly and annual financial statements in compliance with the regulations of the CSE and the CBSL. The BAC plays a key oversight role in this process, conducting thorough reviews of the financial reporting framework, internal controls, and the financial statements themselves recognising their significance as a primary means of communication with shareholders and other stakeholders.

The BAC reviews the quarterly financial statements and the annual report in detail and, upon satisfaction, recommends them to the Board for formal approval and public disclosure.

7.5 Technology Governance

a. Information Technology Governance

IT Governance remains a strategic priority at LBF, ensuring that technology investments and operations are aligned with business objectives and contribute to long-term operational resilience. The function is led by the Chief Information Officer (CIO), who is responsible for overseeing IT infrastructure, digital platforms, and internal controls.

A dedicated IT Security Governance function, reporting to the CIO, provides independent oversight of governance aspects within the IT department. Through these governance mechanisms, the IT function ensures internal compliance, risk management, and control effectiveness to uphold the integrity and reliability of IT operations.

Key IT governance focus areas include:

- Ensuring the availability, stability and security of core IT infrastructure
- Managing data centers, networks and digital service delivery channels
- Monitoring privileged access and IT activities across critical systems
- Conducting internal vulnerability assessments and following up on remediation
- Performing IT vendor security risk assessments

- Lead internal IT compliance aligned with ISO27001:2022 requirements
- Maintaining system uptime and operational continuity support

These efforts help establish a secure and compliant IT environment, enabling the organisation to meet regulatory expectations and deliver uninterrupted digital services.

b. Information Security Governance

Information Security Governance is led by the Chief Information Security Officer (CISO), who provides periodic reporting to the Board Information Security Committee (BISC). This function is responsible for safeguarding the confidentiality, integrity, and availability of the organisation's information assets, while ensuring compliance with regulatory requirements.

The CISO drives the enterprise-wide cybersecurity strategy and risk governance framework through a comprehensive range of initiatives that proactively address emerging threats and evolving compliance expectations.

Key Information security governance focus areas include:

- Developing and maintaining up-to-date information security policies, procedures, and standards
- Proactively monitoring cyber threats and managing threat intelligence streams
- Managing information security incident response and coordinating effective resolution
- Coordinating third party security assessments and conducting security due diligence activities
- Leading organisation wide cybersecurity awareness programmes and phishing simulations
- Supporting audit readiness and ensuring timely remediation of identified findings
- Conducting red teaming exercises and managing the organisation's attack surface
- Ensuring ongoing alignment with ISO/27001:2022 certification requirements

This governance structure enables focused oversight of cybersecurity risks and reinforces organisational resilience in an ever-evolving threat landscape.

7.6 Group Governance

The Board of Directors provides oversight over the Group's operations and is supported by Board sub-committees that monitor key aspects such as risk, audit, compliance, and human resources. Subsidiary company maintains its own governance structures, which are aligned with the parent company's policies and procedures.

Group-wide policies including those on risk management, compliance, internal controls, ethics, and sustainability are developed at the parent company level and cascaded across the Group to ensure consistent application. Regular reporting and performance reviews are conducted to monitor adherence to these policies and assess operational performance, risk exposure, and compliance at the subsidiary level.

8. PRIORITIES FOR 2025/26

The Board have noted the following matters for attention in the year that has commenced:

- Ensure that processes for compliance with SLFRS Sustainability Disclosure Standards are set in place and that internal controls are in place to verify the completeness, accuracy and reliability of sustainability reporting
- Accelerate the implementation of comprehensive data protection policies, practices, and frameworks to comply with PDPA and global best practices
- Strengthen information security frameworks, conduct regular vulnerability assessments, and invest in training and awareness
- Develop governance frameworks for the ethical use of data, AI, and machine learning to ensure fairness, transparency, and non-discrimination

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

INTRODUCTION

The Directors of L B Finance PLC have the pleasure of presenting to the shareholders the Annual Report of the Board of Directors on the affairs of the Company together with the Consolidated Financial Statements of the Company and its subsidiary for the year ended 31 March 2025 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

This Report includes the information as required by the Companies Act No. 7 of 2007 (Companies Act), Finance Business Act Directions No. 5 of 2021 on Corporate Governance read together with Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Recommended Best Practices on Corporate Governance.

COMPANY OVERVIEW

L B Finance PLC (the Company) is a Licensed Finance Company in terms of the Finance Business Act No.42 of 2011. It was incorporated under the Companies Ordinance No. 51 of 1938 as a private limited liability company on 30 May 1971, converted to a public limited liability company on 29 September 1982, and was admitted to the Official List of the Colombo Stock Exchange on 30 December 1997. The Company was re-registered as per the Companies Act No. 07 of 2007 on 6 June 2008 under Company Registration No. PQ 156. The Company is a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The Ordinary Shares issued by the Company are listed on the Main Board of Colombo Stock Exchange.

Fitch Ratings upgraded the Company's rating to A-(lka) from BBB+(lka) with a Stable outlook as published on 24 January, 2025.

Both the Registered Office of the Company and its Head Office are situated at No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07.

As per the requirements set out in Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report for the year under review.

Information Required to be Disclosed as per the Companies Act No. 7 of 2007	Reference to the Companies Act	Level of Compliance by the Company
The nature of the business of the Company	Section 168 (1) (a)	Page 282
Signed Group Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Page 356 to 478
Auditor's Report on Group Financial Statements of the Company	Section 168 (1) (c)	Page 351 to 354
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 366
Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	Page 285
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 445
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 287
Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	Page 284
Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period as a separate disclosure	Section 168 (1) (i)	Page 287 to 288
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 287
Annual Report of the Board of Directors on the affairs of the Company to be signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Page 288
Information as per Section 168 (i)(b) to (j) in relation to the subsidiaries	Section 168 (2)	Pages 282 and 288

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission and values are given on page 05 of this Report.

The Company remains committed to delivering long-term value to shareholders, clients, employees and the wider community through innovation, responsible management and sustainable growth.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were savings/deposit mobilisation, lending activities including Finance Lease/Vehicle Loan facilities, Gold Loans, Mortgage Loans, Personal Loans and other Credit Facilities, Value Added Services and Digital Financial Services. The Company's subsidiary is LB Microfinance Myanmar Company Limited, carried on Micro Finance business in Myanmar. Multi Finance PLC which was a subsidiary of the Company was amalgamated with the Company on 25 July 2024. The Company has an interest in the leisure sector through its investment in The Fortress Resorts PLC. There were no significant changes in the nature of the principal activities of the Company during the year under review. It is further declared that the Company has not engaged in any activity which contravenes laws and regulations.

REVIEW OF OPERATIONS

A review of the business of the Company and its subsidiary and their performance during the year under review with comments on financial results, future strategies and prospects are contained in the Managing Director's Review on pages 50 to 53 which forms an integral part of this Report.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Remarks on pages 46 to 48 Managing Director's Remarks on pages 50 to 53 and the Management Discussion and Analysis on page 46 to 244.

FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiary have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, the directions and guidelines issued under the said Finance Business Act, and the Listing Rules of the Colombo Stock Exchange.

Consequent to the Board Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 30 May 2025. The Consolidated Financial Statements of the Company and its subsidiary, duly signed by the Chief Financial Officer and two Directors on behalf of the Board, are attached hereto and form an integral part of the Annual Report.

FINANCIAL RESULTS AND APPROPRIATIONS

The Profit Before Tax increased by 8 % whilst the Company recorded a growth of 13% in Net Profit After Tax for the year under review in comparison to those of the preceding year. The growth in total comprehensive income was 14%.

Details of appropriation of profit of the Company and the Group are given below:

Description	2024/25 Rs. '000	2023 /24 Rs. '000
Profit for the year after payment of all the expenses of management, provision for depreciation and amortisation, impairment of loans and other losses and tax on financial services	16,341,673	15,180,207
Less: Income Tax Expense	5,536,039	5,616,569
Profit After Tax	10,805,634	9,563,638
Unappropriated Balance Brought Forward from Previous Year	33,815,357	28,784,409
Actuarial Gains / (Losses) on Defined Benefit Plans	11,475	(37,594)
Profit Available for Appropriation	44,632,466	38,310,453
Less: Appropriations		
Dividend Paid for Previous Financial Year	1,939,200	2,770,285
Interim Dividend Payable / Paid for Current Financial Year	1,246,629	1,246,629
Transfers During the Year	540,282	478,182
Total Appropriation	3,726,111	4,495,096
Unappropriated Balance Carried Forward	40,906,355	33,815,357
Proposed Final Dividend per share (Rs.)	4.25	3.50

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Section 150(1), 151, 152(1) and 153(1) and (2) of the Companies Act No. 7 of 2007, the Board of Directors of the Company is responsible for the preparation of the Financial Statements of the Group and the Company which reflect a true and fair view of the state of affairs of the Company and its subsidiary as at the reporting date and the profit or loss or income and expenditure of the Company and its subsidiary for the accounting period ending as at the reporting date. The Directors confirm that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 356 to 478 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, Companies Act No. 7 of 2007, directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibilities for Financial Reporting is given on page 305 and forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board has issued a statement on the Internal Control Mechanism of the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No. 5 of 2021. The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on pages 282 to 288 The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to on pages 306 to 307.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and the Group is given on pages 351 to 354.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The accounting policies adopted in the preparation of the Financial Statements are given on page 363 to 478. There were no significant changes to the accounting policies used by the Company during the

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

year under review vis-à-vis those used in the previous year.

INCOME

The income of the Company for the year ended 31st March 2025 was Rs. 46,731 Million (2023/24 - Rs. 49,230 Million). Group Income during the year under review was Rs. 47,156 Million (2023/24 – Rs. 49,636 Million). An analysis of the Income is given in Note 2.1 to the Financial Statements.

RESERVES

The Reserves of the Company and the Group with the movements during the year under review are given in Note 2.35 to the Financial Statements on page 443.

TAXATION

The Income Tax rate applicable to the Company's operations is 30% (2023/24 – 30%). The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2023/24 – 18%) and Social Security Contribution Levy at 2.5% (2023/24 – 2.5%).

CORPORATE GOVERNANCE

The Board of Directors is responsible for the Governance of the Company. The Board of Directors has placed considerable emphasis on developing rules, structures and processes to ensure Integrity and Transparency in all of the Company's dealings and on making the best effort in achieving performance and quality profits. The Board has continuously refined the structure and systems to ensure governance on the lines as defined, being aware all the time that it is accountable to the stakeholders and to the general public.

During the year, the Board met twelve (12) times and reviewed key matters including strategy, risk management, compliance, and performance monitoring.

The Report on Corporate Governance which is on pages 246 to 281 describes the application of the Corporate Governance practices within the Company during the year under review.

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31st March 2025 consisted of twelve (12) Directors with a balance of skills, wide knowledge and experience in Entrepreneurship, Banking, Finance, Audit & Assurance, Legal and Marketing which is appropriate for the business carried out by the Company. The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 254 to 259 which also includes other directorships held by Directors.

Executive Directors

Mr. J A S S Adhihetty - Managing Director
Mr. Niroshan Udage - Deputy Managing Director
Mr. B D A Perera
Mr. R S Yatawara

Non-Executive Directors

Mr. G A R D Prasanna – Chairman
Mr. M A J W Jayasekara *+
Ms. Yogadinusha Bhaskaran
Ms. Ashwini Natesan *
Mr. Dharmadasa Rangalle
Ms. Yanika Amarasekera *
Mr. Piyal Hennayake *
Mr. Priyantha Talwatte *

+ Senior Independent Director
* Independent Director

Fit and Proper Assessment of Directors

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.

Extension of Office of the Managing Director

The approval of the Monetary Board of the Central Bank of Sri Lanka was granted on 26 June 2024 in terms of the Finance Business Act, Directions No.5 of 2021, for the Managing Director, Mr. J A S S Adhihetty to continue in office, for a period of one (01) year after attaining the age of seventy four (74) years. Accordingly, in terms of the approval granted by the Monetary Board of the Central Bank of Sri Lanka for the Managing Director, Mr. J A S S Adhihetty to continue in office upto 3 July 2025 read together with the provisions of Sections 210 and 211 of the Companies Act, No.7 of 2007, the Board at its meeting held on 21 May 2025 resolved to seek the approval of the shareholders at the forthcoming Annual General Meeting, to re-appoint Mr Adhihetty as a Director upto and including 3 July 2025.

Resignations/Cessations

There were no Resignations/Cessations during the year under review.

Directors of the Subsidiary

The Directors of the subsidiary, LB Microfinance Myanmar Company Limited as at 31st March 2025 consisted of the following:

Mr. J A S S Adhihetty
Mr. Niroshan Udage
Mr. B D A Perera
Mr. R S Yatawara

There were no changes in the Directors of the subsidiary.

Retirement by Rotation and Re-election of Directors/Annual Assessment of continuing Directors

The names of the Directors who are:

(i) subject to retirement by rotation in terms of Articles 85 and 86 of the Articles of Association, and,

(ii) subject to re-election in terms of Article 93 of the Articles of Association,

(iii) proposed for re-appointment in terms of Section 211 of the Companies Act No. 7 of 2007, and the applicable provisions thereto,

(vi) subject to annual assessment of their fitness and propriety to continue as Directors in terms of Finance Business Act Directions No.6 of 2021, are set out in the undernoted Table.

Name of Director	Applicable Article of the Articles of Association / Section of the Companies Act / Finance Business Act Directions
Mr Dharmadasa Rangalle and Mr. B D A Perera	According to Articles 85 and 86, the Directors to retire by rotation at the Annual General Meeting are those who (being subject to retirement by rotation) have been longest in office since their last election or appointment. If one-third (1/3rd) of the Directors eligible for retirement by rotation is not a multiple of three (03), the number nearest to (but not greater than) one-third (1/3rd) shall retire from office. As per the Articles (Article 86), in calculating the said number, a Director appointed to the office of Chairman, Managing or Joint Managing Director are excluded. Accordingly, after excluding the Chairman, the Managing Director and the Deputy Managing Director, together with the Directors who are eligible for re-appointment, the number of Directors subject to retirement by rotation is seven (07) and therefore, two (02) Directors should retire by rotation. Accordingly, Messrs. Dharmadasa Rangalle and B. D. A. Perera who have been longest in office, since their last re-election retire and offer themselves for re-election at the forthcoming AGM. The Company has applied to the Director – Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, for the requisite regulatory approval in terms of Section 5.1.2 of the Finance Business Act Directions No. 06 of 2021, with respect to the said re-election and continuation. A Resolution will be placed before the shareholders at the forthcoming AGM for the re-election of the said Directors which will be effective, upon the receipt of requisite Regulatory approval as aforesaid.
Mr. Piyal Hennayake Mr Priyantha Talwatte.	As per Articles of Association of the Company the Directors appointed during the year under review are subject to re-election at the relevant Annual General Meeting. Accordingly, Messrs. Piyal Hennayake and Priyantha Talwattee who were appointed to the Board of Directors of LB Finance PLC on 18 November, 2024 are subject for re-election at the next Annual General Meeting. The Company has applied to the Director – Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, for the requisite regulatory approval in terms of Section 5.1.2 of the Finance Business Act Directions No. 06 of 2021, with respect to the said re-election and continuation. A Resolution will be placed before the shareholders at the forthcoming AGM for the re-election of the said Directors which will be effective, upon the receipt of requisite Regulatory approval as aforesaid.
Mr. J A S S Adihetty	The approval of the Monetary Board of the Central Bank of Sri Lanka was granted on 26 June 2024 in terms of the Finance Business Act, Directions No. 5 of 2021, for the Managing Director, Mr. J A S S Adhihetty to continue in office, for a period of one (01) year after attaining the age of seventy four (74) years. Accordingly, in terms of the approval granted by the Monetary Board of the Central Bank of Sri Lanka for the Managing Director, Mr. J A S S Adhihetty to continue in office upto 3 July 2025 read together with the provisions of Sections 210 and 211 of the Companies Act, No. 7 of 2007, the Board at its meeting held on 21 May 2025 resolved to seek the approval of the shareholders at the forthcoming Annual General Meeting to re-appoint Mr. Adhihetty as a Director upto 3 July 2025.
7 other Directors	In terms of Section 3.3 of the said Directions, the fitness and propriety of continuing Board Directors is subject to annual assessment by the Director, Department of Supervision of the Non- Bank Financial Institutions of the Central Bank of Sri Lanka. The Company has applied to the Director, Department of Supervision of the Non- Bank Financial Institutions of the Central Bank of Sri Lanka for the required regulatory approval in terms of the said Directions and the continuation of the office of the said Directors is subject to receiving the requisite Regulatory approval.

The Board Nomination and Governance Committee / the Board of Directors have recommended the re-election/ re-appointment / continuation of the said Directors, subject to the relevant Regulatory approval/s in terms of the applicable Directions issued under the Finance Business Act.

Directors' Interests Register and Directors' Interests in Contracts or Proposed Contracts

The Company maintains the Directors' Interests Register in terms of the Companies Act No. 7 of 2007. Directors of the Company have made necessary declarations of their interests in Contracts and proposed Contracts in terms of Sections 192 (1) and 192 (2) of the Companies Act. These interests are entered in the Interests Register which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

The particulars of the Directors Interests in Contracts with the Company are given in Note 3.1 to the Financial Statements on page 445 and form an integral part of this Annual Report. The remuneration paid to the Directors during the year under review is entered in the Interests Register

and the aggregate of such remuneration is disclosed in this Annual Report under "Directors' Remuneration" on page 445. In accordance with the Myanmar Companies Law, Directors of the Myanmar subsidiary have disclosed their interests in shares and securities in the said subsidiary and also their interests in contracts and other arrangements with the said company.

Directors' Declarations in terms of Rule 9.17 of the Listing Rules of the CSE

The Directors declare that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director was materially interested in a contract or a proposed contract with the Company, they have refrained from voting on such contracts. It is further declared that during the year under review, the Company did not enter into any contracts in which any Director was interested.

Directors' Declarations in terms of Section 16.1(ii) and (v) of Finance Business Act Directions No. 5 of 2021 and Rule 9.10.4 (c) of the Listing Rules of the CSE

The Chairman and the Directors of the Company have made declarations as per the requirements in the above Directions / Rules, that there is no financial, business, family or other material/relevant relationship(s) between the Chairman and the Managing Director and/or amongst the members of the Board.

RELATED PARTY TRANSACTIONS WITH THE COMPANY

The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions (RPTs) in terms of LKAS 24. With effect from 1 January 2016, all proposed non-recurrent (RPTs) have been placed before the Related Party Transactions Review Committee in accordance with Listing Rules of Colombo Stock Exchange, for its review and recommendations, which was extended to recurrent transactions as well, during the financial year under review. The aggregate value of transactions of related parties (as defined in LKAS 24 – "Related Parties Disclosure") with the Company are set out in Note 3.1 to the Financial Statements on page 445. The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party 'more favourable treatment' than that accorded to other similar constituents of the Company. The Board of Directors declares that the Company is in compliance with the applicable provisions of the Listing Rules pertaining to (RPTs) during the Financial Year ended 31 March 2025.

DIRECTORS' REMUNERATION

The remuneration of Directors of the Company and its Subsidiary is disclosed under Key Management Personnel compensation in Note 3.1 to the Financial Statements on pages 445.

RELEVANT INTERESTS OF DIRECTORS' IN SHARES

The Directors' shareholding and the relevant interests of Directors in the shares of the Company as at 31 March 2025 and 31 March 2024 are given on page 483.

BOARD SUBCOMMITTEES

The Board of Directors of the Company has formed seven (07) Committees in compliance with the Finance Business Act Direction No.5 of 2021 and read together with Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended), Finance Business Act Direction No.1 of 2022 on Technology Risk Management and Resilience, Listing Rules of the Colombo Stock Exchange, as per the Recommended Best Practices on Corporate Governance and SLFRS S1 and S2 (Sustainability Disclosure Standards). They are the Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resource and Remuneration Committee, Board Related Party Transactions Review Committee, Board Nomination and Governance Committee, Board Information Security Committee and Board Sustainability Committee.

The composition of the said committees as at 31 March 2025 is as follows:

Board Audit Committee (BAC)

Mr. Ashane Jayasekara
Chairman
Senior Independent Non-Executive Director

Ms. Yogadinusha Bhaskaran
Non-Executive Director

Ms. Ashwini Natesan
Independent Non-Executive Director

The Report of the said Committee appears on page 289.

Board Integrated Risk Management Committee (BIRMC)

Ms. Ashwini Natesan
Chairperson
Independent Non-Executive Director

Mr. Ashane Jayasekara
Senior Independent Non-Executive Director

Ms. Yogadinusha Bhaskaran
Non-Executive Director

The Report of the said Committee appears on page 294.

Board Human Resources and Remuneration Committee

Ms. Yanika Amarasekera

Chairperson
Independent Non-Executive Director

Mr. G A R D Prasanna
Non-Executive Director

Mr. Ashane Jayasekara
Independent Non-Executive Director

The Report of the said Committee appears on page 298

Board Related Party Transactions Review Committee (BRPTRC)

Mr. Piyal Hennayake
Chairman
Independent Non-Executive Director

Mr. Dharmadasa Rangalle
Non-Executive Director

Mr. Priyantha Talwatte
Independent Non-Executive Director

The Report of said Committee appears on page 299.

Board Nomination and Governance Committee (BNGC)

Mr. Ashane Jayasekera
Chairman
Independent Non-Executive Director

Mr. G A R D Prasanna
Non-Executive Director

Ms. Ashwini Natesan
Independent Non- Executive Director

The Report of the said Committee appears on page 297.

Board Information Security Committee (BISC)

Ms. Ashwini Natesan
Chairperson
Independent Non Executive Director

Mr. Ashane Jayasekara
Independent Non-Executive Director

Mr. B D A Perera
Executive Director

The Report of the said Committee appears on page 300.

Board Sustainability Committee (BSC)

Ms. Yanika Amarasekera
Chairperson
Independent Non-Executive Director

Mr. G A R D Prasanna
Non-Executive Director

Mr. Niroshan Udage
Deputy Managing Director

Ms. Ashwini Natesan
Independent Non-Executive Director

Mr. Piyal Hennayake
Independent Non-Executive Director

The Report of the said Committee appears on page 302.

STATED CAPITAL AND DEBENTURES

The Stated Capital of the Company as of 31st March 2025 was Rs. 838,282,159/- represented by 554,057,136 Ordinary Shares. There were no changes in the Stated Capital of the Company during the year under review.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDINGS

There were 5,348 shareholders registered as of 31 March 2025 (5,014 shareholders as of 31 March 2024).

DISTRIBUTION SCHEDULE OF SHAREHOLDERS, MAJOR SHAREHOLDERS, PUBLIC HOLDING AND RATIOS AND MARKET PRICE INFORMATION

Information as required by the Listing Rules on distribution of shareholding with the respective percentages, twenty (20) Major Shareholders, Public Holding & Ratios and Market Price Information are set out on pages 482 to 483 under Financial Review.

DIVIDENDS

The Company paid an Interim Dividend of Rs. 2.25 per Ordinary Share for the year under review out of the profits of the Company. The Directors have recommended a Final Dividend of Rs. 4.25 per Ordinary Share for the year under review on the shares in issue of 554,057,136 to be approved by the shareholders at the forthcoming Annual General Meeting. As required by Section 56 of Companies Act No. 07 of 2007 (Companies Act), the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy the solvency test in accordance with the Companies Act and subsequent to such declaration, the Directors have obtained the Auditors Certificate of Solvency thereon.

In compliance with Guideline on Declaration of Dividends and Repatriation of Profits dated 31 January 2023 - Ref. 24/10/001/0019/005 issued under the Finance Business Act, the Company obtained the approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for the proposed Final Dividend. The said Final Dividend will, subject to approval by the shareholders, be payable on or before 7 July 2025 to those shareholders who have provided accurate dividend disposal instructions, by way of direct credit to their respective Bank Accounts, through SLIPS and on 21 July 2025 to those shareholders whose payments are to be made by way of cheques.

PROPERTY PLANT & EQUIPMENT AND SIGNIFICANT CHANGES IN THE COMPANY'S AND ITS SUBSIDIARY'S FIXED ASSETS/ MARKET VALUE OF LAND

The details of Property, Plant and Equipment are given in Notes 2.23 of the Financial Statements. The Lands and Buildings owned by the Company are recorded at cost and details of those properties and their market values as at 31st March 2025 as per valuations conducted by H V Manjula Basnayake an Independent Valuer. The said information is set out in Note 2.23.9 to the Financial Statements on page 424.

HUMAN RESOURCES

The Company's Employment Policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race, and religion. As at 31st March 2025, the Company had 4,407 employees (4,132 employees as at 31st March 2024).

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS PERTAINING TO THE COMPANY

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

EMPLOYEE SHARE OPTION SCHEMES/ EMPLOYEE SHARE PURCHASE SCHEMES

The Company has not implemented any Share Option/Share Purchase Schemes for its employees.

DONATIONS

The Company made donations to the value of Rs. 12.39 million during the year under review. The subsidiaries L B Myanmar Company Limited did not make any donations during the year under review.

AUDITORS

Messrs KPMG, Chartered Accountants served as the Independent Auditors during the year under review and also provided audit-related services and permitted non-audit/consultancy

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services. The Auditor of the subsidiary company, L B Microfinance Myanmar Company Ltd is UTW (Myanmar) Limited, a Member of Ernst & Young Global Limited.

RISK MANAGEMENT AND INTERNAL CONTROLS

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Board Audit Committee and the Board Integrated Risk Management Committee. Specific steps taken by the Company to manage the Risks are detailed under "Integrated Risk Management Report" on page 311. The Board, through the Board Audit Committee and Board Integrated Risk Management Committee, conducts a review of internal controls covering financial, operational and compliance controls and risk management and has obtained reasonable assurance of their effectiveness and successful adherence therewith.

Directors' Statement on Internal Control is on page 306.

MATERIAL FORESEEABLE RISK FACTORS

Material Foreseeable Risk Factors as applicable to the business operations of the Company and its subsidiary are set out in Notes 4.1 to 4.5 to the Financial Statements.

APPRAISAL OF BOARD PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with the Section 1.5 (d) of the Finance Business Act Directions No. 05 of 2021 by answering a self-assessment questionnaire. The responses are collated by the Company Secretary, which are submitted to the Board for discussion and further evaluated by the Board. In terms of the said Direction, the Board also carried out an annual self-evaluation of its own performance and that of the Sub-Committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007, Finance Business Act Direction No. 05 of 2021, Listing Rules of Colombo Stock Exchange and Best Practices on Corporate Governance. Evaluations for the year under review of the Board of Directors and its Sub-Committees were discussed at the meeting of the Board of Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Officer independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board of Directors, the Board Audit Committee and the Board Integrated Risk Management Committee. The Board has made arrangements to make themselves aware of applicable laws, rules and regulations and changes thereto, particularly to Listing Rules and applicable capital market provisions through regular updates provided by the Compliance Officer, Head of Legal, the Company Secretary, and the Directors themselves, whose expertise lies in the field of Law / Finance / Audit.

STATUTORY PAYMENTS

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for, except for certain assessments where appeals have been lodged.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that is harmful or hazardous to the environment. Measures taken by the Company on environmental protection are given in the report on Natural Capital on page 208.

OUTSTANDING LITIGATION

In the opinion of the Directors and Company's Lawyers, pending litigation by and against the Company will not have a material impact on the financial position of the Company or its future operations.

CONTINGENT LIABILITIES

Except as disclosed in Note 3.5 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

EVENTS AFTER THE REPORTING DATE

Except for matters disclosed in Note 3.10 to the Financial Statements, there are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements.

GOING CONCERN

The Board of Directors has reviewed the Company's corporate/business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

ANNUAL GENERAL MEETING

The Notice of the Fifty Second (52nd) Annual General Meeting appears on page 551.

ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

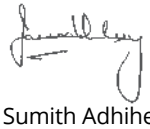
As required by Section 168 (1) (k) of the Companies Act, this Report is signed on behalf of the Board of Directors of the Company by two (02) Directors and the Company Secretary in pursuance of the authority granted by the Board Resolution passed on 30 May 2025 pursuant to having acknowledged the contents of this Annual Report.

The Board acknowledges the efforts and dedication of the Company's management, employees, and stakeholders. We also thank our shareholders for their continued trust and support.

Signed on behalf of the Board of Directors



G A R D Prasanna
Chairman



Sumith Adhihetty
Managing Director



Tharanga Nandasena
Company Secretary

30 May 2025

BOARD AUDIT COMMITTEE REPORT



Ashane Jayasekara
Chairman - Board Audit Committee

The Audit Committee remains unwavering in its dedication to the highest standards of corporate governance, consistently upholding practices that safeguard the interests of LBF and its stakeholders. This steadfast commitment reinforces trust, accountability, and long-term value creation across the organisation.

We affirm that the financial disclosures in this report are the product of diligence, independence, and an unwavering commitment to excellence in governance

PURPOSE OF THE COMMITTEE

The Board Audit Committee was established by the Board of Directors to obtain an objective review and oversight of the organisation's financial reporting process, governance process, the assurance process, the Company's system of internal controls and risk management and compliance processes.

COMPOSITION OF THE COMMITTEE

As of 31 March 2025, the Board Audit Committee was comprised of three Non-Executive Directors, a majority of whom are independent. The Committee is chaired by an Independent Non-Executive Director. The Committee composition is in conformity with all regulatory composition requirements and D.3.1 of the Code of Best Practice on Corporate Governance 2023, issued by CA Sri Lanka. The Board is confident that the current members of the Committee posses the necessary competence in finance and technology related matters and have recent and relevant experience.

Mr. Ashane Jayasekara *
Chairman
Independent Non-Executive Director

Ms. Yogadinusha Bhaskaran **
Non-Executive Director

Ms. Ashwini Natesan
Independent Non-Executive Director

* Appointed as Chairman w.e.f. 01/07/2024
** Chaired the Committee up to 30/06/2024

COMMITTEE MEETINGS

The Committee held 13 meetings during the financial year 2024/25. Details regarding the attendance of the Committee Members are presented below.

Member Name	Meetings Held	Meetings Attended	Attendance Percentage
Mr. Ashane Jayasekara	13	13	100%
Ms. Yogadinusha Bhaskaran	13	13	100%
Ms. Ashwini Natesan	13	13	100%

The Managing Director, Deputy Managing Director, Executive Directors and the senior members of the management team including Chief Internal Auditor, Chief Financial Officer, Compliance Officer and Assistant General Manager – Risk Management attended the meetings by invitation. Representatives of the Company's External Auditor, Messrs. KPMG Sri Lanka, were also invited to participate as and when deemed necessary.

The Chief Internal Auditor serves as the Secretary to the Committee, and the proceedings of each meeting are regularly reported to the Board. Detailed profiles of the Board Audit Committee members are presented on pages 256 to 259.

REGULATORY FRAMEWORK

Internal Governance Framework

The Board approved Charter of the Audit Committee is in place and it clearly defines the roles and responsibilities of the Committee. The Audit Committee Charter is reviewed annually to ensure that all new developments related to Audit Committee are duly incorporated. The Audit Committee Charter was last reviewed and approved by the Board of Directors in June 2024.

The Committee's Charter clearly outlines its purpose, composition, responsibilities and authority, with a primary focus on ensuring the integrity and accuracy of the Company's financial reporting. The Board Audit Committee plays a vital role in supporting the Board by overseeing internal and external audit functions, monitoring the effectiveness of internal financial controls and the overall financial reporting process, and ensuring compliance with applicable internal policies and regulatory requirements.

External Governance Framework

The role, functions, and composition of the Audit Committee are defined by a robust external Governance Framework.

- Finance Business Act Direction No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka
- Section 9.13 of the Listing Rules of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka

BOARD AUDIT COMMITTEE REPORT

These frameworks collectively provide the foundation for the Committee's oversight responsibilities and are periodically reviewed to ensure consistency with these evolving regulatory and governance standards.

COMMITTEE RESPONSIBILITIES

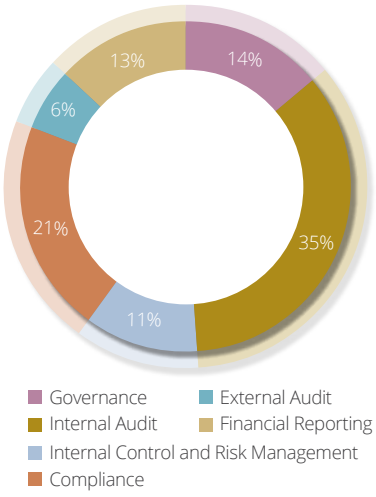
The key responsibilities of the Board Audit Committee as mandated by the Board are as follows;

- Assist the Board in its independent oversight of the accuracy and integrity of the financial statements, risk management, internal control systems and compliance with company policies, legal and regulatory directives from the CBSL, CSE and other regulatory bodies. This ensures the adequacy and effectiveness of the Company's governance processes, ultimately safeguarding the interests of all stakeholders, including shareholders and depositors
- Review the appropriateness and consistency of accounting policies and ensure compliance with statutory, regulatory, and applicable accounting standards, while also assessing the integrity of interim and annual financial statements prior to their submission to the Board
- Exercise its independent oversight over the internal and external assurance processes to ensure that both auditors maintain their independence, objectivity and the effectiveness of the audit process. The Committee considers relevant local and global professional and regulatory requirements to ensure compliance
- Ensure that the Company adopts and adheres to the highest level of standards in corporate governance practices, risk management measures, ethical standards and industry best practices in the best interest of all stakeholders
- Review the results of all types of inspections such as internal audit reports, information system audit reports and working with Senior Management to identify and address control weaknesses, procedure violations, frauds and errors. The Committee takes necessary precautionary measures to mitigate risks may arise
- Assess the adequacy of resources to fulfil its duties, including support from the Internal Audit Department, the External Auditor, legal counsel and management
- The Committee examines all matters relating to the company's accounting principles and practices, as well as reviews all material financial, operational and compliance controls
- Examine statutory examination reports and ensure necessary corrective action are timely taken and monitor the implementation of action plan

COMMITTEE FOCUS IN 2024/25

During the year under review, the Committee played a pivotal role in strengthening the Company's Governance Framework by supporting the Board in overseeing key organisational functions. The Committee also provided oversight on matters related to regulatory and internal compliance.

Committee Oversight



The following key initiatives and actions were undertaken at the Committee meetings convened during the year.

Financial Reporting System

The Committee assisted the Board of Directors in the discharge of its duties by reviewing the Company's financial reporting system. The Committee ensured that accounting policies, practices and internal controls are adequate to provide reasonable assurance that the financial reporting system is effective and efficient in providing reliable and timely information. The Committee discharged its duties with particular reference to the following:

- The preparation, presentation and adequacy of the disclosures in the Company's annual and interim financial statements in conformity with Sri Lanka Accounting Standards, regulatory and statutory requirements applicable to LBF;
- The rationale and basis for the 'Significant Estimates and Judgments' underlying the financial statements;
- The internal control systems including information systems and procedures in place to provide reasonable assurance on the accuracy of recording all transactions in the books of accounts;
- The effectiveness of the financial reporting systems including the management accounts to ensure reliability of the information provided to the Board and other stakeholders of the Company;
- The Board Audit Committee has obtained assurance from both the MD and the CFO regarding LBF's operations and finances to further strengthen its oversight responsibility on financial reporting and internal controls;
- The annual and the quarterly financial statements have been reviewed and recommended for the approval of the Board.

External Assurance

- The Committee supports the Board in evaluating the independence and performance of the External Auditors, recommending their appointment or removal, and approving their remuneration and terms of engagement in line with regulatory requirements
- In compliance with the Corporate Governance Direction No. 05 of 2021, the Committee evaluated proposals from

several leading audit firms operating in Sri Lanka. Based on this evaluation, the Committee recommended the appointment of Messrs. KPMG Sri Lanka, Chartered Accountants, as the External Auditor for the financial year ending 31 March 2025. This recommendation was subsequently approved by the shareholders at the Annual General Meeting

- The Committee reviewed the independence, objectivity and the effectiveness of the audit process in accordance with applicable standards and best practices. A written assurance was obtained from the External Auditor confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. During the year, the Committee has evaluated the External Auditor in line with applicable standards and industry best practices and is satisfied with the status of the independence, objectivity and performance of the External Auditor
- The Committee together with management reviewed, and discussed the scope of audit, approach and audit plan with the External Auditor, Messrs. KPMG Sri Lanka, prior to the commencement of the audit for 2024/25. The Committee reiterated the necessity of reviewing the compliance status on regulatory and statutory requirements, preparation of financial statements in conformity with relevant accounting principles and reporting obligations, cybersecurity aspects and other internal control measures
- The Auditors were provided with the opportunity of meeting the Committee Members twice during the year, without any executive officer being present, to ensure that the Auditors had the unrestricted opportunity to discuss and express their opinions on any relevant matter. This process assured the Committee that the management has fully cooperated in providing the information and explanations requested by the Auditor
- The Committee met the External Auditors to discuss the management letter pertaining to the previous year's audit and the management's response thereto. Follow up actions were taken to ensure that the recommendations contained in the management letter were implemented by management.
- The Committee reviewed the non-audit services provided by the auditor to ensure that the provision of these services does not impair their independence and objectivity. The Committee is satisfied that there is no conflict of interest between the Company and the Auditor which would hinder the independence and objectivity of the Auditor. The Policy for engaging the External Auditor for Non-Audit services was reviewed and approved in June 2024.

Internal Assurance

The Chief Internal Auditor reports directly to the Board Audit Committee and provides independent assurance to the Committee in discharging its duties. The Committee ensures that the internal audit function remains independent from operational and management influence, and is adequately resourced to perform its responsibilities effectively.

- The Board approved procedure manual for Internal Audit Department is in place to reflect current practices of the Internal Audit Department. The procedure manual was last reviewed and approved by the Board in June 2024
- A risk-based audit methodology and approach has been adopted and all auditable areas/ processes of the Company are covered. The risk-based annual internal audit plan is reviewed by the Committee before commencement of the financial year and assessment is made on the adequacy of resources for the department to provide uninterrupted assurance services
- The Committee has reviewed the performance of the Chief Internal Auditor for the period to strengthen the independent assurance process
- The Committee reviewed the efficacy of the internal control system and compliance with regulatory requirements and also the Company's accounting and operational policies through the Internal Audit function. Prior to the commencement of audits, the scope of audit is reviewed by the Committee which recommends the amendments where necessary, prior to approval. Control weaknesses highlighted in the internal audit reports are critically examined by the Committee. All observations are graded into separate risk groups based on the risk grading matrix adopted by the Company and action plans are prioritised according to the severity. Follow up action taken by the management on the audit recommendations are also reviewed and follow up audits are done where necessary to ensure the effectiveness of the internal controls
- The Company remains committed to the continuous improvement of its information systems, encompassing people, processes, and technology. The Board Audit Committee placed significant emphasis on the oversight of the Company's information systems and supporting technology infrastructure. This focus ensures the adequacy of internal controls and the effectiveness and efficiency of related investments, while upholding the principles of confidentiality, integrity, availability, and non-repudiation critical to the reliability of financial reporting processes. The IS Audit teams conducted independent audits aligned with globally recognised frameworks and standards, including ISO 27001:2022, COBIT, NIST, and CIS, as well as applicable statutory and regulatory requirements.
- The Committee has prioritised systematic examinations of exception transaction monitoring throughout the reporting period. These evaluations entailed meticulous reviews of financial transactions, operational procedures, and regulatory compliance frameworks to detect any deviations from established norms or potential risks. The Internal Audit team has been engaged to assess

methodologies and tools for scrutinising anomalies and exceptions, with the aim of fortifying the Company's control environment and reducing potential threats.

Internal Control Systems and Risk Management

The Committee oversees the effectiveness of the Company's internal control systems and risk management framework. It ensures that adequate controls are in place to safeguard assets, maintain financial integrity, and support sound risk governance, while regularly reviewing reports from internal audit and management to address any control weaknesses or emerging risks

- Various processes have been implemented by the Committee to ensure the efficiency and effectiveness of Company's internal control systems. Key processes related risks and internal controls are regularly reviewed by the Internal Audit department and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements present a true and fair view. Status of remediation plans are updated and reported at the monthly Board Audit Committee meetings.
- Committee periodically reviewed key financial matters of the Company to identify and manage associated risks, ensuring continuity of operations. It also focused on specific operational areas of the Company, engaging in detailed discussions with the leadership team to assess the adequacy and effectiveness of internal controls, particularly in relation to operational processes and information security.
- The Committee reviewed the Risk Management Framework and Internal Capital Adequacy Assessment Process (ICAAP) of the Company during the year. In addition, a process has been established to assess the effectiveness of the Company's internal control systems and internal controls over financial reporting.
- Provided assurance to the Board on the overall soundness of the control environment and the Company's readiness to manage evolving risks, including operational, financial, compliance, and IT related risks.

Compliance Monitoring Mechanism

Statutory and regulatory compliances are a priority. Mechanisms to ensure timely and effective implementation of regulatory requirements are necessary to safeguard the interests of all stakeholders. Process owners are responsible for complying with all regulations as part of their standard operating procedure.

- The Compliance Officer communicated all new regulatory requirements and ensured that relevant policies and procedure manuals are updated accordingly to reflect those changes. The Compliance Officer reviewed and reported on any gaps or areas of non- compliance to the Board Audit Committee
- The reports of the Compliance Officer are submitted monthly to the Board Audit Committee and Committee Chairman updates the Board on matters which require Board's attention
- A process has been set up to obtain periodic confirmations from the Senior Management regarding compliance with the statutory and regulatory requirements through the compliance function. The Committee also obtains assurance from Internal Auditors on several key regulatory compliance of the Company, in line with their respective internal audit programmes.
- A process is in place to establish new procedures/processes, or amending the existing, to facilitate new statutory/ or regulatory requirements come into effect. The Compliance Officer agrees on internal timelines with the respective process owners when a significant change in people, processes or systems are effected as a result of new regulations.
- Significant regulatory directives were implemented during the year under review, including Direction No. 04 of 2024 on Operational Risk Management, Direction No. 03 of 2024 on Deposit Solicitation by Finance Companies, and Direction No. 02 of 2024 on Credit Risk Management. These directives have been effectively integrated into the Company's operations. The Compliance Officer has ensured diligent follow-up on the implementation of statutory and regulatory requirements, with regular updates provided to the Committee during monthly meetings.
- The statutory examination report of CBSL and Financial Intelligence Unit (FIU) have also been reviewed in its monthly meetings and necessary remedial actions have been taken as agreed in the time-bound action plan.

The Committee is satisfied with the present status of compliance with financial reporting requirements, CBSL regulatory requirements, information requirements under CSE listing rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.

Committee's Contribution towards ESG

The Committee reviewed the Company's readiness and implementation approach for the adoption of SLFRS Sustainability related disclosures (SLFRS SI and S2). The Committee evaluated the governance, processes, and controls established to support reliable sustainability-related financial disclosures and monitored progress to ensure compliance with emerging regulatory expectations and global best practices.

GOOD GOVERNANCE AND WHISTLEBLOWING

The highest standards of corporate governance and adherence to the internal policies and procedures were ensured by the Committee to establish good governance within the organisation. The requirement of establishing new policies/ procedures/and amending the existing policies/procedures in line with applicable statutory/regulatory requirements have

been identified by the Committee and processes are in place to duly comply the requirements. The Committee has reviewed 41 charters/policies and procedures during the year and has made recommendations for approval of the Board. The Committee is satisfied with the present corporate governance framework of the organisation which ensures a balance of power and authority.

The Committee ensures the Whistleblowing Policy of the Company is a current, active set of measures to which all employees/ incidents have recourse. There was no incidents reported by whistleblower/s during the year and necessary investigations and actions were implemented as per the provisions made in the whistle-blowing policy. All employees are encouraged to practice whistleblowing if they suspect any wrongdoing. Senior Management, from time to time conducts awareness programmes to encourage staff to raise genuine concerns. The Compliance Officer reports on the whistleblowing incidents confidentially to the Committee each quarter end. The Committee remains committed to follow-up on any future complaints/ incidents, should they occur. The Whistleblowing Policy has been reviewed and revised regularly with the intention of further strengthening the existing process.

TRAINING AND DEVELOPMENT OF COMMITTEE MEMBERS

The Committee remained committed to continuous training and professional development by participating in both virtual and in-person seminars, conferences, workshops, and presentations conducted by internal and external experts. These sessions covered key areas such as emerging developments, new accounting standards, tax regulations, and recent statutes and directions issued by the Central Bank of Sri Lanka.

COMMITTEE EFFECTIVENESS EVALUATION

As in the previous years, the effectiveness of the Committee was self-evaluated by its members for the year ended 31.03.2025 and the results were presented to the Board. The Committee has concluded that its performance was highly effective.

ACTION PLAN FOR 2025/26

The Board Audit Committee will focus on strengthening oversight of emerging financial, operational, and cybersecurity risks through enhanced collaboration with the Risk Management and Internal Audit functions. Key priorities include reinforcing the Internal Audit Plan to ensure comprehensive risk coverage and strategic alignment with organisational objectives. The Committee will also continue to uphold the integrity of financial reporting, remain vigilant to evolving regulatory requirements, and further enhance the clarity and transparency of its communications with the Board and stakeholders.



Ashane Jayasekara
Chairman
Board Audit Committee

30 May 2025

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT



Ashwini Natesan
Chairperson - Board Integrated Risk Management Committee

The Committee continued to play a key role in strengthening LBF's risk management framework throughout the year. By conducting structured risk assessments across all business segments and introducing proactive mitigation measures, the Committee ensured that key risks were effectively managed.

We are pleased to note that the Company's overall risk profile remains well within the risk appetite set by the Board, with an enhanced capacity to anticipate and respond to emerging risks. The Committee remains committed to continuously enhancing risk oversight to support LBF's strategic objectives and long-term resilience.

PURPOSE OF THE COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is entrusted with the responsibility of assisting the Board of Directors with oversight of the Company's enterprise-wide risk management function, ensuring the adequacy and effectiveness of the risk management framework.

COMPOSITION OF THE COMMITTEE

The BIRMC comprises of three Non-Executive Directors and is chaired by an Independent Non-Executive Director, in accordance with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka. There were no changes to the Committee's composition during the year, except for the change in Chairmanship from Mr. Ashane Jayasekara to Ms. Ashwini Natesan, effective from 1 July 2024. The Committee's membership as at 31 March 2025 is presented below, with member profiles detailed on pages 256 to 259.

Ms. Ashwini Natesan*
Chairperson
Independent Non-Executive Director

Mr. Ashane Jayasekara**
Independent Non-Executive Director

Ms. Yogadinusha Bhaskaran
Non-Executive Director

*Appointed as Chairperson w.e.f. 01/07/2024

**Chaired the Committee up to 30/06/2024

COMMITTEE MEETINGS

The Committee convened six (6) meetings throughout the reviewed year complying with the regulatory requirement. The Managing Director, Deputy Managing Director, Executive Directors and the Senior Management of LBF including AGM Risk Management, Compliance Officer, Chief Internal Auditor and Chief Financial Officer attended the meetings by invitation. AGM Risk Management functioned as the Secretary to the Committee. Proceedings of the Committee were reported to the Board through submission of the meeting minutes. Risk profile and other specific matters were submitted separately for information of the Board. The recommendations made by the BIRMC during the year under review were duly approved by the Board. Details regarding the attendance of committee members are presented below.

Member Name	Meetings Held	Meetings Attended	Attendance Percentage
Ms. Ashwini Natesan	6	6	100%
Mr. Ashane Jayasekara	6	6	100%
Ms. Yogadinusha Bhaskaran	6	6	100%

COMMITTEE CHARTER AND RESPONSIBILITIES

A Board approved Charter is in place with clearly defined terms of reference that set out the mandate of the BIRMC in accordance with the Finance Business Act Direction no. 5 of 2021 on Corporate Governance. The Charter is reviewed annually to reflect regulatory and other developments. The BIRMC Charter was last reviewed and approved by the Board of Directors in September 2024.

The responsibilities of BIRMC as set out in the Charter are as follows:

- Establish an independent risk management function responsible for managing risk taking activities across the Company
- Develop risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the strategic business objectives
- Review at least annually, the Company's overall risk governance structure, and the Risk Management Policy and Procedure
- Assess all material risks including credit, market, liquidity, operational, strategic, IT and information security risk of the Company at least once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board
- Review the adequacy and effectiveness of all management level committees to

address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee

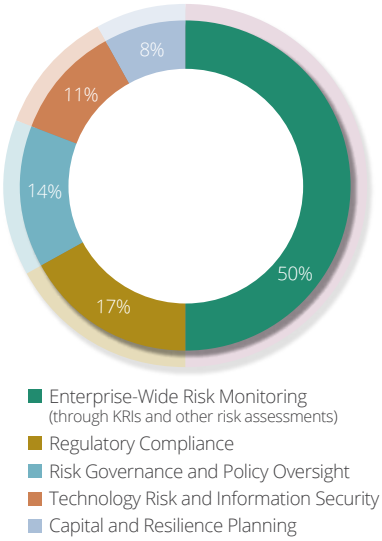
- Review any issues raised by the CBSL, external audit or internal audit that may materially impact the Company's risk management framework
- Take prompt corrective action to mitigate the effects of specific risk in the case such risks are at levels beyond the prudent levels, decided by the Board on the basis of the Company's policies and regulatory and supervisory requirements
- Assess all aspects of risk management including business continuity and disaster recovery plans
- Submit a risk assessment report to the Board meeting following the BIRMC meeting seeking the Board's view, concurrence and/or specific directions
- Oversee and review the outcomes of stress testing of the risk portfolio, including both scenario analysis and sensitivity analysis for the capital adequacy assessment process and liquidity adequacy assessment process
- Oversee the reports from management regarding the Company's insurance strategy
- Review new products/processes of the Company and recommend the proposed products/processes for the Board approval
- Oversee management processes to ensure adherence to the Company's Risk Management Policy and Procedure

The process through which the BIRMC discharges its responsibilities is detailed in the Integrated Risk Management Report in Pages 311 to 345.

COMMITTEE FOCUS DURING 2024/25

The Committee assisted the Board of Directors in discharging its responsibility on overseeing the risk management functions. During the six meetings conducted, the Committee allocated sufficient time to focus on key aspects as follows;

Committee Oversight



In discharging its responsibilities, BIRMC performed the following activities.

Credit Risk

- Conducted regular reviews of overall credit risk exposure using appropriate risk indicators, assessing mitigation strategies, and provided strategic recommendations
- Reviewed the risk appetite statement and recommended additions of new criteria and revisions to limits, to ensure the Company operates within healthy risk tolerance thresholds
- Local and global macroeconomic factors were discussed to identify their potential impact on the Company and proposed proactive actions
- The credit risk management framework was strengthened and recommended for Board approval

Liquidity and Market Risk

- Reviewed liquidity management strategies and cash flow forecasts to ensure the maintenance of adequate liquidity buffers
- Reviewed stress testing results on liquidity risk to assess the adequacy of liquidity reserves under stressed scenarios
- Continuously monitored gold price movements to assess the adequacy of the loan-to-value ratio and the distribution of the Gold Loan portfolio
- Reviewed the asset and liability management and liquidity risk management framework and recommended them for Board approval
- Oversight of functions of Asset and Liability Management Committee (ALCO) through reviewing minutes of ALCO meetings and recommending ALCO Charter for approval of the Board
- Reviewed the movement of macroeconomic factors and assessed the sensitivity of net interest income to interest rate changes

Operational Risk

- Reviewed fraud risk assessments as a key component in promoting a strong organisational culture
- Reviewed Risk and Control Self-Assessments (RCSAs) to evaluate the effectiveness of internal controls and identify key operational risks across business units
- The operational risk management framework was reviewed and recommended for Board approval
- Oversight of the functions of the Operational Risk Management Committee (ORMC) through review of ORMC meeting minutes and recommending the ORMC Charter for Board approval
- Reviewed outsourcing risk assessments to ensure adequacy of controls and regulatory compliance

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

IT and Information Security Risk

- Reviewed progress on the implementation of technology security controls in line with Regulatory Direction No. 1 of 2022
- Monitored progress and recommended actions to strengthen controls in preparation for compliance with the proposed Personal Data Protection Act No. 9 of 2022
- Reviewed critical system availability reports to ensure IT service continuity and operational resilience

Capital Adequacy

- Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) report, a voluntarily adopted practice, and recommended it for Board approval
- Reviewed stress testing results to ensure the Company's ability to maintain solvency under adverse scenarios

Other Risk Related Activities

- Assessed the effectiveness and adequacy of Management-level Committees
- Reviewed risk exposures of the Company's subsidiary
- Reviewed the risk register to evaluate management's commitment to mitigating open risks
- Reviewed risk assessments of new products prior to launch to ensure alignment with the risk appetite and regulatory standards
- Reviewed and recommended the risk management framework for models for the approval of the Board to establish a governance structure for management of model risk

Compliance Function

- Monitored the implementation of new rules and regulations issued by regulatory authorities
- Conducted monthly reviews of compliance checklist to ensure the Company and its subsidiary remained compliant with regulatory requirements
- Reviewed Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) reports on a quarterly basis
- Reviewed the annual risk assessment of Money Laundering and Terrorist Financing (ML and TF) risks across customers, products, processes, and the overall Company

ACTION PLAN FOR 2025/26

BIRMC will focus on improving risk appetite monitoring and enhancing oversight of data privacy and cybersecurity. The Committee will also review emerging and strategic risks more closely. Promoting the effectiveness of risk management governance structures will remain a key priority supporting a strong organisational risk culture. BIRMC will continue to remain vigilant in view of the dynamic risk landscape and will consider the use of advanced tools and techniques to assess, monitor and mitigate risks across all operations of LBF.



Ashwini Natesan
Chairperson
Board Integrated Risk Management Committee

30 May 2025

BOARD NOMINATION AND GOVERNANCE COMMITTEE REPORT



Ashane Jayasekara
Chairman - Board Nomination and Governance Committee

The Committee focuses on Board and Senior Management appointments, succession planning, and governance enhancements. Key actions include performance evaluations, regulatory compliance reviews, and updates to the Board Skills Matrix and governance policies. The Committee promote diversity, director development, and ethical leadership.

PURPOSE OF THE COMMITTEE

The Board Nomination and Governance Committee (BNGC) responsible for overseeing the nomination process for Board and Senior Management positions, monitoring corporate governance practices, and ensuring that the Board remains effective, diverse, and fit for purpose.

COMPOSITION OF THE COMMITTEE

As of 31 March 2025, the Committee comprised the following members:

Mr. Ashane Jayasekara
Chairman
Independent Non-Executive Director

Mr. G A R D Prasanna
Non-Executive Director

Ms. Ashwini Natesan
Independent Non-Executive Director

The composition of the Committee complies with all relevant corporate governance regulations and best practices, ensuring a majority of Independent Directors.

KEY RESPONSIBILITIES

The primary responsibilities of the Committee include:

- Recommending candidates for appointment or reappointment to the Board and Senior Management roles
- Reviewing Board and Committee structure, size, and composition
- Assessing the independence and performance of Directors
- Leading succession planning efforts
- Overseeing corporate governance practices and reviewing the Company's Governance Framework.
- Monitoring Director training and continuing education initiatives.

COMMITTEE MEETINGS

The Committee met seven (07) times during the year. Attendance of the members was as follows:

Member Name	Meetings Held	Meetings Attended	Attendance Percentage
Mr. Ashane Jayasekera	7	7	100%
Mr. G A R D Prasanna	7	7	100%
Ms. Ashwini Natesan	7	7	100%

The Company Secretary acts as the secretary to the Committee.

COMMITTEE FOCUS DURING 2024/25

During the year under review, the Committee:

- Reviewed and recommended the appointment of the Company Secretary, Chief Digital Officer, Chief Transformation Officer, two (02) new Independent Directors and extension of tenure of a Non-Executive Director, ensuring alignment with the Company's diversity and skill matrix
- Oversaw the reappointment of Directors retiring by rotation, following performance assessments and declarations of independence
- Conducted the annual Board and its Sub Committee performance evaluations, using a combination of self-assessments and peer reviews
- Reviewed and updated the Board Skills Matrix to ensure alignment with strategic priorities
- Monitored compliance with applicable governance regulations, including Best Practices on Corporate Governance 2023, Finance Business Act Direction No.5 of 2021, Companies Act No 07 of 2007, Listing Rules of Colombo Stock Exchange
- Provided guidance on succession planning, particularly for key Senior Management Positions
- Recommended enhancements to the Code of Conduct, Board Diversity Policy, and Nomination Policy

GOVERNANCE ENHANCEMENTS

The Committee took active steps to:

- Strengthen Board diversity in terms of skills, experience, and gender representation
- Encourage Director engagement in training and development sessions on topics such as ESG, cybersecurity, and regulatory updates
- Benchmark governance practices against industry peers and global standards

ACTION PLAN FOR 2025/26

The Committee reaffirms its commitment to promoting effective Board composition, ethical leadership, and robust corporate governance practices. Going forward, the Committee will continue to work closely with the Board and management to ensure that governance frameworks support the Company's long-term success and stakeholder interests.



Ashane Jayasekara
Chairman
Board Nomination and Governance Committee

30 May 2025

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

GRI: 2-20



Yanika Amarasekara
Chairperson - Board Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee remains committed to fostering a performance-driven, fair, and inclusive work culture, where talent is recognised and rewarded in alignment with LBF's strategic objectives. Guided by principles of transparency, equity, and accountability, the Committee ensures that remuneration frameworks support long-term value creation and attract, retain, and motivate high-calibre individuals.

PURPOSE OF THE COMMITTEE

The Board Human Resources and Remuneration Committee (BHRRC) is responsible for guiding and overseeing the Company's human capital strategy, including remuneration policies, executive performance evaluation, talent development, and organisational culture.

COMPOSITION OF THE COMMITTEE

As of 31 March 2025, the Committee comprised the following members:

Ms. Yanika Amarasekera*
Chairperson
Independent Non-Executive Director

Mr. G A R D Prasanna
Non-Executive Director

Mr. Ashane Jayasekara**
Independent Non-Executive Director

*Appointed as Chairperson w.e.f. 11/06/2024

**Chaired the Committee up to 10/06/2024

All members bring substantial experience in leadership, governance, and human resources oversight. The composition of the Committee adheres to applicable corporate governance standards and regulatory requirements.

KEY RESPONSIBILITIES

The Committee is responsible for:

- Reviewing and recommending compensation packages for Executive Directors and Senior Management
- Overseeing short-term and long-term incentive schemes aligned with Company strategy and shareholder value creation.
- Monitoring performance evaluation frameworks for key executives
- Ensuring a competitive and equitable remuneration structure across the organisation
- Providing oversight of leadership development, succession planning, and employee engagement
- Reviewing Diversity, Equity, and Inclusion (DEI) initiatives and workplace culture

COMMITTEE MEETINGS

The Committee met five (05) times during the financial year. The attendance of each member is outlined below:

Member Name	Meetings Held	Meetings Attended	Attendance Percentage
Ms. Yanika Amarasekera	5	5	100%
Mr. G A R D Prasanna	5	5	100%
Mr. Ashane Jayasekara	5	5	100%

The Company Secretary acts as the secretary to the Committee.

COMMITTEE FOCUS DURING 2024/25

During the year under review, the Committee:

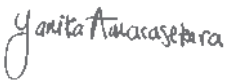
- Approved the annual and variable remuneration packages for the CEO and Key Management Personnel based on predefined performance metrics
- Reviewed and realigned the executive compensation structure to enhance the link between pay and long-term performance
- Discussed long-term incentive plans
- Oversaw the annual performance appraisal process for KMPs, with a focus on strategy execution, ESG targets, and leadership behaviour
- Reviewed the Company's HR Policies, ensuring alignment with current regulations and best practices
- Evaluated and supported Company wide efforts to strengthen the talent pipeline, particularly in critical business areas
- Reviewed and monitored succession planning for key roles, including readiness assessments and leadership development initiatives
- Promoted the enhancement of workplace diversity and inclusion, with special focus on gender representation in leadership

KEY DECISIONS AND POLICY UPDATES

- Adopted a revised Remuneration Policy, which introduces clearer links between performance and variable pay components
- Updated the Succession Planning Policy to include emergency succession plans for executive leadership
- Endorsed the launch of a leadership acceleration programme aimed at developing high potential talent for future leadership roles

ACTION PLAN FOR 2025/26

The Committee remains committed to fostering a performance-driven and inclusive culture by ensuring fair, transparent, and competitive remuneration practices. It will continue to support leadership development, talent retention, and human capital strategies aligned with the Company's long-term goals and stakeholder expectations.



Yanika Amarasekara
Chairperson
Board Human Resources and Remuneration Committee

30 May 2025

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT



Mr. Piyal Hennayake
Chairman - Board Related Party Transactions Review Committee

The Related Party Transactions Review Committee remains resolute in its mandate to ensure that all transactions with related parties are conducted transparently, fairly, and in the best interests of LBF and its stakeholders. The Committee operates with strict adherence to corporate governance principles and regulatory compliance, ensuring that potential conflicts of interest are identified, assessed, and appropriately managed.

PURPOSE OF THE COMMITTEE

The Board Related Party Transactions Review Committee (BRPTRC) has been established to ensure that related party transactions (RPTs) are conducted in a manner that is transparent, fair, and in the best interests of the Company and its shareholders.

COMPOSITION OF THE COMMITTEE

As of 31 March 2025, the Committee comprised the following members:

Mr. Piyal Hennayake *+
Chairman
Independent Non-Executive Director

Mr. Priyantha Talwatte +
Independent Non-Executive Director

Mr. Dharmadasa Rangalle
Non-Executive Director

*Appointed as Chairman w.e.f. 22 January 2025

+Appointed to the Committee w.e.f. 22 January 2025

Independent Non-Executive Director, Mr. Ashane Jayasekara ceased to be a member of the Committee on 09 January 2025. Independent Non-Executive Director, Ms. Aswini Natesan stepped down from the Chairmanship and ceased to be a member of the committee on 22 January 2025.

All members have the requisite financial and legal expertise, and the composition complies with applicable regulatory requirements.

COMMITTEE MEETINGS

During the financial year, the Committee held five (05) meetings. The attendance record of the members is as follows:

Member Name	Eligible Meetings	Meetings Attended	Attendance Percentage
Mr. Piyal Hennayake	1	1	100%
Mr. Priyantha Talwatte	1	1	100%
Mr. Dharmadasa Rangalle	5	5	100%
Mr. Ashane Jayasekera	4	4	100%
Ms. Ashwini Natesan	4	4	100%

COMMITTEE RESPONSIBILITIES

The Committee is primarily responsible for:

- Reviewing and approving or recommending for Board approval all RPTs and recurrent RPTs
- Ensuring compliance with relevant laws, regulations, and internal policies
- Overseeing disclosures of RPTs in the financial statements and Annual Report

SUMMARY OF ACTIVITIES

During the financial year under review, the Committee:

- The Committee reviewed all non-recurrent and recurrent RPTs during the year under review, made recommendations and communicated its observations to the Board.
- Ensured that all transactions were at arm's length and on normal commercial terms
- Reviewed and updated the Related Party Transactions Policy to reflect latest regulatory changes
- Monitored compliance with the Company's Code of Conduct and RPT Policy
- Provided oversight on disclosures of RPTs in interim and annual financial reports
- A monthly report is forwarded to the Board of Directors and any significant matter will be discussed at Committee meetings prior to the same being forwarded to the Board of Directors

KEY OBSERVATIONS

- All RPTs reviewed during the year were found to be in the ordinary course of business and on arm's length terms
- No material RPTs were reported that required shareholder approval or special disclosure beyond regular reporting
- There were no conflicts of interest or instances of non-compliance observed in relation to RPTs

ACTION PLAN FOR 2025/26

The Committee remains committed to upholding the highest standards of corporate governance and transparency in dealing with related party transactions.



Piyal Hennayake
Chairman (up to 22 April 2025)
Board Related Party
Transactions Review Committee

30 May 2025

BOARD INFORMATION SECURITY COMMITTEE REPORT



Ashwini Natesan
Chairperson
- Board Information Security Committee

In today's digitally driven financial landscape, safeguarding our systems, data, and customer information is critical to ensuring operational resilience and maintaining stakeholder trust. Throughout the year, the Committee exercised active oversight of the Company's information security and cybersecurity framework, working closely with the management to assess emerging risks, strengthen defenses, and enhance overall readiness.

As cyber threats continue to grow in scale and sophistication, we remain confident that our multi-layered security strategy, underpinned by ongoing investment in people, processes, and technology, places the Company in a strong position to safeguard stakeholder interests and reinforce long-term trust.

PURPOSE OF THE COMMITTEE

The Board Information Security Committee is established to provide strategic oversight of the Company's information and cybersecurity framework and practices. The committee plays a critical role in guiding the organisation's efforts to protect its digital assets, manage cyber risks, and ensure regulatory compliance in an increasingly complex threat environment.

By maintaining a clear focus on confidentiality, integrity, and availability of information, the Committee helps protect stakeholder trust and supports the Company's long-term resilience.

COMPOSITION OF THE COMMITTEE

The Committee comprises two Independent Non-Executive Directors and one Executive Director, all of whom bring recent, and relevant experience in information technology, cybersecurity, and risk management. The Board is confident in the Committee's collective expertise. Member profiles can be found on pages 256 to 259.

Ms. Ashwini Natesan
Chairperson
Independent Non-Executive Director

Mr. Ashane Jayasekara
Independent Non-executive Director

Mr. B D A Perera
Executive Director

COMMITTEE CHARTER AND RESPONSIBILITIES

The Board Information Security Committee was formed by the Board of Directors as voluntary adoption to strengthen the Information Technology and Information Security risk governance by the provisions of the Finance Business Act Direction No.01 of 2022 on Technology Risk Management and Resilience. The Charter sets out the Committee's mandate to oversee the effectiveness of the Company's cybersecurity, data privacy, and technology risk management frameworks, amongst others. The Charter is reviewed periodically to remain relevant and aligned with regulatory expectations and best practices.

The key responsibilities of the Committee include the following.

- Reviewing and recommending the Information Security Policy and related procedures to the Board and evaluating the effectiveness of their implementation
- Monitoring emerging cyber threats and vulnerabilities to ensure timely and effective mitigation measures
- Providing oversight of the information security management programme and ensuring its alignment with organisational goals and compliance requirements
- Reviewing the status of major security incidents, and evaluating findings from security assessments, audits, and monitoring activities

COMMITTEE MEETINGS

During the financial year, the Board Information Security Committee convened four (04) meetings, demonstrating its ongoing commitment to strong oversight of the Company's information and cybersecurity governance. The attendance record of the meetings is as follows.

Member Name	Meetings Held	Meetings Attended	Attendance Percentage
Ms. Ashwini Natesan	4	4	100%
Mr. Ashane Jayasekara	4	4	100%
Mr. B D A Perera	4	4	100%

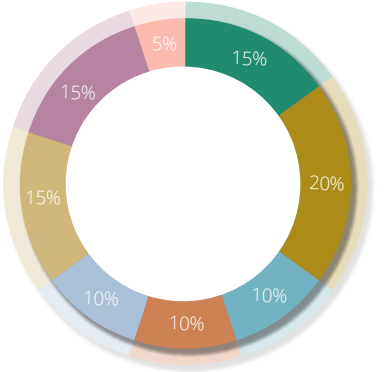
The Deputy Managing Director and senior members of management including the Chief Information Officer, Chief Information Security Officer, AGM Risk Management, Chief Internal Auditor, Chief Financial Officer, Compliance Officer, Head of ERP and Business Analysis and Head of Network, Security, Infrastructure and Operations attended the meetings by invitation to support informed discussions. Members of the information technology and security teams were also invited, as required. The Company Secretary served as the Secretary to the Committee, ensuring all governance protocols were properly followed.

- Assessing the reach and effectiveness of information security awareness programmes to foster a culture of shared responsibility and risk awareness
- Overseeing data privacy governance, including policies and practices for the collection, processing, storage, and sharing of personal data, to ensure alignment with applicable data protection laws and internal standards
- Monitoring data breach readiness and the Company's ability to respond effectively to privacy-related incidents
- Evaluating the technology and information security risk register, including risk tolerance levels and criteria for accepting or escalating risks
- Reviewing the security and risk implications of key technology infrastructure projects, including cloud adoption and digital platforms, to ensure appropriate controls are in place

COMMITTEE FOCUS DURING 2024/25

The Committee ensured that sufficient time and attention were dedicated to key aspects of information security, data privacy, and technology risk management throughout the financial year, reflecting its commitment to proactive and effective oversight.

Committee Oversight

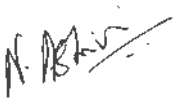


The following key initiatives and actions were undertaken at the Committee meetings convened during the year:

- Assessed enterprise-wide cyber health indicators, including threat trends, response capabilities, and control effectiveness
- Reviewed reported cybersecurity incidents and monitored the resolution of vulnerabilities to ensure timely risk mitigation
- Reviewed findings from independent security assessments and red team exercises and monitored the implementation of corresponding remediation plans
- Oversaw the rollout of new cybersecurity initiatives, including enhancements to threat detection, endpoint protection, and network security
- Monitored regulatory compliance with the Technology Risk Management and Resilience Direction No. 01 of 2022 issued by the Central Bank of Sri Lanka
- Reviewed the enterprise technology and cybersecurity risk register to ensure risks were accurately identified, assessed, and managed within defined tolerance levels
- Tracked remediation progress of audit findings and internal control deficiencies related to IT and cybersecurity functions
- Evaluated the reach and effectiveness of ongoing security awareness and phishing simulation programmes across the organisation
- Reviewed updates on the Company's external threat exposure through attack surface management exercises and associated risk-reduction measures
- Provided oversight on digital transformation initiatives, with specific focus on ensuring built-in safeguards for information security and data privacy
- Monitored the Company's readiness and implementation roadmap for compliance with the Personal Data Protection Act No. 9 of 2022, including governance structures and data handling practices

ACTION PLAN FOR 2025/26

As cyber threats continue to grow in complexity and sophistication, the Committee remains committed to evolving its oversight approach. We will continue to encourage innovation in security practices, and ensure that security is embedded as a strategic enabler beyond regulatory compliance. Our focus is on fostering a culture of vigilance, resilience, and accountability that supports sustainable value creation for all stakeholders.



Ms. Ashwini Natesan
Chairperson
Board Information Security Committee

30 May 2025

BOARD SUSTAINABILITY COMMITTEE REPORT



Yanika Amarasekara
Chairperson - Board Sustainability Committee

This year, we enhanced our ESG commitment with the introduction of an ESG Policy, including the development of a Climate Policy and the introduction of sustainability-related KPIs to embed accountability and transparency.

We strengthened our alignment with both national and international sustainability frameworks, ensuring consistency with evolving global best practices. The Committee remains focused on driving strategic oversight and ensuring that sustainability is at the heart of our long-term value creation.

PURPOSE OF THE COMMITTEE

The Board Sustainability Committee plays a pivotal role in embedding sustainability within LBF's long-term value creation strategy. Its core purpose is to provide strategic oversight and guidance on the Company's Environmental, Social, and Governance (ESG) commitments. This includes overseeing the development of the company's ESG strategy and recommending it for Board approval, as well as monitoring its execution and approving implementation projects.

COMPOSITION OF THE COMMITTEE

Ms. Yanika Amarasekera
Chairperson
Independent Non-Executive Director

Mr. G A R D Prasanna
Non- Independent Non-Executive Director

Mr. Niroshan Udage
Deputy Managing Director

Ms. Ashwini Natesan
Independent Non-Executive Director

Mr. Piyal Hennayake
Independent Non-Executive Director

COMMITTEE MEETINGS

The Committee conducted its first meeting for the year on 27 June 2024. The central focus of this meeting was the tabling and approval of the Company's Sustainability Agenda for 2024/25, which outlined planned activities, their strategic purposes, and implementation timelines. This agenda was informed by globally recognised frameworks, including the GRI Standards and the United Nations Sustainable Development Goals (UN SDGs).

To ensure cross-functional collaboration, members of the Sustainability Management Committee were also in attendance, contributing valuable operational insights and fostering alignment between strategic oversight and execution. The decisions taken at the Board level are operationalised through this Management Committee, enabling a streamlined, accountable implementation structure. The Company Secretary functioned as the official secretary to the Committee, ensuring that rigorous documentation and governance protocols were maintained.

Attendance details of the Committee members are provided below.

Member Name	Meetings Held	Meetings Attended	Attendance Percentage
Ms. Yanika Amarasekera	4	4	100%
Mr. G A R D Prasanna	4	4	100%
Mr. Niroshan Udage	4	4	100%
Ms. Ashwini Natesan	4	4	100%
Mr. Piyal Hennayake*	4	2	100%

*Eligible only for two meetings

INTERNAL GOVERNANCE FRAMEWORK

As part of our internal governance framework, the Board Sustainability Committee operate in accordance with established Terms of Reference, which clearly define their respective roles, responsibilities, and reporting lines.

EXTERNAL GOVERNANCE FRAMEWORK

Our external governance framework encompasses Section 9 of the Colombo Stock Exchange Listing Rules, which mandates the establishment of an ESG policy, along with adherence to both voluntary and mandatory sustainability reporting frameworks that guide our transparency, accountability, and stakeholder engagement practices.

COMMITTEE RESPONSIBILITIES

The key responsibilities of the Board Sustainability Committee include the following:

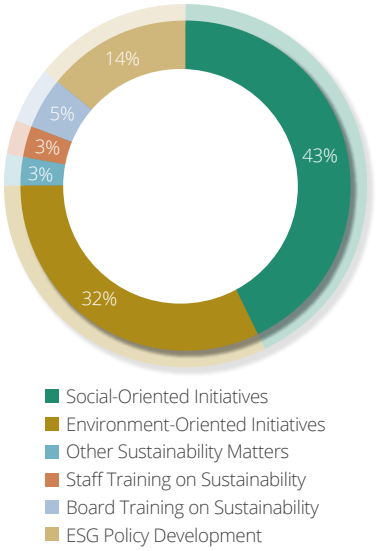
- Oversee development of the company's ESG strategy and recommend it for Board approval
- Monitor execution of the ESG strategy and approve implementation projects
- Recommend strategic ESG goals, short- and long-term targets, and key performance metrics
- Review ESG content in the annual report, sustainability report, and other applicable mandatory/voluntary disclosures

- Assess the need for internal/external assurance and oversee related appointments and evaluations
- Advise on ESG-related risks and opportunities impacting operations and reputation
- Monitor establishment and effectiveness of ESG-related policies, codes of conduct, and procedures
- Support the Board in monitoring organisational culture, employee well-being, and human rights risks across the supply chain

COMMITTEE FOCUS IN 2024/25

During the financial year 2024/25, the Board Sustainability Committee functioned with a strong sense of purpose and strategic alignment, effectively guiding LBF's ESG agenda. The Committee demonstrated robust governance, actively overseeing the development and execution of key sustainability initiatives in line with both local and international standards. Regular engagement with management and external stakeholders helped ensure that sustainability remained a central pillar of corporate strategy. The Committee also maintained a high level of accountability, transparency, and responsiveness to emerging ESG risks and opportunities, contributing to the organisation's long-term sustainable success.

Committee Oversight



Activities During the Year

- The financial year 2024/25 was a landmark period for LBF in terms of sustainability, marking significant strides in both internal initiatives and external collaborations. The Company prioritised high-impact CSR initiatives that simultaneously benefited the environment and empowered local communities
- Internally, LBF launched the "LB Team Sustainability" initiative, an all-volunteer task force comprising staff from branch network across Sri Lanka. This dedicated team played a pivotal role in planning and executing CSR activities, ensuring greater employee participation and deeper community engagement
- A key highlight of the year was LBF's collaboration with several prominent government institutions. The Company signed Memorandums of Understanding (MoUs) with the National Aquatic Resources Research and Development Agency (NARA), Marine Environment Protection Authority (MEPA), University of Sri Jayewardenepura (USJ), and the National Enterprise Development Authority (NEDA). These partnerships expanded LBF's sustainability reach, enabling a broader and more meaningful impact on both society and the environment
- Reinforcing its commitment to global sustainability standards, LBF became a member of the UN Global Compact Network Sri Lanka during the year. Through this membership, the Company reaffirmed its commitment to the Ten Principles covering human rights, labour rights, environmental responsibility, and anti-corruption
- A major milestone during the year was the adoption of SLFRS S1 and S2 standards on sustainability-related financial disclosures, followed by a limited assurance engagement, underscoring LBF's commitment to transparency and accountability in sustainability reporting
- Further, to strengthen its governance structure around sustainability, the Company revised its existing ESG policy and introduced a comprehensive Climate Policy. Furthermore, UN SDG-related Key Performance Indicators (KPIs) were set, enabling the organisation to track progress and deliver results aligned with its strategic goals
- Finally, to enhance the strategic oversight of sustainability, four board-level training sessions were conducted during the year. These sessions provided Board members with vital knowledge and competencies to champion sustainability at the highest level

ESG COMPLIANCE

During the financial year 2024/25, the Board Sustainability Committee remained fully compliant with its ESG oversight responsibilities, as outlined in its Terms of Reference. The Committee provided strategic direction and governance for key sustainability initiatives, ensuring alignment with internal policies, national priorities, and international standards. Through active monitoring and review of LBF's evolving ESG strategy, including the revision of the ESG policy, development of a Climate Policy, adoption of SLFRS S1 and S2, and implementation of UN SDG-aligned KPIs, the Committee ensured that sustainability considerations were embedded across operations. Additionally, the Committee supported the Company's decision to join the UN Global Compact Network Sri Lanka and facilitated enhanced Board-level engagement through targeted ESG training sessions, reinforcing its commitment to responsible, transparent, and forward-looking business practices.

BOARD SUSTAINABILITY COMMITTEE REPORT

ACTION PLAN FOR 2025/26

In line with our long-term commitment to responsible business and sustainable value creation, LBF has outlined the following key priorities to guide our ESG efforts for the financial year 2025/26:

- Enhance ESG Governance – Strengthen governance structures, regularly update the Terms of Reference, and continue ESG capacity building at the Board level to support effective oversight
- Advance Climate Action – Implement Phase 2 of the Climate Policy, including carbon footprint assessments and renewable energy projects, with alignment to science based targets and a net-zero plan
- Expand Social Impact – Scale up the "LB Team Sustainability" initiative and community programmes focused on education, empowerment, and livelihood support
- Improve ESG Transparency – Enhance ESG data management, disclosures in line with local/global frameworks, and third-party assurance for better transparency
- Strengthen Risk Management – Integrate ESG risks into the Enterprise Risk Management framework and form strategic partnerships to boost sustainability impact, aligning with science based targets and net-zero goals



Ms. Yanika Amarasekara
Chairperson
Board Sustainability Committee

30 May 2025

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out responsibility of the Directors in relation to the Financial Statements of the Company and its Subsidiaries prepared in accordance with the provisions of the Companies Act No. 07 of 2007.

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on pages 351 to 354 of the Annual Report.

As per the provisions of sections 151, 153 (1) and (2), 150 (1) and 152 (1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its Subsidiaries as at the reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166 (1) read together with sections 168 (1) (b) and (c) and section 167 (1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per section 166 (1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting. However, under the prevailing situation of the country and the non-availability of paper and related items, the above obligation is discharged by the Directors by making available a copy of the Annual Report on the Company's official website and the Colombo Stock Exchange website in terms of Rule 7.5 (b) of the listing rules of the CSE. As per said rule, printed copies of the Annual Report will be made available to shareholders on request.

In preparing the Financial Statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company and its Subsidiaries have adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Companies within the Group maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the Subsidiaries.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year, which is primarily handled through the Audit Committee and the Integrated Risk Management Committee as set out in their Reports that appear on pages 289 to 293 and 294 to 296 respectively.

The Directors have taken appropriate steps to ensure that the Company and its Subsidiaries maintain proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the Interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company and the Subsidiaries have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 152 (1) (b) and they have also been signed by two Directors of the Company as required by section 152 (1) (c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company and the Subsidiaries as at the reporting date have been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board
LB Finance PLC



Tharanga Nandasena
Company Secretary

30 May 2025

DIRECTORS' STATEMENT ON INTERNAL CONTROL

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

In line with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka, the Board of Directors ("Board") of LBF ("Company") presents this report on internal control over financial reporting.

The Board has overall responsibility for ensuring the adequacy and effectiveness of internal control over financial reporting of the Company. The system of internal controls is primarily designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failing to achieve the policies and business objectives. However, it is important to note that the system of internal controls stipulated can provide reasonable, but not absolute assurance against material misstatement of financial information, records, or against financial losses and frauds.

In light of the above, the Board has established a continuous process of identifying, evaluating and managing the significant risks faced by the Company. This includes enhancing the system of internal control over financial reporting, especially when there are changes to the business environment or regulatory guidelines. The Board regularly reviews this process by assessing key processes related risks against the compensating controls that may affect significant accounts of the Company.

The management is tasked with assisting the Board in the implementation of the policies and procedures related to risks and controls. This includes identifying and assessing the risks faced by the Company as well as providing inputs on design, operation and monitoring of internal controls over financial reporting to mitigate and control these risks.

The Board is confident that the system of internal control over financial reporting is adequate to provide reasonable assurance regarding the reliability of financial reporting. This ensures that the preparation of the financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System Over Financial Reporting

The Company has established a comprehensive process for reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting which include the following key features:

- The Board has established specialised Sub-committees to assist in ensuring the effectiveness of the Company's day-today operations in line with the corporate objectives, strategies, annual budget as well as the approved policies and business directions
- Policies, Charters, Procedures are in place covering functional areas of the Company, recommended by the Board appointed Committees, and are approved by the Board. All Policies, Charters and Procedures are regularly reviewed and approved by the Board. Respective Board sub-committees follow up the regular reviews of Policies, Charters, and Procedures through the Compliance Officer to ensure timely updates
- The Internal Audit Department of the Company monitors compliance with Policies and Procedures, and their suitability of design and effectiveness on an ongoing basis. Statistical verification procedures are used, and significant findings of non-compliance are highlighted. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee, branches and service departments are audited to provide independent and objective assurance on operations and performance. Various initiatives have been taken by Internal Audit Department, business teams and other monitoring authorities of the Company to review the exceptions on certain selected areas of the business through the usage of exception monitoring automated tools. The process has been gradually expanded year after year to cover an expanded scope
- Information systems and its surrounding technology infrastructure which support financial reporting are independently assessed by specialised information systems audit teams to ensure confidentiality, integrity and availability triad is preserved to reinforce the confidence level of the data processing technology facilities
- The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its monthly meetings and suggestions for improvements are made wherever necessary
- Overall, the Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems
- A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk on misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the financial statements of the Company. The Risk Management Department verifies the suitability of design and effectiveness of these procedures and controls on an ongoing basis, and the Internal Audit Department reviews the compliance and apprises the Board Audit Committee where necessary
- The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS and progressive improvements are made to its processes

to comply with requirements of recognition, measurement, classification and disclosure. Financial reporting and management information processes will be further strengthened by constant monitoring and adaptation to market realities. The Company reviewed the existing models in use to ascertain the potential implications and these models are regularly reviewed and validated through independent industry experts to ensure effective financial representation. The recommendations made by the External Auditors in the financial year ended 31 March 2025 in connection with the Internal Control Systems over Financial Reporting will be addressed in future

Confirmation

Based on the above processes, the Board affirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditor

The External Auditor, Messers KPMG Sri Lanka, has reviewed the above Directors' Statement on Internal Control over Financial Reporting and report is included in the Company's Annual Report for the year ended 31 March 2025. They have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of internal controls over financial reporting of the Company. Their report on the statement of internal control over financial reporting is given on pages 308 to 309 of this Annual Report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

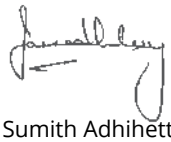
The Board of LBF presents this report on compliance with prudential requirements, regulations and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 Corporate Governance

- The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and laws.
- The Board confirms that there are no significant regulatory and supervisory concerns or lapses in the Company's risk management, or non-compliance with the Act, Rules and Directions.

By order of the Board,



Ashane Jayasekara
Chairman
Board Audit Committee



Sumith Adhihetty
Managing Director

30 May 2025

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

ASSURANCE REPORT ON THE DIRECTOR'S STATEMENT ON INTERNAL CONTROL

THE BOARD OF DIRECTORS OF LB FINANCE PLC.

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of LB Finance PLC ("the company") to provide assurance on the Director's Statement on Internal Control ("Statement") included in the annual report for the year ended 31st March 2025.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Company on the Director's Statement on Internal Control" issued in compliance with the section (16) (1) (ix) of the Finance Business Act Direction No. 05 of 2021 by the Central Bank of Sri Lanka on Corporate Governance.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051, Assurance Report for Licensed Finance companies and Finance Leasing companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed and audit or review of the financial information.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the financial statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA, Ms. S. Joseph FCA, R.M.D.B. Rajapakse FCA, M.N.M. Shameel FCA, Ms. P.M.K. Sumanasekara FCA, T.J.S. Rajakarier FCA, W.K.D.C. Abeyrathne FCA, Ms. B.K.D.T.N. Rodrigo FCA, Ms. C.T.K.N. Perera ACA, R.W.M.O.W.D.B. Rathnadiwakara FCA, W.W.J.C. Perera FCA, G.A.U. Karunaratne FCA, R.H. Rajan FCA, A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D.Corea Dharmaratne

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the License Finance Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on pages 306 to 307 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system of the License Finance Company.

CHARTERED ACCOUNTANTS
Colombo

30 May 2025

RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

The Financial Statements of LB Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its Group Companies (the Group) as of 31 March 2025 are prepared and presented in compliance with the following regulatory requirements:

I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka

II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995

III. Statements of Alternative Treatments (SoAT) on Accounting issued by The Institute of Chartered Accountants of Sri Lanka

IV. Companies Act No. 7 of 2007

V. Finance Business Act No. 42 of 2011

VI. Finance Leasing Act No. 56 of 2000

VII. Directions, circulars and guidelines issued to licensed Finance Companies by the Central Bank of Sri Lanka.

VIII. Listing Rules of the Colombo Stock Exchange (as amended)

IX. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2023)

The formats used in the preparation of Financial Statements and disclosures made in this Annual report and interim Financial Statements comply with the specified formats described by the Central Bank of Sri Lanka.

The Company presents the financial results to its shareholders every quarter.

The Group has consistently applied the material Accounting Policies. The Accounting Policies of the Company and the Group are in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka.

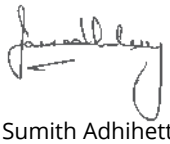
Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors. Comparative information has been reclassified wherever necessary to comply with the current year's presentation. All significant items have been disclosed and explained through Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the Financial Position, Statement of Profit or Loss and the Cash Flows of the Company and the Group for the year. Furthermore, we believe that the Company and the Group have adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

The Board of Directors and the Management of the Company and the Group accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; so that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Company and the Group is reasonably presented. To ensure this, the Company and the Group have taken proper and sufficient care in implementing internal control systems, with the use of a comprehensive core banking system, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated, and updated on an ongoing basis. The Internal Auditor of the Company and the Group has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

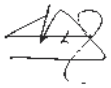
The Financial Statements of the Company and the Group were audited by Messrs. KPMG, Chartered Accountants. The Report issued by them is available on page 351 of the Annual Report. The audit and non-audit services provided by Messrs. KPMG are approved by the Board Audit Committee in line with the relevant audit policy and to ensure that such services do not impair Messrs. KPMG's independence. The Board Audit Committee reviews the adequacy and the effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting. This review ensures that all transactions are accurately and completely recorded in the books of account and that compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions relating to financial reporting and disclosures is maintained. The Board Audit Committee Report is available on pages 289 to 293. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

We confirm to the best of our knowledge that,

- The Company and the Group have complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Company and the Group other than those disclosed in Note 3.5.3 on page 453 of the Financial Statements section of Annual Report;
- All taxes, duties, levies and all statutory payments by the Company and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at the reporting date have been paid, or where relevant provided for.



Sumith Adhihetty
Managing Director



Malith Hewage
Chief Financial Officer

30 May 2025

INTEGRATED RISK MANAGEMENT REPORT

<IR 4D>

Risk management is the cornerstone of strategic decision-making and long-term value creation at LB Finance (LBF). Our ability to identify, assess, and manage risk across all dimensions of the business ensures resilience in the face of uncertainty and supports our long-term growth agenda. Being a non-bank financial institution with systemic importance, LBF was alert to changes in the external risk environment, such as fluctuations in the economy, modifications to regulations, and challenges unique to its industry. The Company kept improving its risk oversight procedures and strengthening its internal control environment throughout the year. In order to better anticipate, respond to, and manage current and emerging risks, investments were made in enhancing risk analytics, modernising technological platforms, and developing staff capabilities. This continuous dedication guarantees the stability and resilience of our operations amidst a rapidly evolving financial landscape.

Aligned with regulatory guidelines and global best practices, we've now woven sustainability and climate risk management into our overall risk framework. This report reflects how these important areas are being addressed across the organisation.

1. RISK UNIVERSE

At LBF, we face a wide range of risks—financial, non financial, and those tied to sustainability and climate. By clearly categorising them, we're able to take a more structured and forward-thinking approach to managing risk across the business.

Financial Risks

- Credit Risk
  - Default Risk
  - Concentration Risk
  - Settlement Risk
- Market Risk
  - Interest Rate Risk
  - Commodity Price Risk
  - Exchange Rate Risk
- Liquidity Risk

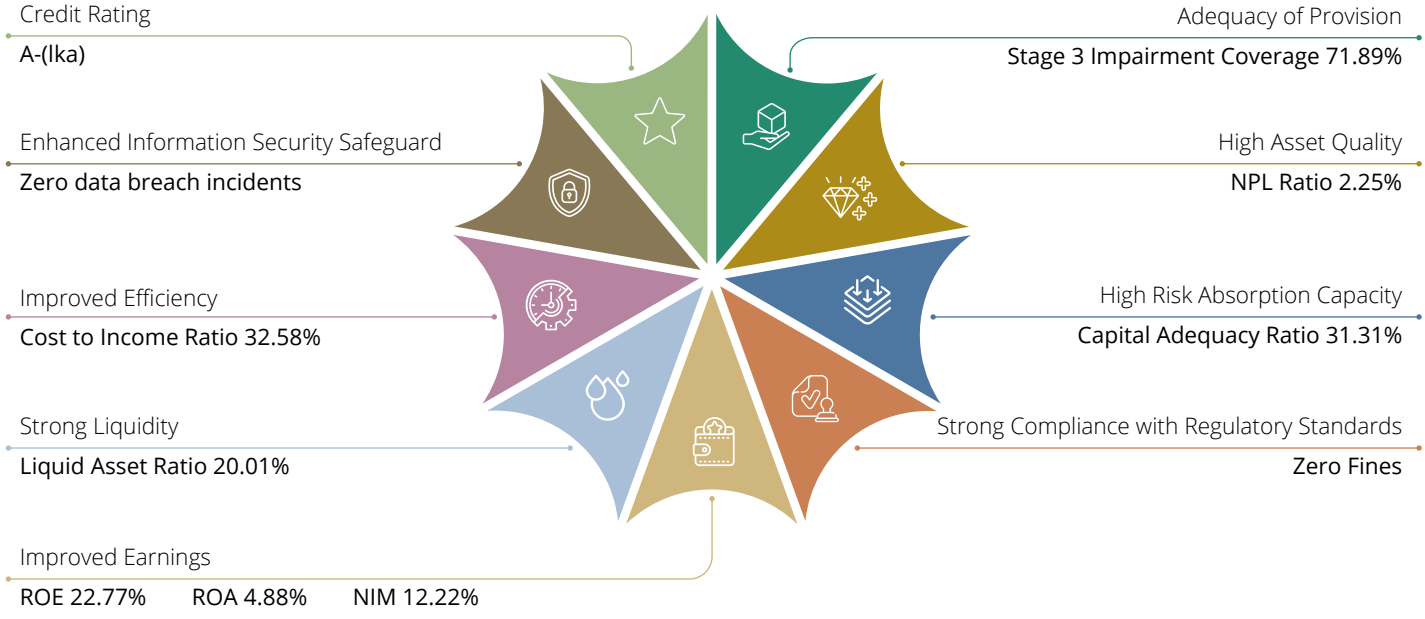
Non Financial Risks

- Operational Risk
  - Information Security and Cyber Risk
  - Technology Risk
  - Compliance Risk
  - Legal Risk
  - Financial Crime Risk
  - HR Risk
  - Model Risk
- Reputational Risk
- Strategic Risk

Sustainability and Climate Risks

- Environmental and Climate Risk
- Social Risk
- Governance Risk

2. RESILIENT RISK MANAGEMENT: 2024/25 KEY OUTCOMES



3. RISK LANDSCAPE

Domestic Economic Environment

During the year under review, Sri Lanka's macroeconomic landscape began to show signs of stability and gradual recovery. This was largely driven by a more supportive monetary policy, falling inflation, and continued efforts at fiscal consolidation. These developments contributed to a reduction in overall risk perceptions. As the economy emerged from a prolonged contraction, the easing of interest rates and inflation created a more favourable environment for growth. Greater political and policy stability, backed by a clear electoral mandate also contributed to reduced volatility in the operating environment. Inflation remained in negative territory for much of the year, while interest rates continued to decline. These conditions helped ease credit risk pressures by improving borrower affordability, although they also compressed net interest margins.

In response, LBF closely tracked market trends to fine-tune its asset and liability pricing strategies.

Looking ahead, the potential resumption of vehicle imports is expected to drive consumer demand and create new opportunities for credit growth. In anticipation, we are strengthening our credit underwriting practices and enhancing the credit risk management framework to ensure the continued quality of our lending portfolio as demand rises.

Global Economic and Geopolitical Conditions

The global risk environment became increasingly unpredictable during the year, shaped by rising geopolitical tensions and escalating trade disputes. Conflicts in Ukraine and the Middle East including continued unrest in Gaza disrupted global stability, while trade wars between major economies, especially between the U.S. and China, added to the uncertainty through a series of reciprocal tariffs. These developments marked a significant shift in the global economic landscape affecting both developed and emerging markets. As a result, global commodity markets saw heightened volatility. Gold prices, in particular, experienced sharp swings as investors turned to safe-haven assets. For LBF, this presented a key risk, given the Company's substantial exposure to gold-backed lending. Shifts in gold valuations directly influence the strength of collateral and borrowers' repayment capacity, with potential implications for portfolio quality.

In response, we remained vigilant, closely tracking global gold price movements and ensuring swift action to maintain robust collateral coverage. Preferred loan-to-value (LTV) ratios were consistently maintained to protect the integrity of the portfolio. Additionally, the frequency of stress testing on gold-backed lending was increased to evaluate the impact of extreme price movements and to ensure readiness under adverse conditions.

Environmental and Climate Challenges

In 2024, Sri Lanka faced increased environmental volatility, with extreme weather events such as extended droughts in agricultural areas and sudden flash floods in urban and low-lying regions. These climate-related disruptions took a toll on livelihoods, especially in rural communities placing added financial pressure on certain borrower groups.

For financial institutions, this translated into heightened credit risk, particularly in lending portfolios tied to agriculture and informal economic sectors. Concerns also grew around asset quality and borrowers' ability to service loans.

Acknowledging the rising frequency and severity of such climate events, we took proactive steps by integrating climate stress testing into our risk management framework. This allows the Company to assess how extreme weather scenarios could impact portfolio resilience and to make more informed decisions when it comes to climate-sensitive lending.

Digital and Technological Environment

The financial services industry is evolving rapidly with the rise of digital technologies bringing new opportunities as well as emerging risks. Over the year, LBF, like many others, saw a growing dependence on digital infrastructure, cloud platforms, data science and third-party technology providers. While these tools enhance efficiency and accessibility, they also increase exposure to cyber threats, system outages, and the risk of technology becoming outdated.

These risks have been compounded by the increasing sophistication of cyberattacks and evolving regulatory demands around data protection and digital resilience. In this context, ensuring uninterrupted digital services, safeguarding customer data, and maintaining system integrity became key priorities for us.

To stay ahead, the Company accelerated its investment in cybersecurity infrastructure and reinforced its information security governance. Regular vulnerability assessments, penetration testing, and employee training were conducted to improve overall preparedness. Business continuity and disaster recovery plans were also strengthened to ensure resilience in the face of potential digital disruptions, both internal and external.

Regulatory and Policy Environment

Over the past year, Sri Lanka's regulatory landscape continued to evolve, introducing new measures aimed at strengthening governance, protecting consumer rights, data protection and enhancing digital resilience in the financial sector. One of the most notable developments was the expected introduction of the Personal Data Protection Act, a major step toward safeguarding individual privacy. This prompted financial institutions to adopt stricter data management and protection protocols. At the same time, the Central Bank's issuance of the Financial Consumer Protection Framework brought renewed focus to transparency, fairness, and accountability in customer dealings. Furthermore, amendments to the listing rules issued by the Colombo Stock Exchange strengthened corporate governance standards across all listed entities. These changes required financial institutions to upgrade their compliance systems and deepen engagement with regulators.

In response to these developments, LB Finance undertook a series of proactive measures, from updating internal policies and upgrading systems to delivering targeted staff training and awareness programmes. The governance structure at LB Finance was also strengthened to align with emerging regulatory expectations and best practices. These efforts ensured full compliance with new standards while reinforcing stakeholder confidence in a rapidly changing regulatory environment.

Financial Crime Threats

The financial services sector is facing growing threats from financial crimes, fuelled by the increasing sophistication of cyber-enabled fraud, identity theft, and cross-border money laundering. With digital transactions on the rise and criminal tactics becoming more advanced, the risk landscape has expanded drawing heightened regulatory attention and requiring stronger vigilance across the sector. These developments highlight the critical need for robust financial crime risk management.

At LBF, we continued to prioritise transaction monitoring, with a strong focus on identifying and responding to suspicious activities. Throughout the year, we maintained strict compliance with all Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations, reinforcing our commitment to safeguarding the integrity of our operations and protecting our stakeholders.

4. ENHANCING RISK MANAGEMENT DURING 2024/25

During the financial year, we undertook several targeted initiatives to enhance its risk management practices and preparedness for emerging challenges.

Integrated Risk Management

- Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) to ensure adequacy of capital buffers under various stress scenarios
- Updated risk policies and procedures to maintain alignment with evolving internal standards and regulatory guidelines
- Revised the Company's risk appetite framework, including review and introduction of new quantitative limits across key risk categories
- Carried out comprehensive stress testing covering all material risks to assess resilience under extreme but plausible scenarios
- Performed subsidiary-level risk assessments to ensure consistent application of risk management practices across the group
- Conducted risk assessments for new products and processes, identifying and implementing appropriate risk mitigation controls before launch

Risk Culture

- Conducted awareness programmes for employees across levels, with particular focus on onboarding new recruits, to build a strong risk-aware culture
- Reinforced the importance of ethical conduct, internal controls, and individual responsibility in managing risk

Credit Risk Management

- Reviewed stress-prone industries to better understand credit deterioration and align impairment assessments with sector-specific risks
- Established a Board-approved stage upgrading mechanism to enable appropriate reclassification of exposures based on borrower performance
- Introduced a new risk appetite limit for Stage 3 impairment coverage to ensure adequate provisioning and transparency in credit risk measurement
- Revised the risk appetite limit for unsecured loans, aligning it with emerging risk-return dynamics
- Reviewed and updated the Credit Risk Management Framework, and credit manuals incorporating latest market conditions and regulatory expectations
- Implemented a new credit scoring model for gold loan clients to enhance accuracy and consistency in credit evaluations
- Initiated the revamp of the credit scoring model for vehicle financing clients to reflect updated customer behaviour and economic trends
- Reviewed credit approval limits to align authority structures with risk levels and organisational growth
- Conducted technical training sessions on credit appraisal to strengthen the credit evaluation skills of lending staff

Operational Risk Management

- Established an Operational Risk Management Committee, governed by a BOD approved Terms of Reference. This initiative significantly strengthened operational risk governance at LBF by enhancing oversight, enabling structured discussions on risk exposures and timely mitigation
- Conducted comprehensive Risk and Control Self-Assessments (RCSA) across departments, addressing all types of operational risks. These assessments enabled the identification of control gaps and process inefficiencies, leading to the strengthening and redesign of internal controls to enhance operational resilience
- Implemented an in-house exception monitoring system, expanding its scope to detect new types of operational anomalies
- Initiated the development of a formal operational risk incident reporting mechanism to promote transparency and organisational learning
- Introduced a new risk appetite limit specifically for operational risk losses, improving monitoring and response
- Conducted outsourced vendor risk assessments to evaluate third-party operational exposures. The assessment process was strengthened through an enhanced methodology that introduced more granular risk indicators and scoring criteria

Information Security

Established a dedicated Chief Information Security Officer (CISO) function to strengthen strategic oversight of cybersecurity and information security initiatives. The CISO office leads governance, risk management, and incident response efforts, ensuring alignment with regulatory expectations and evolving threat landscape

Appointed a dedicated specialised resource to oversee personal data protection programme to ensure compliance with privacy regulations

Upgraded our Information Security Management System (ISMS) from 2013 to the 2022 version of the ISO 27001 standard positioning LBF as the first in the Non-Bank Financial Institution (NBFI) sector to achieve this milestone. This reinforces our sustained commitment to the best international practices in information security and continuous improvement

Rolled out comprehensive security monitoring and incident response capabilities, supported by threat intelligence and red team simulations to test response readiness

Undertook a structured enterprise-wide exercise to catalogue and classify data assets enabling the application of appropriate security measures

Strengthened end user awareness through organisation-wide training programmes, including phishing simulations to improve resilience against social engineering threats

Conducted regular vulnerability assessments, penetration testing, and security baseline hardening across systems and infrastructure, followed by timely remediation

Enhanced security policies and procedures, including data protection and Data Leakage Prevention (DLP) measures, aligning with evolving regulatory standards and industry best practices

Delivered cybersecurity advisory support for new technology initiatives and conducted thematic security assessments targeting high-risk domains

Improved oversight of third-party and vendor-related risks through structured security assessments and compliance checks

Launched spot audits, risk assessments, and attack surface management exercises to identify emerging threats and strengthen proactive defense

Sustainability Risk Management

Reinforced LBF's commitment to sustainable finance by implementing a comprehensive Environmental, Social, and Governance (ESG) Policy, which includes a Climate Risk Policy to guide responsible lending and investment practices

Set targets and Key Performance Indicators (KPIs) aligned with the Sustainable Development Goals (SDGs), the Central Bank of Sri Lanka's sustainability roadmap, and SLFRS S1 and S2 standards

Introduced a Negative Lending List to further enhance sustainability considerations in lending practices

Commenced integrating SLFRS S1 and S2 sustainability and climate-related financial risk management into the overall risk framework, incorporating identified sustainability risks into the risk register. This integration ensures ongoing monitoring and follow-up on mitigation actions

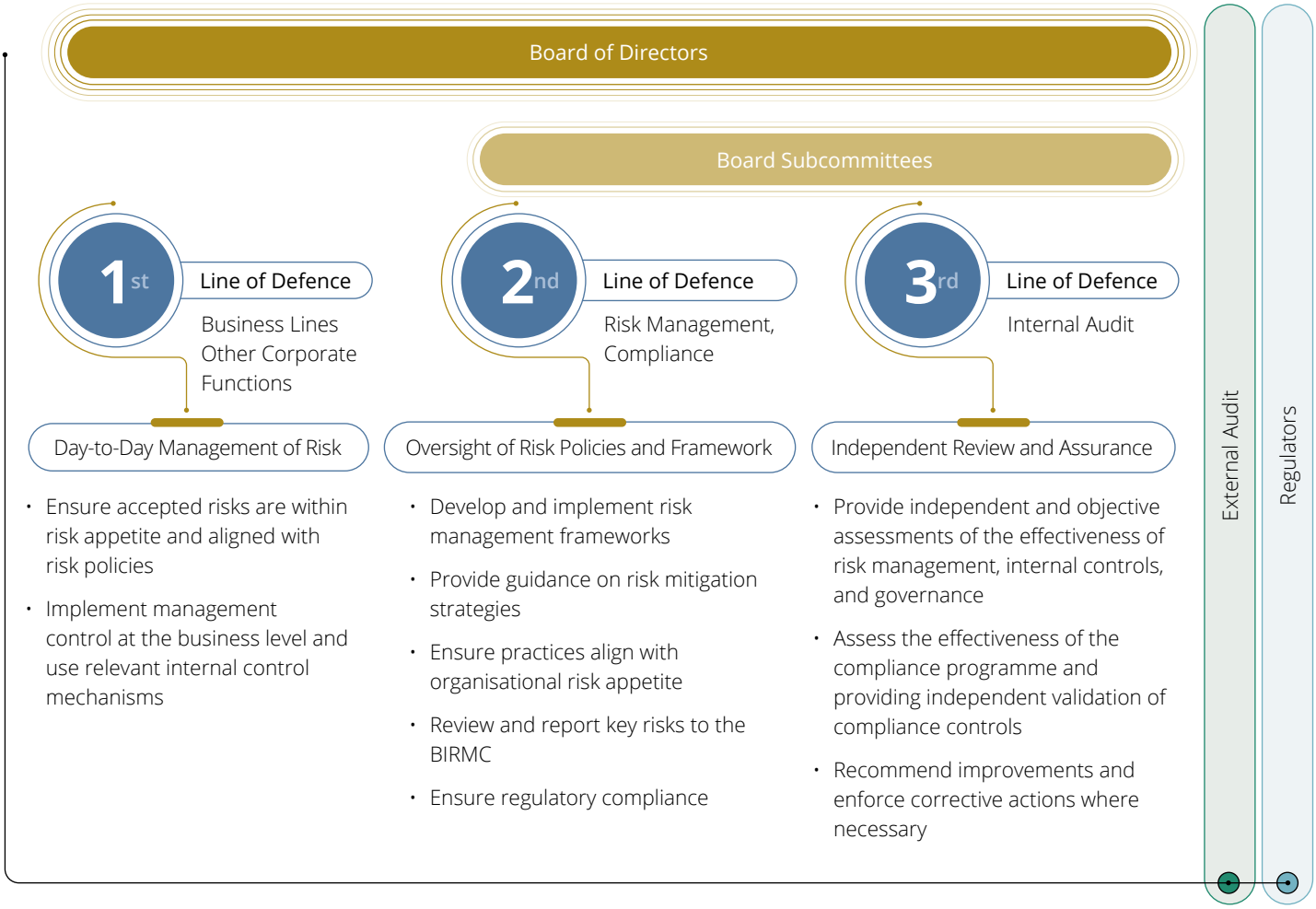
Integrated climate-related stress testing into the overall stress testing process, enhancing the company's ability to assess and mitigate potential climate-related risks to financial stability

5. PRIORITIES FOR 2025/26

- Strengthen asset quality through improved credit underwriting, guided by insights from more frequent and granular portfolio reviews
- Monitor and manage product concentration risk to preserve portfolio diversification and long-term stability
- Support profitability targets by integrating risk-adjusted return analysis into strategic decision-making processes
- Enhance the RCSA framework to comprehensively cover all processes at LBF
- Establish a structured operational risk incident reporting mechanism to improve transparency, root-cause analysis, and corrective action tracking
- Conduct comprehensive model validation and back-testing to ensure the reliability and predictive accuracy of risk models
- Expand and enhance exception monitoring mechanisms to enable faster detection of early warning signals
- Explore innovative strategies to narrow the gap between rate-sensitive assets and liabilities, improving interest rate risk management
- Introduce a Cybersecurity Maturity Scorecard with Key Performance Indicators
- Enhance cybersecurity surveillance through integration, automation, and intelligence-driven processes, with 24/7 monitoring
- Establish fine tuned and robust DLP strategy
- Intensify threat monitoring and vulnerability assessments
- Deepen focus on addressing sustainability-related risks while identifying ESG-driven growth opportunities
- Quantify the impact of SRROs and CRROs under SLFRS S1 and S2
- Increase emphasis on digital product oversight, aligning with sustainability risk principles and responsible innovation
- Strengthen stress testing practices across credit, market, and climate related risk dimensions to improve forward-looking risk preparedness
- Promote a strong risk culture through increased awareness sessions

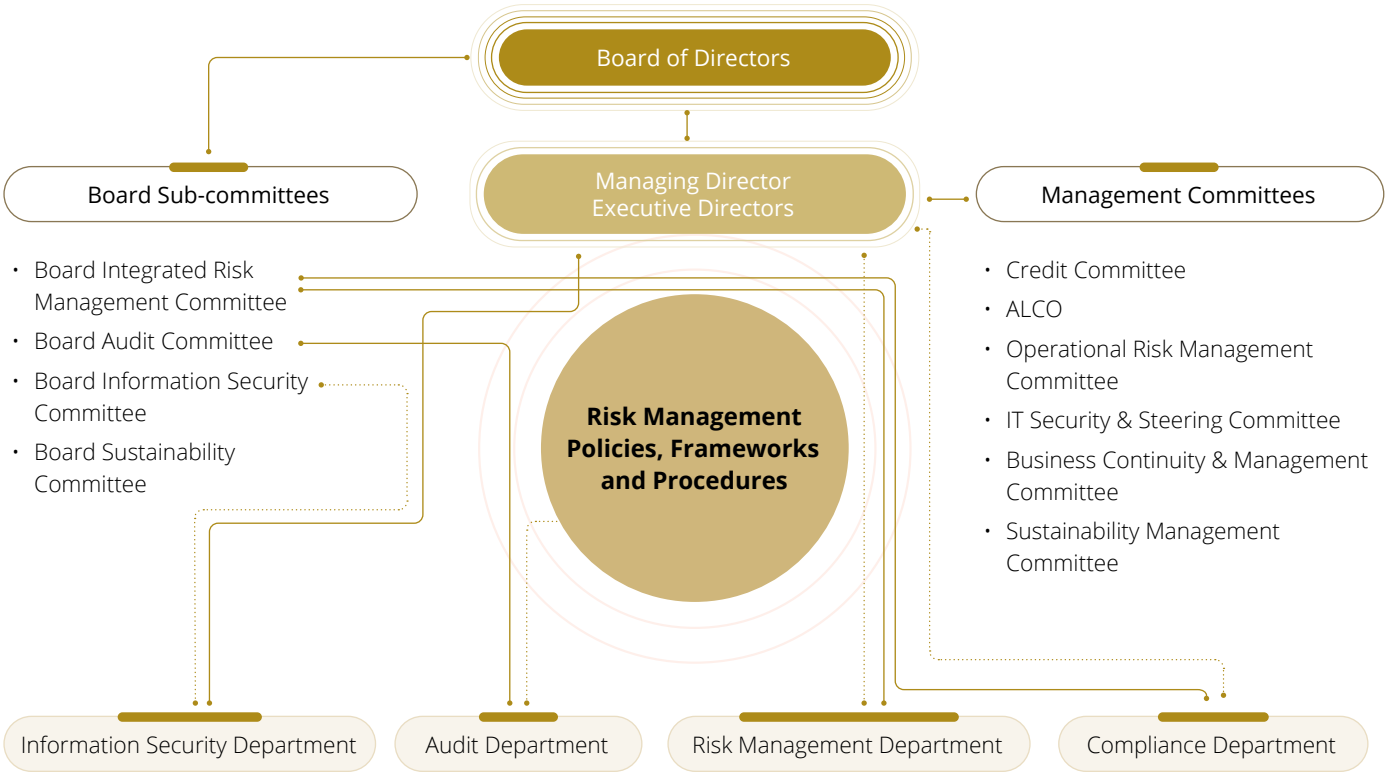
6. RISK GOVERNANCE

Our risk governance framework is founded on the principles of accountability, transparency, and independence. It adopts the widely recognised Three Lines of Defense model to ensure clear accountability and effective risk controls across the organisation. The first line comprises business and operational units that own and manage risks as part of their daily activities. The second line consists of independent risk and compliance functions that set policies, provide guidance, and monitor adherence. The Head of Risk Management and the Head of Compliance report directly to BIRMC to ensure the independence of these key executive functions. The third line is the Internal Audit function, which independently assesses the effectiveness of both the first and second lines. Chief Internal Auditor directly reports to the Board Audit Committee. This layered structure strengthens our ability to manage risk holistically and reinforces a culture of risk-aware decision-making.



The Board of Directors holds ultimate responsibility for risk oversight, setting the tone for risk culture and ensuring an effective risk management framework is in place. This includes establishing risk policies and processes, setting the risk appetite, aligning risk with strategy, and regularly reviewing risk reports and exposures to determine LBF's risk profile.

Risk management is a regular agenda item at the Board's monthly meetings. The Board is supported by the Board Integrated Risk Management Committee (BIRMC), which provides independent oversight and strategic direction on all material risks. Executive committees use the combined experience and knowledge of corporate management to implement measures to manage risks within the boundaries of the risk management framework. They implement the risk management framework approved by the Board in conducting day-to-day operations. This structure ensures that risk considerations are embedded into strategic planning, capital allocation, and business operations.



During the financial year 2024/25, LBF took significant steps to further strengthen its risk governance framework. A dedicated Operational Risk Management Committee was established at the management level to specifically oversee and manage operational risks across the organisation, operating under a Board-approved Terms of Reference. In parallel, recognising the growing threat of cyber risks within the financial services sector, LBF also established a new Information Security Department. This unit is responsible for driving the Company's cybersecurity strategy and ensuring the protection of customer and corporate data. Led by the Chief Information Security Officer (CISO), the department plays a key role in enhancing information security governance across all platforms and systems.

The roles of Board Sub Committees and Management Committees related to the risk management function are summarised. These committees function as per the authority delegated through a Terms of Reference approved by the BOD.

Board Sub-committees

Board Integrated Risk Management Committee (BIRMC)

Provides oversight of risk management and makes recommendations to the BOD on developing and implementing risk management policies, setting the risk appetite and monitoring material risks.

The Head of Risk Management and Compliance Officer report directly to BIRMC and are invitees to the meeting along with the Managing Director and Chief Financial Officer.

Committee meets at least every other month.

Refer page 294

Board Audit Committee (BAC)

Assists the Board to fulfil its stewardship responsibilities with regard to financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting regulations and requirements. It also has oversight responsibility for reviewing the effectiveness of internal control and risk management systems.

The Chief Internal Auditor directly reports to the BAC and is an invitee to the meetings along with the Managing Director and Chief Financial Officer.

Committee meets every month.

Refer page 289

Board Information Security Committee (BISC)

Plays a key role in guiding and overseeing the organisation's information and cyber security posture. It supports the Board by ensuring that appropriate frameworks, policies, and controls are in place to manage cyber risks and safeguard critical data and systems. The Committee also monitors compliance with applicable regulatory requirements and industry best practices. The Chief Information Security Officer (CISO) liaises with the BISC and is an invitee to the meeting, along with the relevant members of senior management.

Committee meets at least quarterly.

Refer page 300

Board Sustainability Committee (BSC)

Supervises, on behalf of the Board, the procedures, criteria, and tactics formulated to handle sustainability risks while maximising potential opportunities. This is achieved through monitoring the Company's performance against selected external sustainability indexes and internal metrices.

Committee meets at least quarterly.

Refer page 302

Management Committees

Asset & Liability Committee (ALCO)

Provides oversight for liquidity risk and market risk management at an operational level. It reviews cashflow forecasts to manage gaps, adequacy of contingency funding plans and stress testing results in achieving its objectives. Committee meets at least monthly.

Credit Committee (CC)

Accountable for day-to-day management of credit risk. As part of their duties, the Credit Committee monitors LBF's lending portfolio and oversees the management of asset quality and recovery actions. The Committee also periodically reviews the credit policy and lending guidelines issued to business segments, vis-a-vis changing market conditions and industry dynamics. Committee meets at least quarterly.

IT Security & Steering Committee (ITSSC)

Provides strategic direction and oversight to the information technology needs of LBF by ensuring business objectives and needs are been adequately addressed. The committee is also responsible for both strategic and operational aspect of information security and technology risk management. As part of their duties, the committee addresses issues on technology adoption, information security, cyber security, outsourcing, concentration and support the BISC. Committee meets at least every other month.

Operational Risk Management Committee (ORMC)

Oversee the effectiveness of the operational risk framework. It reviews key operational risk reports, including loss event data, Risk and Control Self-Assessments (RCSA), exception trends, and control deficiencies to support early identification and mitigation of risks. The committee also monitors Key Risk Indicators (KRIs) and the progress of incident reporting mechanisms to strengthen operational resilience. Committee meets at least quarterly.

Sustainability Committee (SC)

Formulates and reviews Company's sustainability policy, ensuring that sustainability activities are integrated into the Company's operations. Committee is tasked with the responsibility of steering the Company's sustainability activities. Committee meets at least quarterly.

Business Continuity Management Steering Committee (BCMSC)

Governs the Business Continuity Management System (BCMS) which ensures LBF can effectively minimise the business impact, respond and recover from disruptions, resume normal operations after any interruption. It is responsible to align BCM goals with business goals and provides strategic direction. Committee meets when required.

7. RISK MANAGEMENT POLICY FRAMEWORK

LBF has a comprehensive risk management policy framework, which is summarised below. All the policies set out are approved by the Board and provide clear guidance to the management on implementing effective processes across the Company. These policies facilitate the identification, measurement, management, monitoring, and control of the various risks the Company is exposed to. All policies are reviewed annually to ensure that new developments and regulatory expectations are incorporated, maintaining the robustness and relevance of the overall risk management framework.

During the financial year 2024/25, a risk management framework to mitigate Model Risk was introduced as part of this policy suite. Further, enhancing the scope of the Company's risk management framework, an ESG Policy, featuring a dedicated Climate Policy was also established to address environmental, social, and governance-related risks.

Overall Policy Documents

Integrated Risk Management Framework | Risk Appetite Statement | Stress Testing Policy
Product Development Policy I ICAAP Policy

Credit Risk

- Credit Risk Management Framework
- Credit and Operation Manual
- Delegation of Authority
- Recovery Manual
- Impairment Policy
- Loan Review Procedure
- Write-off Policy
- Related Party Transaction Policy

Operational Risk

- Operational Risk Management Framework
- Mandatory Leave Policy
- Whistleblowing Policy
- Policy on Exception Monitoring
- Model Risk Management Framework
- Process Manuals
- Business Continuity and Disaster Recovery Plan

Market and Liquidity Risk

- Asset and Liability Management and Liquidity Management Policy
- Investment Policy
- Contingency Funding Plan

Sustainability and Climate Risk

- Environment, Social and Governance Policy
- Climate Policy

Technology and Information Security Risk

- Technology Risk Management Framework
- Information Security Policy
- Information Technology and Security Management Procedures
- Information Classification Policy

Financial Crime Risk

- AML/CFT Policy and Procedure
- Anti-Bribery and Corruption Policy

8. RISK CULTURE

At LBF, risk culture is a core part of how we manage risk across the organisation. It shapes the way employees identify, assess, and respond to risks in their day-to-day activities. Risk culture reflects the shared values that guide decision-making and promote responsible conduct. Several key elements support our strong risk culture. These include clearly defined risk management policies, strong leadership commitment (tone at the top), corporate values, a well-established code of conduct, mandatory training programmes, and sound corporate and risk governance. Together, these elements create an environment where risk awareness and accountability are embedded in business operations.

To further strengthen our risk culture during the financial year 2024/25, we introduced risk management training as part of the orientation programme for all new recruits. This helps ensure that every employee begins their journey at LBF with a clear understanding of their role in managing risk.

9. RISK MANAGEMENT PROCESS

Risk management is a strategic imperative that underpins both our business operations and sustainability initiatives. Our comprehensive risk management framework is designed to systematically identify, assess, manage, and monitor risks that could impact our organisational objectives and long-term value creation.



9.1 Risk Identification

This is the process of determining current and potential risks to LBF that may stemming from internal or external environment. A good understanding on the risk universe is vital for early identification of risk sources. During the year under review, LBF exposed to new risks due to volatilities in the operating environment, innovations in financial offerings, process changes, etc. Given the strong risk culture within the Company, risk identification at LBF is undertaken by employees at all levels. In the top down approach, Company leadership/BOD perceive the emerging risks that could affect the strategic goals of LBF. Complementing this, the bottom up approach, enables operational teams to identify the risk sources while performing the day-to-day business.

9.2 Risk Analysis and Measurement

This process focuses on assessing the likelihood and severity of the identified risks. At LBF, a range of quantitative and qualitative tools are used for this purpose depending on the principal risk type. These include; the Risk Matrix, VaR models, Financial analysis, Maturity of Assets and Liabilities analysis, Sensitivity of Assets and Liabilities, Cash flow analysis, HHI, RCSA, etc. Stress impact analysis under stress circumstances is also performed on continuous basis. Risk analysis and measurement is a primary responsibility of the Risk Management Department.

9.3 Risk Management Decision and Execution

Risk treatment is a dynamic process where appropriate treatment methodology is selected for each assessed risk separately, to either accept, transfer, mitigate or avoid the risk. Risk mitigation involves redesigning of existing controls, introducing new controls, entering into hedging transactions, diversifying portfolios, developing contingency plans, etc. LBF's Risk Management Department under the guidance and oversight of the BIRMC are tasked with developing appropriate risk treatment approaches.

9.4 Risk Monitoring and Reporting

This process is vital to ensure the adherence to established risk control protocols and to maintain ongoing awareness of the Company's risk profile. At LBF, the quantifiable risks are monitored in comparison with the risk appetite limits. Risk Register serves as a primary document which comprehensively captures the progress of ongoing risk identification, evaluation and mitigation approaches. During the year under review it was expanded to include sustainability-related risks, including climate risks. This integration reflects our commitment to aligning business risk management with long-term sustainability objectives. The Risk Management Department is charged with the responsibility of continuous risk monitoring and periodic risk reporting to the senior management, BIRMC and BOD.

Regular Risk Reports	Frequency	Reported To
Risk Appetite Statement	Monthly	BIRMC/ Board
Key Risk Indicators (KRI)	Every Other Month	BIRMC
Risk Profile	Every Other Month	BIRMC/ Board
Risk Register	Quarterly	BIRMC
Risk Assessment of Subsidiaries	Quarterly	BIRMC
Stress Testing	Monthly / Quarterly	BIRMC
RCSA	Annually	ORMC / BIRMC
Branch Operational Risk Assessment	Quarterly	BIRMC
Critical System Availability	Every Other Month	BIRMC
Information Security & Cyber Risk Posture	Quarterly	BISC

10. RISK APPETITE

The Risk Appetite Statement is a key policy document at LBF, communicating to the executive function the risk boundaries within which the Company should operate in achieving its strategic objectives. The statement is approved by the Board and sets out regulatory limits, internal prudential limits and covenant limits. The Risk Management Department monitors the operations on an ongoing basis to ensure that the overall risk profile of LBF remains within the specified boundaries. Any breaches or potential deviations are reported to the BIRMC and Board on a monthly basis. This allows timely action to be taken where necessary. The Risk Appetite Statement is reviewed at least once a year by the BIRMC.

During the financial year 2024/25, new appetite limits were introduced on Stage 3 impairment coverage and single borrower concentration, while internal prudent limits on operational loss, geographical concentration and unsecured loan exposure were revised. All these recommendations were submitted to the Board for approval before changes are made to the Risk Appetite Statement.

The Company's key risk appetite metrics and Board-approved tolerance levels as of 31 March 2025 are presented below.

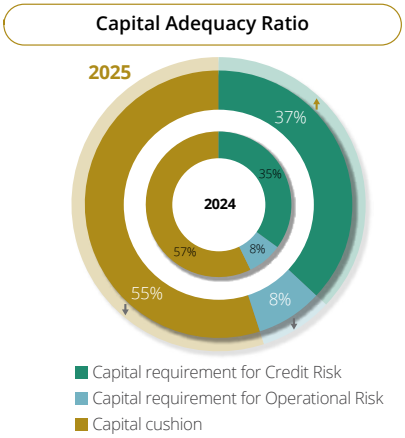
	Regulatory	Appetite	FY 2024/25	FY 2023/24
Credit Risk and Credit Concentration Risk				
Gross NPL ratio		< 6%	2.25%	3.54%
Net NPL Ratio		< 1%	-1.22%	-0.79%
Provision Coverage Ratio		> 75%	154.02%	122.42%
Stage 3 Provision Coverage Ratio		> 50%	71.89%	58.84%
Maximum Unsecured Exposure	< 20%	< 10%	3.82%	0.80%
Maximum Exposure to Stress Industries		5% - 7.5%	4.8%	4.3%
Maximum Exposure to Single Borrower - Individual	< 15%	< 5%	1.07%	1.23%
Maximum Exposure to Single Borrower - Group	< 20%	< 10%	1.07%	1.23%
Maximum Exposure to Gold Loan (On net basis)		30% - 50%	42.46%	45.33%
Maximum Accommodation to Related Party		< 1%	0.05%	0.03%
Capital and Leverage				
Tier 1 Capital Ratio	> 10%	> 12%	30.45%	31.45%
Total Capital Ratio	> 14%	> 16%	31.31%	32.19%
Capital Funds to Deposits Ratio	> 10%	> 12%	37.02%	35.52%
Liquidity Risk				
Liquidity Assets to Total Savings Deposits	15%			
Liquid Assets to Total Fixed Deposits	10%	> 12%	20.01%	21.02%
Liquid Assets to Total Outstanding Borrowings	10%			
Largest Single Depositor to Total Fixed Deposits		< 5%	1.19%	0.72%
Maximum Exposure to Bulk Deposits (Over Rs.50 Mn)		< 20%	14.81%	12.94%
Deposit Renewal Ratio		> 75%	83.48%	81.21%
Deposit Renewal Ratio (Non-Bulk Deposits)		> 80%	83.28%	82.42%
Market Risk				
Interest Rate Sensitivity of Liabilities (to every 1% increase)		< 0.75%	0.71%	0.71%
Operational Risk				
Annual Operational Risk Losses to Average Income		< 0.1%	0.09%	0.09%
Compliance Risk				
Fines Imposed by any Regulatory Authorities		Zero tolerance	-	-

11. CAPITAL MANAGEMENT

For a financial institution capital is a buffer against insolvency, that is available to absorb unforeseen losses. LBF adopts a proactive approach to ensure a satisfactory risk capital level throughout its operations. The Company's regulatory capital adequacy ratios are computed based on the Finance Act Direction No. 3 of 2018 and its subsequent amendments. Risk weighted assets are derived using standardised approach for credit risk and basic indicator approach for operational risk in line with the regulatory direction.

As at 31 March 2025 LBF maintained a sound risk capital position as presented in the table below.

Item	FY 2024/25 Rs.000	FY 2023/24 Rs.000
Tier 1 Capital	49,654,357	42,319,559
Total Capital	51,046,073	43,321,826
Total Risk Weighted Amount	163,046,965	134,578,311
Risk Weighted Amount for Credit Risk	134,463,021	108,812,884
Risk Weighted Amount for Operational Risk	28,583,944	25,765,428
Regulatory Minimum Tier I Ratio	10%	10%
Company's Tier 1 Capital Ratio	30.45%	31.45%
Regulatory Minimum Total Capital Ratio	14%	14%
Company's Total Capital Ratio	31.31%	32.19%



LBF consistently maintains a robust capital buffer well above the minimum regulatory requirements, underscoring the Company's prudent risk appetite and sound capital planning practices. As at 31 March 2025, the capital buffer stood at 55%, after accounting for credit and operational risk exposures. This strong capital position reinforces LBF's ability to absorb potential shocks, sustain business growth, and uphold stakeholder confidence in a dynamic operating environment.

	FY 2024/25 Rs.000	FY 2023/24 Rs.000
Tier I capital	51,302,900	43,671,619
Stated capital	838,282	838,282
Non-cumulative, Non-redeemable Preference Shares		
Reserve fund	9,558,263	9,017,981
Audited retained earnings/(losses)	40,906,355	33,815,357
(less) Revaluation gains/surplus of investment property		
General and other disclosed reserves		
Current year's profit/(losses)		
Adjustments to Tier I capital	1,648,543	1,352,060
Goodwill (net)		
Other intangible assets (net)	67,113	20,701
Other Comprehensive Income losses	36,902	45,551
Deferred tax assets (net)	1,255,960	927,914
Shortfall of the cumulative impairment to total provisions and interest in suspense		
50% of investment in banking and financial subsidiary companies	260,581	349,468
50% of investment in other banking and financial institutions	27,987	8,426
Shortfall of capital in financial subsidiaries		
SLFRS 9 day one Impact Adjustment		
Tier I Capital (after adjustments)	49,654,357	42,319,559
Tier 2 Capital	1,680,284	1,360,161
Instruments qualified as Tier 2 capital		
Revaluation gains		
General provisions /collective impairment allowances	1,680,284	1,360,161
Eligible Tier 2 Capital	1,680,284	1,360,161
Total Adjustments to eligible Tier 2 Capital	288,568	357,894
50% of investment in banking and financial subsidiary companies	260,581	349,468
50% of investment in other banking and financial institutions	27,987	8,426
Eligible Tier 2 Capital after adjustments	1,391,716	1,002,267
Total Capital	51,046,073	43,321,826

As a systemically important Non-Bank Financial Institution (NBFI), LBF has voluntarily adopted the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar II of the Basel III framework. A formal, Board-approved ICAAP Policy is in place to guide its implementation. The policy mandates the integration of ICAAP into LBF's enterprise-wide risk management framework, enabling a forward-looking assessment of capital adequacy in response to changes in the Company's overall risk profile. Through stress testing and scenario based analysis, ICAAP evaluates capital requirements under adverse conditions, ensuring alignment between the Company's strategic objectives, risk appetite, and capital planning. This disciplined approach reinforces LBF's commitment to maintaining capital resilience and long-term financial stability.

12. STRESS TESTING

Stress testing remains a vital component of our risk management framework, serving as a forward-looking tool to assess the Company's resilience under adverse conditions. It evaluates whether LBF maintains adequate capital and liquidity buffers to withstand potential economic and financial shocks. A comprehensive, Board-approved Stress Testing Policy is in place, outlining the objectives, governance structure, methodologies, key assumptions, and testing frequencies.

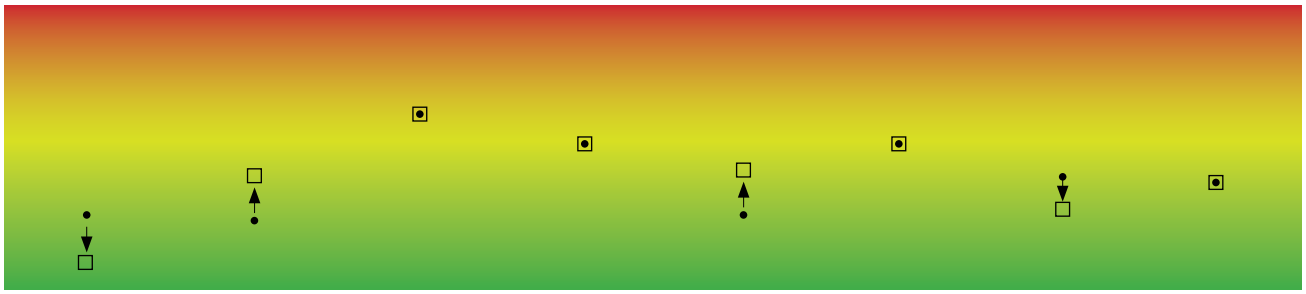
Stress testing enables the Company to evaluate "what-if" scenarios and identify vulnerabilities across risk categories, thereby informing strategic and capital planning. During the year under review, stress scenarios were updated to reflect prevailing macroeconomic and sectoral conditions. Testing frequencies were increased, and findings were formally presented to the BIRMC. In line with global best practices, LBF also began integrating sustainability perspectives into its enterprise-wide stress testing framework. This included the development and application of climate risk stress scenarios, reflecting the growing emphasis on environmental risks.

To ensure comprehensive coverage, a diverse range of stress scenarios were applied across key risk categories. These outcomes highlight LBF's overall financial resilience and preparedness to withstand a range of adverse but plausible economic and operational shocks.

Risk Category	Stress Scenarios	Impact
Credit Risk	Adverse movement in Stage 1 and Stage 2 exposures; increased NPLs driven by macroeconomic deterioration; elevated product level defaults	Given LBF's strong capital position and sound liquidity management practices, Capital Adequacy Ratio (CAR) remained comfortably above both the regulatory minimum and the internally defined prudential threshold across all stress scenarios during the year under review
Credit Concentration Risk	Defaults among large borrowers; increased NPLs in top 5 industries; inflated HHI scores across sector, borrower, product, and geography	
Climate Risk	Elevated NPL ratios at branches located in regions exposed to extreme weather patterns	
Market Risk	Sharp decline in local gold prices impacting gold-backed lending portfolio	
Operational Risk	Realisation of historical operational losses	
Interest Rate Risk	Downward parallel shift in the yield curve simulating declining interest rates	
Liquidity Risk	Stress on cash flows due to premature deposit withdrawals, reduced loan rollovers, and top fixed deposit runoff	The Liquid Asset Ratio (LAR) remained above the regulatory and internal thresholds under all simulated conditions, with the exception of the high-severity deposit runoff scenario, where it approached the internal limit

13. OVERVIEW OF PRINCIPAL RISKS

Our principal risks are summarised below, reflecting their relative significance to the Company's operations and strategic objectives. Each risk is assessed based on its potential impact and likelihood of occurrence, providing a comparative view of their residual risk levels. The assessment also captures the movement in risk levels compared to the previous year, offering insight into evolving risk dynamics and the effectiveness of mitigation strategies.



INTEGRATED RISK MANAGEMENT REPORT

	Credit Risk	Interest Rate Risk	Commodity Price Risk	Operational Risk
Description	The risk of financial loss to LBF, if a customer or a counterparty to a financial instrument fails to meet its contractual obligations	Potential losses arising from interest rate movements that affect the overall performance of the financial markets	Potential losses arising from movements in commodity prices that affect the overall performance of the financial markets. For LBF, the relevant commodity is gold	The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events
Strategy Impacted	S 1 S 2 S 6	S 1 S 2 S 6	S 1 S 2 S 6	S 1 S 2 S 3 S 5 S 6
Capitals Impacted	FC SRC	FC SRC	FC SRC	FC SRC IC MC NC HC
Mitigation Actions	• Risk based pricing • Collateral support • Sound credit evaluation process • Large exposure approval by higher authorities • Conducting regular credit reviews • Diversify the portfolio in terms of products, geographies, borrowers and industry sectors • Ensure risk appetite limits are maintained • Prudent provisioning	• Timely repricing of assets and liabilities • Minimise the gap between rate sensitive assets and liabilities in different repricing buckets	• Promptly responding to market price movements and maintaining healthy LTV • Prudent provisioning approach for Gold Loan portfolio • Timely auction of Gold • Ensure risk appetite limits are maintained	• Root cause analysis of loss / near miss incidents and introduce new controls or redesign existing controls as required • Insurance • Staff awareness • Implementation of the Mandatory Leave Policy • Sound internal control system and continuous strengthening • Contingency planning • Implementation of Whistleblowing Policy and review of related incidents
Risk Monitoring	• Continuous monitoring of key risk indicators attached to asset quality, concentration, provisioning and collaterals • Credit portfolio analysis	• Close monitoring of rate sensitive assets and liabilities • Stress scenario impact analysis	• Close monitoring of global and local market price movements • VaR assessment • Stress impact analysis	• Risk and Control Self-Assessment • Exception monitoring • Monitoring actual loss incurred and number of loss events • Branch operational risk assessment • Outsource vendor risk assessment • AML/CFT risk assessment of products and processes
Opportunities/ Way forward	• Strategically diversify the lending portfolio to innovative products • Enhancing portfolio management enabling first line to react faster	• Mobilise more savings deposits • Secure long-term borrowings at low interest rates	• Further strengthen the provisioning	• Continuously strengthening the internal control procedure • Further expand the exception monitoring process • Implement the operational risk incident reporting mechanism • New initiatives including career development programmes to retain talented employees
More Information	Refer Page 326	Refer Page 331	Refer Page 332	Refer Page 333

Liquidity Risk	Technology and Information Security Risk	Model Risk	Sustainability Risk
Inability to meet Company's short-term contractual obligations without sustaining unacceptable losses	Risk of potential threats exploiting vulnerabilities in information systems, processes, or assets, thereby compromising the confidentiality, integrity, or availability of sensitive information	The potential loss due to decisions based on the output of internal models, which can result from errors in the development, implementation, or use of these models	Uncertain social or environmental event or condition that, if it occurs, can cause a significant negative impact on LBF. It also includes the opportunity that may be available to the Company due to changing social or environmental factors
S1 S2 S6	S1 S3 S6	S1 S3 S6	S1 S2 S3 S4 S5 S6
FC SRC	FC SRC IC MC HC	FC IC	FC SRC IC MC NC HC
• Maintain adequate liquidity reserves • Diversify funding sources • Having in place a Contingency Funding Plan • Manage deposit concentration	• Implement a multi-layered defense strategy • Strengthen access controls and identity management • Adopt Secure Software Development Practices • Regular security awareness and training programmes for employees and customers • Data protection and encryption • Business continuity and disaster recovery planning	• Model documentation • Independent model validation • Model backtesting	• Ensure sustainability risks are considered in strategic decision-making processes • Ethical marketing and advertising practices • Solar energy at branches in addition to the use of main grid electricity • Offering digital products to minimise paper consumption, customer foot print, carbon emission and to enhance efficiency through time saving measures • Recruiting branch staff from its locality creating job opportunities to youth all over the country including very rural areas
• Monitoring cashflow forecast under normal and stress scenarios • Close monitoring of mismatch in assets and liabilities in different maturity buckets • Close monitoring of KRIs such as liquid asset ratio, deposit rollover rate, etc • Stress impact analysis	• Security monitoring and incident response • Regular vulnerability management and patching • Privilege user activity monitoring • Red teaming exercises • Periodic security risk assessments and independent system audits	• Comparison of model output with expected results	• Perform internal and external audits to assess compliance with sustainability standards and regulations • Use frameworks like ISO 14001 (Environmental Management) and ISO 26000 (Social Responsibility) • Regularly communicate with stakeholders to understand their concerns and expectations regarding sustainability
• Further diversification of funding allowing to access a variety of funding sources	• Technology modernisation • Invest in scalable and adaptive security solutions • Embed security into business culture • Initiatives in strengthening personal data protection in line with PDPA • Strengthening security monitoring with integrated threat intelligence for proactive risk detection and response	• Strengthening of model risk monitoring	• Introducing green financing products • Quantify the impact of SRROs and CRROs under SLFRS S1 and S2 • Increase staff awareness through targeted training initiatives to strengthen sustainable risk management • Continue the solar energy programme for new branches
Refer Page 329	Refer Page 334	Refer Page 335	Refer Page 336

14. CREDIT RISK

Credit risk mainly stems from lending and includes investment activities as well. It is the largest risk exposure for the Company as assets with exposure to credit risk accounted for Rs. 232 Bn, equivalent to 97% of Total Assets of the Company while credit risk accounts for 82% of total risk weighted assets. This key exposure is managed under a comprehensive Credit Risk Policy suite, operating within the parameters set by the Risk Appetite Statement. These policies are regularly reviewed and updated to remain responsive to changes in the broader risk environment.

Definition

The risk of financial loss to the Company if a customer or a counter-party to a financial instrument fails to meet its contractual obligations

Components

- Default Risk
- Concentration Risk
- Settlement Risk

LBF has consistently maintained its Non-Performing Loan (NPL) ratio below the industry average, reflecting the Company's steadfast commitment to credit quality and prudent risk management. During the financial year 2024/25, the gross NPL ratio further improved to 2.25%, marking a notable reduction from the previous year. This positive trend was underpinned by the revival of the national economy, coupled with the Company's credit underwriting standards and strengthened recovery mechanisms. The sustained improvement highlights the robustness and effectiveness of LBF's credit risk management framework in navigating evolving credit environment.

Gross NPL Ratio

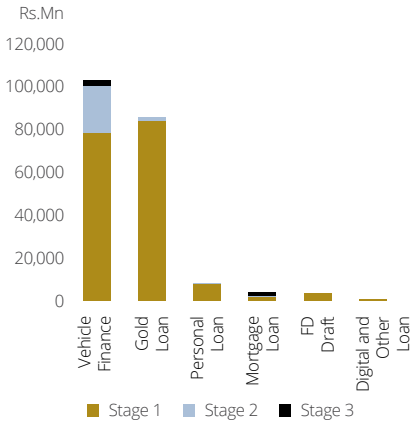


Key Risk Indicators

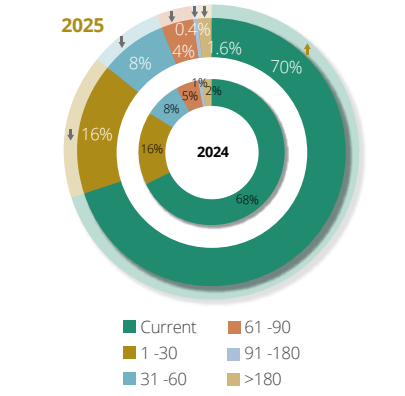
	31 March 2025	31 March 2024	LFC Sector* 31 March 2025
Gross NPL Ratio	2.25%	3.54%	8.30%
Net NPL Ratio	-1.22%	-0.79%	4.50%
Gross Irregular Advance Ratio	14.42%	16.11%	22.18%
Stage 3 Impairment Coverage	71.89%	58.84%	45.79%

*Source: CBSL

Stage wise Exposure

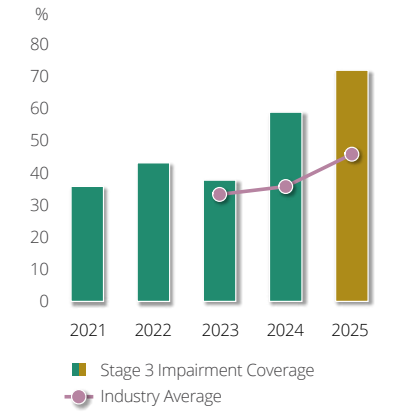


Aging of Pastdue Loans

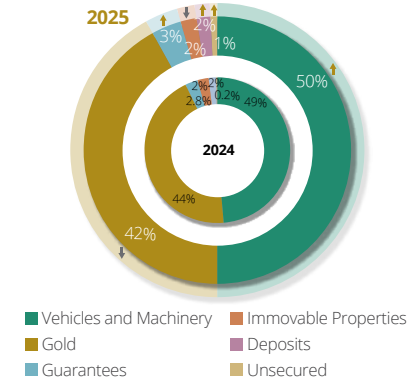


LBF continued to preserve its impairment coverage ratio well above the industry average, demonstrating a prudent and forward-looking approach to credit risk provisioning, particularly in an environment marked by economic uncertainties. Although the financial year 2024/25 was relatively more stable compared to preceding periods, the Company sustained its conservative stance on impairment provisioning. Notably, the Stage 3 impairment coverage ratio increased during the year, reflecting LBF's continued emphasis on risk resilience and its disciplined approach to safeguarding asset quality.

Stage 3 Impairment Coverage



Main Types of Collaterals

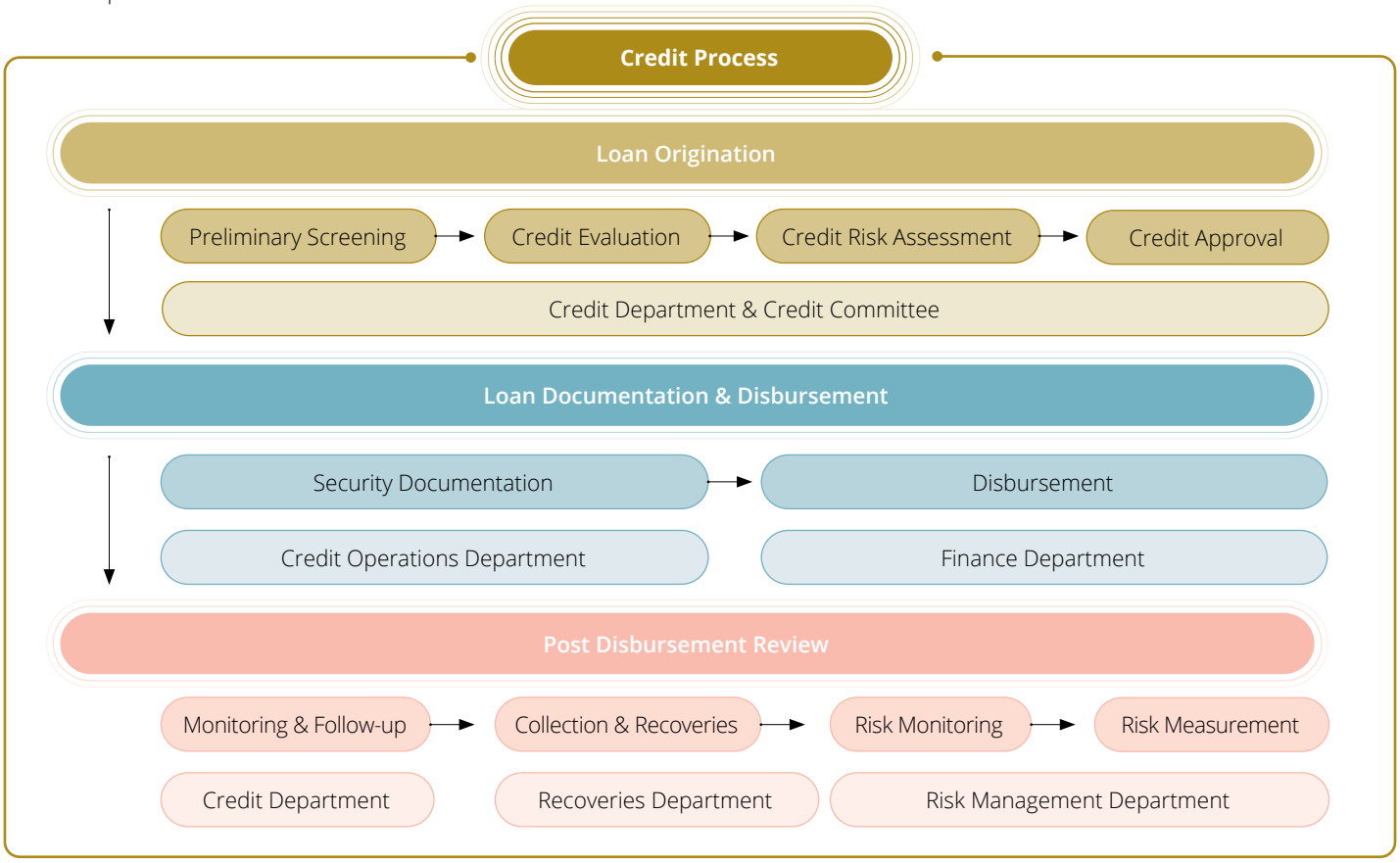


Securing collateral continues to be a fundamental element of LBF's credit risk management strategy, providing enhanced protection against potential credit defaults. As at the end of the financial year 2024/25, approximately 96% of the lending portfolio was secured by tangible assets, reflecting the Company's strong emphasis on asset-backed lending. The unsecured portfolio remained minimal, highlighting LBF's conservative approach to risk. Collateral is predominantly concentrated in vehicle financing and gold loan segments, which continue to be the Company's main secured lending products.

14.1 Managing Credit Risk at LBF

The goal of credit risk management is to maximise the Company's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The Company has a well-structured credit process that spells out the guidelines and parameters within which its credit decision process takes place. For managing risks arising from counterparty investments, the Company has formulated a comprehensive policy for treasury investments. The Company's credit approval process plays the most vital role in default risk management on a day-to-day basis. The process defines the principles about delegation of lending authority, client selection, due diligence in line with the Company's risk appetite. The Company uses various credit indicators to identify the emerging credit risks and analytical tools to manage such risks.

The credit process is summarised below:



Process	Objective	Procedure	Responsible Department
Loan Origination	Assess borrower's ability to meet obligations and determine suitable terms and conditions including pricing and timing of repayments in line with ALCO determinations This is a critical control and the principal means of credit risk management	Borrower screening and credit appraisal through investigation of collateral, review of documentary evidence, references, income sources, and past payment history Assess counterparty risk with internal risk scoring models Loan is approved based on the Delegation of Authority where approval limits are set based on factors such as maximum counterparty exposures, loan to value ratio and value of the collateralised asset Large exposures are approved by the Credit Committee and Board	Credit Department
Loan Documentation and Disbursement	Facilitate efficient disbursement process	Ensure adherence to approved procedures in credit manual	Credit Operations Department
		Disbursement	Finance Department
Post Disbursement Review	Monitor and follow up on loan repayment	Initial monitoring	Credit Department
		Handling delinquencies with effective follow-ups and reminders Taking swift recovery actions against critical exposures	Recoveries Department
		Asset quality performance review In-depth portfolio analysis	Risk Management Department

In support of ongoing credit risk oversight, the Company leverages a reliable and integrated Management Information System (MIS) that enables comprehensive risk monitoring across multiple dimensions such as customer segments, product types, geographic exposures, and collateral coverage ensuring timely identification and mitigation of emerging risks.

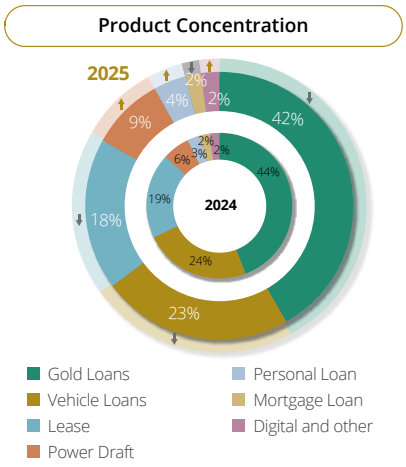
When introducing new products, we follow a structured and disciplined approach to ensure that all associated risks are thoroughly evaluated. Relevant risk management procedures and internal controls are reviewed and, where necessary, enhanced to ensure that any risks arising from the proposed activity remain within the parameters of the LBF's Risk Appetite Statement. Final approval is granted only after the Board is satisfied that the risk exposures are manageable and the control environment is sufficiently robust.

14.2 Credit Concentration Risk

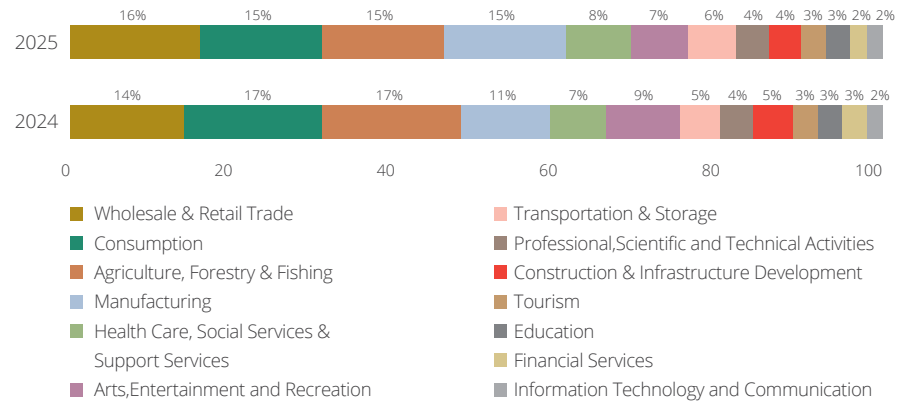
Credit concentration risk refers to the potential financial loss that may arise when a significant portion of the credit portfolio is concentrated in a single borrower, industry sector, geographic region, or loan type. Adverse events affecting a concentrated segment such as economic downturns, industry-specific disruptions, or borrower defaults can have a disproportionate impact on the Company's financial stability and performance.

To mitigate this risk, LBF adopts a diversification strategy, distributing its credit exposure across various borrower characteristics, including industry sectors, geographic locations, and product categories. Risk appetite limits are clearly defined to control concentration levels, and continuous portfolio monitoring ensures alignment with these thresholds. As part of its risk governance, the Company enforces robust credit policies and procedures to guide lending practices and restrict exposure to high-risk segments.

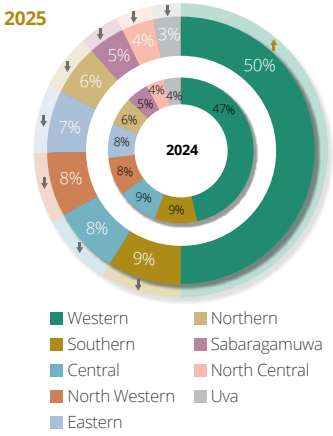
Additionally, regular stress testing is conducted to assess the potential impact of adverse scenarios on the portfolio. The Herfindahl-Hirschman Index (HHI) is employed as a key analytical tool to quantify concentration risk and simulate stress scenarios, allowing the Company to identify vulnerabilities and formulate proactive mitigation strategies.



Industry Concentration

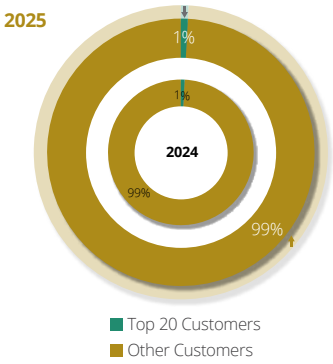


Geographical Concentration



LBF's lending portfolio is diversified cross a wide range of industries minimising concentrated exposure to any industry. Vehicle financing being the core product of LBF, the product concentration continued to be weighted to lending secured by vehicles (vehicle loans, leases and power drafts), while there is an equal contribution from gold loans. The portfolio is concentrated to Western Province due to its substantial economic activity and high population density. Nevertheless, it's evident that LBF actively operates in all provinces. Exposure to top 20 customers is minimal at 1% reflecting diversification of the credit portfolio across borrowers.

Borrower Concentration



15. LIQUIDITY RISK

Liquidity risk has been carefully monitored to ensure that the Company had sufficient liquidity buffers, particularly due to stresses in the economy over the past few years as maintaining financial stability was paramount. As a large player in the country's NBFI sector, financial stability of LBF has a significant impact on the stability of the financial sector in the country. Consequently, there was significant focus on liquidity risk by the regulator as well. Liquidity risk arises primarily due to the mismatches in the maturity profile of assets and liabilities.

Definition

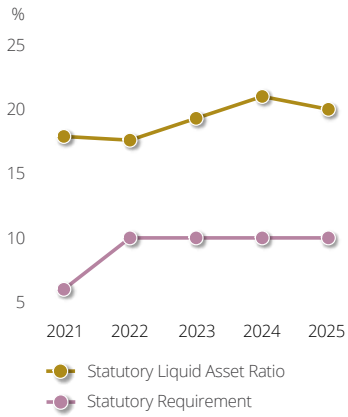
An entity's inability to meet its short term contractual obligations without sustaining unacceptable losses

Components

- Funding Liquidity
- Market Liquidity

At the outset of the financial year, LBF maintained a position of excess liquidity. These surplus funds were prudently deployed into suitable investment avenues. From mid-2024 onwards, a notable increase in credit demand necessitated higher levels of cash inflows to support lending activities. Throughout the period, LBF consistently maintained liquidity levels well above the regulatory minimum requirements, ensuring both financial stability and the continued achievement of the Company's lending objectives.

Statutory Liquid Asset Ratio

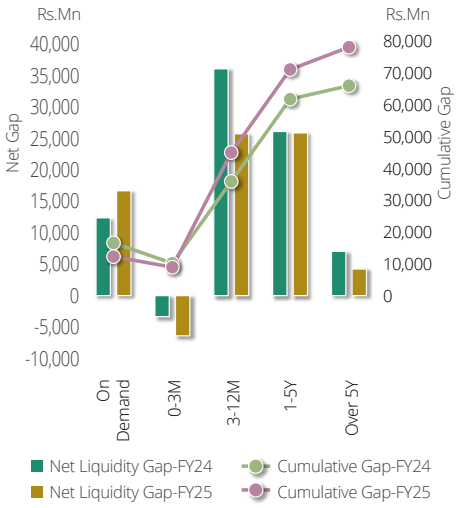


Key Risk Indicators

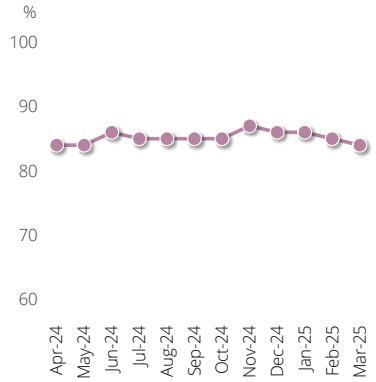
	31 March 2025	31 March 2024	LFC Sector* 31 March 2025
Liquid Assets to Total Assets	11.82%	12.89%	11.82%
Liquid Assets to Deposits and Borrowings	20.01%	21.02%	16.71%
Liquid Assets to Short Term Liabilities (<3 Months)	33.37%	34.78%	41.43%

* Source: CBSL

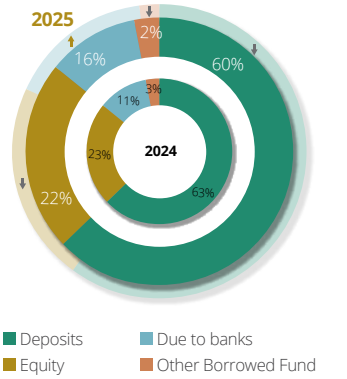
Net Liquidity Gap Based on Remaining Contractual Maturities



Fixed Deposit Renewal Ratio



Funding Diversification



Although the 0–3 month maturity bucket reflected a negative liquidity gap on a static basis, the Company's strong fixed deposit renewal ratio, consistently maintained above the 75% threshold throughout the year, effectively offset this gap in the actual liquidity position. The funding mix remained largely unchanged compared to the previous year, with customer deposits continuing to represent a significant 60% of total funding, reflecting the sustained confidence of our depositor base.

15.1 Managing Liquidity Risk at LBF

The Treasury Department is responsible for managing the Company's liquidity risk, with a primary focus on ensuring the timely fulfilment of funding obligations and deposit withdrawals, while adhering to regulatory liquidity requirements and maintaining efficient access to financial markets. LBF's liquidity management framework is guided by the Board approved Asset and Liability Management Policy and Liquidity Management Policy, under the oversight of the ALCO.

Department	Key Activities
ALCO	• Oversees the execution of the Company's liquidity strategy by monitoring liquidity risk exposures and establishing limits, triggers, and operational guidelines • Reviews the maturity profiles of assets and liabilities, assesses key liquidity indicators and monthly liquidity forecasts, and identifies potential mismatches • Evaluates appropriate mitigation measures to ensure sound and effective liquidity risk management
Treasury Department	• Prepares forecasted cash flow statements and presents to the ALCO for the assessment of future funding needs • Monitors daily funding requirements and forecast LBF's liquidity position considering both routine cash flows and anticipated one-off outflows • Ensures ongoing compliance with regulatory requirements. Implementing strategies to maintain adequate and stable liquidity levels
Risk Management Department	• Utilises stressed behaviour modelling techniques to assess the Company's cash flow requirements under adverse conditions, enabling early identification of potential stress indicators • Monitors liquidity risk continuously through Key Risk Indicators, with proactive development of mitigation strategies, policies, and procedures • Conducts regular stress testing to evaluate the LBF's resilience to stressed scenarios, while ensuring ongoing compliance with regulatory limits and alignment with the defined risk appetite for liquidity risk

LBF measures liquidity using both the stock approach and the flow approach to effectively assess liquidity risk. Under the flow approach, the Company prepares a maturity analysis statement of assets and liabilities, categorising all expected cash inflows and outflows into relevant time bands based on their maturities. The resulting gap analysis highlights potential cash flow mismatches, supporting prudent liquidity management. Under the stock approach, liquidity is measured using key financial ratios that reflect balance sheet strength. These ratios are reviewed regularly to monitor liquidity trends and ensure sound risk management.

The Company also has a contingency funding plan in place to address crisis situations. It provides the framework to manage critical situations that lead to liquidity constraints that disrupt the daily operations of LBF. During the financial year 2024/25, contingency funding arrangements were further strengthened by securing more standby facilities.

The Company's primary source of funding is deposit mobilisation, which spans across retail, commercial, and institutional client segments. Throughout the financial year 2024/25, the deposit renewal ratio was remained consistently above the internal threshold of 75%, reflecting strong depositor confidence. Deposit concentration risk is closely monitored using relevant risk indicators to ensure stability and diversification.

In addition to deposits, the Treasury Department actively pursues alternative funding avenues both domestic and international including institutional borrowings and the issuance of debt instruments, to further enhance the Company's funding strength. LBF's strong credit profile and market reputation enable access to funding at competitive interest rates. The Company maintains a well-diversified funding mix that supports financial resilience and flexibility. During the year under review, the composition of the funding mix remained largely unchanged compared to the previous year, with customer deposits accounting for approximately 60% of total funding.

16. MARKET RISK

Profitability of LBF is significantly impacted by movements of market factors which are beyond the control of any single entity. These market factors impact valuations of portfolios of assets and liabilities as most transactions involve at least one element of market risk. Consequently, LBF manages these exposures, carefully balancing profitability and stability within the risk appetite set by the Board.

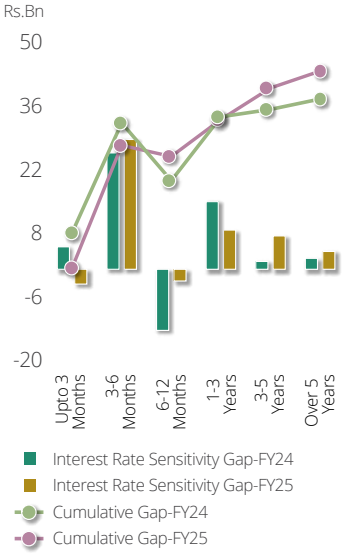
Definition
Potential for financial loss resulting from unfavourable movements in market variables that are beyond the Company's control

Components
- Interest Rate Risk
- Commodity Price Risk
- Exchange Rate Risk

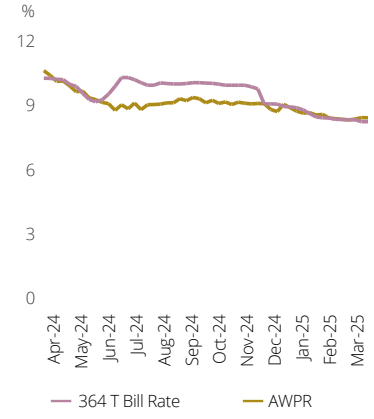
16.1 Interest Rate Risk

During the year under review, interest rates declined moderately, with a total drop of around 200 basis points. Given the nature of LBF's operations, interest rate risk primarily affects earnings rather than the market value of portfolios. The decline in rates created some pressure on net interest income. However, this was effectively managed through close monitoring of interest rate sensitivity gaps and timely re-pricing of liabilities. These measures helped the Company to maintain stability in its earnings.

Interest Rate Sensitivity Gap Analysis



Market Interest Rates



Key Risk Indicators

	31 March 2025	31 March 2024	LFC Sector* 31 March 2025
Interest Income to Interest Expense	251.17%	214.53%	236.60%
Net Interest Margin	12.22%	13.72%	12.35%

* Source: CBSL

Managing Interest Rate Risk at LBF

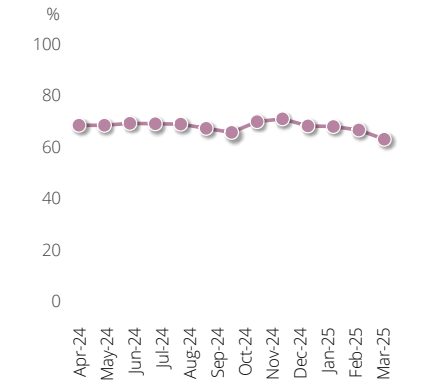
Interest rate risk at LBF is managed through a coordinated effort involving key departments, each playing a distinct but complementary role. The governance framework ensures that interest rate movements are proactively monitored and managed in line with the Company's overall risk appetite and financial objectives. Interest rate risk is primarily managed through alignment of interest rate bearing assets and liabilities to protect interest rate spreads from undue volatility in interest rates. It weights the portfolio with shorter re-pricing periods to reduce interest rate gaps and while also negotiating interest rate caps on new borrowings.

Department	Key Activities
ALCO	Oversees the Company's interest rate risk management strategy and ensures alignment with market conditions and business objectives. ALCO closely monitors macroeconomic trends and interest rate movements to guide the pricing of lending and deposit products
Treasury Department	Negotiates with financial institutions to secure funding at the most competitive rates and actively participates in market transactions to ensure cost-effective management of borrowings and surplus funds
Product and Business Units	Collaborate with ALCO and Treasury to fine-tune product pricing strategies in response to market movements. These units ensure that products remain competitive while supporting margin sustainability and customer value
Risk Management Department	Regularly conducts interest rate sensitivity analysis and stress tests to evaluate the potential impact of interest rate fluctuations on the Company's earnings and capital. These assessments help identify vulnerabilities under different interest rate scenarios and provide early warning signals for corrective action

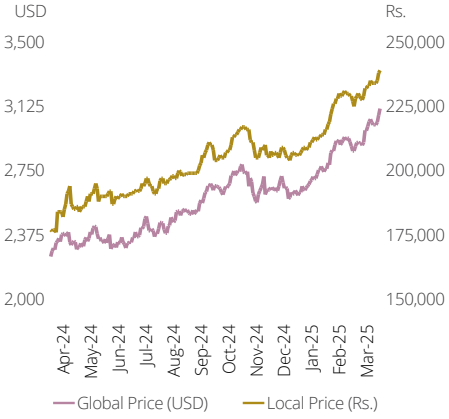
16.2 Commodity (Gold) Price Risk

Given the prominence of gold-backed lending in LBF's portfolio, movements in global gold prices pose a key market risk with credit implications. In 2024/25, gold prices rose by approximately 36%, driven largely by heightened geopolitical and geo-economics tensions. The Company actively managed this risk by continuously monitoring price trends and promptly adjusting the maximum advance amounts on gold loans. This ensured that the Board approved safety margins were maintained throughout the year, safeguarding portfolio quality and earnings stability.

Average LTV



Gold Price Movement



Managing Commodity Risk at LBF

Gold loans are of short duration to manage commodity price risks due to high volatility and high degree of difficulty in predicting movements. The exposure to a gold loan is typically 1 to 4 months providing flexibility to reprice the portfolio inline with the movements in market prices. LBF promptly response to the market price fluctuation and revisit the maximum advance amount ensuring that Board approved safety margin is maintained at all times. In cases of default, pledged gold is auctioned in a timely manner, further containing the risk.

A Value at Risk (VaR) model is used as a core analytical tool to estimate potential losses under adverse market conditions, offering a quantitative basis for risk oversight. In addition, a dedicated impairment provision is maintained for the gold loan portfolio to cushion against unexpected losses. Continuous stress testing is also carried out to assess the portfolio's resilience to sharp price declines across various scenarios.

This proactive and multi-layered approach ensures that LBF manages gold price risk effectively, preserving both portfolio quality and overall financial stability.

17. OPERATIONAL RISK

Operational risk is a key risk due to its pervasive presence across all transactions as LBF is a financial institution. Our approach to operational risk management is grounded in a clear understanding of the internal and external context in which the organisation operates.

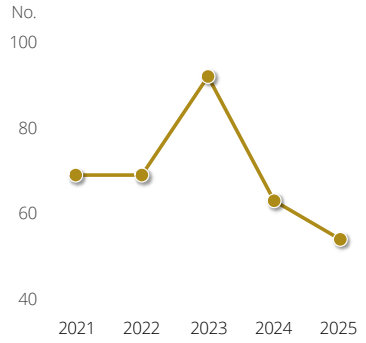
Definition

Risk of losses stemming from inadequate or failed internal processes, people and systems or from external events.

Components

- Compliance Risk
- Legal Risk
- Financial Crimes Risk
- Technology Risk
- Information Security & Cyber Risk
- Model Risk
- HR Risk

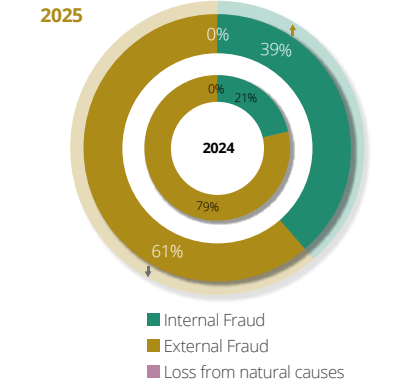
No. of Loss Incidents



Operational Risk Losses and Recoveries



Operational Risk Losses by Types



During the year under review, the number of reported operational risk events declined, reflecting the effectiveness of LBF's proactive risk mitigation efforts. While there was a marginal increase in overall loss amounts due to a few isolated incidents, this was contained through rigorous control monitoring, continuous staff awareness programmes, and the ongoing reinforcement of a strong risk culture. The enhancement of policies, frameworks, and governance structures further contributed to strengthening operational resilience across the organisation.

Key Risk Indicators	
Operational Loss to Average Income	Regulatory Fines
No of Customer Complaints	Talent Staff Turnover Ratio
Critical System Downtime	No. of court cases that could lead to reputational risk

17.1 Managing Operational Risk at LBF

At LBF, operational risk is managed as a shared responsibility across all levels of the organisation. The Board provides strategic oversight and sets the tone at the top through well-defined risk appetite and governance directives. BIRMC monitors operational risk exposures and mitigation plans, while the operational risk function within the Risk Management Department is responsible for designing frameworks, monitoring controls, and reporting exposures. Business units as the first line of defence are accountable for managing operational risk in their day-to-day activities. To strengthen governance further, LBF established a dedicated Operational Risk Management Committee (ORMC) during the year under review. This committee plays a critical role in evaluating emerging risk trends, reviewing incidents, and ensuring the adequacy of mitigation measures.

A range of tools and reporting mechanisms are used to manage operational risk effectively. Key among these is the Risk and Control Self-Assessment (RCSA) process, which has been expanded to cover a broad array of risk types including fraud, process errors, technology-related risks, and external disruptions. Regular RCSA exercises help in identifying control weaknesses and prioritising remedial actions. In parallel, the implementation of a structured incident reporting mechanism is underway, aimed at improving the capture and analysis of operational loss events, near misses, and control failures. This system will support root-cause analysis and the identification of systemic issues across the organisation. Operational Key Risk Indicators (KRIs) are closely monitored to detect emerging trends and provide early warning signals, enabling timely intervention.

A strong control environment remains the cornerstone of operational risk management at LBF. Clearly defined policies and procedures, dual-control mechanisms, system-based authorisations, and segregation of duties form the foundation of operational integrity. Ongoing staff training and awareness programmes have been instrumental in building a risk-aware culture. During the year, several awareness sessions were conducted to enhance employee understanding of operational risks and reinforce personal accountability in risk prevention.

To further mitigate potential losses, LBF adopts a range of risk mitigation strategies. These include comprehensive insurance coverage for critical operational exposures such as cash-in-transit, employee dishonesty, and natural disasters. Where appropriate, operational activities are outsourced to specialist service providers under stringent risk-based due diligence and performance monitoring frameworks. Additionally, a tested and regularly updated Business Continuity Plan (BCP) ensures that essential operations can continue seamlessly during disruptions, minimising the impact on customers and stakeholders.

Together, these measures demonstrate LBF's commitment to building operational resilience, ensuring business continuity, and protecting stakeholder interests amidst a dynamic and complex operating environment.

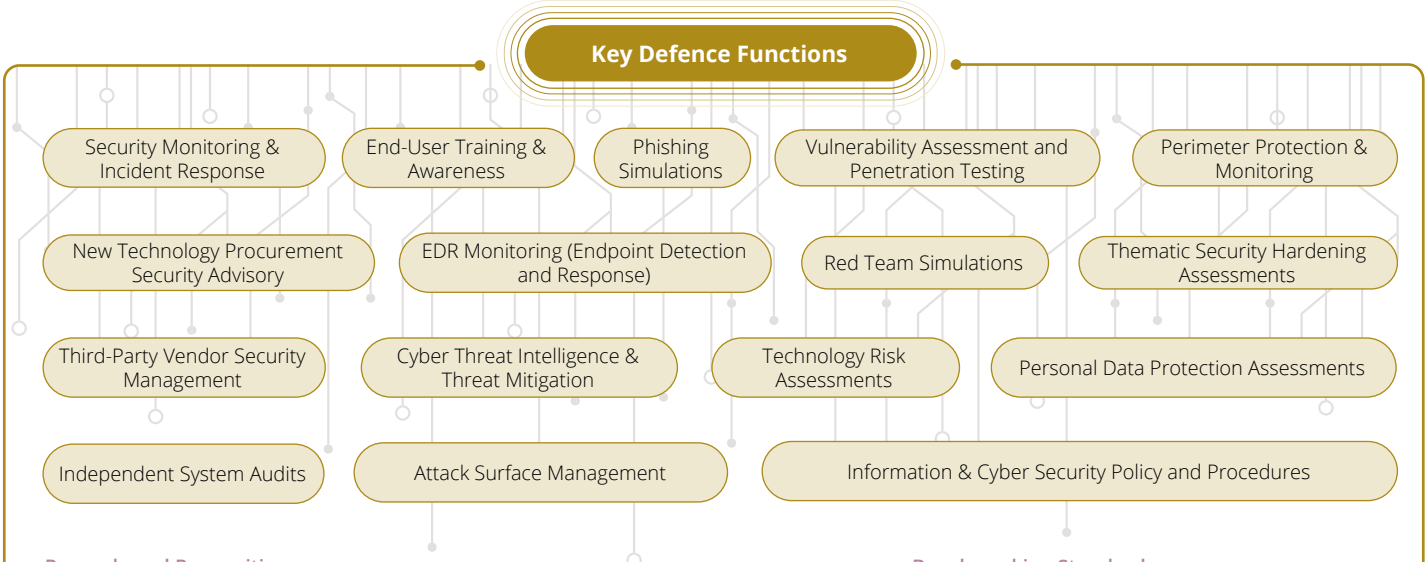
Operational Assurance: Resilience through Business Continuity Management

LBF has established a Business Continuity Management System (BCMS) to facilitate resilience in its operations. BCMS encompasses business continuity, disaster recovery, crisis management, incident management, emergency management and contingency planning activities. This enables the Company to minimise the impact to its stakeholders in case of disruptive events or disasters and support a return to normalcy as fast as possible.

The BCM Steering Committee which is comprised of key staff members, plays an integral part of the BCM programme. BCM Steering Committee enables the company-wide roll out of the BCM and ensures the alignment of business goals with the BCM goals. The scope of the BCM includes programme initiation and management, risk evaluation and business impact analysis, developing business continuity strategies, emergency preparedness and response, developing and implementing business continuity plans, awareness building and training, business continuity plan exercise, crisis communications and coordination with external agencies.

17.2 Information and Cybersecurity Risk

LBF continues to pursue an accelerated digital transformation agenda to enhance operational efficiency, elevate customer experience, and reinforce its competitive positioning. While this evolution brings substantial benefits, it also elevates the Company's exposure to information security, cybersecurity, and broader technology risks. In response, LBF has significantly strengthened its IT Risk Management Framework, adopting a proactive, structured approach to manage these evolving threats effectively. As a retail financial institution entrusted with a vast volume of sensitive customer information, information security risk remains a key area of focus. Compliance with emerging Personal Data Protection regulations is critical, and LBF has taken decisive steps to ensure the confidentiality, integrity, and availability of customer data. A dedicated Information Security Department, headed by Chief Information Security Officer (CISO) has been established to lead this effort to oversee regulatory alignment and implementation of appropriate controls.



Rewards and Recognitions

- ISACA Award for Technology Resilient Company of the Year in the financial sector
- Recognised as the top in the financial sector for cyber incident response and forensic analysis by TechCERT

Benchmarking Standards

MITRE ATT&CK | ISO/IEC 27001 | NIST | CIS
CBSL Directions | PDP | COBIT | ITIL etc.

Our cybersecurity strategy is built on a multi-layered defense model aligned with the Three Lines of Defense. This approach integrates preventive, detective, and responsive controls across systems and processes to enhance digital resilience. Key components include advanced security technologies such as firewalls, intrusion detection and prevention systems, encryption protocols, and endpoint protection tools. Regular vulnerability assessments, penetration testing, and thematic security audits are conducted to identify and address security gaps in a timely manner. To further strengthen data privacy, the Company has implemented comprehensive measures including access controls, data encryption, and secure data storage practices, while progressing with compliance initiatives under the Personal Data Protection Act. Enhancing operational resilience is also a critical objective, with robust Business Continuity Planning (BCP) and Disaster Recovery (DR) frameworks in place to ensure continuity of critical services during disruptions.

Our risk mitigation efforts are guided by a structured methodology that includes the evaluation and application of technical, operational, and managerial controls to address identified vulnerabilities. The foundation of this approach is the Information Security Management System (ISMS), implemented in accordance with the ISO/IEC 27001:2022 standard. This system ensures that information security practices are embedded within daily operations and consistently reviewed for improvement.

In addition, a comprehensive IS Audit Framework provides an independent assessment of internal controls, governance, and compliance with regulatory and industry standards. These efforts collectively reinforce LBF's ability to safeguard its digital infrastructure, protect stakeholder interests, and deliver secure, reliable services in an increasingly complex cyber environment.

17.3 Compliance Risk

LBF remains firmly committed to conducting its business with the highest level of integrity, in full compliance with applicable laws, regulations, and regulatory expectations. Compliance is not viewed as a standalone function but as an integral part of the Company's overall risk governance framework. A culture of compliance is embedded across the organisation, supported by continuous training, active oversight from the Board and its Sub-Committees, and a clear tone from the top.

Managing Compliance Risk at LBF

As a licensed financial institution, LBF proactively monitors the evolving regulatory landscape and promotes early adoption of new regulatory requirements. The Compliance function operates independently and works closely with business units to assess, advise, and oversee adherence to all applicable laws and internal guidelines. Regular reviews by Internal Audit Department and Compliance Department further reinforce LBF's zero-tolerance policy for non-compliance and ensure that any emerging issues are addressed promptly.

To manage compliance risk effectively, we have adopted a range of practices and tools, including:

- Periodic internal compliance reviews at branch and departmental levels to ensure adherence to laws, regulations, and internal policies
- Regular monitoring and reporting on compliance with regulatory directions issued by the Central Bank of Sri Lanka
- Early adoption of new regulatory requirements and ongoing alignment of internal practices with emerging compliance standards
- Continuous transaction monitoring to detect and prevent potential financial crimes, including AML/CTF-related risks
- Timely execution of Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) where required, based on customer risk profiles
- Ongoing staff awareness initiatives to strengthen compliance culture and promote ethical conduct
- Independent oversight by the Compliance Department, with escalation of material compliance matters to the Board through relevant sub-committees
- Engagement with industry forums and regulators to stay abreast of key developments and maintain alignment with best practices

Through these measures, LBF ensures that compliance remains a cornerstone of sustainable and responsible business conduct.

17.4 Model Risk

At LB Finance, quantitative models play an essential role in informing strategic decisions. Ensuring these models are developed and maintained responsibly is vital to safeguarding the Company's financial health. A structured framework governing the entire model lifecycle from inception through retirement underpins our ability to generate reliable outputs and maintain robust risk controls.

Sources of model risk include programming defects, data inaccuracies, bias, incorrect assumptions, or misinterpretation of results.

Managing Model Risk at LBF

During the year 2024/25, we established a comprehensive Model Risk Management Framework to reinforce governance over the use of models across the institution. This framework defines the standards, processes, and responsibilities for managing model risk throughout the entire model lifecycle from development and implementation to monitoring and retirement.

Key Component	Management Approach
Model Lifecycle Governance	Clear guidelines outlining activities and accountability at each phase of the model's lifecycle, including development, testing, deployment, performance monitoring, and eventual decommissioning. BIRMC provides oversight of model risk activities
Model Register and Ownership	A central model inventory is maintained, documenting all active models in use. Each model has an assigned owner responsible for its upkeep, periodic review, and compliance with internal policies
Independent Validation	Models undergo independent validation either internally or through external experts prior to deployment and periodically thereafter, to verify conceptual soundness, implementation accuracy, and continued relevance
Ongoing Monitoring	Periodic reporting on model performance to BIRMC and risk assessments ensures transparency and enables informed oversight

By embedding these practices into our risk culture and operational processes, LB Finance ensures that its use of models remains robust, transparent, and aligned with sound risk management principles.

18. STRATEGIC RISK

Strategic risk arises from adverse business decisions, improper implementation of decisions, or a failure to respond effectively to external changes. At LBF, strategic risk is recognised as a key risk category, given the evolving economic, market, and regulatory environment. The Company adopts a structured and forward-looking approach to managing this risk, ensuring alignment between its strategic objectives, risk appetite, and long-term value creation goals.

Managing Strategic Risk at LBF

LBF's three-year Board-approved strategic plan, supported by annual budgets and business plans, forms the foundation for managing strategic risk. Strategic initiatives are carefully evaluated with a focus on sustainable growth, profitability, and stakeholder value. During the year under review, LBF continued to focus on strengthening its vehicle financing portfolio, maintaining market share in gold-backed lending, and enhancing digital financial solutions to meet evolving customer needs.

Strategic risk is managed through a range of practices, including:

- Pre and post-implementation reviews of key products, projects, and investments to evaluate strategic alignment and financial performance
- Monthly and quarterly variance analysis against budgeted financials to detect early deviations and refine the Company's focus
- Scenario analysis and stress testing to assess the resilience of the strategy under adverse conditions
- Regular environmental scanning to monitor market, technological, economic, and regulatory developments
- Ongoing engagement of the Board and Executive Management to review strategic progress and adjust direction as needed
- Use of key performance indicators and risk metrics to monitor execution and provide early warning signals of emerging risks

Through this comprehensive approach, LBF ensures that strategic choices are grounded in sound risk-return assessments and that the Company remains agile and responsive to a rapidly changing environment.

19. REPUTATIONAL RISK

LBF recognises that its reputation is one of its most valuable assets. It has been built over time through sound business practices, responsible leadership, prudent risk management, and a strong commitment corporate responsibility. As a leading financial institution in Sri Lanka, LBF remains vigilant in protecting its reputation across all aspects of its operations.

Managing Reputational Risk at LBF

The Company takes a proactive approach to managing reputational risk, combining preventive measures with early detection and effective response strategies. Through structured stakeholder engagement and continuous monitoring of public sentiment via media, social media, customer feedback, and market surveys LBF identifies and addresses emerging concerns in a timely manner.

Key practices in managing reputational risk include:

- Ongoing employee training on professional conduct, ethical behaviour, and customer service standards
- A responsive and transparent customer complaint resolution process
- Early warning systems to monitor reputational triggers such as media reports, online discussions, and feedback from frontline staff
- Oversight by the Sustainability Committee to ensure alignment between corporate responsibility initiatives and stakeholder expectations
- Consistent and values-driven communication to maintain public trust and brand credibility

This structured and responsive approach enables LBF to safeguard its reputation, strengthen stakeholder relationships, and support sustainable long-term growth.

20. RISK MANAGEMENT FOR SUSTAINABILITY RISK AND CLIMATE RISK

OUR SUSTAINABILITY AND CLIMATE RISK MANAGEMENT FRAMEWORK

As we navigate the dynamic landscape of sustainability and climate related risks, LBF remains steadfast in its commitment to maintaining proactive risk management practices. We believe that integrating sustainability considerations into our risk frameworks is essential, not only to reduce potential risks but also to unlock new opportunities. This approach shows our strong commitment to building long term financial stability while supporting the shift toward a more sustainable, low-carbon future.

We understand that knowing how sustainability and climate risks affect our operations is key to making informed decisions. By assessing these risks, we can better prepare for the future and stay flexible as regulations, environmental conditions, and stakeholder expectations change. We also assess how sustainability and climate-related factors affect the markets we serve. This helps us adjust our products, find new growth opportunities, and create solutions that benefit both our customers and society. These insights improve our understanding of how resilient our business is in different time horizons, the short term (less than 1 year), medium term (1-3 years), and long term (more than 3 years).

Our integrated risk management practices ensure that sustainability related insights are considered in decision making at all levels of the organisation, strategic, tactical, and operational. Collaboration is a cornerstone of our risk management approach, as we actively work towards building a resilient financial ecosystem that collectively addresses sustainability and climate challenges.

MANAGING SUSTAINABILITY-RELATED AND CLIMATE-RELATED RISKS

LBF follows a structured and evolving approach to managing sustainability and climate-related risks, recognising their growing significance to the financial services sector. Our risk management process begins with the systematic identification of material environmental and social risk factors relevant to our operations, customer segments, and geographies. Where feasible, these exposures are assessed using qualitative and quantitative methods. Continuous monitoring forms a vital part of this process. It ensures that identified risks are tracked over time and reviewed in the context of changing environmental and regulatory conditions. This includes evaluating the potential financial implications of sustainability and climate related risks, such as asset impairment, credit deterioration, or operational disruptions. Where necessary, targeted mitigation strategies and robust control measures are implemented to minimise adverse impacts.

Sustainability and climate related risk exposures are presented quarterly to the Board Sustainability Committee (BSC) and further escalated to the Board of Directors. This reporting process enhances oversight, facilitates informed decision making, and embeds sustainability within our overall governance framework.

Sustainability and climate-related risks have the potential to manifest as both financial and non-financial risks impacting credit, market, operational, and reputational risk dimensions. Accordingly, LB Finance has integrated sustainability and climate-related risks into its broader integrated risk management framework, treating them with the same importance as traditional risk categories. These risks are now formally captured in the Company's risk register, ensuring they are monitored, reviewed, and managed as part of our overall risk management process.

Our established Three Lines of Defence model (refer page 316) clearly delineates accountability across business units, risk and compliance functions, and internal audit, ensuring that sustainability and climate-related risks are effectively identified, assessed, and managed across the organisation.

Department	Key Activities
Sustainability Management Committee	Provides direction on integrating sustainability into corporate planning and risk frameworks.
Sustainability Unit / ESG Function	Leads the identification of sustainability and climate-related risks across operations and markets. Coordinates cross-functional initiatives, ensures alignment with ESG goals, and supports regulatory and voluntary climate disclosures. Acts as the central point for ESG risk awareness and stakeholder engagement.
Business and Operations Units	Embed sustainability risk considerations into day-to-day decision-making and business planning while identifying potential sustainability related opportunities.
Risk Management Department	Works closely with the Sustainability Unit to assess and monitor identified environmental and climate related risks. Integrates these risks into integrated risk management framework and conducts stress testing analysis to assess potential impacts.
Compliance and Legal	Monitors evolving regulatory requirements related to climate and sustainability risks. Ensures policies and practices are in compliance with national and international sustainability standards.

20.1 Identification of Sustainability-Related Risks and Opportunities (SRROs)

Sustainability risks can be broadly categorised into environmental, social, and governance (ESG) dimensions, each posing potential impacts on LBF's financial performance, operations, and long-term resilience. These risks may arise from factors such as environmental degradation, social inequalities, or governance impacts. Sustainability risks relate to factors such as employee retention, customer behaviours, data privacy breaches, and lack of financial inclusion. These risks may materialise individually or in combination, influencing LBF's reputation, regulatory compliance, stakeholder trust, and credit quality. Effectively identifying, assessing, and managing sustainability risks is essential for maintaining business continuity and supporting responsible, inclusive growth.

SR 01 Low Financial IQ of Customers

Risk Event

Limited financial literacy among customers, especially first-time borrowers or small business owners, can lead to misunderstanding of loan terms, repayment schedules, and fees and charges

Related Business Risk

- Credit Risk
- Reputation Risk

Business Impact

- Miscommunication of loan conditions can increase default rates and reduce customer satisfaction
- Inadequate clarity may lead to a negative public image, especially in rural areas
- Decline in customer trust impacting the brand image

Business Impact Time Horizons — Short ☑ Medium ☑ Long ☐

Mitigation Strategies

- Financial education and awareness programmes
- Simplified and transparent communication
- Inclusive product design

Our Approach in 2024/25

- We Conducted targeted staff training programmes to promote clear and proactive communication with customers, enabling informed decision making and strengthening service quality, particularly in underserved communities
- We have recruited frontline customer service and marketing officers from their respective regions to minimise miscommunication arising from language differences
- Our digital loan, available through the CIM mobile application, is offered in all three languages (Sinhala, Tamil, and English) allowing customers to select their preferred language. The loan agreement is also provided in the chosen language, ensuring clarity, improved understanding, and minimising complexity for users

Metrics

Quantitative Metrics

- Loan-related queries ratio: 90%

Qualitative Metrics

- Post-disbursement customer understanding index
- Clarity rating in service quality surveys

Sustainability Opportunity (SO 1)

- Develop and deliver financial literacy programmes (workshops, community outreach) to build trust and brand loyalty, specially focusing on under-served markets.
- Collaborate with community organisations, or government programmes to promote financial literacy, which also helps attract impact funding
- Product simplification - Design simplified loan products with clearer terms, tailored for low-literacy segments

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Increased loan defaults and delinquencies due to misunderstandings may result in higher provisions for bad debts which ultimately leads to profit reduction	Increased defaults may reduce the value of the loan portfolio, as more loans are written off or provisioned leads to reduction in loan portfolio	Defaulting loans may lead to cash flow strain, as expected repayments are not received on time	Persistent misunderstandings and defaults may harm the institution's reputation, making it harder to attract new customers
Likelihood - **Low**	Residual Risk - **Low**	Link to Strategy - S 1 S 4 S 6	

SR 02 Employee Turnover Risk

Risk Event

LBF faces a recurring challenge where competitors actively target and recruit its experienced staff, attracted by their high-quality training and field expertise. While LB maintains a strong focus on nurturing talent through continuous training programmes, the frequent outflow of seasoned employees creates a skill gap.

Related Business Risk

- Operational Risk
- Reputational Risk

Business Impact

- Loss of experienced staff creates a skill gap, increasing reliance on new trainees, which may lead to service delays, errors, and operational losses
- Reduced institutional knowledge increases the need for supervision, affecting service efficiency and thereby impacting the overall customer satisfaction
- The turnover of experienced staff may result in the loss of long-standing customer relationships, potentially impacting business volumes and eroding market share

Business Impact Time Horizons	Short	Medium	Long
	☑	☑	☐

Mitigation Strategies

- Strengthen knowledge management through documentation, mentoring, digital support tools and structured handover processes
- Employee reward and recognition
- Provide clear career progression paths and cross-functional training
- Expand training programmes to accelerate the readiness of new recruits
- Conduct regular employee engagement surveys to identify concerns early

Our Approach in 2024/25

- Career progression paths were developed and structured training sessions were conducted for selected high performers
- We have implemented a buddy and mentorship system to support staff development, knowledge transfer, and smoother onboarding for new recruits
- Performance based incentive programmes are in place

Metrics

Quantitative Metrics

- Annual staff turnover rate: 44%
- Average training hours per employee: 5.75

Qualitative Metrics

- Employee Engagement
- Employee voluntarism

Sustainability Opportunity (SO 2)

- Foster long-term talent loyalty and reduce poaching vulnerability.
- Accelerate learning curve and build a future-ready workforce
- Promote well-being and increase productivity through a positive workplace culture

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
High employee turnover places pressure on profitability through several channels. It leads to increased costs associated with recruitment and training, while undertrained new employees may contribute to operational errors resulting in financial losses. Insufficient compliance knowledge can expose LBF to regulatory fines, which is a cost. Loss of long-standing customer relationships, and decline in repeat business due to poor service standards reduce the revenue generation.	Since human capital is not directly identified as assets, the impact is in indirect form. Loss of key customer relationship managers may result in a reduction of loan portfolios or deposit bases, impacting assets and liabilities. Increased expenses due to training, recruitments, financial losses due to errors reduces the profits there by, reduces retained earnings, impacting the equity.	Cash flow from operating activities is adversely impacted, with increased cash outflows due to ongoing recruitment and training expenses, and reduced cash inflows resulting from revenue losses tied to customer attrition and declining service standards	Reduced investor confidence due to operational instability may result in more difficulty in securing capital or lead to higher borrowing costs
Likelihood - **High**	Residual Risk - **Medium**	Link to Strategy - S 1 S 5 S 6	

SR 03 Data Privacy and Information Security Risk

Risk Event

LBF handles vast volumes of personal and financial data belonging to its customers and employees. Breaches whether accidental or malicious can severely undermine trust, disproportionately impact vulnerable populations, and expose the organisation to regulatory, legal, and reputation risks. Cyber attacks or data misuse can cause financial harm and emotional distress to stakeholders

Related Business Risk

- Operational Risk
- Reputational Risk
- Compliance Risk

Business Impact

- Loss of customer confidence, reduces business referrals, and potential attrition in competitive markets
- Exposure to legal action, regulatory fines, and potential operational restrictions, including license or service limitations
- Financial loss to customers, reputation fallout, and risk of lawsuits

Business Impact Time Horizons	Short	Medium	Long
	☑	☑	☑

Mitigation Strategies

- Implement strong encryption and secure access controls to protect sensitive data.
- Regularly update systems and software to address security vulnerabilities.
- Conduct frequent cybersecurity training for employees to prevent accidental breaches.
- Monitor networks continuously to detect and respond to threats in real time.
- Maintain comprehensive data protection policies and ensure compliance with relevant regulations

Our Approach in 2024/25

- Established a dedicated Chief Information Security Officer (CISO) function to strengthen strategic oversight of cybersecurity and information security initiatives. The CISO office leads governance, risk management, and incident response efforts, ensuring alignment with regulatory expectations and evolving threat landscapes
- Appointed a dedicated specialised resource to oversee personal data protection programme to ensure compliance with privacy regulations

Metrics

Quantitative Metrics

- No. of data breaches/year: 0
- Alignment with Data Protection Act: In progress

Qualitative Metrics

- Continuous training on data protection
- Strengthen and invested on information security

Sustainability Opportunity (SO 3)

- Enhance financial inclusion by building ethical digital literacy practices
- Build brand equity by being a privacy-responsible financial institution

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Costs related to data protection measures, cybersecurity infrastructure, and employee training increase ongoing expenses while regulatory non-compliance or data breaches may lead to significant fines and legal settlements. Loss of customer confidence may lead to reduced revenue generation. These would impact the profit negatively.	Enhanced investment on cyber security tools will increase intangible assets while creating increased liabilities to fund those requirements. If reputation or customer trust is significantly damaged, goodwill or brand-related intangibles may be impaired. Further, a breach of trust may cause customers to withdraw funds, shrinking customer deposits.	Increased outflows for legal fees, fines, compensations, and implementing new security measures may strain cash flow	Investors and lenders may impose higher interest rates on loans or limit the company's access to credit, reflecting the increased financial risks
Likelihood - **High**	Residual Risk - **High**	Link to Strategy - S 1 S 2 S 3 S 6	

SR 04 High Dependency on Non-Renewable Energy Sources

Risk Event

LBF relies heavily on grid-based electricity and fuel-powered logistics across its branch network. Given rising energy costs, carbon intensity, and regulatory pressure, this over-dependence on fossil fuels creates strategic and operational vulnerabilities. It also affects the company's environmental reputation and resilience to energy shocks

Related Business Risk

- Operational Risk

Business Impact

- Carbon footprint misalignment with stakeholder expectations, leading to reputational damage and loss of trust among customers and investors.
- Service disruptions and branch productivity losses, especially in rural areas with grid instability and frequent energy outages.
- Limited awareness of energy-saving practices among employees and customers, reducing operational efficiency and sustainability impact

Business Impact Time Horizons	Short	Medium	Long
	☐	☑	☑

Mitigation Strategies

- Optimise fuel usage, transition to hybrid or electric vehicle fleet
- Perform scenario analysis; design carbon-resilient operational models
- Fully solar implement at selected branches

Our Approach in 2024/25

- Installed solar backup systems and UPS in 40 branches
- Adopted a phased clean-energy strategy; disclose GHG emissions in annual reports
- Emissions partially tracked at Corporate office through energy audit
- Introduced the Solar Loan to the product portfolio
- Initiated adopting green building concept into new constructions

Metrics

Quantitative Metrics

- CO2 emissions per branch – 170.99 tCO2e/year
- % of branches with solar backup – 18%

Qualitative Metrics

- Employee awareness of energy-saving protocols through surveys and feedback
- Quality of energy audits conducted annually

Sustainability Opportunity (SO 4)

- Improve ESG ratings and attract sustainability-minded investors
- Transform into a low-carbon business aligned with sustainability policies
- Increase resilience and reduce long-term energy costs

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Rising energy costs from dependence on fossil fuels increase operational expenses, while service interruptions reduce revenue. These lead to reduced profitability	Costs associated with transitioning to renewable energy sources or upgrading infrastructure could increase liabilities	Increased outflows for energy-related expenses or sustainability initiatives could strain cash flow	The company's reliance on non-renewable energy creates negative perception among ESG focused investors, making it harder to secure financing or attract investors due to sustainability concerns
Likelihood - **Low**	Residual Risk - **Low**	Link to Strategy - S 1 S 4 S 6	

20.2 Identification of climate-related risks and opportunities (CRROs)

Climate risks can be categorised into two main types: **physical risks and transition risks.**

Physical risks refer to the direct and indirect impacts of climate change—such as extreme weather events, natural disasters, water scarcity, and health issues. These can disrupt our operations, damage assets, and affect the well-being of our customers. **Transition risks** relate to potential financial losses or opportunities resulting from the global shift to a low-carbon economy. These may arise from changes in regulations, technology, consumer preferences, and market conditions.

CR 01 Impact of Extreme Weather Events

Risk Event

The occurrence of extreme weather events such as flooding, heat waves, strong winds, droughts, storms, and lightning can significantly impact the business operations of LBF

Related Business Risk

- Credit Risk
- Operational Risk
- Reputation Risk

Business Impact

- Branch Operations: Damages branch facilities, disrupts operations, and limits customer access. These leads to increased restoration costs and service downtime
- Loan Portfolios: Climate related events can affect the value of collateral or customer income sources leading to repayment challenges and increased credit risk
- Reputation Risk: Failure to safeguard branches in high-risk areas may erode customer trust/public perception

Business Impact Time Horizons	Short	Medium	Long
	☐	☑	☑

Mitigation Strategies

- Infrastructure resilience
- Business continuity and disaster recovery planning
- Diversification of service channels

Our Approach in 2024/25

- Continuous enhancement and promotion of CIM application with a focus on expanding mobile and self-service platforms
- Updates and tests its business continuity and disaster recovery plan
- New branch openings and relocations were strategically planned in areas with lower exposure to high flood risk

Metrics

Quantitative Metrics

- Number of branches in high-risk flood zones (%) - 0%
- NPL ratio for flood-affected loans (%) - None
- Service downtime due to flooding (hours/year) - None

Qualitative Metrics

- Resilience score for branch infrastructure
- Borrower assessments for flood resilience

Climate Opportunity (CO 1)

- Offering climate-resilient loan products, such as green or eco-friendly loans, for businesses or individuals in areas prone to extreme weather
- Expanding digital banking services to ensure continuous customer access in case of branch disruptions, improving service availability during extreme weather events and reducing potential downtime

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Increased operational disruptions from extreme weather events, such as flooding or storms, can lead to business interruptions, reducing revenue generation. Damage to physical assets may results in unplanned expenses for repairs or replacements. These would impact the profit negatively	Physical damage to company assets, such as branch facilities or equipment, due to extreme weather events can reduce the value of these assets	Increased outflows for repair and restoration efforts can strain short-term cash flow	Financial institutions may impose higher interest rates or limit lending due to concerns over the impact of climate-related events on business stability
Likelihood - **Low**	Residual Risk - **Low**	Link to Strategy - S 4 S 6	

CR 02 Impact of Long-Term Environmental and Climate Hazard

Risk Event

Rising temperatures, sea-level rise, prolonged droughts, and other slow-onset climate changes can have a long-term impact on the business operations of LBF

Related Business Risk

- Credit Risk
- Operational Risk
- Reputation Risk

Business Impact

- Long-term environmental changes such as rising temperatures, water scarcity, and prolonged droughts may damage branch infrastructure and increase maintenance costs
- Long-term environmental changes could disrupt agricultural and industrial operations, leading to a higher likelihood of loan defaults due to asset devaluation and decreased income
- Prolonged high temperature can lead to reduced employee productivity, health and safety risk, and increased absenteeism

Business Impact Time Horizons Short ☐ Medium ☑ Long ☑

Mitigation Strategies

- Install climate-resilient infrastructure to withstand long-term environmental changes
- Increase climate risk assessments for loan portfolios in sectors vulnerable to long-term environmental changes, such as agriculture and real estate

Our Approach in 2024/25

- We initiated adopting green building standards and sustainable practices for new branches to minimise environmental impact
- Ongoing risk assessments are conducted on existing buildings to evaluate the feasibility of adopting green building standards, aiming to enhance energy efficiency, sustainability

Metrics

Quantitative Metrics

- Percentage of loan portfolio in climate-affected sectors: Agriculture, Real Estate: None
- Number of branches with upgraded climate-resilient infrastructure - On going project of opening a new branch with green building standards

Qualitative Metrics

- Resilience score for loan portfolios: Assess resilience of key borrowers to chronic risks like drought and rising temperatures
- Environmental sustainability ratings of branch locations

Climate Opportunity (CO 2)

- Opportunity to promote sustainability and gain customer loyalty through green practices
- Investment in resilient sectors like renewable energy can provide new business opportunities

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Prolonged droughts may disrupt economic activities in certain locations, reducing loan demand leading to reduction in revenue generation. Agricultural and climate-sensitive borrowers may default, increasing provisions for loan losses. Rising temperatures may increase utility and cooling costs across branches, especially in warmer regions	Increased liabilities for infrastructure adaptations and repairs to mitigate long-term climate risks may weaken the company's financial position	Increased outflows for climate-resilient infrastructure investments or repairs to damaged assets may strain cash flow	The long-term environmental risks and poor adaptation to climate risks may create negative perception among ESG focused investors, making it harder to secure financing or attract investors
Likelihood - **Low**	Residual Risk - **Low**	Link to Strategy - S 4 S 6	

CR 03 Impact of Changes in Laws/Regulations/Policies

Risk Event

Evolving climate-related regulatory and legal risks. Include the growing likelihood of climate-related litigation, enhanced disclosure requirements, stricter mandates on sustainable products and services, and tightened emission reporting obligations. As a company engaged in the leasing business, LBF may face additional pressure to align its asset portfolio with low-carbon standards, including vehicle emissions compliance and environmentally responsible leasing practice

Related Business Risk

Legal Risk

Operational Risk

Reputation Risk

Compliance Risk

Business Impact

- Regulatory mandates and stricter environmental standards may require changes to existing products, services, and operational models.
- Increased exposure to climate-related litigation and legal scrutiny elevates both financial and reputational risks.
- Enhanced disclosure and emissions reporting obligations lead to higher compliance complexity and associated costs

Business Impact Time Horizons	Short	Medium	Long
	☐	☑	☑

Mitigation Strategies

- Monitor and comply with climate-related policies
- Develop strategies for reducing carbon footprint
- Integrate climate risk into product design and portfolio strategy

Our Approach in 2024/25

- Actively engaged with policymakers
- Implemented compliance mechanism for environmental regulations

Metrics

Quantitative Metrics

- Number of compliance checks completed on time

Qualitative Metrics

- Level of alignment with new regulations
- Resilience of the organisation to policy changes

Climate Opportunity (CO 3)

- Financing and investment in green projects
- Create new sustainable products and services
- Guide customers to adopt energy-efficient technologies and processes in their businesses
- Financing off-grid renewable-energy solutions for communities lacking grid access

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Costs related to transitioning to low-carbon assets, including vehicle emissions compliance and environmentally responsible leasing practices	Incur higher costs for restructuring its asset portfolio to align with low-carbon standard, impacting the value of leased asset	The cost of transitioning to low-carbon assets or making emissions-related improvements may lead to higher capital expenditures	Investor confidence may be impacted, potentially reducing access to capital or increasing the cost of borrowing due to the added complexity of regulatory compliance and the need for alignment with low-carbon standards
Likelihood - **Low**	Residual Risk - **Low**	Link to Strategy - S 1 S 6	

CR 04 Changing Consumer Preference

Risk Event

LBF is facing a significant shift in consumer preferences, with growing demand for sustainable, socially responsible, and digitally enabled financial solutions. Customers are increasingly drawn to companies that align with environmental and social values, prompting a rise in expectations for green products, ethical lending practices, and transparency. At the same time, rapid technological advancements and the acceleration of digital transformation are reshaping how financial services are delivered

Related Business Risk

- Operational Risk
- Reputation Risk

Business Impact

- Consumer preference is shifting toward eco-friendly and sustainable financial products, reducing demand for traditional offerings
- Products and services linked to non-renewable or carbon-intensive sectors may see declining interest and revenue
- Lack of a sustainable product portfolio can harm brand reputation and weaken customer trust and loyalty

Business Impact Time Horizons Short ☐ Medium ☑ Long ☑

Mitigation Strategies

- Develop sustainable products and services
- Adapt marketing strategies to eco-friendly products
- Conduct regular market research to monitor evolving consumer values and expectations

Our Approach in 2024/25

- Increased our focus on financing electric and hybrid vehicles within our core leasing portfolio, supporting the shift toward low-emission transportation
- Introduced solar loan products and strengthened the green financing portfolio

Metrics

Quantitative Metrics

- Percentage of loan granted for green products

Qualitative Metrics

- Customer engagement in sustainability initiatives.
- Brand perception and eco-friendly.

Climate Opportunity (CO 4)

- Opportunity to promote sustainability and gain customer loyalty through green products
- Investment in resilient sectors like renewable energy can provide new business opportunities
- Access to green funding sources

Impact on Financial prospects

Income Statement	Balance Sheet	Cash Flow Impact	Access to Finance
Decreased demand for traditional or non-sustainable products can lead to reduced income. Investment in digital transformation and technology could lead to higher initial expenses and higher spending may be needed to promote green and digital offerings. These will impact overall profitability	Increased liabilities from investments in digital infrastructure, technology upgrades, or regulatory compliance for sustainability may affect the company's financial position	Increased outflows for developing and implementing sustainable and digital solutions may strain short-term cash flow	Investor confidence may decrease if LBF is perceived as lagging in its adaptation to changing market dynamics, resulting in reduced access to capital or higher borrowing costs
Likelihood - **Low**	Residual Risk - **Low**	Link to Strategy - S 1 S 2 S 3	

CLIMATE CHANGE SCENARIOS AND MATERIALITY LEVELS

Climate change poses a range of strategic risks and opportunities based on the level of global climate action. The scenarios presented below illustrate potential outcomes, describing their implications for LB Finance in terms of operational impact, investment exposure, and overall materiality.

Scenario	Description	Impact on LBF	Materiality Level
Net Zero (1.5°C)	Net-zero emissions target by 2050, keeping global temperature rise to 1.5°C.	Long-term opportunities in green finance and clean energy investments, but short-term transition risks and costs.	Medium (Medium-term investment opportunities, short-term transition challenges)
Optimistic (1.8°C)	Aggressive climate action reduces emissions and limits temperature rise to 1.8°C.	Minimal physical and transition risks, stable investments, and lower operational disruptions.	Low (Minimal impact on operations and investments)
Middle (2.7°C)	Moderate action leads to a 2.7°C rise in global temperatures.	Moderate physical and transition risks, some operational disruptions, and regulatory challenges in investments	Medium (Moderate impact on operations and investment returns)
Pessimistic (4.4°C)	Minimal action leads to a 4.4°C rise in global temperatures.	High physical risks from extreme weather events (floods, droughts), and transition risks due to regulatory changes (carbon taxes, green technologies).	High (Severe impact on operations and investments)

LEADING THE PRIDE

We are focused on creating a vibrant future for our diverse stakeholders, safeguarding their interests, and driving collective growth year after year.

Lions are social creatures, thriving through strong connections and bonds within their pride. Their success lies in teamwork, with their leadership guiding them toward a future of prosperity and security. Similarly, mosaics represent the strength of individual elements coming together to form something greater and more resilient. This mirrors our approach of uniting all stakeholders to achieve the best possible outcome for everyone, regardless of their role.



SECTION 6

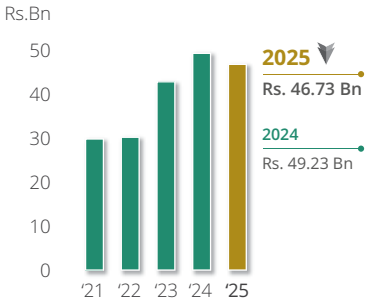
FINANCIAL INFORMATION

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Statement of Profit or Loss and Comprehensive Income **357** | Statement of Financial Position **358** | Statement of Changes in Equity - Company **359**
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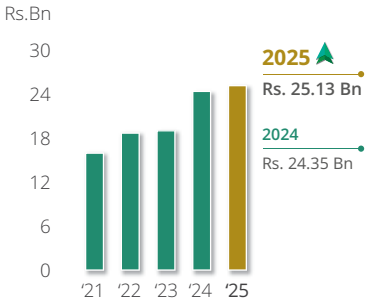
Financial Statement Highlights

Operating Results

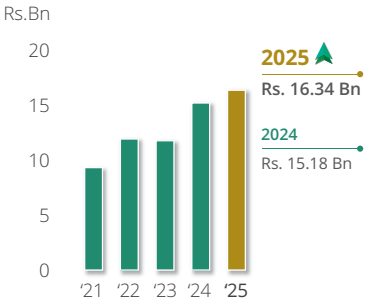
Income



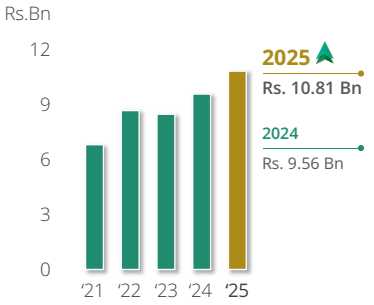
Net Interest Income



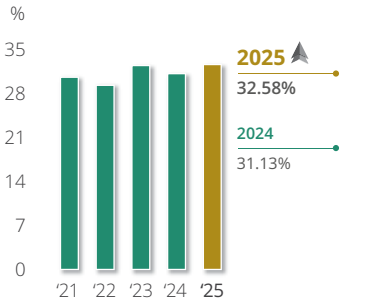
Profit before Taxation (PBT)



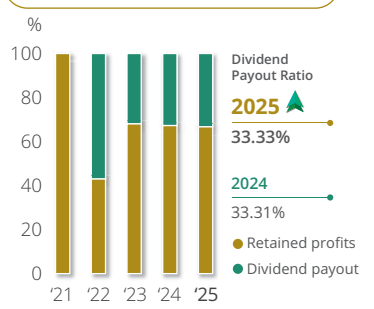
Profit after Taxation (PAT)



Cost to Income (CI Ratio)

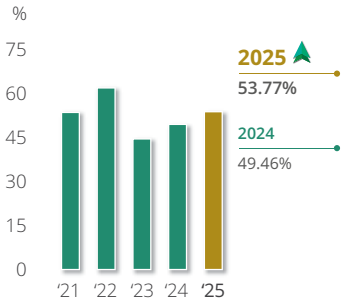


Dividend Payout vs Retained Profits



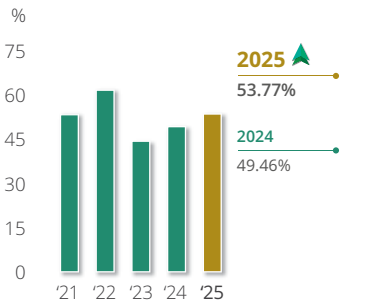
Profitability Ratios

Gross Profit Margin*



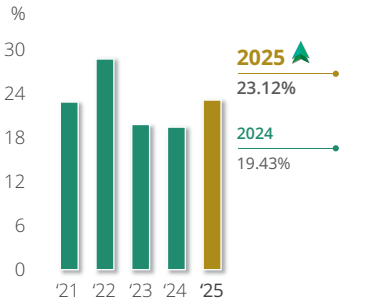
*Net interest income as a % of income

Operating Profit Margin*



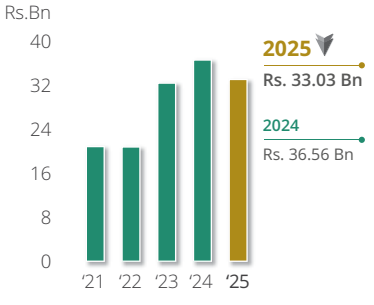
*Operating profit before tax as a % of income

Net Profit Margin*

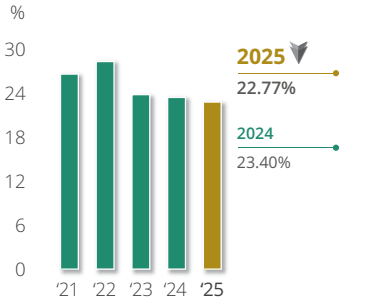


*Profit after tax as a % of income

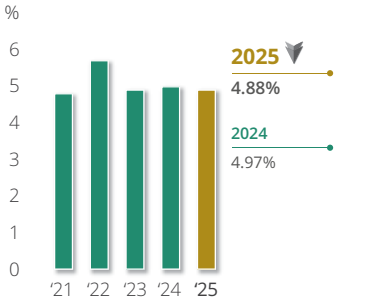
Earnings before Interest & Tax (EBIT)



Return on Equity (ROE)

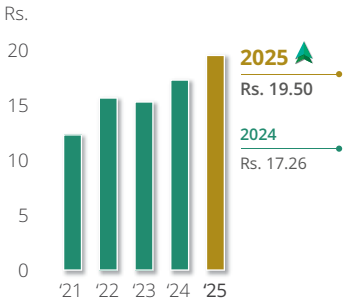


Return on Assets (ROA)

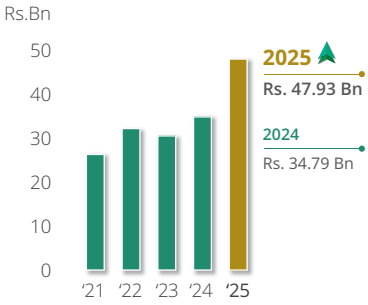


Equity Ratios

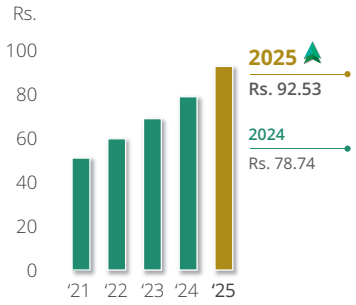
Earnings per Share (EPS)



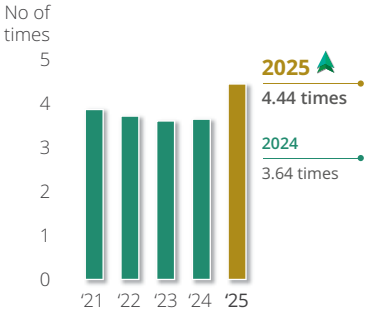
Market Capitalisation



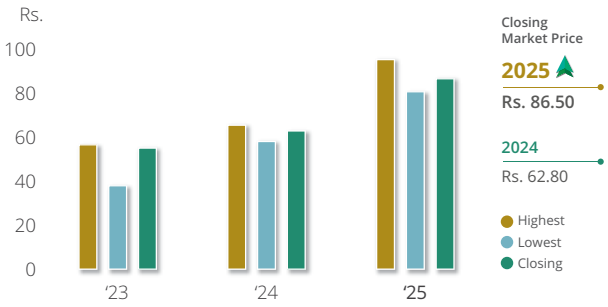
Net Asset Value per Share



Price Earnings Ratio

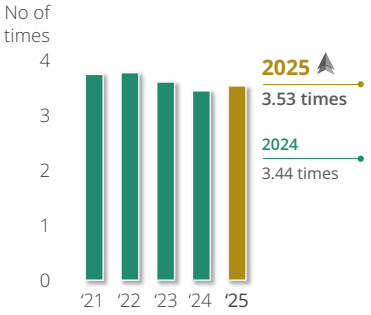


Market Price per Share

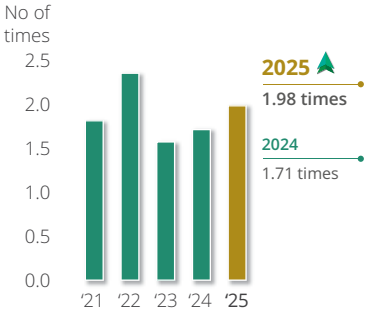


Debt Ratios

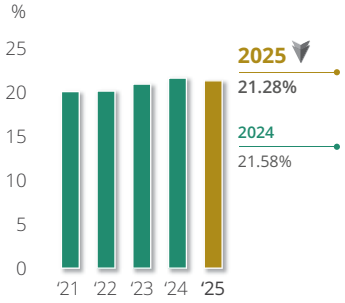
Debt to Equity Ratio



Interest Cover

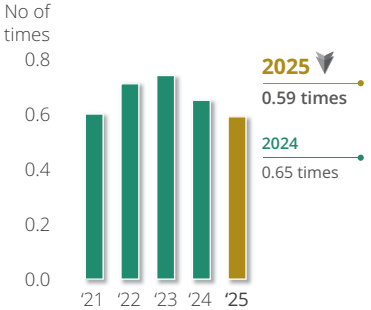


Equity Assets Ratio

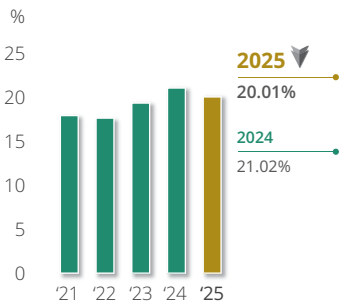


Liquidity Ratios

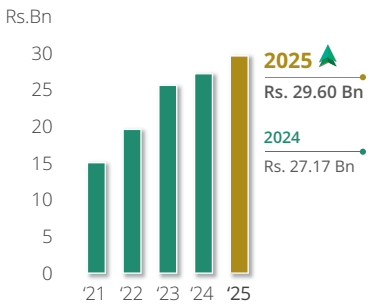
Quick Asset Ratio



Liquidity Ratio



Total Liquidity Reserves



Financial Calendar

2024/25

15 May — Publication of Interim Financial Statements for the Quarter Ended 31 March 2024

27 May — Authorisation for Issue of Audited Financial Statements for 2023/24

04 June — Publication of Annual Report for the Financial Year Ended 31 March 2024

28 June — Held 51st Annual General Meeting of the Company

17 July — Publication of Interim Financial Statements for the Quarter Ended 30 June 2024

18 July — Payment of Final Dividend of Rs. 3.50 per Share for the Financial Year Ended 31 March 2024

16 October — Publication of Interim Financial Statements for the Quarter Ended 30 September 2024

22 January — Publication of Interim Financial Statements for the Quarter Ended 31 December 2024

21 March — Payment of Interim Dividend of Rs. 2.25 per Share for the Financial Year Ended 31 March 2025

2025/26

21 May — Publication of Interim Financial Statements for the Quarter Ended 31 March 2025

05 June — Publication of Annual Report for the Financial Year Ended 31 March 2025

30 June — 52nd Annual General Meeting of the Company

21 July — Payment of Final Dividend of Rs. 4.25 per Share for the Financial Year Ended 31 March 2025*

Submission of the Interim Financial Statements in terms of the rule 7.4 of the Colombo Stock Exchange (CSE)	2024/25 Submitted on	2025/26 to be Submitted on or before
For the 3 Months Ended 30 June (Unaudited)	17 July 2024	15 August 2025
For the 3 and 6 Months Ended 30 September (Unaudited)	16 October 2024	15 November 2025
For the 3 and 9 Months Ended 31 December (Unaudited)	22 January 2025	15 February 2026
For the 3 Months and Year Ended 31 March (Unaudited)	21 May 2025	30 May 2026

Publication of the Six Month Financial Statements as per Requirements of the Central Bank of Sri Lanka	2024/25 Published in News Papers on			2025/26 to be Published on or before
	English	Sinhala	Tamil	
For the Year Ended 31 March (Audited)	25 June 2024	25 June 2024	25 June 2024	30 June 2025
For the 6 Months Ended 30 September (Unaudited)	21 November 2024	21 November 2024	21 November 2024	30 November 2025

* Subject to confirmation by Shareholders at the Annual General Meeting.

Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

TO THE SHAREHOLDERS OF LB FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LB Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") , which comprise the statement of financial position as at March 31, 2025, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk Description	Our Responses
Allowances for Expected Credit Losses of Financial Assets at Amortized Cost - Loans and Receivables Allowances for expected credit losses of financial assets amounting to 7.1 Bn arising from loans and receivables of LKR 204.8 Bn (Note 2.17) is determined by the management based on the accounting policies described in Note 2.18. High degree of complexity and judgment are involved in estimating Expected Credit Loss (ECL) on Loans and receivables to the customers. Collective impairment is calculated using internally developed statistical models which are inherently complex, and judgment is required in developing the models. There is a number of key inputs and assumptions used by the Company in applying the requirements of SLFRS 9 to the models including definition of significant increase in credit risk (SICR), selection and input of forward-looking information, past due information, historical loss parameters etc.	Our audit procedures to assess the allowances for ECL included the following: Testing key controls of the Company in relation to: • The ECL model governance and validation processes which involved assessment of model performance; • The assessment and approval of the forward-looking macroeconomic assumptions through challenge applied by internal governance processes; *Assessing the adequacy of collective impairment by:* • Assessing the accuracy of the data used in the ECL models by checking a sample of data fields such as account balance, days past due, interest rate to relevant source systems. • Working with our Financial Risk Management (FRM) specialist we carried out the following procedures: - Assessed the accuracy of the ECL model estimates by re-performing, for a sample of loans and comparing this to the amount recorded by the Company; - Examined the model design and calculation approach compared with industry standards.

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C.P. Jayatilake FCA, Ms. S. Joseph FCA, R.M.D.B. Rajapakse FCA, M.N.M. Shameel FCA, Ms. P.M.K. Sumanasekara FCA, T.J.S. Rajakarier FCA, W.K.D.C. Abeyrathne FCA, Ms. B.K.D.T.N. Rodrigo FCA, Ms. C.T.K.N. Perera ACA, R.W.M.O.W.D.B. Rathnadiwakara FCA, W.W.J.C. Perera FCA, G.A.U. Karunaratne FCA, R.H. Rajan FCA, A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D Corea Dharmaratne

Risk Description	Our Responses
Some of these assumptions and inputs are heavily dependent upon the macroeconomic environment, also additional adjustments and overlays are provided to the model to reflect the effects of current economic developments to address known model limitations due to emerging trends in the economy and the portfolios. Accordingly, due to the significance of the value of the Financial Assets at Amortised Cost - Loans and Receivables relative to total assets, subjectivity and complexity of the significant judgments involved and estimation uncertainty associated with the impairment provision calculation, we considered impairment of loans and receivables as a Key Audit Matter.	*Assessing the adequacy of post model adjustments* We challenged key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance. This included: • Assessing post-model adjustments against the Company's ECL model and data deficiencies identified by the Company's ECL model validation processes, particularly in light of the significant volatility in economic scenarios; • Assessing the completeness of post-model adjustments by checking the consistency of overlay criteria we identified in the loan portfolios against the Company's assessment. We also assessed the appropriateness of the related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.
Information Technology (IT) systems and controls over financial reporting. The Company's key financial accounting and reporting processes are highly dependent on the automated controls over the Company's information systems. The controls over access, changes to and operations, integrations of IT systems are key to the recording of financial transactions/ information and the preparation of financial statements which provide a true and fair view of the Company's financial position and performance. Key areas of importance are system calculations in relation to significant accounts including interest calculations, updating of the general ledger, interface between different modules within the system etc. The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.	**Our audit procedures included the following key procedures:** Our audit procedures included; We worked with KPMG IT Audit specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of general IT controls in relation to financial accounting and reporting system involving restrictions on system access, permissions and responsibilities of the authorized users, process for approving changes to the systems etc; • Examining the framework of governance over the Company's IT organization and the controls over programme development and changes, access to programmes and data and IT operations, including compensating controls where required; • Evaluating the design, implementation and operating effectiveness of the specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements; • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transactions volumes as well as IT projects that have a significant impact on business continuity; • Re-performing selected automated computations and comparing the results with the system calculations and the general ledger. • Testing the access rights given to staff by checking them to approved records, and inspecting the reports over the granting and removal of access rights; • Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions. • Tested source data of the reports used to generate disclosures for accuracy and completeness

KPMG

Other Matter

The financial statements of LB Finance PLC for the year ended 31st March 2024, were audited by another auditor who expressed an unmodified opinion on those statements on 27th May 2024.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We- are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 3272.

KPMG
Colombo, Sri Lanka

30 May 2025

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Income Statement

Year ended 31 March	Note	Page No.	Company 2025 Rs. '000	Company 2024 Rs. '000	Company Change %	Group 2025 Rs. '000	Group 2024 Rs. '000	Group Change %
Income	2.1	370	**46,730,955**	49,230,095	(5)	**47,156,260**	49,635,771	(5)
Interest Income	2.1.2	370	**41,815,458**	45,729,853	(9)	**42,201,896**	46,102,501	(8)
Less: Interest Expenses	2.1.5	371	**16,687,381**	21,379,499	(22)	**16,783,707**	21,460,631	(22)
Net Interest Income	2.1.1	370	**25,128,077**	24,350,354	3	**25,418,189**	24,641,870	3
Fee and Commission Income	2.2	372	**4,604,441**	3,186,422	45	**4,642,914**	3,217,460	44
Net Trading Income	2.3	372	**101,101**	141,629	(29)	**101,101**	141,629	(29)
Other Operating Income	2.4	373	**209,955**	172,191	22	**210,349**	174,181	21
Total Operating Income			**30,043,574**	27,850,596	8	**30,372,553**	28,175,140	8
Less: Impairment Charges/(Reversals)	2.5	373	**(256,236)**	373,236	(>100)	**(261,031)**	270,093	(>100)
Net Operating Income			**30,299,810**	27,477,360	10	**30,633,584**	27,905,047	10
Less: Operating Expenses								
Personnel Expenses	2.6	377	**5,146,257**	4,376,475	18	**5,267,903**	4,503,482	17
Depreciation of Property, Plant and Equipment	2.7.1	378	**979,953**	866,348	13	**987,173**	882,572	12
Amortisation of Intangible Assets	2.7.2	378	**13,128**	8,414	56	**14,355**	11,189	28
Other Operating Expenses	2.8	379	**3,649,089**	3,418,294	7	**3,768,235**	3,543,136	6
Total Operating Expenses			**9,788,427**	8,669,531	13	**10,037,666**	8,940,379	12
Operating Profit before Tax on Financial Services			**20,511,383**	18,807,829	9	**20,595,918**	18,964,668	9
Less: Tax on Financial Services	2.9	379	**4,169,710**	3,627,622	15	**4,183,241**	3,630,243	15
Profit before Taxation			**16,341,673**	15,180,207	8	**16,412,677**	15,334,425	7
Less: Income Tax Expense	2.10.1 (a)	380	**5,536,039**	5,616,569	(1)	**5,550,743**	5,627,414	(1)
Profit for the Year			**10,805,634**	9,563,638	13	**10,861,934**	9,707,011	12
Profit Attributable to:								
Equity Holders of the Company			**10,805,634**	9,563,638	13	**10,860,002**	9,713,917	12
Non-Controlling Interest	2.37	444	**-**	-	-	**1,932**	(6,906)	>100
Profit for the Year			**10,805,634**	9,563,638	13	**10,861,934**	9,707,011	12
Earnings per Share: Basic/Diluted (Rs.)	2.11.1	382	**19.50**	17.26	13	**19.60**	17.53	12
Dividend per Share (Rs.)	2.12	382						
Dividend per Share : Gross (Rs.)			**6.50***	5.75	13			
Dividend per Share : Net (Rs.)			**5.53***	4.89	13			

*Dividend per share is calculated based on the interim dividend paid and the proposed final dividend which is to be approved at the Annual General Meeting.

Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

Statement of Profit or Loss and Comprehensive Income

Year ended 31 March	Note	Page No.	Company 2025 Rs. '000	Company 2024 Rs. '000	Company Change %	Group 2025 Rs. '000	Group 2024 Rs. '000	Group Change %
Profit for the Year			10,805,634	9,563,638	13	10,861,934	9,707,011	12
Other Comprehensive Income that will be Reclassified to Income Statement								
Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	2.35.3	443	-	-	-	(13,210)	(73,048)	(82)
Less: Deferred Tax Charge/(Reversal) on above Items			-	-	-	-	-	-
Net Other Comprehensive Income that will be Reclassified to Income Statement			-	-	-	(13,210)	(73,048)	(82)
Other Comprehensive Income that will never be Reclassified to Income Statement								
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	2.35.2	443	8,649	1,199	>100	8,649	1,199	>100
Actuarial Gains/(Losses) on Defined Benefit Plans	2.33.3	441	16,392	(53,706)	>100	16,392	(54,333)	>100
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	2.10.1 (b)	380	4,917	(16,112)	>100	4,917	(16,112)	>100
Net Actuarial Gains/(Losses) on Defined Benefit Plans			11,475	(37,594)	>100	11,475	(38,221)	>100
Net Other Comprehensive Income that will never be Reclassified to Income Statement			20,124	(36,395)	>100	20,124	(37,022)	>100
Other Comprehensive Income for the Year, Net of Tax			20,124	(36,395)	>100	6,914	(110,070)	>100
Total Comprehensive Income for the Year, Net of Tax			10,825,758	9,527,243	14	10,868,848	9,596,941	13
Attributable to:								
Equity Holders of the Company			10,825,758	9,527,243	14	10,866,916	9,604,068	13
Non-Controlling Interest			-	-	-	1,932	(7,127)	>100
Total Comprehensive Income for the Year, Net of Tax			10,825,758	9,527,243	14	10,868,848	9,596,941	13

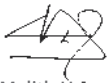
Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Page No.	Company 2025 Rs. '000	Company 2024 Rs. '000	Company Change %	Group 2025 Rs. '000	Group 2024 Rs. '000	Group Change %
Assets								
Cash and Cash Equivalents	2.15	397	9,024,016	7,406,083	22	9,074,745	7,651,260	19
Financial Assets Recognised Through Profit or Loss								
- Measured at Fair Value	2.16	398	718,402	1,923,016	(63)	718,402	1,923,016	(63)
Financial Assets at Amortised Cost								
- Loans and Receivables	2.17	399	197,766,691	161,291,486	23	199,271,047	162,521,733	23
Financial Assets Measured at Fair Value								
Through Other Comprehensive Income	2.19	411	165,024	118,587	39	165,024	118,589	39
Other Financial Assets	2.20	413	21,201,500	20,374,770	4	21,188,612	20,443,404	4
Other Non Financial Assets	2.21	414	439,475	430,651	2	480,168	495,796	(3)
Investment in Subsidiaries	2.22	415	521,162	698,935	(25)	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	2.23	420	9,725,513	8,984,363	8	9,751,574	9,034,106	8
Investment Properties	2.24	426	5,385	-	-	5,385	5,050	7
Intangible Assets	2.25	429	67,113	20,701	>100	67,113	22,602	>100
Deferred Tax Assets	2.26	432	1,255,960	927,914	35	1,262,343	932,330	35
Total Assets			240,890,241	202,176,506	19	241,984,413	203,147,886	19
Liabilities								
Due to Banks	2.27	434	37,411,682	21,702,012	72	37,799,707	21,955,857	72
Financial Liabilities at Amortised Cost - Due to Depositors	2.28	436	138,496,872	122,808,124	13	138,823,896	123,034,547	13
Debt Instruments Issued and Other Borrowed Funds	2.29	437	5,005,405	5,491,401	(9)	5,005,405	5,491,401	(9)
Other Financial Liabilities	2.30	437	4,303,422	3,757,776	15	4,305,386	3,815,897	13
Other Non Financial Liabilities	2.31	439	1,671,989	1,547,570	8	1,718,969	1,591,382	8
Current Tax Liabilities	2.32	439	2,182,738	2,770,496	(21)	2,188,770	2,775,700	(21)
Post Employment Benefit Liability	2.33	440	552,135	473,058	17	552,135	475,109	16
Total Liabilities			189,624,243	158,550,437	20	190,394,268	159,139,893	20
Equity								
Stated Capital	2.34	442	838,282	838,282	-	838,282	838,282	-
Reserves	2.35	443	9,521,361	8,972,430	6	9,633,154	9,097,433	6
Retained Earnings	2.36	444	40,906,355	33,815,357	21	41,118,709	33,975,540	21
Total Equity Attributable to Equity Holders of the Company			51,265,998	43,626,069	18	51,590,145	43,911,255	17
Non-Controlling Interest	2.37	444	-	-	-	-	96,738	-
Total Equity			51,265,998	43,626,069	18	51,590,145	44,007,993	17
Total Liabilities and Equity			240,890,241	202,176,506	19	241,984,413	203,147,886	19
Commitments and Contingencies	3.5	453	4,209,020	2,281,890	84	3,962,095	2,030,940	95
Net Asset Value per Share (Rs.)	3.6	454	92.53	78.74	18	93.11	79.25	17

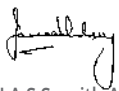
Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

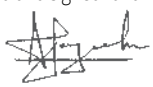


Malith Hewage
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board of Directors by,



J A S Sumith Adhihetty
Managing Director



Ashane Jayasekara
Director

30 May 2025
Colombo

Statement of Changes in Equity - Company

	Note	Page No.	Stated Capital Rs. '000	Retained Earnings Rs. '000	Statutory Reserve Rs. '000	Fair Value Reserve Rs. '000	Total Equity Rs. '000
Balance as at 31 March 2023			838,282	28,784,409	8,539,799	(46,750)	38,115,740
Net Profit for the Year			-	9,563,638	-	-	9,563,638
Other Comprehensive Income, Net of Tax			-	(37,594)	-	1,199	(36,395)
Total Comprehensive Income for the Year, Net of Tax			-	9,526,044	-	1,199	9,527,243
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners							
Transfers During the Year	2.35.1	443	-	(478,182)	478,182	-	-
Interim Dividend for 2022/23			-	(1,108,114)	-	-	(1,108,114)
Final Dividend for 2022/23			-	(1,662,171)	-	-	(1,662,171)
Interim Dividend for 2023/24	2.12	382	-	(1,246,629)	-	-	(1,246,629)
Total Transactions with Equity Holders			-	(4,495,096)	478,182	-	(4,016,914)
Balance as at 31 March 2024			838,282	33,815,357	9,017,981	(45,551)	43,626,069
Net Profit for the Year			-	10,805,634	-	-	10,805,634
Other Comprehensive Income, Net of Tax			-	11,475	-	8,649	20,124
Total Comprehensive Income for the Year, Net of Tax			-	10,817,109	-	8,649	10,825,758
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners							
Transfers During the Year	2.35.1	443	-	(540,282)	540,282	-	-
Final Dividend for 2023/24	2.12	382	-	(1,939,200)	-	-	(1,939,200)
Interim Dividend for 2024/25	2.12	382	-	(1,246,629)	-	-	(1,246,629)
Total Transactions with Equity Holders			-	(3,726,111)	540,282	-	(3,185,829)
Balance as at 31 March 2025			838,282	40,906,355	9,558,263	(36,902)	51,265,998

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

Statement of Changes in Equity - Group

	Note	Page No.	Stated Capital	Retained Earnings	Statutory Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Total Equity Attributable to Equity Holders of the Company	Non-Controlling Interest	Total Equity
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31 March 2023			838,282	28,794,719	8,539,799	(46,750)	198,051	38,324,101	103,865	38,427,966
Net Profit for the Year			-	9,713,917	-	-	-	9,713,917	(6,906)	9,707,011
Other Comprehensive Income, Net of Tax			-	(38,000)	-	1,199	(73,048)	(109,849)	(221)	(110,070)
Total Comprehensive Income for the Year, Net of Tax			-	9,675,917	-	1,199	(73,048)	9,604,068	(7,127)	9,596,941
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners										
Transfers During the Year	2.35.1	443	-	(478,182)	478,182	-	-	-	-	-
Interim Dividend for 2022/23			-	(1,108,114)	-	-	-	(1,108,114)	-	(1,108,114)
Final Dividend for 2022/23			-	(1,662,171)	-	-	-	(1,662,171)	-	(1,662,171)
Interim Dividend for 2023/24	2.12	382	-	(1,246,629)	-	-	-	(1,246,629)	-	(1,246,629)
Total Transactions with Equity Holders			-	(4,495,096)	478,182	-	-	(4,016,914)	-	(4,016,914)
Balance as at 31 March 2024			838,282	33,975,540	9,017,981	(45,551)	125,003	43,911,255	96,738	44,007,993
Net Profit for the Year			-	10,860,002	-	-	-	10,860,002	1,932	10,861,934
Other Comprehensive Income, Net of Tax			-	11,475	-	8,649	(13,210)	6,914	-	6,914
Total Comprehensive Income for the Year, Net of Tax			-	10,871,477	-	8,649	(13,210)	10,866,916	1,932	10,868,848
Transactions with Owners, Recognised Directly in Equity Contributions and Distributions to Owners										
Transfers During the Year	2.35.1	443	-	(540,282)	540,282	-	-	-	-	-
Adjustments Due to Amalgamation with Subsidiary	2.37.1	445	-	(2,197)	-	-	-	(2,197)	(98,670)	(100,867)
Final Dividend for 2023/24	2.12	382	-	(1,939,200)	-	-	-	(1,939,200)	-	(1,939,200)
Interim Dividend for 2024/25	2.12	382	-	(1,246,629)	-	-	-	(1,246,629)	-	(1,246,629)
Total Transactions with Equity Holders			-	(3,728,308)	540,282	-	-	(3,188,026)	(98,670)	(3,286,696)
Balance as at 31 March 2025			838,282	41,118,709	9,558,263	(36,902)	111,793	51,590,145	-	51,590,145

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

Statement of Cash Flows

Accounting Policy

The Cash Flow Statement has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard - LKAS 07 (Statement of Cash Flows), whereby operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents consist of cash in hand, balances with banks, placements with banks, money at call and short notice.

Year ended 31 March	Note	Page No.	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Cash Flows From/(Used in) Operating Activities						
Profit before Taxation			16,341,673	15,180,207	16,412,677	15,334,425
Adjustments for -						
Depreciation of Property, Plant and Equipment	2.7.1	378	979,953	866,348	987,173	882,572
Amortisation of Intangible Assets	2.7.2	378	13,128	8,414	14,355	11,189
Impairment Charges/(Reversals)	2.5	373	(256,236)	373,236	(261,031)	270,093
Diminution/(Appreciation) in Value of Investments	2.3	372	(2,676)	(4,021)	(2,676)	(4,021)
(Gains)/Losses from Fair Value Changes of Investment Properties			(335)	-	(335)	(500)
Loss/(Profit) on Disposal of Property, Plant and Equipment	2.4	373	(35,295)	(37,533)	(35,295)	(37,533)
Provision/(Reversal) for Defined Benefit Plans	2.33.2	440	153,447	118,285	153,692	119,098
Foreign Currency Exchange (Gains)/Losses			-	-	(129)	92
Dividend Received			(4,081)	(3,720)	(4,126)	(3,720)
Net Unrealised (Gains)/Losses Arising from Translating the Financial Statements of Foreign Operations			-	-	13,210	73,048
Operating Profit before Changes in Operating Assets and Liabilities			17,189,578	16,501,216	17,277,515	16,644,743
(Increase)/Decrease in Operating Assets						
(Increase)/Decrease in Financial Assets at Amortised Cost - Loans and Receivables			(36,151,880)	(16,298,738)	(36,486,665)	(16,358,677)
(Increase)/Decrease in Other Financial Assets			(826,636)	1,357,315	(745,114)	1,313,656
(Increase)/Decrease in Other Non Financial Assets			(307,328)	(100,923)	(314,378)	(102,545)
			(37,285,844)	(15,042,346)	(37,546,157)	(15,147,566)
Increase/(Decrease) in Operating Liabilities						
Increase/(Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors			15,616,516	8,796,425	15,789,349	8,786,294
Increase/(Decrease) in Other Financial Liabilities			133,295	404,919	134,594	277,323
Increase/(Decrease) in Other Non Financial Liabilities			538,214	541,737	521,423	535,353
			16,288,025	9,743,081	16,445,366	9,598,970

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

Statement of Cash Flows

Year ended 31 March	Note	Page No.	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Cash Generated From Operations			**(3,808,241)**	11,201,951	**(3,823,276)**	11,096,147
Retirement Benefit Liabilities Paid	2.33.1	440	**(60,274)**	(64,490)	**(60,274)**	(65,826)
Income Tax Paid	2.10.4	381	**(6,523,612)**	(5,211,237)	**(6,539,352)**	(5,226,371)
Net Cash From/(Used in) Operating Activities			**(10,392,127)**	5,926,224	**(10,422,902)**	5,803,950
Cash Flows From/(Used in) Investing Activities						
Acquisition of Property, Plant and Equipment and Right-of-Use Assets	2.23.5	424	**(1,142,746)**	(884,570)	**(1,163,208)**	(905,130)
Acquisition of Intangible Assets	2.25.1	431	**(58,876)**	(6,487)	**(58,876)**	(6,487)
Proceeds from Sale of Property, Plant and Equipment			**176,523**	74,181	**176,746**	74,181
Sale/(Purchase) of Financial Investments - Held for Trading			**1,207,289**	(1,364,686)	**1,207,289**	(1,364,686)
Sale/(Purchase) of Financial Investments - Available for Sale			**(37,785)**	-	**(37,785)**	-
Dividend Received			**4,081**	3,720	**4,126**	3,720
Net Cash Flows From/(Used in) Investing Activities			**148,486**	(2,177,842)	**128,292**	(2,198,402)
Cash Flows From/(Used in) Financing Activities						
Cash Flows from Debt Funding from Banks			**30,825,463**	17,149,079	**30,962,538**	17,419,398
Repayment of Debt Funding from Banks			**(15,245,816)**	(15,361,540)	**(15,245,816)**	(15,402,504)
Cash Flows from Debt Instruments Issued and Other Borrowed Funds			**218,429**	3,936,235	**218,429**	3,936,235
Repayment of Debt Instruments Issued and Other Borrowed Funds			**(704,424)**	(2,326,851)	**(704,424)**	(2,326,856)
Payment of Lease Liabilities/Advance Payment for Right-of-Use Assets			**(327,990)**	(272,447)	**(327,990)**	(272,447)
Payment to Acquire Non Controlling Interest	2.37.1	445	**(100,867)**	-	**(100,867)**	-
Dividends Paid			**(3,210,904)**	(3,991,839)	**(3,210,904)**	(3,991,839)
Net Cash Flows From/(Used in) Financing Activities			**11,453,891**	(867,363)	**11,590,966**	(638,013)
Net Increase/(Decrease) in Cash and Cash Equivalents			**1,210,250**	2,881,019	**1,296,356**	2,967,535
Addition on Merger with Subsidiary			**277,659**	-	**-**	-
Cash and Cash Equivalents at the Beginning of the Year			**6,370,533**	3,489,514	**6,612,815**	3,645,280
Cash and Cash Equivalents at the End of the Year	2.15.3	397	**7,858,442**	6,370,533	**7,909,171**	6,612,815
Operational Cash Flows from Interest						
Interest Received			**41,908,721**	47,550,657	**42,063,505**	47,923,305
Interest Paid			**16,789,500**	21,621,381	**16,791,332**	21,702,512

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 363 to 478 form an integral part of these Financial Statements.

1 MATERIAL ACCOUNTING POLICIES AND NOTES - GENERAL

Accounting policy relating to each accounting topic is given along with the relevant note to the Financial Statements. The other significant accounting policies are described below;

Corporate Information

1.1 Reporting Entity

LB Finance PLC, is a domiciled, public limited liability Company incorporated in Sri Lanka on 30 May 1971 under the Companies Act No. 51 of 1938. The Company was re-registered under the Companies Act No. 07 of 2007. It is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 and amendments thereto. The registered office of the Company is located at No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Company as at 31 March 2025 was 4,407 (2024 - 4,132).

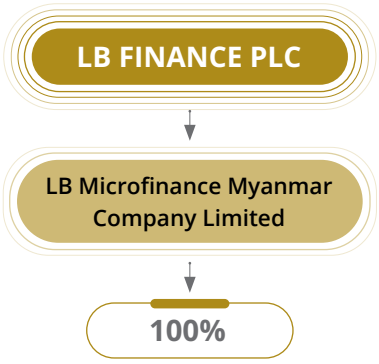
For purposes of this report, "LB Finance", the "Company", "we", "our", "us" or similar references mean LB Finance PLC.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31 March 2025, comprise the LB Finance PLC (Parent Company) and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company's parent undertaking is Vallibel One PLC. The Company's ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka. The Company's ultimate controlling party is Mr. Dhammika Perera.

1.3 Principal Business Activities, Nature of Operations of the Group and Ownership by the Company in Its Subsidiaries



LB Finance PLC

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Maintenance of Savings Accounts, Providing Finance Lease, Mortgage Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value Added Services.

There were no significant changes in the nature of the principal activities of the Company during the Financial Year under review, except for the amalgamation described below.

LB Finance PLC, as the reporting entity, absorbed Multi Finance PLC during the financial year ended 31 March 2025, following the acquisition of the remaining shares. The amalgamation was carried out in accordance with the applicable legal and regulatory requirements.

LB Microfinance Myanmar Company Limited

LB Microfinance Myanmar Company Limited was incorporated in Myanmar on 22 May 2017 as a 99% (31 March 2025 - 100%) owned subsidiary of LB Finance PLC.

The principal business activities include engaging in microfinance lending. A license was issued by the Myanmar Microfinance Supervisory Committee to operate as a microfinance institution.

Multi Finance PLC

Multi Finance PLC was incorporated in Kandy on 14 October 1974 as a Limited Liability Company and was listed on the Colombo Stock Exchange on 13 July 2011. It was initially acquired by LB Finance PLC on 16 March 2022, and as at 31 March 2024, LB Finance PLC held a 64.76% stake.

During the Financial Year ended 31 March 2025, LB Finance PLC acquired the remaining stake of Multi Finance PLC, thereby increasing its ownership to 100%. Subsequently, Multi Finance PLC was amalgamated with LB Finance PLC in accordance with applicable legal and regulatory requirements. As a result, Multi Finance PLC ceased to exist as a separate legal entity, and its operations have been fully integrated into LB Finance PLC.

1.4 Approval of Financial Statements by Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2025 (including comparatives for 31 March 2024) were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 30 May 2025.

1.5 Statement of Compliance

The Consolidated Financial Statements of the Group and the Separate Financial Statements of the Company, which comprise the Statement of Financial Position, Income Statement, Statement

of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Accounting Policies and Notes, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and are in compliance with the requirements of the Companies Act No. 07 of 2007.

In addition, the presentation of these Financial Statements complies with the requirements of the Finance Business Act No. 42 of 2011, the Listing Rules of the Colombo Stock Exchange, and the guidelines issued by the Central Bank of Sri Lanka (CBSL).

Further, the Group has applied the merger accounting to account for the amalgamation of Multi Finance PLC with and into LB Finance PLC. Accordingly, merger accounting principles have been applied in preparing these consolidated financial statements.

These Financial Statements, except for information on Cash Flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

1.6 Responsibilities for the Financial Statements

The Board of Directors of the Company is responsible for these Financial Statements of the Group and the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges the responsibility in relation to the Financial Statements, as set out in the 'Directors' Responsibility for Financial Reporting, 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position of the Annual Report.

1.7 Application of Sri Lanka Accounting Standards

1.7.1 Amendments to LKAS 01 : Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

Amendments to LKAS 01 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entitys right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

1.7.2 Amendments to LKAS 07 : Statement of Cash Flows - Supplier Finance Arrangements

Amendments to SLFRS 07 : Financial Instruments Disclosures - Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

1.7.3 Amendments to LKAS 12 : Income Taxes - International Tax Reform : Pillar Two Model Rule

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

1.7.4 Amendment to SLFRS 16 : Leases - Lease Liability in a Sale and Leaseback

The amendments to SLFRS 16 : Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 08 to sale and leaseback transactions entered into after the date of initial application.

1.8 Basis of Measurement

The Financial Statements of the Group have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets recognised through profit or loss - measured at fair value
- Financial assets measured at fair value through other comprehensive income
- Investment property measured at fair value
- Liabilities for defined benefit obligations are recognised using an actuarial technique (projected unit credit method)

1.9 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions. The Directors assessed the future performance of the business and satisfied that it has the resources in place that are required to meet its ongoing regulatory requirements. The assessment is based upon business plans which contain future projections of profitability as well as projections of regulatory capital requirements and business funding needs.

The business plan showed that the Group had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the stress scenarios. Accordingly, the Directors concluded that there was a reasonable expectation that the Group has adequate resources to continue as a Going Concern for a period of at least 12 months from the date of approval of the Financial Statements. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a Going Concern basis.

1.10 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which LB Finance PLC operates.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that Functional Currency. These Financial Statements are presented in Sri Lankan Rupees, the Groups Functional and Presentation Currency.

1.11 Presentation of Financial Statements

Assets and Liabilities of the Group presented in their Statements of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 3.3 on 'Current and Non Current Analysis of Assets and Liabilities' to these Financial Statements.

Further, with the amalgamation of Multi Finance PLC, the Group is not required to restate the Consolidated Financial Statements, as Multi Finance PLC was already included in the consolidation in the previous financial year. Since the restatement of the Company's Financial Statements does not have a significant impact on the comparability of the financial information, the Company has decided to present a Supplementary Income Statement in Note 2.22.5 (c), illustrating the results as if the amalgamation had taken place at the beginning of the comparative year.

1.12 Use of Materiality, Aggregation, Offsetting and Rounding

Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by an Accounting Standard.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01.

1.13 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

1.14 Sri Lanka Accounting Standards Issued but not yet Effective as at 31 March 2025

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and

interpretations, if applicable, when they become effective other than specially mentioned in Note. 1.14.3,

1.14.1 SLFRS 17 : Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 04 (Insurance Contracts). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 09 and SLFRS 15 on or before the date it first applies SLFRS 17.

The Group does not expect this will result in a material impact on its Financial Statements.

1.14.2 Amendments to SLFRS 09 and SLFRS 07: Classification and Measurement of Financial Instruments

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended SLFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to settling financial liabilities using electronic payments system, and assessing contractual Cash Flow characteristics of financial assets, including those with sustainability-linked features.

The Group is in the process of assessing the impact of the new amendments.

1.14.3 Sustainability Disclosure Standards –SLFRS S1 : General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 : Climate-related Disclosures

Recognising the increasing importance of sustainability-related information to stakeholders, the International Sustainability Standards Board (ISSB) issued its inaugural sustainability disclosure standards-IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

In alignment with these developments, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued the localised versions of these standards, namely SLFRS S1 and SLFRS S2, in 2024. These standards are effective in Sri Lanka for annual periods beginning on or after 1 January 2025.

The Group has elected to early adopt both SLFRS S1 and SLFRS S2 as part of its commitment to integrating sustainability considerations into financial reporting. As part of this adoption, the Group has commenced disclosure of sustainability-related risks and opportunities, including information on greenhouse gas emissions, in accordance with applicable guidance.

While the early adoption has not resulted in a material impact on the Group's financial position or performance, it has enhanced the quality and scope of non-financial disclosures, strengthening the overall ESG reporting framework.

1.15 Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous financial year. Further, the Group has not early adopted any other accounting standard other than specially mentioned in Note. 1.14.3, interpretation or amendment that has been issued but not effective.

1.16 Significant Accounting Assumptions, Judgments and Estimation Uncertainties

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make assumptions, judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation uncertainties, critical judgments and assumptions in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Group are as follows;

1.23 Impairment of Non Financial Assets
1.24 Estimating Incremental Borrowing Rate
2.10 Taxation

2.13 Classification of Financial Assets and Liabilities

2.14 Fair Value of Financial Instruments

2.18 Allowance for Impairment Losses

2.22 Investment in Subsidiaries

2.23 Useful Lifetime of the Property, Plant and Equipment

2.24 Fair Valuation of Investment Properties

2.25 Useful Lifetime of the Intangible Assets

2.26 Deferred Tax Assets and Liabilities

2.33 Post Employment Benefit Liability

3.5 Commitments and Contingencies

3.10 Events Occurring after the Reporting Date

1.17 Basis Of Consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Financial Reporting Standard - SLFRS 10 (Consolidated Financial Statements).

1.17.1 Non-Controlling Interest

Details of Non-Controlling Interest are given in Note 2.37 to these Financial Statements.

1.17.2 Investment in Subsidiaries

Details of the Companys subsidiaries are set out in Note 2.22 to these Financial Statements.

1.17.3 Loss of Control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in Income Statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an Associate or in accordance with the Group's Accounting Policy for financial instruments depending on the level of influence retained.

1.17.4 Transactions Eliminated on Consolidation

Intra-group balances, transactions and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.18 Foreign Currency

1.18.1 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Company's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the middle exchange rate of the functional currency ruling as at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency as at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in Income Statement. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in Other Comprehensive Income.

1.18.2 Foreign Currency Translations

The Group's Consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Company's functional currency. The Financial Statements of the foreign operations of the Company have been translated into the Group's presentation currency as explained under Note 1.18.3 below.

1.18.3 Foreign Operations

The results and financial position of overseas operations that have a functional currency difference from the Company's presentation currency are translated into the Company's presentation currency as follows;

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange rates ruling as at the reporting date.

Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case

income and expenses are translated at the exchange rates ruling at the transaction date.

All resulting exchange differences are recognised in the Other Comprehensive Income and accumulated in the Foreign Currency Translation Reserve, which is a separate component of Equity, except to the extent that the translation difference is allocated to the Non-Controlling Interest.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Income Statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount of the translation reserve is reattributed to Non-Controlling Interest.

1.19 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

1.20 Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

1.21 Borrowing Costs

As per the Sri Lanka Accounting Standard – LKAS 23 (Borrowing Costs), the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

1.22 Financial Guarantees and Loan Commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitments at below market interest rates drawdown are initially measured at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position.

Loan types with undrawn limits are expected to change the exposure over a period due to the available portion in the unutilised limit. The drawdowns for unutilised portions (only for Stage 01 and 02) is considered by applying the behavioral (average) use of the facility over the given period and current excess over the average (positive net exposure).Then the positive net exposure is classified as 12 month or lifetime expected credit loss.

Details of commitments and contingencies are presented in Note 3.5 to these Financial Statements.

1.23 Impairment of Non Financial Assets

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement. A previously recognised impairment loss in respect of goodwill is not reversed.

1.24 Estimating The Incremental Borrowing Rate

Further, as the Group cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group would have to pay, which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease).The Group estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

1.25 Other Taxes

1.25.1 Withholding Tax (WHT) on Dividends

Withholding Tax arises from the distribution of dividends by the Company and is recognised at the time the liability to pay the related dividend is recognised. The prevailing WHT rate on dividends distributed by the Company to shareholders is 15%. Dividend paid by the Company will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Company from another resident Company.

As per the Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends was introduced effective from 1 January 2023.

1.25.2 Withholding Tax (WHT) on Deposit Interest Payments

In accordance with the Inland Revenue Act effective from 1 January 2024, the Company deducts a 5% Withholding Tax (WHT) at source on interest payments made to eligible deposit holders. The WHT is remitted to the Inland Revenue Department as required by law. Interest expenses reported in these financial statements are presented gross of WHT.

1.25.3 Value Added Tax (VAT)

The VAT rate had been increased from 15% to 18% with effect from 1 January 2024. Further, goods and services which were previously exempt from VAT became liable at the rate of 18% with effect from 1 January 2024.

2 MATERIAL ACCOUNTING POLICIES AND NOTES - SPECIFIC

2.1 Income

Accounting Policy

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of taxes, trade discounts and rebates.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Interest Income (Note 2.1.2)	**41,815,458**	45,729,853	**42,201,896**	46,102,501
Fee and Commission Income (Note 2.2)	**4,604,441**	3,186,422	**4,642,914**	3,217,460
Net Trading Income (Note 2.3)	**101,101**	141,629	**101,101**	141,629
Other Operating Income (Note 2.4)	**209,955**	172,191	**210,349**	174,181
	46,730,955	49,230,095	**47,156,260**	49,635,771

2.1.1 Net Interest Income

Accounting Policy

The Group use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of financial assets and financial liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as an impairment charge or reversal to the Income Statement.

Once the recorded value of a financial asset or a Group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Recognition of interest income is ceased when one or more of the criteria set out in Note 2.18 is present for a financial asset. Interest from overdue rentals have been accounted for on a cash received basis.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Interest Income (Note 2.1.2)	**41,815,458**	45,729,853	**42,201,896**	46,102,501
Interest Expenses (Note 2.1.5)	**16,687,381**	21,379,499	**16,783,707**	21,460,631
	25,128,077	24,350,354	**25,418,189**	24,641,870

2.1.2 Interest Income

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Loans and Receivables (Note 2.1.3)	**40,003,246**	41,999,843	**40,380,307**	42,336,135
Other Financial Assets	**1,812,212**	3,730,010	**1,821,589**	3,766,366
	41,815,458	45,729,853	**42,201,896**	46,102,501

2.1.3 Interest Income - Loans and Receivables

Year ended 31 March	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Gold Loans	15,272,338	18,869,751	15,277,178	18,910,541
Lease Receivables	9,461,549	9,629,910	9,463,535	9,640,092
Vehicle Loans	10,176,771	8,265,381	10,177,286	8,265,381
Term Loans	1,776,343	1,556,653	2,145,690	1,841,973
Mortgage Loans	647,154	757,104	647,411	757,104
Power Drafts	2,669,091	2,921,044	2,669,207	2,921,044
	40,003,246	41,999,843	40,380,307	42,336,135

2.1.4 Interest Income from Sri Lanka Government Securities

Year ended 31 March	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Interest Income from Sri Lanka Government Securities	1,387,810	2,619,643	1,387,810	2,650,378

2.1.5 Interest Expenses

Year ended 31 March	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Due to Banks	2,251,633	2,130,847	2,284,523	2,151,067
Financial Liabilities at Amortised Cost - Due to Depositors	13,539,499	18,791,874	13,598,054	18,848,984
Debt Instruments Issued and Other Borrowed Funds	641,453	221,469	641,453	221,469
Other Financial Liabilities	254,796	235,309	259,677	239,111
	16,687,381	21,379,499	16,783,707	21,460,631

2.1.6 Interest Expenses (Product-wise Breakdown)

Year ended 31 March	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Bank Overdrafts	494	3,450	638	3,471
Debt Funding from Banks (Note 2.27.1)	2,251,139	2,127,397	2,283,885	2,147,596
Fixed Deposits	13,307,006	18,663,297	13,310,098	18,681,323
Savings Deposits	232,493	128,577	287,956	167,661
Debt Funding from International Financial Institutions	128,299	205,586	128,299	205,586
Securitised Borrowings	513,154	15,883	513,154	15,883
Interest Expense on Lease Liabilities	254,796	235,309	259,677	239,111
	16,687,381	21,379,499	16,783,707	21,460,631

2.2 Fee and Commission Income

Accounting Policy

The Group earns fee and commission income from a diverse range of services provided to customers, including credit-related fees, service charges, and other transaction-based fees.

Fee and commission income is recognised in the Income Statement when the related service is performed. Income related to ongoing services is recognised over time, while income from one-time services is recognised at a point in time when the performance obligation is satisfied. Fees and commissions that are integral to the effective interest rate (EIR) of a financial asset or liability are included in the EIR and recognised over the expected life of the instrument.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Credit Related Fees and Commissions	1,709,957	1,391,352	1,748,004	1,420,217
Service Charge	2,894,484	1,795,070	2,894,910	1,797,243
	4,604,441	3,186,422	4,642,914	3,217,460

2.3 Net Trading Income

Accounting Policy

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets 'recognised through profit or loss' other than interest income.

Dividend income received from financial assets recognised through profit or loss is recognised when the Group's right to receive the payment is established.

	Company & Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000
Gains/(Losses) from Investment in Unit Trusts	97,710	136,686
Dividend Income from Financial Assets Recognised Through Profit or Loss	715	922
Appreciation/(Depreciation) in Market Value of Financial Assets Recognised Through Profit or Loss	2,676	4,021
	101,101	141,629

2.4 Other Operating Income

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as Other Operating Income on an accrual basis.

Dividend income received from financial assets measured at fair value through other comprehensive income is recognised when the Group's right to receive the payment is established.

The profit/(loss) on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of other operating income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

Income on operating leases are accounted for on a straight-line basis over the periods of the leases.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Dividend Income from Financial Assets Measured at Fair Value Through Other Comprehensive Income	**3,366**	2,797	**3,410**	2,842
Profit/(Loss) on Disposal of Property, Plant and Equipment	**35,295**	37,533	**35,295**	37,533
Income on Operating Lease	**2,990**	5,212	**2,990**	5,212
Sundry Income	**168,304**	126,649	**168,654**	128,594
	209,955	172,191	**210,349**	174,181

There are no dividends recognised during the current or previous period from equity instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) that were derecognised as at the respective reporting date.

2.5 Impairment Charges/(Reversals)

Accounting Policy

The Group recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Financial Reporting Standard - SLFRS 09 (Financial Instruments) and LKAS 36 (Impairment of Assets). The methodology adopted by the Group is explained in the Note 2.18 to these Financial Statements. Recovery of amounts written-off as bad and doubtful debts is credited to impairment charges/(Reversals).

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Loans and Receivables	**4,370**	386,926	**(1,587)**	399,042
Impairment on Investment in Fixed Deposits	**(94)**	(47,741)	**(94)**	(47,741)
Impairment on Investments in Subsidiaries	**(1,353)**	223,063	**-**	-
Impairment on Off-Balance Sheet Credit Exposures	**1,712**	1,491	**1,712**	1,491
Impairment on Goodwill	**-**	-	**-**	107,803
Recovery of Written-off Debts	**(260,871)**	(190,502)	**(261,062)**	(190,502)
	(256,236)	373,236	**(261,031)**	270,093

2.5.1 Impairment Charges/(Reversals) - Detailed Breakdown - Company

Year ended 31 March	2025			2024		
	Direct Write-offs	Charge/ (Reversal) for the Year	Net Amount	Direct Write-offs	Charge/ (Reversal) for the Year	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	30,778	(26,408)	4,370	9,723	377,203	386,926
Impairment on Investment in Fixed Deposits			(94)			(47,741)
Impairment on Investment in Subsidiaries			(1,353)			223,063
Impairment on Off-Balance Sheet Credit Exposures			1,712			1,491
Recovery of Written-off Debts			(260,871)			(190,502)
			(256,236)			373,236

2.5.2 Impairment Charges/(Reversals) - Detailed Breakdown - Group

Year ended 31 March	2025			2024		
	Direct Write-offs	Charge/ (Reversal) for the Year	Net Amount	Direct Write-offs	Charge/ (Reversal) for the Year	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	31,637	(33,224)	(1,587)	9,723	389,319	399,042
Impairment on Investment in Fixed Deposits			(94)			(47,741)
Impairment on Off-Balance Sheet Credit Exposures			1,712			1,491
Impairment on Goodwill			-			107,803
Recovery of Written-off Debts			(261,062)			(190,502)
			(261,031)			270,093

2.5.3 Analysis of Impairment Charges/(Reversals) - Company

Year ended 31 March 2025	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gold Loans	224,835	(6,473)	18,878	237,240
Lease Receivables	4,358	(25,451)	(257,271)	(278,364)
Vehicle Loans	(37,538)	20,762	(55,074)	(71,850)
Term Loans	73,103	6,074	38,425	117,602
Mortgage Loans	(22,219)	(40,159)	(3,082)	(65,460)
Power Drafts	68,767	20,536	(24,101)	65,202
Loans and Receivables	311,306	(24,711)	(282,225)	4,370
Impairment on Investment in Fixed Deposits				(94)
Impairment on Investment in Subsidiaries				(1,353)
Impairment on Off-Balance Sheet Credit Exposures				1,712
Recovery of Written-off Debts				(260,871)
Total Allowance for Impairment Charges/(Reversals)				(256,236)

Year ended 31 March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gold Loans	543,998	(54,804)	(656)	488,538
Lease Receivables	(49,977)	(98,207)	(106,884)	(255,068)
Vehicle Loans	227,980	15,923	17,110	261,013
Term Loans	(94,973)	(3,168)	2,775	(95,366)
Mortgage Loans	(57,305)	(17,375)	(52,759)	(127,439)
Power Drafts	48,182	(16,380)	83,446	115,248
Loans and Receivables	617,905	(174,011)	(56,968)	386,926
Impairment on Investment in Fixed Deposits				(47,741)
Impairment on Investment in Subsidiaries				223,063
Impairment on Off-Balance Sheet Credit Exposures				1,491
Recovery of Written-off Debts				(190,502)
Total Allowance for Impairment Charges/(Reversals)				373,236

2.5.4 Analysis of Impairment Charges/ (Reversals) - Group

Year ended 31 March 2025	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gold Loans	224,835	(6,473)	18,878	237,240
Lease Receivables	4,358	(25,451)	(257,271)	(278,364)
Vehicle Loans	(37,538)	20,762	(55,074)	(71,850)
Term Loans	53,088	15,611	42,946	111,645
Mortgage Loans	(22,219)	(40,159)	(3,082)	(65,460)
Power Drafts	68,767	20,536	(24,101)	65,202
Loans and Receivables	291,291	(15,174)	(277,704)	(1,587)
Impairment on Investment in Fixed Deposits				(94)
Impairment on Off-Balance Sheet Credit Exposures				1,712
Recovery of Written-off Debts				(261,062)
Total Allowance for Impairment Charges/(Reversals)				(261,031)

Year ended 31 March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gold Loans	542,748	(54,900)	(6,011)	481,837
Lease Receivables	(50,007)	(98,251)	(104,394)	(252,652)
Vehicle Loans	227,987	15,910	18,592	262,489
Term Loans	(81,158)	(3,924)	(448)	(85,530)
Mortgage Loans	(57,305)	(17,375)	(47,647)	(122,327)
Power Drafts	48,153	(16,396)	83,468	115,225
Loans and Receivables	630,418	(174,936)	(56,440)	399,042
Impairment on Investment in Fixed Deposits				(47,741)
Impairment on Off-Balance Sheet Credit Exposures				1,491
Impairment on Goodwill				107,803
Recovery of Written-off Debts				(190,502)
Total Allowance for Impairment Charges/(Reversals)				270,093

2.6 Personnel Expenses

Accounting Policy

Personnel Expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Company and the employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund.

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

Defined Contribution Plans - Social Security Fund - LB Microfinance Myanmar Company Limited

The Company and the employees contribute 3% and 2% respectively on the salary of each employee to the Social Security Board. The maximum contribution is limited to Myanmar kyat 9,000/- by the Company and Myanmar kyat 6,000/- by the employee.

Defined Benefit Plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity was considered as defined benefit plan as per Sri Lanka Accounting Standard - LKAS 19.

Day 01 Loss on Staff Loan

The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Salaries and Other Related Expenses	4,319,157	3,617,728	4,424,787	3,725,802
Employer's Contribution to Employees' Provident Fund	353,093	296,727	353,669	298,666
Employer's Contribution to Employees' Trust Fund	77,282	63,215	77,426	63,700
Gratuity Charge/(Reversal) for the Year (Note 2.33.2)	153,447	118,285	153,692	119,098
Staff Training	21,704	23,222	22,807	24,241
Staff Welfare Expenses	219,688	253,737	233,636	268,414
Amortisation of Staff Loan Day 01 Difference	1,886	3,561	1,886	3,561
	5,146,257	4,376,475	5,267,903	4,503,482

2.7 Depreciation and Amortisation

Accounting Policy

Depreciation of Property, Plant and Equipment

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated.

Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms as defined in Note 2.23.

Amortisation of Intangible Assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use at the rates specified in Note 2.25.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Depreciation of Property, Plant and Equipment (Note 2.7.1)	**645,047**	576,280	**652,267**	582,796
Depreciation of Right-of-Use Assets (Note 2.7.1)	**334,906**	290,068	**334,906**	299,776
Amortisation of Intangible Assets (Note 2.7.2)	**13,128**	8,414	**14,355**	11,189
	993,081	874,762	**1,001,528**	893,761

2.7.1 Depreciation of Property, Plant and Equipment

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Freehold Buildings and Edifices	**27,989**	25,685	**27,989**	25,685
Furniture and Fittings	**42,461**	39,661	**43,827**	42,252
Equipment	**112,815**	103,637	**114,491**	104,994
Motor Vehicles	**28,052**	27,202	**28,154**	27,403
Computer Hardware and Equipment	**150,540**	117,249	**153,468**	119,616
Leasehold Improvements	**82,444**	81,810	**82,444**	81,810
Fixtures and Fittings	**200,746**	181,036	**201,894**	181,036
	645,047	576,280	**652,267**	582,796
Right-of-Use Assets	**334,906**	290,068	**334,906**	299,776
	979,953	866,348	**987,173**	882,572

2.7.2 Amortisation of Intangible Assets

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Computer Software	**13,128**	8,414	**14,355**	11,189

2.8 Other Operating Expenses

Accounting Policy

Other operating expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit for the year.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Directors' Emoluments	**28,800**	25,774	**28,800**	25,774
Auditors' Remunerations	**5,588**	4,858	**7,939**	9,152
Audit-Related Expenses	**1,550**	2,250	**1,550**	2,250
Non-Audit Fees to Auditors	**11,660**	1,279	**11,660**	1,279
Professional and Legal Expenses	**102,461**	87,778	**119,723**	110,813
Deposit Insurance Premium	**190,332**	171,353	**190,332**	171,521
General Insurance Expenses	**259,514**	199,606	**261,295**	201,238
Office Administration and Establishment Expenses	**2,430,419**	2,309,121	**2,496,638**	2,380,340
Advertising and Business Promotional Expenses	**511,709**	520,001	**543,117**	544,495
Crop Insurance Levy Expenses	**107,056**	96,274	**107,181**	96,274
	3,649,089	3,418,294	**3,768,235**	3,543,136

Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and was payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

Directors' Emoluments

Directors' Emoluments include fees paid to Non-Executive Directors. Remunerations paid to Executive Directors are included under Salaries and other related expenses in Note 2.6 to these Financial Statements.

2.9 Tax on Financial Services

Tax on Financial Services include Value Added Tax on Financial Services and Social Security Contribution Levy on Financial Services.

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on Financial Services was charged at 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Value Added Tax (VAT) on Financial Services	**3,661,142**	3,185,057	**3,673,989**	3,187,317
Social Security Contribution Levy (SSCL) on Financial Services	**508,568**	442,565	**509,252**	442,926
	4,169,710	3,627,622	**4,183,241**	3,630,243

2.10 Taxation

Accounting Policy

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in Equity or in OCI.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 2.10.3 to these Financial Statements.

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

Accounting Estimates

Significant judgment was required to determine the total provision for current and deferred taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements. The Group recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

Deferred Tax Assets and Liabilities

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 2.26 to these Financial Statements.

2.10.1 The Major Components of Income Tax Expense are as follows;

		Company		Group	
	Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
2.10.1	**(a) Income Statement**				
	Current Income Tax				
	Income Tax for the Year	**6,003,312**	5,871,958	**6,020,064**	5,887,807
	Under/(Over) Provision of Current Taxes in Respect of Previous Years	**(134,310)**	(110,773)	**(134,390)**	(111,361)
	Deferred Tax				
	Deferred Tax Charge/(Reversal) (Note 2.26)	**(332,963)**	(144,616)	**(334,931)**	(149,032)
		5,536,039	5,616,569	**5,550,743**	5,627,414
2.10.1	**(b) Statement of Other Comprehensive Income**				
	Deferred Tax				
	Deferred Tax Charge/(Reversal) (Note 2.26)	**4,917**	(16,112)	**4,917**	(16,112)
		4,917	(16,112)	**4,917**	(16,112)
2.10.1	**(c) Total Tax Expense for the Financial Year**	**5,540,956**	5,600,457	**5,555,660**	5,611,302

2.10.2 Reconciliation of Accounting Profit to Taxable Profit

A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate is as follows;

Year ended 31 March	Tax Rate	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Accounting Profit before Income Taxation		**16,341,673**	15,180,207	**16,412,677**	15,334,425
Income Tax Expense at the Statutory Income					
LB Finance PLC	30%	**4,902,502**	4,554,062	**4,902,502**	4,554,062
Multi Finance PLC	30%	**-**	-	**-**	-
LB Microfinance Myanmar Company Limited	22%	**-**	-	**14,713**	13,909
Tax Effect of Non-Deductible Expenses		**891,760**	1,200,356	**895,715**	1,200,356
Tax Effect of Deductible Expenses		**(2,027)**	(2,892)	**(5,911)**	(5,368)
Tax Effect of Previous Losses on Multi Finance PLC		**(106,882)**	-	**(106,882)**	-
Tax Effect of Qualifying Payments		**(10,087)**	(40,296)	**(10,087)**	(40,296)
Under/(Over) Provision of Current Taxes in Respect of Previous Years		**(134,310)**	(110,773)	**(134,390)**	(111,361)
		5,540,956	5,600,457	**5,555,660**	5,611,302
Effective Tax Rate		**33.91%**	36.89%	**33.85%**	36.59%
Effective Tax Rate (Excluding Deferred Tax)		**35.94%**	37.85%	**35.89%**	37.56%
Effective Tax Rate (Excluding Tax on Financial Services)		**27.01%**	29.78%	**26.97%**	29.59%
Charge/(Reversal) for Deferred Tax		**(332,963)**	(144,616)	**(334,931)**	(149,032)
Accounting Profit before Tax on Financial Services		**20,511,383**	18,807,829	**20,595,918**	18,964,668

2.10.3 Income Tax Expense of the Company and its Subsidiaries have been Recorded for on the Taxable Income at Rates Shown Below;

	2025	2024
LB Finance PLC	**30%**	30%
Multi Finance PLC	**30%**	30%
LB Microfinance Myanmar Company Limited	**22%**	22%

2.10.4 Summary of the Taxes Paid During the Financial Year

Year ended 31 March	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Direct Taxes				
Income Tax	**6,523,612**	5,211,237	**6,539,352**	5,226,371
Social Security Contribution Levy on Financial Services	**492,450**	436,356	**496,282**	436,853
Value Added Tax on Financial Services	**3,545,807**	3,196,193	**3,549,639**	3,198,966
Crop Insurance Levy	**99,063**	95,410	**99,063**	95,410
	10,660,932	8,939,196	**10,684,336**	8,957,600
Indirect Taxes (Collected and Paid)				
Value Added Tax	**295,726**	472,260	**295,726**	472,260
Stamp Duty	**265,736**	150,877	**267,408**	150,970
Social Security Contribution Levy on Others	**41,878**	78,650	**41,878**	78,650
Withholding Tax on Dividend and Interest	**950,528**	1,407,535	**954,360**	1,410,485
Advanced Personal Income Tax	**430,962**	362,966	**435,278**	363,266
	1,984,830	2,472,288	**1,994,650**	2,475,631
Total Taxes Paid during the Financial Year	**12,645,762**	11,411,484	**12,678,986**	11,433,231

2.11 Earnings Per Ordinary Share

Accounting Policy

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees. The Group does not have any potentially dilutive shares.

2.11.1 Income and Shares Details Used in the Basic Earning per Share Computation

	Company		Group	
	2025	2024	2025	2024
Amounts Used as the Numerators:				
Profit after Tax for the Year Attributable to Equity Holders (Rs. '000)	10,805,634	9,563,638	10,860,002	9,713,917
Number of Ordinary Shares Used as Denominators for Basic Earnings per Share				
Weighted Average Number of Ordinary Shares in Issue	554,057,136	554,057,136	554,057,136	554,057,136
Basic/Diluted Earnings per Ordinary Share (Rs.)	19.50	17.26	19.60	17.53

2.11.2 The Diluted earnings per ordinary share is equal to the basic earnings per ordinary share since the Company and the Group does not have any convertible securities as at the reporting date.

2.12 Dividend Paid and Proposed

Accounting Policy

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 07 of 2007.

Year ended 31 March	2025		2024	
	Dividend Per Share Rs.	Rs. '000	Dividend Per Share Rs.	Rs. '000
Dividends on Ordinary Shares:				
Interim Dividend Declared for 2024 (Paid in 2024 and Paid After the Reporting Date)	-	-	2.25	1,246,629
Final Dividend Declared for 2024 (Paid after the Reporting Date)	-	-	3.50	1,939,200
Interim Dividend Declared for 2025 (Paid before the Reporting Date)	2.25	1,246,629	-	-
Final Dividend Proposed for 2025 (To be Approved at the Annual General Meeting)	4.25	2,354,743	-	-
	6.50	3,601,372	5.75	3,185,829
Dividend Per Share (Rs.)				
Dividend per Share : Gross (Rs.)	6.50		5.75	
Dividend per Share : Net (Rs.)	5.53		4.89	

Dividend per share is calculated based on the interim dividend paid and the proposed final dividend for the financial year ended 31 March 2025 which is to be approved at the Annual General Meeting.

2.13 Financial Instruments

Accounting Policy

Date of Recognition

Financial assets and liabilities, with the exception of loans and receivables to customers and balances due to depositors, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables to customers are recognised on the date on which it originated. The Group recognises balances due to depositors when funds are transferred to the Group.

Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Financial Reporting Standard - SLFRS 09 (Financial Instruments). Trade receivables of subsidiaries are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 01 profit or loss.

Day 01 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and the fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Classification and Subsequent Measurement of Financial Assets

As per SLFRS 09, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business Model Assessment

Group determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. The Group's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as;

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected)
- The expected frequency, value and timing of sales

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectation, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

Contractual Cash Flow Characteristic Test (The SPPI Test)

As the second test of the classification process, the Group assesses the contractual terms of the financial asset to identify whether those meet 'Solely the Payment of Principal and Interest' (SPPI) criteria.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition which may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Group applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 09, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories;

- Financial liabilities at fair value through profit or loss, and within this category as;
  - Held for trading; or
  - Designated at fair value through profit or loss
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

Reclassification of Financial Assets and Financial Liabilities

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Modification of Financial Assets and Financial Liabilities

If the terms of a financial asset are modified, an assessment needs to be performed to determine whether the modified terms are substantially different from the existing terms. This assessment considers whether the cash flows of the modified asset are substantially different. Where terms are substantially different, the existing financial asset will be derecognised and a new financial asset will be recognised at fair value. Where terms are not substantially different, then the modification does not result in derecognition of the financial asset.

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value.

Where the contractual terms of a financial asset or financial liability are modified and such modification does not result in derecognition, the Group recalculates the gross carrying amount of the asset or liability by discounting the modified contractual cash flows using the instrument's original effective interest rate. The difference between the carrying amount and the recalculated amount is recognised in Income Statement as a modification gain or loss at the date of modification.

2.13.1 Classification of Financial Assets and Financial Liabilities

The following tables provides a reconciliation of the carrying amounts of financial assets and financial liabilities reported in the statement of financial position to the categories of financial instruments as defined in Sri Lanka Financial Reporting Standard - SLFRS 9 (Financial Instruments) . This reconciliation enables users to understand how the financial instruments relate to the line items in the Financial Statements. Non-financial assets and liabilities are excluded from this reconciliation.

2.13.1 (a) Classification of Financial Assets and Financial Liabilities - Company

As at 31 March	Note	2025				2024			
		Financial Instruments at Amortised Cost	Financial Instruments at Fair Value Through Profit or Loss (FVTPL)	Financial Instruments at Fair Value Through Other Comprehensive Income (FVOCI)	Total Carrying Amount	Financial Instruments at Amortised Cost	Financial Instruments at Fair Value Through Profit or Loss (FVTPL)	Financial Instruments at Fair Value Through Other Comprehensive Income (FVOCI)	Total Carrying Amount
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets									
Cash and Cash Equivalents	2.15	9,024,016	-	-	9,024,016	7,406,083	-	-	7,406,083
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16	-	718,402	-	718,402	-	1,923,016	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	2.17	197,766,691	-	-	197,766,691	161,291,486	-	-	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19	-	-	165,024	165,024	-	-	118,587	118,587
Other Financial Assets	2.20	21,201,500	-	-	21,201,500	20,374,770	-	-	20,374,770
Total Financial Assets		227,992,207	718,402	165,024	228,875,633	189,072,339	1,923,016	118,587	191,113,942
Financial Liabilities									
Due to Banks	2.27	37,411,682	-	-	37,411,682	21,702,012	-	-	21,702,012
Financial Liabilities at Amortised Cost - Due to Depositors	2.28	138,496,872	-	-	138,496,872	122,808,124	-	-	122,808,124
Debt Instruments Issued and Other Borrowed Funds	2.29	5,005,405	-	-	5,005,405	5,491,401	-	-	5,491,401
Other Financial Liabilities	2.30	4,303,422	-	-	4,303,422	3,757,776	-	-	3,757,776
Total Financial Liabilities		185,217,381	-	-	185,217,381	153,759,313	-	-	153,759,313

2.13.1 (b) Classification of Financial Assets and Financial Liabilities - Group

As at 31 March	Note	2025				2024			
		Financial Instruments at Amortised Cost	Financial Instruments at Fair Value Through Profit or Loss (FVTPL)	Financial Instruments at Fair Value Through Other Comprehensive Income (FVOCI)	Total Carrying Amount	Financial Instruments at Amortised Cost	Financial Instruments at Fair Value Through Profit or Loss (FVTPL)	Financial Instruments at Fair Value Through Other Comprehensive Income (FVOCI)	Total Carrying Amount
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets									
Cash and Cash Equivalents	2.15	9,074,745	-	-	9,074,745	7,651,260	-	-	7,651,260
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16	-	718,402	-	718,402	-	1,923,016	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	2.17	199,271,047	-	-	199,271,047	162,521,733	-	-	162,521,733
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19	-	-	165,024	165,024	-	-	118,589	118,589
Other Financial Assets	2.20	21,188,612	-	-	21,188,612	20,443,404	-	-	20,443,404
Total Financial Assets		229,534,404	718,402	165,024	230,417,830	190,616,397	1,923,016	118,589	192,658,002
Financial Liabilities									
Due to Banks	2.27	37,799,707	-	-	37,799,707	21,955,857	-	-	21,955,857
Financial Liabilities at Amortised Cost - Due to Depositors	2.28	138,823,896	-	-	138,823,896	123,034,547	-	-	123,034,547
Debt Instruments Issued and Other Borrowed Funds	2.29	5,005,405	-	-	5,005,405	5,491,401	-	-	5,491,401
Other Financial Liabilities	2.30	4,305,386	-	-	4,305,386	3,815,897	-	-	3,815,897
Total Financial Liabilities		185,934,394	-	-	185,934,394	154,297,702	-	-	154,297,702

2.13.2 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs, or for gains and losses arising from a Group of similar transactions such as in the Group's trading activity.

During the year Group has not offset any financial assets and financial liabilities in the Statement of Financial Position.

Offsetting of financial instruments based on the rights of set off relating to the financial instruments and cash collateral is as follows;

Company

As at 31 March 2025	Gross Amounts	Gross Amounts Set off on the Statement of Financial Position	Net Amounts Presented on the Statement of Financial Position	Cash Collateral*	Financial Instrument Collateral*	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Loans and Receivables	197,766,691	-	197,766,691	-	46,995,805	150,770,886
Financial Liabilities						
Due to Depositors	138,496,872	-	138,496,872	-	3,521,494	134,975,378

As at 31 March 2024	Gross Amounts	Gross Amounts Set off on the Statement of Financial Position	Net Amounts Presented on the Statement of Financial Position	Cash Collateral*	Financial Instrument Collateral*	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Loans and Receivables	161,291,486	-	161,291,486	-	42,172,635	119,118,851
Financial Liabilities						
Due to Depositors	122,808,124	-	122,808,124	-	2,858,224	119,949,900

*The financial instruments and cash collateral amounts have been recorded at amortised cost. The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty.

Group As at 31 March 2025	Gross Amounts Rs. '000	Gross Amounts Set off on the Statement of Financial Position Rs. '000	Net Amounts Presented on the Statement of Financial Position Rs. '000	Cash Collateral* Rs. '000	Financial Instrument Collateral* Rs. '000	Net Amount Rs. '000
Financial Assets						
Loans and Receivables	199,271,047	-	199,271,047	-	46,995,805	152,275,242
Financial Liabilities						
Due to Depositors	138,823,896	-	138,823,896	-	3,521,494	135,302,402

As at 31 March 2024	Gross Amounts Rs. '000	Gross Amounts Set off on the Statement of Financial Position Rs. '000	Net Amounts Presented on the Statement of Financial Position Rs. '000	Cash Collateral* Rs. '000	Financial Instrument Collateral* Rs. '000	Net Amount Rs. '000
Financial Assets						
Loans and Receivables	162,521,733	-	162,521,733	-	42,172,635	120,349,098
Financial Liabilities						
Due to Depositors	123,034,547	-	123,034,547	-	2,858,362	120,176,185

*The financial instruments and cash collateral amounts have been recorded at amortised cost. The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty.

2.14 Fair Value Measurement

Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments.

Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.

Level 3 : Inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instruments.

Valuation Framework

The Company has an established control framework for the measurement of fair values. Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated within the Finance Department.

We review the inputs to the fair value measurements to ensure they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

2.14.1 Fair Value Measurement Hierarchy - Financial and Non Financial Assets Measured at Fair Value

2.14.1 (a) Financial and Non Financial Assets Measured at Fair Value - Company

As at 31 March	Note	2025				2024			
		Fair Value Measurement Using			Total Fair Value	Fair Value Measurement Using			Total Fair Value
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16								
Quoted Equities		17,350	-	-	17,350	14,674	-	-	14,674
Investment in Unit Trusts		-	701,052	-	701,052	-	1,908,342	-	1,908,342
		17,350	701,052	-	718,402	14,674	1,908,342	-	1,923,016
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19								
Quoted Equities		126,931	-	-	126,931	118,282	-	-	118,282
Unquoted Equities		-	-	38,093	38,093	-	-	305	305
		126,931	-	38,093	165,024	118,282	-	305	118,587
Investment Properties	2.24	-	-	5,385	5,385	-	-	-	-

There were no transfers into and transfers out of the hierarchy levels during 2025 and 2024.

Details of valuation methodologies and assumptions are disclosed in Note 2.16, Note 2.19 and Note 2.24 to these Financial Statements.

2.14.1 (b) Financial and Non Financial Assets Measured at Fair Value - Group

As at 31 March	Note	2025				2024			
		Fair Value Measurement Using			Total Fair Value	Fair Value Measurement Using			Total Fair Value
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16								
Quoted Equities		17,350	-	-	17,350	14,674	-	-	14,674
Investment in Unit Trusts		-	701,052	-	701,052	-	1,908,342	-	1,908,342
		17,350	701,052	-	718,402	14,674	1,908,342	-	1,923,016
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19								
Quoted Equities		126,931	-	-	126,931	118,282	-	-	118,282
Unquoted Equities		-	-	38,093	38,093	-	-	307	307
		126,931	-	38,093	165,024	118,282	-	307	118,589
Investment Properties	2.24	-	-	5,385	5,385	-	-	5,050	5,050

There were no transfers into and transfers out of the hierarchy levels during 2025 and 2024.

Details of valuation methodologies and assumptions are disclosed in Note 2.16, Note 2.19 and Note 2.24 to these Financial Statements.

2.14.2 Fair Value Measurement Hierarchy - Financial Assets and Liabilities Measured at Amortised Cost

2.14.2 (a) Financial Assets Measured at Amortised Cost - Company

As at 31 March	Note	2025					2024				
		Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Cash Equivalents	2.15										
Notes and Coins Held		2,514,962	-	-	2,514,962	2,514,962	1,965,160	-	-	1,965,160	1,965,160
Balances with Banks		2,600,716	-	-	2,600,716	2,600,716	1,934,329	-	-	1,934,329	1,934,329
Securities under Reverse Repurchase Agreements		-	3,908,338	-	3,908,338	3,908,338	-	3,506,594	-	3,506,594	3,506,594
		5,115,678	3,908,338	-	9,024,016	9,024,016	3,899,489	3,506,594	-	7,406,083	7,406,083
Financial Assets at Amortised Cost - Loans and Receivables	2.17										
Gold Loans		-	-	83,972,761	83,972,761	83,972,761	-	-	73,110,399	73,110,399	73,110,399
Lease Receivables		-	-	37,467,366	37,467,366	36,035,200	-	-	30,568,203	30,568,203	29,874,912
Vehicle Loans		-	-	48,014,483	48,014,483	46,106,225	-	-	39,690,999	39,690,999	38,564,689
Term Loans		-	-	11,781,474	11,781,474	11,776,814	-	-	7,315,187	7,315,187	7,454,999
Mortgage Loans		-	-	2,228,956	2,228,956	2,177,909	-	-	2,223,101	2,223,101	2,138,253
Power Drafts		-	-	17,865,844	17,865,844	17,697,782	-	-	10,391,185	10,391,185	10,148,234
		-	-	201,330,884	201,330,884	197,766,691	-	-	163,299,074	163,299,074	161,291,486
Other Financial Assets	2.20										
Securities under Reverse Repurchase Agreements		-	2,541,436	-	2,541,436	2,541,436	-	4,568,918	-	4,568,918	4,568,918
Investment in Fixed Deposits		-	10,543,975	-	10,543,975	10,543,975	-	4,202,401	-	4,202,401	4,202,401
Investment in Treasury Bills		7,517,610	-	-	7,517,610	7,489,281	11,052,693	-	-	11,052,693	10,994,294
Insurance Premium Receivables		-	409,665	-	409,665	409,665	-	433,725	-	433,725	433,725
Due from Subsidiaries		-	13,072	-	13,072	13,072	-	1,150	-	1,150	1,150
Sundry Debtors		-	204,071	-	204,071	204,071	-	174,282	-	174,282	174,282
		7,517,610	13,712,219	-	21,229,829	21,201,500	11,052,693	9,380,476	-	20,433,169	20,374,770

2.14.2 (b) Financial Assets Measured at Amortised Cost - Group

As at 31 March	Note	2025					2024				
		Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Cash Equivalents	2.15										
Notes and Coins Held		2,534,474	-	-	2,534,474	2,534,474	1,996,871	-	-	1,996,871	1,996,871
Balances with Banks		2,631,933	-	-	2,631,933	2,631,933	2,006,666	-	-	2,006,666	2,006,666
Securities under Reverse Repurchase Agreements		-	3,908,338	-	3,908,338	3,908,338	-	3,647,723	-	3,647,723	3,647,723
		5,166,407	3,908,338	-	9,074,745	9,074,745	4,003,537	3,647,723	-	7,651,260	7,651,260
Financial Assets at Amortised Cost - Loans and Receivables	2.17										
Gold Loans		-	-	83,972,761	83,972,761	83,972,761	-	-	73,170,226	73,170,226	73,170,226
Lease Receivables		-	-	37,467,366	37,467,366	36,035,200	-	-	30,587,247	30,587,247	29,893,956
Vehicle Loans		-	-	48,014,483	48,014,483	46,106,225	-	-	39,695,120	39,695,120	38,568,811
Term Loans		-	-	13,285,830	13,285,830	13,281,170	-	-	8,457,712	8,457,712	8,597,524
Mortgage Loans		-	-	2,228,956	2,228,956	2,177,909	-	-	2,227,855	2,227,855	2,143,007
Power Drafts		-	-	17,865,844	17,865,844	17,697,782	-	-	10,391,160	10,391,160	10,148,209
		-	-	202,835,240	202,835,240	199,271,047	-	-	164,529,320	164,529,320	162,521,733
Other Financial Assets	2.20										
Securities under Reverse Repurchase Agreements		-	2,541,436	-	2,541,436	2,541,436	-	4,568,918	-	4,568,918	4,568,918
Investment in Fixed Deposits		-	10,543,975	-	10,543,975	10,543,975	-	4,222,541	-	4,222,541	4,222,541
Investment in Treasury Bills		7,517,610	-	-	7,517,610	7,489,281	11,101,074	-	-	11,101,074	11,042,675
Insurance Premium Receivables		-	409,665	-	409,665	409,665	-	433,725	-	433,725	433,725
Sundry Debtors		-	204,255	-	204,255	204,255	-	175,545	-	175,545	175,545
		7,517,610	13,699,331	-	21,216,941	21,188,612	11,101,074	9,400,729	-	20,501,803	20,443,404

Sensitivity Analysis of Financial Assets Measured at Amortised Cost under Level 3 Category

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Increase/(Decrease) in Interest Rate				
1bp Up	**(14,957)**	(12,905)	**(14,957)**	(12,905)
1bp Down	**14,960**	12,911	**14,960**	12,911

Unobservable Inputs Used in Measuring Fair Value under Level 3 Category

The following table sets out information about significant unobservable inputs used as at 31 March 2025 and 2024 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Company Fair Values as at 31 March 2025 Rs. '000	Group Fair Values as at 31 March 2025 Rs. '000	Valuation Technique	Significant Unobservable Input	Range of Estimates for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
Financial Assets at Amortised Cost - Loans and Receivables	**201,330,884** 163,299,074 (2024)	**202,835,240** 164,529,320 (2024)	Discounted cash flow	Spread	4.6-10.4% (2024 : 4.1-12.1%)	A significant increase in the spread would result in a lower fair values.
				Probability of default	8.8-20.3% (2024 : 12.4-26.9%)	Significant increases in probability of default would result in lower fair values.
				Loss severity	5-100% (2024 : 5-100%)	A significant reduction would result in higher fair values.
				Expected prepayment rate	0.03-15.8% (2024 : 0.03-15.8%)	Correlates with the current interest rates.

There were no transfers into and transfers out of the hierarchy levels during 2025 and 2024.

Valuation Methodologies and Assumptions

Cash and Cash Equivalents

Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalents. Time deposits and money market accounts that meet the above criteria are reported at par value on our Statement of Financial Position.

Loans and Receivables

We measure performing loans and receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, prepayment speed, and applicable spreads to approximate current rates. Our assumptions regarding prepayment speed and credit losses are based on historical performance. We use the fair value of collateral to determine the fair value of non-performing loans and receivables. The collateral for loans and receivables is the vehicle financed, real estate, gold or other property. The fair value of loans and receivables is categorised within Level 3 of the fair value measurement hierarchy. Loans and receivables granted to customers with a variable rate are considered to be carried at fair value in the books net of credit losses.

Other Financial Assets

Since all the balances which are under other financial assets have short-term maturities, it is assumed that the carrying amounts of those balances approximate their fair values except for Investment in Treasury Bills.

2.14.2 (c) Financial Liabilities Measured at Amortised Cost - Company

As at 31 March	Note	2025					2024				
		Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost
		Quoted Prices in Active Markets Level 1 Rs. '000	Significant Observable Inputs Level 2 Rs. '000	Significant Unobservable Inputs Level 3 Rs. '000	Rs. '000	Rs. '000	Quoted Prices in Active Markets Level 1 Rs. '000	Significant Observable Inputs Level 2 Rs. '000	Significant Unobservable Inputs Level 3 Rs. '000	Rs. '000	Rs. '000
Due to Banks	2.27										
Bank Overdrafts		1,165,574	-	-	1,165,574	1,165,574	1,035,550	-	-	1,035,550	1,035,550
Debt Funding from Banks		-	37,381,878	-	37,381,878	36,246,108	-	21,802,232	-	21,802,232	20,666,462
		1,165,574	37,381,878	-	38,547,452	37,411,682	1,035,550	21,802,232	-	22,837,782	21,702,012
Financial Liabilities at Amortised Cost - Due to Depositors	2.28										
Fixed Deposits		-	-	135,186,844	135,186,844	132,032,628	-	-	122,210,628	122,210,628	119,056,412
Savings Deposits		-	-	6,464,244	6,464,244	6,464,244	-	-	3,751,712	3,751,712	3,751,712
		-	-	141,651,088	141,651,088	138,496,872	-	-	125,962,340	125,962,340	122,808,124
Debt Instruments Issued and Other Borrowed Funds	2.29										
Borrowings from International Financial Institutions		-	807,984	-	807,984	766,862	-	1,580,403	-	1,580,403	1,539,282
Securitised Borrowings		-	4,409,210	-	4,409,210	4,238,543	-	4,122,786	-	4,122,786	3,952,119
		-	5,217,194	-	5,217,194	5,005,405	-	5,703,189	-	5,703,189	5,491,401
Other Financial Liabilities	2.30										
Trade Payables		-	791,214	-	791,214	791,214	-	595,307	-	595,307	595,307
Insurance Premium Payables		-	374,138	-	374,138	374,138	-	288,890	-	288,890	288,890
Unclaimed Balances		-	920,083	-	920,083	920,083	-	862,401	-	862,401	862,401
Lease Liability		-	1,908,465	-	1,908,465	1,908,465	-	1,674,659	-	1,674,659	1,674,659
Other Payables		-	309,522	-	309,522	309,522	-	336,519	-	336,519	336,519
		-	4,303,422	-	4,303,422	4,303,422	-	3,757,776	-	3,757,776	3,757,776

2.14.2 (d) Financial Liabilities Measured at Amortised Cost - Group

As at 31 March	Note	2025					2024				
		Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using			Total Fair Value	Carrying Value at Amortised Cost
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs			Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to Banks	2.27										
Bank Overdrafts		1,165,574	-	-	1,165,574	1,165,574	1,038,445	-	-	1,038,445	1,038,445
Debt Funding from Banks		-	38,020,853	-	38,020,853	36,634,133	-	22,304,132	-	22,304,132	20,917,412
		1,165,574	38,020,853	-	39,186,427	37,799,707	1,038,445	22,304,132	-	23,342,577	21,955,857
Financial Liabilities at Amortised Cost - Due to Depositors	2.28										
Fixed Deposits		-	-	135,337,674	135,337,674	132,032,628	-	-	122,451,489	122,451,489	119,146,443
Savings Deposits		-	-	6,791,268	6,791,268	6,791,268	-	-	3,888,104	3,888,104	3,888,104
		-	-	142,128,942	142,128,942	138,823,896	-	-	126,339,593	126,339,593	123,034,547
Debt Instruments Issued and Other Borrowed Funds	2.29										
Borrowings from International Financial Institutions		-	807,984	-	807,984	766,862	-	1,580,403	-	1,580,403	1,539,282
Securitised Borrowings		-	4,409,210	-	4,409,210	4,238,543	-	4,122,786	-	4,122,786	3,952,119
		-	5,217,194	-	5,217,194	5,005,405	-	5,703,189	-	5,703,189	5,491,401
Other Financial Liabilities	2.30										
Trade Payables		-	791,214	-	791,214	791,214	-	595,307	-	595,307	595,307
Insurance Premium Payables		-	374,138	-	374,138	374,138	-	288,890	-	288,890	288,890
Unclaimed Balances		-	921,754	-	921,754	921,754	-	863,909	-	863,909	863,909
Lease Liability		-	1,908,465	-	1,908,465	1,908,465	-	1,698,338	-	1,698,338	1,698,338
Other Payables		-	309,815	-	309,815	309,815	-	369,453	-	369,453	369,453
		-	4,305,386	-	4,305,386	4,305,386	-	3,815,897	-	3,815,897	3,815,897

Sensitivity Analysis of Financial Liabilities Measured at Amortised Cost under Level 3 Category

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Increase/(Decrease) in Interest Rate				
1bp Up	(7,546)	(6,495)	(7,546)	(6,495)
1bp Down	7,547	6,496	7,547	6,496

Unobservable Inputs Used in Measuring Fair Value under Level 3 Category

The following table sets out information about significant unobservable inputs used as at 31 March 2025 and 2024 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Company Fair Values as at 31 March 2025 Rs. '000	Group Fair Values as at 31 March 2025 Rs. '000	Valuation Technique	Significant Unobservable Input	Range of Estimates for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
Financial Liabilities at Amortised Cost - Due to Depositors	141,651,088 125,962,340 (2024)	142,128,942 126,339,593 (2024)	Discounted cash flow	Spread	0-3.7% (2024 : 0-3.8%)	A significant increase in the spread would result in a lower fair value.
				Expected premature rate	0.1-3.3% (2024 : 0.1-4.1%)	Correlates with the current interest rates.

There were no financial liabilities recorded at fair value as at 31 March 2025 and 2024.

There were no transfers into and transfers out of the hierarchy levels during 2025 and 2024.

Valuation Methodologies and Assumptions

Due to Depositors

We measure the fair value using internal valuation models. These models project future cash flows of fixed deposits based on scheduled maturities (including principal and interest) and pre-maturities of deposits. The projected cash flows are discounted to present value based on applicable spreads to approximate current deposit rates for each tenor. Our assumptions regarding pre-maturity speed and spreads are based on historical performance. Savings deposits without a specific maturity are assumed that the carrying amounts approximate their fair values. The fair value of Due to Depositors is categorised within Level 3 of the hierarchy.

Bank Borrowings and Debt Instruments

We estimate the fair value of bank borrowings and debt instruments using discounted cash flows and use the most recent transacted rate and/or unexpired offered rate of a similar instrument or borrowing. Debt instrument and bank borrowing do not carry prepayment or embedded options. The fair value of debt is categorised within Level 2 of the hierarchy.

Other Financial Liabilities

Since all the liabilities which are under other financial liabilities have short-term maturities, it is assumed that the carrying amounts of those liabilities approximate their fair values.

2.15 Cash and Cash Equivalents

Accounting Policy

Cash and Cash Equivalents includes cash and bank balances and money at call and short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition. Cash and Cash Equivalents are carried at amortised cost in the Statement of Financial Position and there were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Notes and Coins Held	2,514,962	1,965,160	2,534,474	1,996,871
Balances with Banks	2,600,716	1,934,329	2,631,933	2,006,666
Securities under Reverse Repurchase Agreements (Less than 03 Months)	3,908,338	3,506,594	3,908,338	3,647,723
	9,024,016	7,406,083	9,074,745	7,651,260
Fair Value	9,024,016	7,406,083	9,074,745	7,651,260

2.15.1 The collateral value of Securities under Reverse Repurchase Agreements as at 31 March 2025 for the Company was Rs. 4,045,927,197/- (2024 - Rs. 3,875,698,078/-) and for the Group was Rs. 4,045,927,197/- (2024 - Rs. 4,066,468,750/-).

2.15.2 Cash and Cash Equivalents Allocated for the Liquidity Requirement

Accounting Policy

Our cash and cash equivalents allocated for the liquidity requirement primarily include cash held to meet certain local governmental and regulatory reserve requirement and cash held under the terms of certain contractual agreements. This does not include required minimum balances or cash securing debt issued through securitisation transactions. Cash and cash equivalents allocated for the liquidity requirement were as follows;

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cash and Cash Equivalents Allocated for the Liquidity Requirement	-	-	-	-

2.15.3 Net Cash and Cash Equivalents for the Purpose of the Cash Flow Statement

Accounting Policy

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cash and Cash Equivalents (Note 2.15)	9,024,016	7,406,083	9,074,745	7,651,260
Bank Overdrafts (Note 2.27)	(1,165,574)	(1,035,550)	(1,165,574)	(1,038,445)
Net Cash and Cash Equivalents	7,858,442	6,370,533	7,909,171	6,612,815

2.16 Financial Assets Recognised Through Profit or Loss - Measured at Fair Value

Accounting Policy

The Group classifies financial assets as financial assets recognised through profit or loss when they have been purchased primarily for short-term profit making through trading activities. Financial assets recognised through profit or loss are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value are recognised in net trading income.

Financial assets recognised through profit or loss include investments such as quoted equity securities and unit trusts that are held primarily for short-term trading purposes. The quoted equity securities have been acquired with the intention of being sold in the near term and are valued using the market prices published by the Colombo Stock Exchange. Investments in unit trusts represent open-ended funds that are similarly held for trading, with the objective of generating short-term gains. These unit trusts are measured at fair value based on the published unit prices provided by the respective fund managers.

Sri Lanka Financial Reporting Standard - SLFRS 09 (Financial Instruments) requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. For financial assets that are debt instruments, held for trading is a business model objective that results in measurement at fair value through profit or loss.

As at 31 March	Company & Group 2025 Rs. '000	Company & Group 2024 Rs. '000
Equity Securities - Quoted (Note 2.16.1)	17,350	14,674
Investment in Unit Trusts	701,052	1,908,342
	718,402	1,923,016

2.16.1 Equity Securities - Quoted

As at 31 March	Company & Group 2025 Number of Shares	Cost Rs. '000	Market Value Rs. '000	Company & Group 2024 Number of Shares	Cost Rs. '000	Market Value Rs. '000
Banks						
Seylan Bank PLC (Non-Voting)	129,830	1,662	6,894	129,830	1,662	4,934
		1,662	6,894		1,662	4,934
Food, Beverage and Tobacco						
Bairaha Farms PLC	19,360	425	3,189	19,360	425	3,348
		425	3,189		425	3,348
Capital Goods						
Lanka Walltiles PLC*	98,700	790	4,984	98,700	790	5,024
Hayleys PLC*	16,660	207	2,283	16,660	207	1,368
		997	7,267		997	6,392
Total		3,084	17,350		3,084	14,674

Global Industry Classification Standard (GICS)

*Investments made in related parties

2.16.2 Disposal of Equity Securities - Quoted

There were no any share disposals recorded in 2025 and 2024.

2.17 Financial Assets at Amortised Cost - Loans and Receivables

Accounting Policy

Loans and Receivables include financial assets measured at amortised cost if both of the following conditions are met;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement Loans and Receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the Income Statement. The losses arising from impairment are recognised in 'impairment charges/(Reversal)' in the Income Statement.

Lease Receivables

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Group is the lessor under finance leases the amounts due under the leases, after deduction of unearned income, are recognised on the Statement of Financial Position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, the Group includes the assets subject to operating leases in 'property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Gold Loans	85,686,491	74,602,448	85,686,491	74,662,865
Lease Receivables (Note 2.17.1 (a))	37,528,724	31,847,815	37,528,724	31,907,593
Vehicle Loans	47,184,658	39,735,969	47,184,658	39,753,374
Term Loans	12,280,805	7,855,518	13,853,744	9,199,280
Mortgage Loans	3,949,755	3,894,578	3,949,755	3,987,233
Power Drafts	18,248,927	10,667,223	18,248,927	10,667,223
Gross Loans and Receivables	204,879,360	168,603,551	206,452,299	170,177,568
Rentals Received in Advance	(37)	(2,813)	(37)	(2,813)
Allowance for Impairment Losses (Note 2.18)	(7,112,632)	(7,309,252)	(7,181,215)	(7,653,022)
Net Loans and Receivables Subject to Fair Value	197,766,691	161,291,486	199,271,047	162,521,733
Fair Value	201,330,884	163,299,074	202,835,240	164,529,320

2.17.1 Lease Receivables

As at 31 March	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Gross Rentals Receivable				
- Within One Year	21,816,050	20,517,668	21,816,050	20,562,918
- One to Five Years	27,114,696	21,462,735	27,114,696	21,484,794
- Over Five Years	9,269	720	9,269	720
	48,940,015	41,981,123	48,940,015	42,048,432
Unearned Income				
- Within One Year	(6,003,797)	(5,608,484)	(6,003,797)	(5,608,730)
- One to Five Years	(5,406,985)	(4,524,780)	(5,406,985)	(4,532,065)
- Over Five Years	(509)	(44)	(509)	(44)
	(11,411,291)	(10,133,308)	(11,411,291)	(10,140,839)
2.17.1 (a) Lease Receivables	37,528,724	31,847,815	37,528,724	31,907,593
Rentals Received in Advance	(37)	(2,813)	(37)	(2,813)
Allowance for Impairment Losses	(1,493,487)	(1,970,090)	(1,493,487)	(2,010,824)
2.17.1 (b) Net Lease Receivable	36,035,200	29,874,912	36,035,200	29,893,956

2.17.2 Loans and Receivables Include Loans Granted to Employees, the Movement of which is as Follows;

	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
As at the Beginning of the Year	424,410	402,425	512,241	403,485
Loans Granted During the Year	1,349,604	519,931	1,361,851	519,931
Repayments During the Year	(1,257,210)	(497,946)	(1,259,630)	(411,175)
As at the End of the Year	516,804	424,410	614,462	512,241

2.17.3 Contractual Maturity Analysis of Loans and Receivables

2.17.3 (a) Company

As at 31 March 2025	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	85,686,491	-	-	85,686,491
Lease Receivables	15,812,253	21,707,712	8,759	37,528,724
Vehicle Loans	16,352,958	30,764,971	66,729	47,184,658
Term Loans	4,567,742	3,304,688	4,408,375	12,280,805
Mortgage Loans	2,174,800	1,663,942	111,013	3,949,755
Power Drafts	6,478,176	11,770,751	-	18,248,927
Gross Loans and Receivables	131,072,420	69,212,064	4,594,876	204,879,360
Rentals Received in Advance				(37)
Allowance for Impairment Losses (Note 2.18)				(7,112,632)
Net Loans and Receivables				197,766,691

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	74,602,448	-	-	74,602,448
Lease Receivables	14,909,184	16,937,954	677	31,847,815
Vehicle Loans	13,793,666	25,893,549	48,754	39,735,969
Term Loans	3,232,033	1,878,814	2,744,671	7,855,518
Mortgage Loans	2,115,894	1,631,227	147,457	3,894,578
Power Drafts	2,763,870	7,903,353	-	10,667,223
Gross Loans and Receivables	111,417,095	54,244,897	2,941,559	168,603,551
Rentals Received in Advance				(2,813)
Allowance for Impairment Losses (Note 2.18)				(7,309,252)
Net Loans and Receivables				161,291,486

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

2.17.3 (b) Group

As at 31 March 2025	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	85,686,491	-	-	85,686,491
Lease Receivables	15,812,253	21,707,712	8,759	37,528,724
Vehicle Loans	16,352,958	30,764,971	66,729	47,184,658
Term Loans	6,051,864	3,393,506	4,408,374	13,853,744
Mortgage Loans	2,174,800	1,663,942	111,013	3,949,755
Power Drafts	6,478,176	11,770,751	-	18,248,927
Gross Loans and Receivables	132,556,542	69,300,882	4,594,875	206,452,299
Rentals Received in Advance				(37)
Allowance for Impairment Losses (Note 2.18)				(7,181,215)
Net Loans and Receivables				199,271,047

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	74,662,865	-	-	74,662,865
Lease Receivables	14,954,188	16,952,728	677	31,907,593
Vehicle Loans	13,801,605	25,903,015	48,754	39,753,374
Term Loans	4,515,292	1,939,317	2,744,671	9,199,280
Mortgage Loans	2,206,262	1,633,514	147,457	3,987,233
Power Drafts	2,763,870	7,903,353	-	10,667,223
Gross Loans and Receivables	112,904,082	54,331,927	2,941,559	170,177,568
Rentals Received in Advance				(2,813)
Allowance for Impairment Losses (Note 2.18)				(7,653,022)
Net Loans and Receivables				162,521,733

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

2.17.4 Credit Exposure Movement - ECL Stage-wise

2.17.4 (a) Company

Loans and Receivables	2025 Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2024	141,430,755	20,706,127	6,463,856	168,600,738
Amounts Recognised on Amalgamation	47,875	9,915	275,539	333,329
Transfer to Stage 01	3,468,349	(3,229,415)	(238,934)	-
Transfer to Stage 02	(8,329,206)	8,473,266	(144,060)	-
Transfer to Stage 03	(284,672)	(571,531)	856,203	-
New Assets Originated or Purchased	146,567,777	13,464,897	578,073	160,610,747
Financial Assets Derecognised or Repaid	(107,555,669)	(13,936,619)	(2,705,148)	(124,197,436)
Write-offs	-	-	(468,055)	(468,055)
As at 31 March 2025	175,345,209	24,916,640	4,617,474	204,879,323

Loans and Receivables	2024 Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2023	117,353,429	22,970,641	12,723,824	153,047,894
Transfer to Stage 01	4,062,847	(3,403,940)	(658,907)	-
Transfer to Stage 02	(6,398,869)	7,462,463	(1,063,594)	-
Transfer to Stage 03	(688,570)	(1,398,034)	2,086,604	-
New Assets Originated or Purchased	124,139,360	16,502,164	1,989,927	142,631,451
Financial Assets Derecognised or Repaid	(97,037,442)	(21,427,167)	(7,677,604)	(126,142,213)
Write-offs	-	-	(936,394)	(936,394)
As at 31 March 2024	141,430,755	20,706,127	6,463,856	168,600,738

2.17.4 (b) Group

Loans and Receivables	2025 Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2024	142,440,448	20,711,214	7,023,093	170,174,755
Transfer to Stage 01	3,484,520	(3,230,938)	(253,582)	-
Transfer to Stage 02	(8,330,872)	8,474,969	(144,097)	-
Transfer to Stage 03	(296,096)	(574,912)	871,008	-
New Assets Originated or Purchased	148,114,991	13,477,585	582,655	162,175,231
Financial Assets Derecognised or Repaid	(108,590,401)	(13,939,927)	(2,878,952)	(125,409,280)
Write-offs	-	-	(469,195)	(469,195)
Exchange Rate Variance on Foreign Currency Provisions	(17,156)	(81)	(2,012)	(19,249)
As at 31 March 2025	176,805,434	24,917,910	4,728,918	206,452,262

Loans and Receivables	2024 Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2023	118,243,460	22,973,387	13,350,152	154,566,999
Transfer to Stage 01	4,173,856	(3,512,039)	(661,817)	-
Transfer to Stage 02	(6,403,582)	7,467,578	(1,063,996)	-
Transfer to Stage 03	(693,879)	(1,407,274)	2,101,153	-
New Assets Originated or Purchased	125,090,412	16,648,264	2,020,723	143,759,399
Financial Assets Derecognised or Repaid	(97,908,364)	(21,458,331)	(7,772,586)	(127,139,281)
Write-offs	-	-	(936,394)	(936,394)
Exchange Rate Variance on Foreign Currency Provisions	(61,455)	(371)	(14,142)	(75,968)
As at 31 March 2024	142,440,448	20,711,214	7,023,093	170,174,755

2.18 Allowance for Impairment Losses

Accounting Policy

Overview of the Expected Credit Loss (ECL) Principles

The Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at Fair Value Through Profit or Loss (FVPL), together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Sri Lanka Financial Reporting Standard - SLFRS 09 (Financial Instruments).

The ECL allowance is based on the credit losses expected to arise over the life of the asset.

The 12 months ECL is the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime ECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on such process Group allocates loans into Stage 01, Stage 02, Stage 03 as described below;

Stage 01

When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

Stage 02

When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

Stage 03

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Group records an allowance for the Lifetime ECLs.

Definition of Default and Credit Impaired Assets

The Group considers loans and receivables to customers be defaulted when the borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the borrower becomes 90 days past due on its contractual payments.

Significant Increase in Credit Risk

The Group continuously monitors all assets subject to ECL, in order to determine whether there has been a significant increase in credit risk since initial recognition and whether the instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime ECL. The Group considers an exposure to have a significant increase in credit risk at 30 days past due.

Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Group will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 03. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 01 or Stage 02, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Group will consider the following criteria;

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- Other information related to the borrower, such as changes in the price of a borrowers debt/equity instrument.
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioural score used to assess credit risk internally.
- Existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligation.
- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems.
- Significant increase in credit risk on other financial instruments of the same borrower.
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation.

Grouping Financial Assets Measured on a Collective Basis

As explained above, Group calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to Stage 03. All assets which belong to Stage 01 and 02 will be assessed collectively for impairment.

The Group allocates smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, line of business, customer type, days past due etc.

Calculation of ECL

The expected cash shortfalls are calculated by multiplying respective loan level PDs, EADs and LGDs. The cash shortfall is discounted to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

PDs and LGDs are adjusted to the forward looking information using statistically quantified variance.

The mechanics of the ECL calculation are outlined below and the key elements are as follows;

- Probability of Default (PD) : PD is an estimate of the likelihood of default over a given time horizon. Hence majority of our client base being retail; we use internal information to estimate the PDs. The client has two credit statuses which can be identified as default or not default. We used Cohort Method (CM) to compute the PDs.
- Exposure at Default (EAD) : EAD is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principal and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- Loss Given Default (LGD) : LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as percentage of the EAD.

For all products, Group considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Gold loans are generally considered lower risk due to their secured nature. However, a significant risk that financial institutions must carefully manage is the market risk arising from gold price volatility. A decline in gold prices can reduce the value of the collateral to below the outstanding loan amount, which could have a substantial impact on the Company, particularly given its exposure to gold loans. As a result, potential implications of gold price movements are factored into the computation of expected credit losses (ECL) in the financial statements. The Company integrates the risk of gold price volatility into its impairment assessment by analyzing various scenarios, including historical worst-case movements and macroeconomic forecasts. Value at Risk Methodology (VaR) is used for gold based loan expected loss calculation.

The published global financial sector credit rating migration matrix Probability of Default used for fixed income (bank deposits) securities expected loss calculation. Any financial asset, fully secured through a cash collateral, has not taken into the expected loss calculation.

ECL on Off-Balance Sheet Exposures

The Group assesses expected credit losses on off-balance sheet exposures such as undrawn loan commitments and financial guarantees, in line with the SLFRS 9 impairment model. These exposures are evaluated based on credit risk, historical data, and forward-looking macroeconomic indicators. The resulting expected credit losses are recorded as provisions under Other Non Financial Liabilities Note 2.31, with changes recognised in the Income Statement under Impairment Charges/(Reversals) Note 2.5.

Forward Looking Information

Company relies on broad range of qualitative/quantitative forward looking information as economic inputs in the multiple economic factor model developed to forecast the expected Non-Performing Loans (NPL).

The model predicts the forward industry NPL levels and which has been used to adjust the Company PD curve using statistically quantified variance. The economic factor model is developed by the University of Colombo, Science and Technology CELL and consent to use with an annual review. The economic factor model uses the machine learning technique to predict the NPL based on the use of some key economic factors as an input to the model. The key variables of the model is as follows;

- Budget Deficit as a Percentage of GDP
- Industry NPL
- Fuel Prices
- Business Confidence Index
- Exchange Rates
- GDP Growth Rate
- Interest Rates
- Inflation Rates
- Per Capita GDP
- Unemployment Rates
- Balance of payment
- Rainfall

Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the financial asset impairment allowance account accordingly. The write-back is recognised in the Income Statement.

Write-off of Loans and Receivables

Financial assets and the related impairment allowance accounts are generally written-off when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

Collateral Valuation

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for the measurement of regulatory provisions for bad and doubtful debts as per Direction No. 01 of 2020 and subsequent amendments thereto issued by CBSL.

Collateral Repossessed

Repossessed collateral will not be taken into books of accounts unless the Group has taken those collaterals into its business operations. However such additions from the repossessed collaterals to the business operations are not significant.

Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than 90 days past due, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent interest income is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

2.18.1 Stage-wise Analysis of the Allowance for Impairment Losses - Company

		2025				2024			
		Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2.18.1	(a) As at the Beginning of the Year	2,983,512	522,306	3,803,434	7,309,252	2,365,607	696,317	4,796,796	7,858,720
	Amounts Recognised on Amalgamation	451	100	266,514	267,065	-	-	-	-
	Charge/(Reversal) for the Year	311,306	(24,711)	(282,225)	4,370	617,905	(174,011)	(56,968)	386,926
	Amounts Written-Off	-	-	(468,055)	(468,055)	-	-	(936,394)	(936,394)
	As at the End of the Year	3,295,269	497,695	3,319,668	7,112,632	2,983,512	522,306	3,803,434	7,309,252
2.18.1	(b) Individual Impairment	-	-	3,319,668	3,319,668	-	-	3,803,434	3,803,434
	Collective Impairment	3,295,269	497,695	-	3,792,964	2,983,512	522,306	-	3,505,818
	Total	3,295,269	497,695	3,319,668	7,112,632	2,983,512	522,306	3,803,434	7,309,252
2.18.1	(c) Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	4,617,474	4,617,474	-	-	6,463,856	6,463,856
	Gross Amount of Loans Collectively Assessed for the Impairment	175,345,209	24,916,640	-	200,261,849	141,430,755	20,706,127	-	162,136,882
	Gross Receivables	175,345,209	24,916,640	4,617,474	204,879,323	141,430,755	20,706,127	6,463,856	168,600,738
	Gross Amount of Loans Individually Determined to be Impaired				2.25%				3.83%

2.18.2 Stage-wise Analysis of the Allowance for Impairment Losses - Group

		2025				2024			
		Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2.18.2	(a) As at the Beginning of the Year	3,013,269	522,425	4,117,328	7,653,022	2,384,657	697,415	5,113,330	8,195,402
	Charge/(Reversal) for the Year	291,291	(15,174)	(277,704)	(1,587)	630,418	(174,936)	(56,440)	399,042
	Amounts Written-Off	-	-	(469,195)	(469,195)	-	-	(936,394)	(936,394)
	Exchange Rate Variance on Foreign Currency Provisions	(360)	(53)	(612)	(1,025)	(1,806)	(54)	(3,168)	(5,028)
	As at the End of the Year	3,304,200	507,198	3,369,817	7,181,215	3,013,269	522,425	4,117,328	7,653,022
2.18.2	(b) Individual Impairment	-	-	3,369,817	3,369,817	-	-	4,117,328	4,117,328
	Collective Impairment	3,304,200	507,198	-	3,811,398	3,013,269	522,425	-	3,535,694
	Total	3,304,200	507,198	3,369,817	7,181,215	3,013,269	522,425	4,117,328	7,653,022
2.18.2	(c) Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	4,728,918	4,728,918	-	-	7,023,093	7,023,093
	Gross Amount of Loans Collectively Assessed for the Impairment	176,805,434	24,917,910	-	201,723,344	142,440,448	20,711,214	-	163,151,662
	Gross Receivables	176,805,434	24,917,910	4,728,918	206,452,262	142,440,448	20,711,214	7,023,093	170,174,755
	Gross Amount of Loans Individually Determined to be Impaired				2.29%				4.13%

2.18.3 Product-wise Analysis of the Allowance for Impairment Losses - Company

As at 31 March	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	1,648,977	33,049	31,704	1,713,730	1,423,708	39,297	29,044	1,492,049
Lease Receivables	383,613	141,366	968,508	1,493,487	379,251	166,850	1,423,989	1,970,090
Vehicle Loans	533,960	184,770	359,703	1,078,433	571,482	164,023	435,775	1,171,280
Term Loans	385,379	20,537	98,075	503,991	312,278	14,462	73,779	400,519
Mortgage Loans	119,476	52,301	1,600,069	1,771,846	141,695	92,539	1,522,091	1,756,325
Power Drafts	223,864	65,672	261,609	551,145	155,098	45,135	318,756	518,989
Total Allowance for Impairment Losses	3,295,269	497,695	3,319,668	7,112,632	2,983,512	522,306	3,803,434	7,309,252

2.18.4 Product-wise Analysis of the Allowance for Impairment Losses - Group

As at 31 March	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	1,648,977	33,049	31,704	1,713,730	1,424,251	39,337	29,050	1,492,638
Lease Receivables	383,613	141,366	968,508	1,493,487	379,301	166,906	1,464,617	2,010,824
Vehicle Loans	533,960	184,770	359,703	1,078,433	571,502	164,039	449,022	1,184,563
Term Loans	394,310	30,040	148,224	572,574	341,422	14,469	245,866	601,757
Mortgage Loans	119,476	52,301	1,600,069	1,771,846	141,695	92,539	1,609,992	1,844,226
Power Drafts	223,864	65,672	261,609	551,145	155,098	45,135	318,781	519,014
Total Allowance for Impairment Losses	3,304,200	507,198	3,369,817	7,181,215	3,013,269	522,425	4,117,328	7,653,022

2.18.5 Stage Movements in Allowance for Impairment Losses - Company

	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(ECL) as at the Beginning of the Year	2,983,512	522,306	3,803,434	7,309,252	2,365,607	696,317	4,796,796	7,858,720
Amounts Recognised on Amalgamation	451	100	266,514	267,065	-	-	-	-
Transfer to Stage 01	178,468	(95,007)	(83,461)	-	187,436	(115,154)	(72,282)	-
Transfer to Stage 02	(182,563)	202,512	(19,949)	-	(170,347)	260,593	(90,246)	-
Transfer to Stage 03	(7,548)	(26,984)	34,532	-	(23,599)	(57,883)	81,482	-
New Assets Originated or Purchased	2,824,971	301,165	735,588	3,861,724	2,477,852	419,063	1,257,980	4,154,895
Financial Assets Derecognised or Repaid	(2,502,022)	(406,397)	(948,935)	(3,857,354)	(1,853,437)	(680,630)	(1,233,902)	(3,767,969)
Write-offs	-	-	(468,055)	(468,055)	-	-	(936,394)	(936,394)
As at the End of the Year	3,295,269	497,695	3,319,668	7,112,632	2,983,512	522,306	3,803,434	7,309,252

2.18.6 Stage Movements in Allowance for Impairment Losses - Group

	2025				2024			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(ECL) as at the Beginning of the Year	3,013,269	522,425	4,117,328	7,653,022	2,384,657	697,415	5,113,330	8,195,402
Transfer to Stage 01	182,189	(95,066)	(87,123)	-	187,681	(115,203)	(72,478)	-
Transfer to Stage 02	(182,608)	202,566	(19,958)	-	(170,444)	260,879	(90,435)	-
Transfer to Stage 03	(7,890)	(27,116)	35,006	-	(24,074)	(58,637)	82,711	-
New Assets Originated or Purchased	2,833,562	310,868	759,988	3,904,418	2,507,229	419,471	1,289,568	4,216,268
Financial Assets Derecognised or Repaid	(2,533,962)	(406,426)	(965,617)	(3,906,005)	(1,869,974)	(681,446)	(1,265,806)	(3,817,226)
Write-offs	-	-	(469,195)	(469,195)	-	-	(936,394)	(936,394)
Exchange Rate Variance on Foreign Currency Provisions	(360)	(53)	(612)	(1,025)	(1,806)	(54)	(3,168)	(5,028)
As at the End of the Year	3,304,200	507,198	3,369,817	7,181,215	3,013,269	522,425	4,117,328	7,653,022

2.18.7 Sensitivity Analysis of Allowance for Impairment Losses

The Company has estimated the impairment provision as at 31 March 2025 based on various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position. The sensitivity of the impairment provision of the Company as at 31 March 2025 to a reasonably possible change in Probability of Defaults (PDs) and Loss Given Defaults (LGDs) are demonstrated in the following table. The simulated Expected Credit Loss impacts of the multiple scenarios based on forward looking macroeconomic information are presented in the Note 2.18.8 to these Financial Statements.

Changed Criteria	Changed Factor	Sensitivity Effect on Impairment Allowance Increase		Sensitivity Effect on Income Statement	
		2025	2024	2025	2024
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loss Given Default (LGD)	Increase by 10%	135,364	192,194	135,364	192,194
Probability of Default (PD)	Increase by 1%	10,261	10,273	10,261	10,273

2.18.8 Measurement Uncertainty and Sensitivity Analysis of ECL Estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation including estimation of Probabilities of Default (PD), Loss Given Default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of Exposures at Default (EAD) and assessing significant increases in credit risk. This becomes more complex, particularly in times of economic volatility and uncertainty. The Group form multiple economic scenarios based on economic forecasts to estimate future credit losses and to determine an unbiased ECL estimate. Management judgements are used to address the data and model limitations and expert credit judgements.

Methodology

The Group have been used three scenarios at multiple confidence levels to capture the exceptional nature of the current economic environment and to simulate management's view of the range of potential outcomes. The range of forecasts are generated through the model due to the uncertainty caused by current adverse economic conditions. These three scenarios are drawn from the model developed by the Company with Colombo Science and Technology CELL of University of Colombo. The model uses multiple economic variables like GDP, unemployment, inflation, and trained to identify the historical correlations. The impact arising from the upside, downside and base scenarios have been simulated through a machine learning technique.

Economic forecasts are subject to a high degree of uncertainty in the current environment. Limitations of forecasts and economic models require a greater reliance on management judgement in addressing both the error inherent in economic forecasts and in assessing associated ECL outcomes.

ECL Scenarios and Sensitivity Analysis of Allowance for Impairment Losses

As expected, the scenarios create differing impacts on ECL and the impacts are deemed reasonable. In this simulation, it is assumed that existing modelled relationships between key economic variables and loss drivers hold, but in practice other factors would also have an impact, for example, potential customer behaviour changes and policy changes by lenders that might impact on the wider availability of credit.

The simulated ECL impacts of the multiple scenarios are presented in the table below;

Economic Factor Adjustment - Percentage Variance

	Upto 01 Year			Beyond 01 Year		
	Base	Upside	Downside	Base	Upside	Downside
Forecast	(7.03%)			(6.88%)		
At 99% Confidence		(15.95%)	2.12%		(20.30%)	4.82%
At 95% Confidence		(13.78%)	(0.13%)		(17.37%)	1.94%
At 90% Confidence		(12.69%)	(1.22%)		(15.75%)	0.33%
At 80% Confidence		(11.47%)	(2.49%)		(13.95%)	(1.38%)

Economic Factor Adjustment - Value Variance

	Upto 01 Year			Beyond 01 Year		
	Base	Upside	Downside	Base	Upside	Downside
Forecast	(72,090)			(70,584)		
At 99% Confidence		(163,661)	21,752		(208,273)	49,450
At 95% Confidence		(141,420)	(1,376)		(178,255)	19,920
At 90% Confidence		(130,262)	(12,468)		(161,649)	3,420
At 80% Confidence		(117,729)	(25,548)		(143,097)	(14,122)

Scenario Analysis

Base Scenario

The Economic Factor Adjustment (EFA) model of the Company projects a decrease in non-performing advances for the years 2026 and 2027 under the Base Scenario, reflecting continued improvement in macroeconomic conditions. As a result, the model indicates a positive impact of 7.03% in 2026 and 6.88% in 2027 on impairment provisions.

Despite the previous contraction in economic activity, decisive measures implemented by the Government and the Central Bank of Sri Lanka including tight monetary policy, sovereign debt restructuring, and targeted liquidity support for financial markets have provided critical stabilisation to the economy and financial system. These interventions are expected to yield sustained improvements over the long term.

Furthermore, proposed fiscal reforms and improvements in government financial management are seen as vital steps toward macroeconomic consolidation. These efforts are likely to ease pressure on the budget deficit, interest rates, and exchange rate stability. Overall, these developments are expected to support the recovery of economic activity and improve borrower creditworthiness in the medium term.

Upside Scenario

The Upside Scenario envisions a faster and more robust economic recovery relative to the Base Scenario. This assumes the timely and effective implementation of structural reforms, a stronger rebound in industries adversely affected by previous macroeconomic challenges, and a resurgence in investor and consumer confidence.

Under this optimistic outlook, the EFA model forecasts a significant decrease in impairment impact of 15.95% in 2026 and 20.30% in 2027 at a 99% confidence level. These effects diminish as the confidence level decreases, but still reflect material improvements in credit quality across the portfolio. This scenario anticipates accelerated growth across key economic sectors, reduced default risk, and improved asset performance, ultimately leading to lower expected credit losses.

Downside Scenario

The Downside Scenario assumes a more subdued economic recovery compared to the Base Scenario. In this outlook, GDP growth remains weak, unemployment stays elevated, and both asset and commodity prices experience a prolonged decline before a gradual recovery begins.

Under these stressed conditions, the EFA model estimates an increase in credit risk, with EFA rising by 2.12% in 2026 and 4.82% in 2027 at a 99% confidence level. The scenario reflects a gradual deterioration in borrower credit profiles and a slower pace of recovery in non-performing advances. Persistent economic uncertainty, weakened household income, and elevated stress in vulnerable sectors are expected to contribute to higher impairment provisions under this scenario.

Management Judgemental Adjustments

Management judgemental adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgement applied following management review and challenge.

In light of the continued economic uncertainty and the limitations in incorporating the most recent macroeconomic trends into ECL models on a timely basis, greater reliance was placed on management overlays during the year. These overlays ensure that the ECL estimates remain robust and reflective of evolving risk conditions. The Company has established a consistent and transparent methodology for applying such adjustments, and the details of those applied during the year are presented below.

The Company decided to use the downside scenario at a 95% confidence level when assessing the economic factor adjustments, with the objective of capturing the impact of uncertainties in the future outlook on the ECL computation as at the reporting date.

A gradual improvement in business conditions was observed during the financial year. However, several industries that were previously impacted by economic challenges remain in a fragile state of recovery. These industries do not always trigger additional ECL through the standard model pathways due to limitations in capturing sector-specific risks. In prior years, management applied judgemental overlays to portfolios in the construction, tourism, and transportation sectors. During the current year, based on improved risk indicators, the transportation sector was excluded from additional provisioning. At the same time, the apparel sector was newly included in the overlay assessment due to emerging risks in global trade dynamics.

As a result, the Company applied a total management judgemental overlay of Rs. 881,635,847/- (2024 - Rs. 786,809,255/-) across these sectors. These adjustments were deemed necessary to prudently reflect the latest risks in portfolios exposed to sectors with prolonged recovery timelines and external macroeconomic vulnerabilities.

In addition to sector-specific overlays, full provisions amounting to Rs. 271,685,436/- (2024 - Rs. 318,789,331/-) were made for certain high-value facilities considered potentially high-risk, as a precautionary measure based on management judgement. Further, in line with the Companys impairment policy, a model overlay of at least 1% above the actual LGD rate was applied during the year. This approach remains consistent with that of prior years and resulted in an additional ECL impact of Rs. 510,097,210/- (2024 - Rs. 803,608,099/-).

The total impact of all management judgemental adjustments made to the ECL calculation as at the reporting date amounted to Rs. 1,663,418,493/- (2024 - Rs. 1,909,206,684/-). These adjustments will continue to be reviewed periodically and updated in response to credit performance trends, sector-specific developments, and broader economic shifts.

2.19 Financial Assets Measured at Fair Value Through Other Comprehensive Income

Accounting Policy

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under Sri Lanka Accounting Standard - LKAS 32 (Financial Instruments: Presentation) and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to Income Statement. Dividends are recognised in the Income Statement as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in Other Comprehensive Income. Equity instruments at FVOCI are not subject to an impairment assessment.

As at 31 March	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Equity Securities - Quoted (Note 2.19.1)	126,931	118,282	126,931	118,282
Equity Securities - Unquoted (Note 2.19.2)	38,093	305	38,093	307
	165,024	118,587	165,024	118,589

2.19.1 Equity Securities - Quoted

As at 31 March	Company & Group					
	2025			2024		
	Number of Shares	Cost Rs. '000	Market Value Rs. '000	Number of Shares	Cost Rs. '000	Market Value Rs. '000
Capital Goods						
Central Industries PLC	10,016	150	1,467	10,016	150	1,112
Royal Ceramics Lanka PLC*	313,200	843	11,589	313,200	843	9,741
Samson International PLC	5,881	927	985	5,881	927	867
		1,920	14,041		1,920	11,720
Consumer Services						
The Fortress Resorts PLC*	4,051,100	82,014	99,252	4,051,100	82,014	93,180
		82,014	99,252		82,014	93,180
Food, Beverage and Tobacco						
Lanka Milk Foods PLC	54,010	245	2,344	54,010	245	1,469
		245	2,344		245	1,469
Diversified Financials						
Softlogic Finance PLC	2,090,000	79,656	11,286	2,090,000	79,656	11,913
Seylan Bank (Voting)	115	-	8	-	-	-
		79,656	11,294		79,656	11,913
Total		163,835	126,931		163,835	118,282

Global Industry Classification Standard (GICS)

*Investments made in related parties

2.19.1 (a) Disposal of Equity Securities - Quoted

There were no any share disposals recorded in 2025 and 2024.

2.19.2 Equity Securities - Unquoted - Company

As at 31 March	2025			2024		
	Number of Shares	Cost Rs. '000	Market Value Rs. '000	Number of Shares	Cost Rs. '000	Market Value Rs. '000
Credit Information Bureau of Sri Lanka	1,072	107	107	1,047	105	105
Finance House Association of Sri Lanka	20,000	200	200	20,000	200	200
National Credit Guarantee Institution Ltd	3,778,618	37,786	37,786	25	0	0
Total		38,093	38,093		305	305

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

Equity Securities - Unquoted - Group

As at 31 March	2025			2024		
	Number of Shares	Cost Rs. '000	Market Value Rs. '000	Number of Shares	Cost Rs. '000	Market Value Rs. '000
Credit Information Bureau of Sri Lanka	1,072	107	107	1,072	107	107
Finance House Association of Sri Lanka	20,000	200	200	20,000	200	200
National Credit Guarantee Institution Ltd	3,778,618	37,786	37,786	25	0	0
Total		38,093	38,093		307	307

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

2.19.2 (a) Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
As at the Beginning of the Year	305	305	307	307
Remeasurement Recognised in Other Comprehensive Income	-	-	-	-
Amounts Recognised on Amalgamation	2	-	-	-
Purchases	37,786	-	37,786	-
As at the End of the Year	38,093	305	38,093	307

2.20 Other Financial Assets

Accounting Policy

These financial assets include securities under reverse repurchase agreements where the Group acts as the transferee, investments in government securities and fixed deposits with banks and other financial institutions. Securities under reverse repurchase agreements provide the Group with the ability to offset its entire gross exposure in the event of a default or breach of contract.

Other financial assets are initially recognised at fair value, net of transaction costs directly attributable to the acquisition of the assets. Subsequent to initial recognition, these assets are measured at amortised cost using the Effective Interest Rate (EIR) method. Any difference between the proceeds (net of transaction costs) and the receivable amount (including interest income) is recognised in the Income Statement over the period of the asset's life using the EIR method, in accordance with Sri Lanka Financial Reporting Standard - SLFRS 9 (Financial Instruments).

The Group assesses its financial assets for impairment using the Expected Credit Loss (ECL) model at each reporting date, as specified by - SLFRS 09.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Securities under Reverse Repurchase Agreements (Note 2.20.1)	2,541,436	4,568,918	2,541,436	4,568,918
Investment in Fixed Deposits (Note 2.20.2 and 2.20.3)	10,543,975	4,202,401	10,543,975	4,222,541
Investment in Treasury Bills	7,489,281	10,994,294	7,489,281	11,042,675
Insurance Premium Receivables	409,665	433,725	409,665	433,725
Due from Subsidiaries	13,072	1,150	-	-
Sundry Debtors	204,071	174,282	204,255	175,545
	21,201,500	20,374,770	21,188,612	20,443,404
Fair Value	21,229,829	20,433,169	21,216,941	20,501,803

2.20.1 The collateral value of Securities under Reverse Repurchase Agreements as at 31 March 2025 for the Company and Group was Rs. 2,719,380,186/- (2024 - Rs. 5,070,493,000/-).

2.20.2 Investment in Fixed Deposits - Counterparty External Credit Ratings

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
AA-	4,489,529	-	4,489,529	-
A	6,056,210	2,556,283	6,056,210	2,576,423
A-	-	1,013,401	-	1,013,401
BBB-	-	634,576	-	634,576
Investment in Fixed Deposits	10,545,739	4,204,260	10,545,739	4,224,400
Allowance for Impairment Losses	(1,764)	(1,859)	(1,764)	(1,859)
	10,543,975	4,202,401	10,543,975	4,222,541

Ratings are based on Fitch Ratings Lanka Ltd

2.20.3 Investment in Fixed Deposits - By Currency

As at 31 March 2025, the Company and the Group maintained fixed deposits entirely in Sri Lankan Rupees amounting to Rs. 10,545,739,548/- (2024 – Rs. 4,204,260,000/- for the Company and Rs. 4,224,400,273/- for the Group). There were no investments in foreign currency denominated fixed deposits during the current or previous financial year.

2.21 Other Non Financial Assets

Accounting Policy

Other non financial assets include gold stock, stationary stock, deposits, advances and prepayments, etc. These assets are non-interest earning and recorded at the amounts that are expected to be received.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Deposits, Advances and Prepayments	**393,672**	376,158	**418,047**	403,166
Gold Stock*	**1,514**	1,514	**1,514**	1,514
Stationery Stock	**18,252**	19,513	**18,252**	19,513
Withholding Tax Receivable	**10,828**	11,803	**10,828**	11,803
Sundry Debtors	**10,252**	10,041	**26,570**	48,178
Pre-Paid Staff Cost (Note 2.21.1)	**4,957**	11,622	**4,957**	11,622
	439,475	430,651	**480,168**	495,796

***Gold Stock**

The gold inventory is valued at lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

2.21.1 The Movement in the Pre-Paid Staff Cost

	Company & Group	
	2025 Rs. '000	2024 Rs. '000
As at the Beginning of the Year	**11,622**	16,537
Adjustment for New Grants and Settlements	**(4,779)**	(1,354)
Charge to Personnel Expenses	**(1,886)**	(3,561)
As at the End of the Year	**4,957**	11,622

2.22 Investment in Subsidiaries

Accounting Policy

Subsidiary is an investee controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognise the investments in subsidiaries at cost.

The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of the Subsidiaries in the Group have a common financial year which ends on 31 March. The Financial Statements of the Company's subsidiaries are prepared using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Parent (the Company) in the form of cash dividend or repayment of loans and receivables.

As at 31 March	Company					
	2025			2024		
	Holding	Cost/ Carrying Value	Market Value	Holding	Cost/ Carrying Value	Market Value
	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
LB Microfinance Myanmar Company Limited (Note 2.22.1)	100.00	521,162	521,162	100.00	521,162	521,162
Multi Finance PLC (Note 2.22.2)	-	-	-	64.76	177,773	177,773
		521,162	521,162		698,935	698,935

2.22.1 LB Microfinance Myanmar Company Limited

Cost is assumed to be the best approximation for the market value of the investment LB Microfinance Myanmar Company Limited due to the absence of most recent exit prices.

2.22.2 Multi Finance PLC

During the financial year ended 31 March 2022, LB Finance PLC acquired 64.63% of ordinary voting shares of Multi Finance PLC by investing Rs. 400 Mn with the above acquisition LB Finance PLC became the controlling shareholder the Company.

Consequent to the initial acquisition, a mandatory offer was made by LB Finance PLC to the remaining shareholders of Multi Finance PLC by the offer document dated 19 April 2022. LB Finance PLC invested Rs. 836,420/- and acquired 0.13% of ordinary voting shares of Multi Finance PLC increasing the controlling stake of the company to 64.76%. During the year, the Company acquired the remaining Non Controlling Interest of Multi Finance PLC by paying a purchase consideration of Rs. 100,867,050/- and completed the amalgamation process in line with the Masterplan for the Consolidation of Non-Bank Financial Institutions implemented by the Central Bank of Sri Lanka.

Investment in Multi Finance PLC

	Company	
	2025 Rs. '000	2024 Rs. '000
As at the Beginning of the Year	177,773	400,836
Payment to Acquire Non Controlling Interest	100,867	-
Impairment Charge/(Reversal) on Investment in Subsidiary (Note 2.22.4)	1,353	(223,063)
Adjustment Due to Business Combination with Subsidiary	(279,993)	-
As at the End of the Year	-	177,773

2.22.3 Assessment of Impairment of Investment in Subsidiaries

During the year, the Company assessed the recoverable amounts of its investments in subsidiaries in accordance with Sri Lanka Accounting Standard – LKAS 36 (Impairment of Assets). The review considered both internal and external indicators of impairment, including each subsidiary's financial performance, business outlook, and the broader economic environment.

As part of this assessment, the Company maintained the previously recognised impairment provision on the investment in Multi Finance PLC which was subsequently amalgamated with the Company during the year. The decision was based on a continued evaluation of the subsidiary's recoverable amount prior to amalgamation.

With respect to the LB Microfinance Myanmar Company Limited, a detailed review was conducted, including an evaluation of future cash flow projections using a discounted cash flow model. Key assumptions such as the discount rate and long-term growth rate were applied based on current market expectations and the subsidiarys outlook. Based on this assessment, no impairment was recognised as the recoverable amount exceeded the carrying value of the investment.

The Company will continue to monitor the financial and operational performance of its investments in subsidiaries and reassess for impairment if any indicators arise in the future.

2.22.4 Impairment of Investment in Subsidiary - Multi Finance PLC

	Company	
	2025 Rs. '000	2024 Rs. '000
As at the Beginning of the Year	223,063	-
Charge/(Reversal) for the Year	(1,353)	223,063
Adjustment due to Amalgamation with subsidiary	(221,710)	-
As at the End of the Year	-	223,063

2.22.5 Amalgamation of Multi Finance PLC with LB Finance PLC in Accordance with the Provisions of the Companies Act No. 07 of 2007

Background of the Amalgamation

In line with the Masterplan for the Consolidation of Non-Bank Financial Institutions initiated by the Central Bank of Sri Lanka (CBSL), LB Finance PLC completed the amalgamation of Multi Finance PLC with and into LB Finance PLC, effective 25 July 2024. The amalgamation was executed in accordance with the provisions of the Companies Act No. 07 of 2007 and was duly approved by the relevant regulatory authorities and the shareholders of both companies. Following the amalgamation, LB Finance PLC remains the continuing legal entity.

Basis of Merger Accounting

The Company has applied merger accounting to account for the amalgamation. Under this method, the assets and liabilities of the combining entities are recognised at their existing carrying amounts. No adjustments are made to reflect fair values, and no goodwill is recognised. This policy reflects the economic substance of the transaction and ensures comparability of financial information across periods.

Presentation of Financial Information

The Company financial statements for the year ended 31 March 2025 include the results of both LB Finance PLC for the entire financial year and results of Multi Finance PLC from the date of amalgamation . The comparative consolidated financial statements for the year ended 31 March 2024 already included Multi Finance PLC as a consolidated subsidiary.

To enhance users understanding of the merger's impact, supplementary information has been provided in Note 2.22.5 (c) showing the previous years standalone results of LB Finance PLC and Multi Finance PLC prior to merger, together with the current year figures of LB Finance PLC (the Company).

2.22.5 (a) Impact on Reserves and Equity

As the investment in Multi Finance PLC was fully impaired prior to the amalgamation, no adjustments arose to the Company's reserves as a result of the merger. Following table shows the transaction in the date of amalgamation.

	Company
	Rs. '000
Consideration Trasnferred (Net Impaired)	179,126
Adjustment on Goodwill on Initial Acquisition (Net Impaired)	-
Net Book Value of the Identifiable Assets (Note 2.22.5 (b))	(279,993)
Adjustment on Amounts Paid to the NCI of the Subsidiary	100,867
Impact on Equity	-

2.22.5 (b) Net Book Value of the Identifiable Assets

The following table presents the carrying amounts of the identifiable assets and liabilities of Multi Finance PLC as at the effective date of amalgamation.

	Company
	Rs. '000
Assets	
Cash and Cash Equivalents	278,767
Financial Assets at Amortised Cost - Loans and Receivables	66,263
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2
Other Financial Assets	23,190
Other Non Financial Assets	6,723
Property, Plant and Equipment and Right-of-Use Assets	36,692
Investment Properties	5,050
Intangible Assets	644
Total Assets	417,331
Liabilities	
Due to Banks	1,108
Financial Liabilities at Amortised Cost - Due to Depositors	72,232
Other Financial Liabilities	25,262
Other Non Financial Liabilities	36,440
Post Employment Benefit Liability	2,296
Total Liabilities	137,338
Total Identifiable Net Assets	279,993

Accounting Policy Alignment

The accounting policies of Multi Finance PLC have been aligned with those of LB Finance PLC where necessary to ensure consistency.

2.22.5 (c) Supplementary Information

This supplementary information is presented to enhance the understanding of users by disclosing the combined performance of LB Finance PLC and Multi Finance PLC for the comparative period, as if the amalgamation had occurred prior to the beginning of that period.

This presentation assumes that the amalgamation of LB Finance PLC and Multi Finance PLC had taken effect before 1 April 2023 (the beginning of the comparative period), solely for comparative and illustrative purposes. The combined income statement for the year ended 31 March 2024 has been prepared by aggregating the financial information of both entities for the corresponding period, eliminating intercompany transactions, where applicable.

This supplementary information does not constitute a restatement of the previously issued financial statements. It is presented for comparability purposes only and to assist users in assessing the potential impact of the amalgamation on the Company's operations.

Supplimentary Income Statement - Combined

	Company		
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	Change %
Income	**46,765,734**	49,339,296	(5)
Interest Income	**41,849,721**	45,834,611	(9)
Less: Interest Expenses	**16,695,623**	21,401,587	(22)
Net Interest Income	**25,154,098**	24,433,024	3
Fee and Commission Income	**4,604,896**	3,188,769	44
Net Trading Income	**101,101**	141,629	(29)
Other Operating Income	**210,016**	174,287	21
Total Operating Income	**30,070,111**	27,937,709	8
Less: Impairment Charges/(Reversals)	**(273,983)**	381,846	(>100)
Net Operating Income	**30,344,094**	27,555,863	10
Less: Operating Expenses			
Personnel Expenses	**5,153,126**	4,407,299	17
Depreciation of Property, Plant and Equipment	**981,101**	878,085	12
Amortisation of Intangible Assets	**13,352**	9,180	45
Other Operating Expenses	**3,664,767**	3,470,449	6
Total Operating Expenses	**9,812,346**	8,765,013	12
Operating Profit before Tax on Financial Services	**20,531,748**	18,790,850	9
Less: Tax on Financial Services	**4,183,241**	3,630,244	15
Profit before Taxation	**16,348,507**	15,160,606	8
Less: Income Tax Expense	**5,536,039**	5,616,569	(1)
Profit for the Year	**10,812,468**	9,544,037	13

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Supplimentary Statement of Financial Position - Combined

As at 31 March	Company 2025 Rs. '000	2024 Rs. '000	Change %
Assets			
Cash and Cash Equivalents	**9,024,016**	7,531,881	20
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	**718,402**	1,923,016	(63)
Financial Assets at Amortised Cost - Loans and Receivables	**197,766,691**	161,382,090	23
Financial Assets Measured at Fair Value Through Other Comprehensive Income	**165,024**	118,590	39
Other Financial Assets	**21,201,500**	20,448,519	4
Other Non Financial Assets	**439,475**	444,967	(1)
Investment in Subsidiaries	**521,162**	521,162	-
Property, Plant and Equipment and Right-of-Use Assets	**9,725,513**	9,018,403	8
Investment Properties	**5,385**	5,050	7
Intangible Assets	**67,113**	21,590	>100
Deferred Tax Assets	**1,255,960**	927,914	35
Total Assets	**240,890,241**	202,343,182	19
Liabilities			
Due to Banks	**37,411,682**	21,704,907	72
Financial Liabilities at Amortised Cost - Due to Depositors	**138,496,872**	122,903,487	13
Debt Instruments Issued and Other Borrowed Funds	**5,005,405**	5,491,401	(9)
Other Financial Liabilities	**4,303,422**	3,814,231	13
Other Non Financial Liabilities	**1,671,989**	1,557,482	7
Current Tax Liabilities	**2,182,738**	2,770,496	(21)
Post Employment Benefit Liability	**552,135**	475,109	16
Total Liabilities	**189,624,243**	158,717,113	19
Equity			
Stated Capital	**838,282**	838,282	-
Reserves	**9,521,361**	8,972,430	6
Retained Earnings	**40,906,355**	33,815,357	21
Total Equity	**51,265,998**	43,626,069	18
Total Liabilities and Equity	**240,890,241**	202,343,182	19

2.23 Property, Plant and Equipment and Right-of-Use Assets

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one year. The Group applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

Accounting Policy

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add, replace part of, or service it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost Model

The Group applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred. Costs incurred in using or redeploying an item is not included under carrying amount of an item.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the Income Statement when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Impairment

Property, plant and equipment are assessed for impairment at each reporting date when there are indications that the carrying amount may not be recoverable. If there are any events or changes in circumstances (such as physical damage or obsolescence), the asset's recoverable amount is compared to its carrying amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. During the period under review, and in the previous period, the Group has not recognised any impairment losses on property, plant, and equipment, as no impairment indicators were identified.

Right-of-Use Assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position. Right-of-use assets of the Group include land and buildings under long term rental agreements for its use as offices and branches.

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are subsequently measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are amortised on the straight line basis over the lease term.

Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated. Freehold land is not depreciated, as it is considered to have an indefinite useful life.

The estimated useful lives of the property, plant and equipment of the Group as at 31 March 2025 are as follows;

Asset Category	Period (Years)	Depreciation % per Annum
Freehold Buildings and Edifices	50	2%
Furniture and Fittings	4-6.67	15-25%
Equipment	4-5	20-25%
Motor Vehicles	5-8	12.50-20%
Computer Hardware and Equipment	4-5	20-25%
Leasehold Improvements	6.67	15%
Fixtures and Fittings	4-5	20-25%

The above rates are compatible with the rates used by all Group entities.

Accounting Estimates

Useful Lifetime of the Property, Plant and Equipment

The Group reviews the residual values, useful lives, and method of depreciation of property, plant, and equipment at each reporting date. This review is performed to ensure that the carrying amounts of these assets are appropriately reflected in the Financial Statements. Management exercises judgment in estimating these values, rates, and methods, considering factors such as asset condition, usage patterns, and technological obsolescence. As a result, the useful lives and residual values of assets are subject to uncertainty.

2.23.1 Company - 2025

	Freehold Land	Freehold Buildings and Edifices	Furniture and Fittings	Equipment	Motor Vehicles	Computer Hardware and Equipment	Leasehold Improvements	Fixtures and Fittings	Right-of-Use Assets	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost										
Balance as at 1 April 2024	4,856,367	1,185,819	473,663	1,207,385	432,898	1,465,994	952,108	1,416,981	2,707,197	14,698,412
Amounts Recognised on Amalgamation	-	-	7,685	10,736	1,926	24,243	20,889	9,567	25,656	100,702
Additions	179,619	81,393	85,821	219,008	-	214,576	80,479	281,848	682,885	1,825,629
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(20,325)	(20,337)	(10,691)	(46,635)	(14,743)	(9,018)	(466,009)	(587,758)
Balance as at 31 March 2025	5,035,986	1,267,212	546,844	1,416,792	424,133	1,658,178	1,038,733	1,699,378	2,949,729	16,036,985
Accumulated Depreciation and Impairment Losses										
Balance as at 1 April 2024	-	209,294	356,711	922,190	289,872	1,019,026	676,179	937,935	1,302,842	5,714,049
Amounts Recognised on Amalgamation	-	-	7,112	10,269	1,924	23,759	17,539	3,398	-	64,001
Charge for the Year	-	27,989	42,461	112,815	28,052	150,540	82,444	200,746	334,906	979,953
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(20,240)	(19,984)	(10,687)	(46,409)	(13,749)	(7,790)	(327,672)	(446,531)
Balance as at 31 March 2025	-	237,283	386,044	1,025,290	309,161	1,146,916	762,413	1,134,289	1,310,076	6,311,472
Net Book Value as at 31 March 2025	5,035,986	1,029,929	160,800	391,502	114,972	511,262	276,320	565,089	1,639,653	9,725,513

2.23.2 Company - 2024

	Freehold Land	Freehold Buildings and Edifices	Furniture and Fittings	Equipment	Motor Vehicles	Computer Hardware and Equipment	Leasehold Improvements	Fixtures and Fittings	Right-of-Use Assets	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost										
Balance as at 1 April 2023	4,856,164	1,097,721	465,457	1,102,430	381,863	1,205,344	910,659	1,273,270	2,302,890	13,595,798
Additions	203	88,098	13,499	120,461	95,975	272,771	59,391	153,126	450,488	1,254,012
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(5,293)	(15,506)	(44,940)	(12,121)	(17,942)	(9,415)	(46,181)	(151,398)
Balance as at 31 March 2024	4,856,367	1,185,819	473,663	1,207,385	432,898	1,465,994	952,108	1,416,981	2,707,197	14,698,412
Accumulated Depreciation and Impairment Losses										
Balance as at 1 April 2023	-	183,609	322,309	833,993	302,362	910,026	611,895	765,751	1,032,506	4,962,451
Charge for the Year	-	25,685	39,661	103,637	27,202	117,249	81,810	181,036	290,068	866,348
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(5,259)	(15,440)	(39,692)	(8,249)	(17,526)	(8,852)	(19,732)	(114,750)
Balance as at 31 March 2024	-	209,294	356,711	922,190	289,872	1,019,026	676,179	937,935	1,302,842	5,714,049
Net Book Value as at 31 March 2024	4,856,367	976,525	116,952	285,195	143,026	446,968	275,929	479,046	1,404,355	8,984,363

2.23.3 Group - 2025

	Freehold Land Rs. '000	Freehold Buildings and Edifices Rs. '000	Furniture and Fittings Rs. '000	Equipment Rs. '000	Motor Vehicles Rs. '000	Computer Hardware and Equipment Rs. '000	Leasehold Improvements Rs. '000	Fixtures and Fittings Rs. '000	Right-of-Use Assets Rs. '000	Total Rs. '000
Cost										
Balance as at 1 April 2024	4,856,367	1,185,819	514,535	1,228,535	435,652	1,503,231	952,108	1,416,981	2,797,678	14,890,906
Additions	179,619	81,393	90,825	223,329	-	221,905	80,479	285,658	682,885	1,846,093
Transfers	-	-	-	-	-	-	-	-	-	-
Exchange Rate Variance	-	-	(113)	(136)	(13)	(226)	-	-	-	(488)
Disposals/Write-offs	-	-	(20,325)	(20,519)	(10,691)	(46,635)	(14,743)	(9,018)	(466,009)	(587,940)
Balance as at 31 March 2025	5,035,986	1,267,212	584,922	1,431,209	424,948	1,678,275	1,017,844	1,693,621	3,014,554	16,148,571
Accumulated Depreciation and Impairment Losses										
Balance as at 1 April 2024	-	209,294	385,907	937,965	292,148	1,049,356	676,179	937,935	1,368,006	5,856,800
Charge for the Year	-	27,989	43,827	114,491	28,154	153,468	82,444	201,894	334,906	987,173
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Exchange Rate Variance	-	-	(54)	(70)	(6)	(133)	-	-	-	(263)
Disposals/Write-offs	-	-	(20,240)	(20,166)	(10,687)	(46,409)	(13,749)	(7,790)	(327,672)	(446,713)
Balance as at 31 March 2025	-	237,283	409,440	1,032,220	309,609	1,156,282	744,874	1,132,039	1,375,240	6,396,997
Net Book Value as at 31 March 2025	5,035,986	1,029,929	175,482	398,989	115,339	521,993	272,970	561,582	1,639,314	9,751,574

2.23.4 Group - 2024

	Freehold Land Rs. '000	Freehold Buildings and Edifices Rs. '000	Furniture and Fittings Rs. '000	Equipment Rs. '000	Motor Vehicles Rs. '000	Computer Hardware and Equipment Rs. '000	Leasehold Improvements Rs. '000	Fixtures and Fittings Rs. '000	Right-of-Use Assets Rs. '000	Total Rs. '000
Cost										
Balance as at 1 April 2023	4,856,164	1,097,721	496,444	1,120,730	384,690	1,240,166	910,659	1,273,270	2,377,583	13,757,427
Additions	203	88,098	23,996	123,827	95,975	276,133	59,391	153,126	466,276	1,287,025
Transfers	-	-	-	-	-	-	-	-	-	-
Exchange Rate Variance	-	-	(515)	(496)	(73)	(948)	-	-	-	(2,032)
Disposals/Write-offs	-	-	(5,390)	(15,526)	(44,940)	(12,120)	(17,942)	(9,415)	(46,181)	(151,514)
Balance as at 31 March 2024	4,856,367	1,185,819	514,535	1,228,535	435,652	1,503,231	952,108	1,416,981	2,797,678	14,890,906
Accumulated Depreciation and Impairment Losses										
Balance as at 1 April 2023	-	183,609	349,237	848,738	304,465	938,568	611,895	765,751	1,087,962	5,090,225
Charge for the Year	-	25,685	42,252	104,994	27,403	119,616	81,810	181,036	299,776	882,572
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Exchange Rate Variance	-	-	(247)	(308)	(28)	(579)	-	-	-	(1,152)
Disposals/Write-offs	-	-	(5,335)	(15,459)	(39,692)	(8,249)	(17,526)	(8,852)	(19,732)	(114,845)
Balance as at 31 March 2024	-	209,294	385,907	937,965	292,148	1,049,356	676,179	937,935	1,368,006	5,856,800
Net Book Value as at 31 March 2024	4,856,367	976,525	128,628	290,570	143,504	453,875	275,929	479,046	1,429,672	9,034,106

2.23.5 Property, Plant and Equipment and ROU Assets Acquired During the Financial Year - Company & Group

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 1,825,628,954/- (2024 - Rs. 1,254,011,518/-). Cash payments amounting to Rs. 1,142,746,159/- (2024 - Rs. 884,569,958/-) was paid during the year for purchases of property, plant and equipment.

During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 1,846,093,391/- (2024 - Rs. 1,287,024,735/-). Cash payments amounting to Rs. 1,163,208,391/- (2024 - Rs. 905,130,442/-) was paid during the year for purchases of property, plant and equipment.

2.23.6 Property, Plant and Equipment Subjected to Operating Lease - Company & Group

As at 31 March 2025, there were no property, plant and equipment subjected to operating lease where the Company/Group is a lessor.

2.23.7 Borrowing Costs - Company & Group

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the financial year 2025 and 2024.

2.23.8 Fully-Depreciated Property, Plant and Equipment - Company & Group

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is Rs. 3,206,776,247/- (2024 - Rs. 3,188,548,356/-) for the Company and Rs. 3,214,513,769/- (2024 - Rs. 3,246,895,803/-) for the Group.

2.23.9 Information on the Freehold Land and Buildings - Company & Group

The Group applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. The valuations of the freehold land and buildings of the Group are carried out at minimum once in every two years or more frequently if the fair values previously disclosed are substantially different from the fair values as at the reporting date.

The Group engages independent professional valuers for revaluation of its freehold land and buildings as specified by the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

Information on the freehold land and buildings as required by the Rule No 7.6 (viii) of the 'Continuing Listing Requirements' of the Colombo Stock Exchange.

As at 31 March			2025						2024
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent Perches	Buildings Square Feet	Fair Value Rs. '000	Net Book Value Rs. '000	Fair Value as a % of Net Book Value	Net Book Value Rs. '000
Kollupitiya No 20, Dharmapala Mawatha, Colombo 03.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 27,800,000 p.p./ Rs. 12,997 p.sq.ft.	1	52.82	57,020	2,209,500	819,126	270	831,678
Kollupitiya No 676, Galle Road, Colombo 03.	Comparison method Price per Perch / Price per Square Feet	Rs. 27,500,000 p.p./ Rs. 2,416 p.sq.ft.	5	167.65	63,251	4,763,218	2,194,284	217	2,200,420
Cinnamon Gardens No 165, Dharmapala Mawatha, Colombo 07.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 25,750,000 p.p./ Rs. 5,478 p.sq.ft.	1	48.95	7,400	1,301,000	1,030,048	126	1,031,265
Kandy No 115B, Kotugodella Veediya, Kandy.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 22,850,000 p.p./ Rs. 1,785 p.sq.ft.	1	25.76	7,780	602,500	558,854	108	529,670

As at 31 March			2025						2024
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent Perches	Buildings Square Feet	Fair Value Rs. '000	Net Book Value Rs. '000	Fair Value as a % of Net Book Value	Net Book Value Rs. '000
Kandy No. 226, D S Senanayaka Street, Kandy.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 12,750,000 p.p./ Rs. 1,596 p.sq.ft.	1	7.05	3,674	95,750	69,517	138	57,751
Kandy Moragaspitiyawatta Road, Balagolla, Kengalla.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 660,000 p.p./ Rs. 2,667 p.sq.ft.	2	110.00	2,400	79,000	28,721	275	28,892
Kandy No. 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy.	Comparison method Price per Perch	Rs. 1,273,585 p.p.	-	42.40	-	54,000	34,085	158	34,085
Maradana No. 104/1, Vipulasena Mawatha, Colombo 10.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 7,750,000 p.p./ Rs. 2,930 p.sq.ft.	1	50.60	5,750	409,000	73,023	560	73,703
Wellawatta No. 51A, W A Silva Mawatha, Colombo 06.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 14,750,000 p.p./ Rs. 7,064 p.sq.ft.	1	14.23	5,678	250,000	188,920	132	189,621
Panadura No. 37, Jayathilake Mawatha, Panadura.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 4,250,000 p.p./ Rs. 14,286 p.sq.ft.	1	42.00	1,925	206,000	140,450	147	128,591
Kalutara No 334, Main Street, Kalutara South.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 6,850,000 p.p./ Rs. 5,654 p.sq.ft.	1	26.27	10,620	240,000	189,871	126	190,933
Borella No. 1024, Maradana Road, Borella.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 16,000,000 p.p./ Rs. 7,308 p.sq.ft.	1	25.50	2,600	427,000	269,827	158	270,760
Rajagiriya No. 419, Old Kotte Road, Rajagiriya.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 8,250,000 p.p./ Rs. 14,247 p.sq.ft.	1	16.30	10,867	289,300	199,141	145	200,618
Nuwara Eliya No. 35/4, Upper Lake Road, Nuwara Eliya.	Comparison method Price per Perch	Rs. 1,650,000 p.p.	-	359.00	-	592,350	64,906	913	64,906
Nuwara Eliya No.71, City Lite Building, Queen Elisabeth Drive.	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 17,750,000 p.p./ Rs. 12,076 p.sq.ft.	1	6.00	2,360	135,000	133,651	101	-
Chilaw No. 63V, Kurunegala Road, Chilaw.	Comparison method Price per Perch	Rs. 2,846,715 p.p.	-	20.55	-	58,600	58,600	100	-
Embuldeniya No. 25/1, Shalawa Road, Embuldeniya, Nugegoda	Contractor's Test method Price per Perch / Price per Square Feet	Rs. 2,000,000 p.p./ Rs. 2,923 p.sq.ft.	1	21.1	1,300	46,000	12,892	357	-

Valuation of freehold land and buildings of the Company was carried out as at 31 March 2025 by H.B. Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer. Contractor's Test method and Comparison method have been used for the valuation.

Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

2.23.10 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Freehold Land and Building of the Group

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Comparison Method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	Price per Perch for Land / Price per Square Feet	Estimated fair value would increase/(decrease) if ; Price per Perch of Land / Price per Square Feet would increase/ (decrease)
Contractor's Test Method The contractors method of valuation involves estimating the cost of replacing the property with a similar property of the same size, quality and function. This estimate includes the cost of material, labour, and cost of equipment required to construct the property, as well as any site improvements and contingencies.	Cost per Perch for Land / Cost per Square Feet	Estimated fair value would increase/(decrease) if ; Cost per Perch of Land / Cost per Square Feet would increase/ (decrease)

2.23.11 Title Restriction on Property, Plant and Equipment - Company & Group

There were no restrictions existed on the title of the property, plant and equipment as at the reporting date.

2.23.12 Property, Plant and Equipment Pledged as Security for Liabilities - Company & Group

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date other than those disclosed in the Note 3.7 of these Financial Statements.

2.23.13 Compensation from Third Parties for Items of Property, Plant and Equipment - Company & Group

There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

2.23.14 Temporarily Idle Property, Plant and Equipment - Company & Group

There were no temporarily idle property, plant and equipment as at the reporting date.

2.23.15 Property, Plant and Equipment Retired from Active Use - Company & Group

There were no property, plant and equipment retired from active use as at the reporting date.

2.24 Investment Properties

Accounting Policy

Basis of Recognition

Investment properties are those which are held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

Basis of Measurement

Fair Value Model

Investment properties are initially recognised at cost, which includes the purchase price and any directly attributable transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value, which reflect current market conditions at the reporting date. Gains or losses arising from changes in fair value and the rental income from the investment property is recognised under other operating income in the Income Statement in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment).

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

Subsequent Transfers to/from Investment Properties

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment properties to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

Determining Fair Value

The fair value of investment properties is determined by independent external professional valuers with appropriate recognised qualifications and recent experience in the location and category of property being valued. These valuations are performed as of the reporting date.

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	-	-	5,050	4,550
Amounts Recognised on Amalgamation	5,050	-	-	-
Disposals during the Year	-	-	-	-
Fair Value Gains/(Losses)	335	-	335	500
Balance as at the End of the Year	5,385	-	5,385	5,050

No rental income or direct operating expenses were recognised during the period as the investment property comprises bare land held for capital appreciation.

There were no capitalised borrowing cost related to the acquisition of investment properties during the year 2025 (2024 – Nil).

2.24.1 Information on Investment Properties of the Company & Group – Extents and Locations

Location	Number of Buildings	Extent	Buildings	Fair Value of the Investment Property - Land	Fair Value of the Investment Property - Buildings
		Perches	Square Feet	Rs. '000	Rs. '000
Lot No - 1, Plan No 12/41, Atikelanda Road, Arangala South, Nattaranpotha, Kandy.	-	46.14	Bare Land	1,385	-
Lot No - 4, Plan No 1730, Mallawagolla Road, Doratiyawa, Mallawapitiya, Kurunegala.	-	92.50	Bare Land	4,000	-
Total				5,385	-

2.24.2 Information on Investment Properties of the Company & Group – Valuations

The Group engages independent professional valuers for revaluation of its Investment Properties and the valuations are carried out every financial year.

Valuation of investment properties of the Group was carried out by H.B. Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer. Comparison method of valuation has been used for the valuations.

Investment properties of the Group are considered under Level 3 of fair value hierarchy.

Name of Professional Valuer/ Location and Address	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Fair Value of the Investment Property - Land	Fair Value of the Investment Property - Buildings	Fair Value Gains/ (Losses) Recognised in the Income Statement - Land	Fair Value Gains/ (Losses) Recognised in the Income Statement - Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
H. B. Manjula Basnayake	Comparison Method					
Lot No - 1, Plan No 12/41, Atikelanda Road, Arangala South, Nattaranpotha, Kandy.	Price per Perch	Rs. 30,000 p. p.	1,385	-	35	-
H. B. Manjula Basnayake	Comparison Method					
Lot No - 4, Plan No 1730, Mallawagolla Road, Doratiyawa, Mallawapitiya, Kurunegala.	Price per Perch	Rs. 42,500 p. p.	4,000	-	300	-
Total			5,385	-	335	-

2.24.3 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Investment Properties of the Company & Group

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Comparison Method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	Price per Perch for Land	Estimated fair value would increase/(decrease) if ; Price per Perch of land would increase/(decrease)

2.24.4 There were no restrictions on the realisability of investment properties of the Company and Group as at the reporting date.

2.25 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Group's intangible assets include the value of acquired goodwill and computer software.

Accounting Policy

Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent Expenditure

Expenditure incurred on intangible assets is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

Useful Economic Lives, Amortisation and Impairment of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Group. Indefinite-lived intangible assets are not amortised, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Only finite-lived intangible asset is computer software of the Group. Goodwill is the indefinite-lived intangible asset which is subject to annual impairment test. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The Group assumes that there is no residual value for its intangible assets.

Computer Software

Cost of all computer software licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

Useful lifetime of computer software is as follows;

Intangible Asset Category	Period (Years)	Depreciation % per Annum
Computer Software	3-5	20-33.33%

Goodwill

Goodwill represents the excess of the cost of acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets and liabilities acquired. Carrying amount of goodwill that arises on the acquisition of subsidiaries is presented with intangible assets.

Goodwill is initially measured at cost and subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Impairment Testing on Goodwill

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Income Statement. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to Groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets prorata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Computer Software (Note 2.25.1)	67,113	20,701	67,113	22,602
Goodwill arising on Business Combination (Note 2.25.3)	-	-	-	-
Total Intangible Assets	67,113	20,701	67,113	22,602

2.25.1 Computer Software

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cost				
Cost as at the Beginning of the Year	214,344	207,857	248,439	243,567
Amounts Recognised on Amalgamation	15,579	-	-	-
Additions and Improvements	58,876	6,487	58,876	6,487
Disposals/Write-off	(3,569)	-	(3,569)	-
Exchange Rate Variance	-	-	(297)	(1,615)
Cost as at the End of the Year	285,230	214,344	303,449	248,439
Amortisation and Impairment Losses				
Amortisation as at the Beginning of the Year	193,643	185,229	225,837	216,115
Amounts Recognised on Amalgamation	14,915	-	-	-
Charge for the Year	13,128	8,414	14,355	11,189
Impairment Loss	-	-	-	-
Disposals/Write-off	(3,569)	-	(3,569)	-
Exchange Rate Variance	-	-	(287)	(1,467)
Accumulated Amortisation as at the End of the Year	218,117	193,643	236,336	225,837
Net Book Value as at 31 March	67,113	20,701	67,113	22,602

2.25.2 There were no restrictions on the title of the intangible assets as at the reporting date. Further there were no items pledged as securities for liabilities.

2.25.3 Goodwill arising on Business Combination

	Group	
	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	-	107,803
Impairment Loss on Goodwill	-	(107,803)
Balance as at the End of the Year	-	-

The Group carried out its annual impairment test in March 2024 on the goodwill arising from the acquisition of Multi Finance PLC. In conducting this assessment, the Group considered the net book value and other relevant factors when reviewing indicators of impairment as at 31 March 2024. The absence of a market price due to the suspension of Multi Finance PLC's share trading since 13 October 2022 indicated a potential impairment of goodwill.

The recoverable amount of the investment in Multi Finance PLC as at that date was determined using a value in use calculation based on projected cash flows. The analysis concluded that the fair value less costs to sell did not exceed the value in use.

Based on this evaluation, the Group recognised an impairment charge of Rs. 107,803,189 against goodwill in the financial year ended 31 March 2024. This amount was recorded under impairment charges in the Income Statement.

As a result, there is no goodwill balance remaining as at 31 March 2025.

2.26 Deferred Tax Assets and Liabilities

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses carried forward can be utilised.

Deferred tax assets / liabilities shall be recognised for temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination.
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Accounting Estimates

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with the future tax planning strategies.

Deferred Tax Assets and Liabilities and Income Tax Relate to the Followings;

	Reflected in Statement of Financial Position				Reflected in Income Statement				Reflected in Statement of Profit or Loss and Comprehensive Income			
	Company		Group		Company		Group		Company		Group	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Tax Liabilities												
Lease Liability	424,714	362,229	424,714	362,229	62,485	18,166	62,485	18,166				
Depreciation of Leased Assets	-	215,435	-	215,435	(215,435)	(9,272)	(215,435)	(9,272)				
Depreciation of Property, Plant and Equipment	216,179	195,320	212,073	191,705	20,859	5,160	20,368	1,545				
	640,893	772,984	636,787	769,369	(132,091)	14,054	(132,582)	10,439				
Deferred Tax Assets												
Right-of-Use Assets	(572,540)	(502,398)	(572,540)	(502,398)	(70,142)	(44,822)	(70,142)	(44,822)				
Defined Benefit Obligation - Income Statement	(164,557)	(135,916)	(164,557)	(135,916)	(28,641)	(16,138)	(28,641)	(16,138)				
Defined Benefit Obligation - Other Comprehensive Income	(1,084)	(6,001)	(1,084)	(6,001)	-	-	-	-	4,917	(16,112)	4,917	(16,112)
Carried Forward Qualifying Payment	(20,173)	-	(20,173)	-	(20,173)	40,296	(20,173)	40,296	-	-	-	-
Carried Forward Impairment Provision	(1,138,499)	(1,056,583)	(1,140,776)	(1,057,384)	(81,916)	(138,006)	(83,393)	(138,807)	-	-	-	-
	(1,896,853)	(1,700,898)	(1,899,130)	(1,701,699)	(200,872)	(158,670)	(202,349)	(159,471)	4,917	(16,112)	4,917	(16,112)
Deferred Tax Charge/(Reversal)					(332,963)	(144,616)	(334,931)	(149,032)	4,917	(16,112)	4,917	(16,112)
Net Deferred Tax Liability/(Asset)	(1,255,960)	(927,914)	(1,262,343)	(932,330)								

2.26.1 Utilisation of Previously Unrecognised Deferred Tax Assets - Multi Finance PLC

During the year, the Company fully utilised tax losses amounting to Rs. 356,274,426 /- which were previously unrecognised as deferred tax assets in the books of Multi Finance PLC, a former subsidiary. These losses had not been recognised earlier due to uncertainty regarding the availability of future taxable profits in that entity.

Following the amalgamation of Multi Finance PLC with the Company, effective from 25 July 2024, the unutilised tax losses became available to LB Finance PLC. These losses were fully utilised against the Company's income tax liability for the current financial year. Accordingly, a tax benefit of Rs. 106,882,328 /- has been recognised against the income tax expense for the year.

2.27 Due to Banks

Accounting Policy

Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Income Statement over the period of the loan using effective interest rate method.

Under finance leases, the leased assets are capitalised and included in 'property, plant and equipment' and the corresponding liability to the lessor is included in 'Due to Banks'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Interest Expense' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining period of the liability.

	Company		Group	
As at 31 March	2025	2024	2025	2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Overdrafts	1,165,574	1,035,550	1,165,574	1,038,445
Debt Funding from Banks (Note 2.27.1)	36,246,108	20,666,462	36,634,133	20,917,412
	37,411,682	21,702,012	37,799,707	21,955,857
Fair Value	38,547,452	22,837,782	39,186,427	23,342,577

2.27.1 Debt Funding from Banks

	As at 1 April 2024 Rs. '000	Loans Obtained* Rs. '000	Interest Recognised Rs. '000	Repayments Capital Rs. '000	Repayments Interest Rs. '000	As at 31 March 2025 Rs. '000
Term Loans						
Commercial Bank of Ceylon PLC	5,764,170	12,437,275	1,001,911	(3,826,500)	(975,955)	14,400,901
DFCC Bank PLC	485,823	-	29,577	(338,095)	(33,447)	143,858
Sampath Bank PLC	8,001,019	-	652,096	(2,582,934)	(651,218)	5,418,963
Hatton National Bank PLC	4,096,562	7,996,487	375,785	(6,593,720)	(362,387)	5,512,727
Bank of Ceylon	-	4,990,000	5,753	-	-	4,995,753
Seylan Bank PLC	708,444	2,000,000	48,968	(1,000,400)	(44,851)	1,712,161
Pan Asia Bank PLC	638,330	-	30,505	(425,000)	(31,001)	212,834
Nations Trust Bank PLC	-	2,000,000	10,301	-	(6,137)	2,004,164
Habib Bank	254,188	748,740	38,116	(229,167)	(35,738)	776,139
Standared Chartered Bank	-	600,000	1,926	-	-	601,926
MCB Bank	717,926	-	56,201	(250,000)	(57,445)	466,682
Total Debt Funding from Banks - Company	20,666,462	30,772,502	2,251,139	(15,245,816)	(2,198,179)	36,246,108
Term Loan						
UAB Bank	250,950	141,100	32,746	-	(36,771)	388,025
Total Debt Funding from Banks - Group	20,917,412	30,913,602	2,283,885	(15,245,816)	(2,234,950)	36,634,133

*Net of transaction cost

The Group has unutilised borrowing facilities of Rs. 1,793,650,000/- as at 31 March 2025 (2024 - Rs. 3,028,000,000/-).

Details of the assets pledged as security for liabilities are disclosed in Note 3.7 to these Financial Statements.

As at 31 March 2025, the Group has not defaulted on any of its loan obligations, including capital or interest payments. The Group remained in full compliance with the terms and conditions of all its loan agreements during the reporting period.

2.27.2 Contractual Maturity Analysis of Debt Funding from Banks - Company

As at 31 March	2025				2024			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Term Loans	16,818,454	19,427,654	-	36,246,108	9,398,269	11,268,193	-	20,666,462

2.27.3 Contractual Maturity Analysis of Debt Funding from Banks - Group

As at 31 March	2025				2024			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Term Loans	17,206,479	19,427,654	-	36,634,133	9,649,219	11,268,193	-	20,917,412

2.28 Financial Liabilities at Amortised Cost - Due to Depositors

Accounting Policy

Due to depositors comprise of interest bearing savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the effective interest rate method. Interest expense on these deposits is recognised to the Income Statement.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Fixed Deposits	132,032,628	119,056,412	132,032,628	119,146,443
Savings Deposits	6,464,244	3,751,712	6,791,268	3,888,104
	138,496,872	122,808,124	138,823,896	123,034,547
Fair Value	141,651,088	125,962,340	142,128,942	126,339,593

2.28.1 Sri Lanka Deposit Insurance Scheme - Company

Under the Direction No. 1 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor. The Company has paid Rs. 190,331,802/- as the premium of the said insurance scheme during the current financial year (2024 - Rs. 171,352,671/-).

2.28.2 Contractual Maturity Analysis of Customer Deposits - Company

As at 31 March	2025				2024			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Fixed Deposits	102,038,367	29,994,261	-	132,032,628	99,123,112	19,933,300	-	119,056,412
Savings Deposits	6,464,244	-	-	6,464,244	3,751,712	-	-	3,751,712
	108,502,611	29,994,261	-	138,496,872	102,874,824	19,933,300	-	122,808,124

We have raised fixed deposits with a pre-termination option to the customers, so fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

2.28.3 Contractual Maturity Analysis of Customer Deposits - Group

As at 31 March	2025				2024			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Fixed Deposits	102,038,367	29,994,261	-	132,032,628	99,193,187	19,953,256	-	119,146,443
Savings Deposits	6,791,268	-	-	6,791,268	3,888,104	-	-	3,888,104
	108,829,635	29,994,261	-	138,823,896	103,081,291	19,953,256	-	123,034,547

We have raised fixed deposits with a pre-termination option to the customers, so fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

2.29 Debt Instruments Issued and Other Borrowed Funds

Accounting Policy

Debt instruments and other borrowings are initially recognised at fair value net of the transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Income Statement over the period of the loan instrument using the effective interest rate method.

	Company & Group	
As at 31 March	2025	2024
	Rs. '000	Rs. '000
Borrowings from International Financial Institutions (Note 2.29.1)	766,862	1,539,282
Securitised Borrowings	4,238,543	3,952,119
	5,005,405	5,491,401
Fair Value	5,217,194	5,703,189

2.29.1 Borrowings from International Financial Institutions

				Company & Group	
International Financial Institution	Interest Payable	Loan Granted Date	Maturity Date	2025	2024
				Rs. '000	Rs. '000
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Biannually	3 May 2021	21 April 2025	766,862	1,539,282

2.29.2 Contractual Maturity Analysis of Debt Instruments Issued and Other Borrowed Funds - Company & Group

As at 31 March	2025				2024			
	Within One Year	1 - 5 Years	Over 5 Years	Total	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Borrowings from International Financial Institutions	766,862	-	-	766,862	1,040,319	498,963	-	1,539,282
Securitised Borrowings	2,340,948	1,897,595	-	4,238,543	389,534	3,562,585	-	3,952,119
	3,107,810	1,897,595	-	5,005,405	1,429,853	4,061,548	-	5,491,401

2.30 Other Financial Liabilities

Accounting Policy

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

	Company		Group	
As at 31 March	2025	2024	2025	2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables	791,214	595,307	791,214	595,307
Insurance Premium Payables	374,138	288,890	374,138	288,890
Unclaimed Balances	920,083	862,401	921,754	863,909
Lease Liability (Note 2.30.1)	1,908,465	1,674,659	1,908,465	1,698,338
Other Payables	309,522	336,519	309,815	369,453
	4,303,422	3,757,776	4,305,386	3,815,897
Fair Value	4,303,422	3,757,776	4,305,386	3,815,897

2.30.1 Lease Liability

Accounting Policy

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	1,674,659	1,525,253	1,698,338	1,544,548
Amounts Recognised on Amalgamation	26,593	-	-	-
Additions	545,464	369,262	545,464	381,865
Accretion of Interest	254,796	235,309	259,677	239,111
Terminations	(147,682)	(28,635)	(147,682)	(28,635)
Payments	(445,365)	(426,530)	(447,332)	(438,551)
Balance as at the End of the Year	1,908,465	1,674,659	1,908,465	1,698,338

2.30.2 Sensitivity Analysis of Lease Liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Company and Group.

	Company				Group			
	2025		2024		2025		2024	
Increase/(Decrease) in Incremental Borrowing Rate	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year Rs. '000	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year Rs. '000	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year Rs. '000	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year Rs. '000
1bp Up	(36,171)	11,061	(34,062)	10,411	(36,171)	11,061	(34,175)	10,524
1bp Down	38,179	(11,535)	35,694	(10,869)	38,179	(11,535)	35,813	(10,988)

2.30.3 Contractual Maturity Analysis of Lease Liability

As at 31 March	2025				2024			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Company								
Lease Liability	292,748	985,371	630,346	1,908,465	227,302	980,112	467,245	1,674,659
Group								
Lease Liability	292,748	985,371	630,346	1,908,465	230,619	990,346	477,373	1,698,338

2.30.4 Undiscounted Maturity Analysis of Lease Liability

As at 31 March	2025				2024			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Company								
Lease Liability	556,249	1,662,365	827,674	3,046,288	466,714	1,602,533	622,931	2,692,178
Group								
Lease Liability	556,249	1,662,365	827,674	3,046,288	474,257	1,623,717	633,653	2,731,627

2.31 Other Non Financial Liabilities

Accounting Policy

Group classifies all non financial liabilities other than post employment benefit liability and current tax liabilities under other non financial liabilities. Other non financial liabilities include accruals, advances and provisions. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Accrued Expenses	1,163,589	1,070,517	1,181,817	1,091,195
Stamp Duty Payable	74,297	56,446	74,297	56,569
EPF/ETF/APIT Payable	74,886	62,565	74,886	62,565
Crop Insurance Levy Payable	35,184	27,191	35,184	27,191
Other Payables	64,363	66,728	93,115	89,567
Withholding Tax Payable	243,689	249,854	243,689	250,026
Impairment Provision in Respect of Off-Balance Sheet Credit Exposures	15,981	14,269	15,981	14,269
	1,671,989	1,547,570	1,718,969	1,591,382

2.32 Current Tax Liabilities

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Income Tax (Note 2.32.1)	1,653,551	2,330,364	1,659,583	2,335,548
Value Added Tax (VAT)	464,849	386,425	464,849	386,425
Social Security Contribution Levy (SSCL)	64,338	53,707	64,338	53,727
	2,182,738	2,770,496	2,188,770	2,775,700

2.32.1 Income Tax Liability

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance As at 01 April	2,330,364	1,850,323	2,335,548	1,855,820
Provisions for the Year	6,003,312	5,871,958	6,020,064	5,887,807
Under/Over Provision	(134,310)	(110,773)	(134,390)	(111,361)
Self Assessement Payments	(6,523,612)	(5,211,237)	(6,539,352)	(5,226,371)
Withholding Tax/Other Credits	(22,203)	(69,907)	(22,203)	(69,907)
Exchange Rate Variance	-	-	(84)	(440)
Balance As at 31 March	1,653,551	2,330,364	1,659,583	2,335,548

2.33 Post Employment Benefit Liability

Accounting Estimates

Our end of service benefit obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The measurement of projected future benefits is dependent on the stipulated formula, salary assumptions, demographics of the Group covered by the plan, and other key measurement assumptions. The net periodic benefit costs associated with the Group defined benefit plans are determined using assumptions regarding the benefit obligations. Due to the long-term nature of these plans, such estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date. The actuarial valuation is conducted by an independent professional actuary using the Projected Unit Credit method as required by Sri Lanka Accounting Standard LKAS 19 (Employee Benefit).

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

Recognition of Actuarial Gains and Losses

The Group recognises the total actuarial gains and losses that arise in calculating the Group obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Expected Return on Assets

Expected return on assets is zero as the plan is not pre-funded.

Funding Arrangements

The gratuity liability is not externally funded.

2.33.1 Post Employment Benefit Liability

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	473,058	365,557	475,109	367,504
Amounts Recognised on Amalgamation	2,296	-	-	-
Amount Charged/(Reversed) for the Year	137,055	171,991	137,300	173,431
Payments Made During the Year	(60,274)	(64,490)	(60,274)	(65,826)
Balance as at the End of the Year	552,135	473,058	552,135	475,109

2.33.2 Amounts Recognised in the Income Statement

	Company		Group	
Year ended 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Current Service Cost for the Year	94,315	56,141	94,560	56,604
Interest Cost on the Net Defined Benefit Liability for the Year	59,132	62,144	59,132	62,494
	153,447	118,285	153,692	119,098

2.33.3 Amounts Recognised in the Other Comprehensive Income

Year ended 31 March	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Liability (Gains)/Losses Due to Changes in Assumptions	(20)	46,303	(20)	46,930
Liability Experience (Gains)/Losses Arising During the Year	(16,372)	7,403	(16,372)	7,403
	(16,392)	53,706	(16,392)	54,333

2.33.4 Defined Benefit Obligation Reconciliation

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Benefit Obligation at the End of Prior Year	473,058	365,557	475,109	367,504
Amounts Recognised on Amalgamation	2,296	-	-	-
Current Service Cost for the Year	94,315	56,141	94,560	56,604
Interest Cost on the Net Defined Benefit Liability for the Year	59,132	62,144	59,132	62,494
Liability (Gains)/Losses Due to Changes in Assumptions	(20)	46,303	(20)	46,930
Liability Experience (Gains)/Losses Arising During the Year	(16,372)	7,403	(16,372)	7,403
Payments Made During the Year	(60,274)	(64,490)	(60,274)	(65,826)
	552,135	473,058	552,135	475,109

2.33.5 Assumptions

	Company		Group	
	2025	2024	2025	2024
Discount Rate	12%	12.5%	12%	12% - 12.5%
Salary Increment	10%	10.5%	10%	10% - 10.5%
Staff Turnover				
20 - 40 Years	25%	25%	25%	25% - 81%
41 - 50 Years	2%	2%	2%	2% - 17%
51 Years or Above	2%	2%	2%	2%
Retirement Age - Years	60	60	60	60
Average Duration of the Weighted Defined Benefit Obligation - Years	12.5	12.9	12.5	8.2 - 12.9

Mortality - GA 1983 Mortality Table
Disability - Long Term Disability 1987 Soc. Sec. Table
Retirement Age - Normal Retirement Age, or Age on Valuation Date, if greater

Actuarial valuations of the gratuity of LB Finance PLC was carried out as at 31 March 2025 by Piyal S. Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', required by the Sri Lanka Accounting Standard - LKAS 19.

2.33.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the retirement benefit liability measurement.

The sensitivity of the Statement of Profit or Loss and Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment on the profit or loss and retirement benefit obligation for the year.

Year Ended 31 March Assumption	Rate Changed	2025 Sensitivity Effect on Statement of Profit or Loss and Comprehensive Income - Increase/ (Reduction) in Results for the Year Rs. '000	2025 Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability Rs. '000	2024 Sensitivity Effect on Statement of Profit or Loss and Comprehensive Income - Increase/ (Reduction) in Results for the Year Rs. '000	2024 Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability Rs. '000
Company					
Increase/(Decrease)	1%	54,546	(54,546)	47,769	(47,769)
in Discount Rate	-1%	(65,617)	65,617	(57,497)	57,497
Increase/(Decrease)	1%	(65,042)	65,042	(57,028)	57,028
in Salary Increment	-1%	55,017	(55,017)	48,207	(48,207)
Group					
Increase/(Decrease)	1%	64,546	(64,546)	47,906	(47,906)
in Discount Rate	-1%	(65,617)	65,617	(57,653)	57,653
Increase/(Decrease)	1%	(65,042)	65,042	(57,182)	57,182
in Salary Increment	-1%	55,017	(55,017)	48,345	(48,345)

2.33.7 The Expected Benefit Payout in the Future Years for Retirement Gratuity

Year ended 31 March	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Within the Next 12 Months	17,841	15,885	17,841	16,114
Between 2 - 5 Years	280,255	172,685	280,255	173,866
Beyond 5 Years	370,909	410,906	370,909	413,570
	669,005	599,476	669,005	603,550

The expected benefits are estimated based on the same assumptions used to measure the benefit obligation at the end of the financial year and include benefits attributable to estimated future employee service.

2.34 Stated Capital

The Stated Capital of the Company comprises the value of shares issued by the Company. The Company recognises stated capital at the amount paid per ordinary share, net of directly attributable issue costs.

2.34.1 Issued and Fully Paid Ordinary Shares

	Company & Group 2025 No. of Shares	Company & Group 2025 Rs. '000	Company & Group 2024 No. of Shares	Company & Group 2024 Rs. '000
At the Beginning of the Year	554,057,136	838,282	554,057,136	838,282
At the End of the Year	554,057,136	838,282	554,057,136	838,282

2.34.2 Rights of Shareholders

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

2.35 Reserves

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Statutory Reserve (Note 2.35.1)	9,558,263	9,017,981	9,558,263	9,017,981
Fair Value Reserve (Note 2.35.2)	(36,902)	(45,551)	(36,902)	(45,551)
Foreign Currency Translation Reserve (Note 2.35.3)	-	-	111,793	125,003
	9,521,361	8,972,430	9,633,154	9,097,433

2.35.1 Statutory Reserve

The statutory reserve is a capital reserve comprising profits transferred as required by Section 3(b)(ii) of the Central Bank Direction No. 1 of 2003 of Sri Lanka, which mandates Licensed Finance Companies to transfer a percentage of their net profits each year to the statutory reserve, based on the Capital Funds to Deposit Liabilities ratio of the Company.

Accordingly, the Company has transferred 5% of its net profits to the statutory reserve.

	Company & Group	
	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	9,017,981	8,539,799
Transfers Made During the Year	540,282	478,182
Balance as at the End of the Year	9,558,263	9,017,981

2.35.2 Fair Value Reserve

The Fair Value Reserve comprises the cumulative net change in the fair value of financial assets classified as Fair Value through Other Comprehensive Income (FVOCI).

This reserve includes changes in fair value until the financial assets are derecognised, impaired, or disposed. Any gains or losses accumulated in this reserve for equity instruments remain in Other Comprehensive Income (OCI) and are transferred to retained earnings upon derecognition of the instrument.

	Company & Group	
	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	(45,551)	(46,750)
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	8,649	1,199
Balance as at the End of the Year	(36,902)	(45,551)

There were no transfers of cumulative gains or losses from fair value reserve to retained earnings during the current or previous financial periods, as no FVOCI - designated financial assets were derecognised.

2.35.3 Foreign Currency Translation Reserve

The foreign currency translation reserve comprises of all foreign currency differences arising from the translation of the Financial Statements of foreign operations. As at the reporting date, the assets and liabilities of LB Microfinance Myanmar Company Limited, a subsidiary of the Company were translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Income Statement and Comprehensive Income was translated at the average exchange rate for the period.

The exchange differences arising on the translation are taken to foreign currency translation reserve through other comprehensive income.

	Group	
	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	125,003	198,051
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	(13,210)	(73,048)
Balance as at the End of the Year	111,793	125,003

2.36 Retained Earnings

	Company		Group	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	33,815,357	28,784,409	33,975,540	28,794,719
Profit for the Year	10,805,634	9,563,638	10,860,002	9,713,917
Other Comprehensive Income, Net of Tax	11,475	(37,594)	11,475	(38,000)
Adjustments Due to Amalgamation with Subsidiary (Note 2.37.1)	-	-	(2,197)	-
Transfers During the Year	(540,282)	(478,182)	(540,282)	(478,182)
Dividend Paid	(3,185,829)	(4,016,914)	(3,185,829)	(4,016,914)
Balance as at the End of the Year	40,906,355	33,815,357	41,118,709	33,975,540

Retained earnings represents the undistributed earnings held to be used in its operations. This could be used to absorb future losses or dividends payable.

2.37 Non-Controlling Interest

Accounting Policy

Non-Controlling Interest (NCI) is measured at its proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

As at the reporting date, the Company owns 100% of the shares of LB Microfinance Myanmar Company Limited, which is the only subsidiary within the Group. During the year, the Group acquired the remaining shares of Multi Finance PLC, and the company was subsequently amalgamated with LB Finance PLC. As a result, there is no non-controlling interest as at 31 March 2025.

	Group	
	2025 Rs. '000	2024 Rs. '000
At the Beginning of the Year	96,738	103,865
Profit for the Year	1,932	(6,906)
Other Comprehensive Income, Net of Tax	-	(221)
Disposal of Shares	(98,670)	-
At the End of the Year	-	96,738

2.37.1 Gain or Loss on Disposal of Non Controling Interest

	Company	
	2025 Rs. '000	2024 Rs. '000
Non Controling Interest disposed	98,670	-
Consideration Paid	(100,867)	-
Gain/(Loss) on Disposal	(2,197)	-

3. OTHER DISCLOSURES

3.1 Related Party Disclosures

The Group carried out transactions with key management and their related concerns and other related entities in the ordinary course of its business on an arms length basis at commercial rates except that the key management have availed facilities under the loan schemes uniformly applicable to all the staff.

The Company's parent undertaking and The Company's ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka. The Company's ultimate controlling party is Mr. Dhammika Perera.

Details of related party transactions during the year are as follows;

3.1.1 Transactions with Key Management Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Such KMPs include the Board of Directors of the Company (inclusive of executive and non-executive directors) and the parent Company.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Short-Term Employment Benefits	717,876	663,118	717,876	663,118
Directors' Fees and Expenses	28,800	25,774	28,800	25,774
Post Employment Benefit Liability	117,347	97,789	117,347	97,789
	864,023	786,681	864,023	786,681

In addition to the above, the Company has also paid non-cash benefits such as vehicles and fuel to Key Management Personnel in line with the approved employment benefits of the Company.

3.1.2 Transactions, Arrangements and Agreements Involving KMPs and Their Close Members of the Family (CMFs)

CMFs of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

		Company		Group	
	Reported Under	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Statement of Financial Position					
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	783,772	614,459	783,772	614,488
Savings Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	44,328	36,497	44,328	36,497
		828,100	650,956	828,100	650,985
Income Statement					
Interest Income on Loans and Receivables	Interest Income	-	299	-	299
Interest Expense on Customer Deposits	Interest Expenses	85,241	92,973	85,241	92,973
Other Operating Expenses	Other Operating Expenses	10,359	5,054	10,359	5,054
		95,600	98,326	95,600	98,326
Other Transactions					
Deposits Accepted During the Year	Financial Liabilities at Amortised Cost - Due to Depositors	459,038	215,879	459,038	215,879
Dividend Paid on Shareholdings	Retained Earnings	19,544	30,821	19,544	30,821
		478,582	246,700	478,582	246,700

3.1.3 Transactions, Arrangements and Agreements Involving Persons has Control or Joint Control and Their Close Members of the Family (CMFs)

		Company		Group	
	Reported Under	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Statement of Financial Position					
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	503,146	503,259	503,146	503,259
		503,146	503,259	503,146	503,259
Income Statement					
Interest Expense on Customer Deposits	Interest Expenses	82,500	72,103	82,500	72,103
		82,500	72,103	82,500	72,103

3.1.4 Transaction, Arrangements and Agreements Involving Entities which are Controlled, and/or Jointly Controlled by the KMPs and Their CMFs

	Reported Under	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Statement of Financial Position					
Assets					
Investment in Equity Securities	Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2,282	1,368	2,282	1,368
		2,282	1,368	2,282	1,368
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	6,205	5,539	6,205	5,539
		6,205	5,539	6,205	5,539
Income Statement					
Dividend Income	Other Operating Income	89	693	89	693
Income on Operating Lease	Other Operating Income	-	2,378	-	2,378
Interest Expense on Customer Deposits	Interest Expenses	711	2,196	711	2,196
Administration and Establishment Expenses	Other Operating Expenses	23,492	19,316	23,492	19,316
Fair Value Adjustment	Net Trading Income	915	488	915	488
		25,207	25,071	25,207	25,071
Other Transactions					
Purchase of Property, Plant and Equipment	Property, Plant and Equipment	59,588	39,537	59,588	39,537
		59,588	39,537	59,588	39,537

3.1.5 Transactions with Group Entities

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

Transactions with Parent Company

	Reported Under	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Other Transactions					
Dividend Paid on Shareholdings	Retained Earnings	1,648,695	2,078,790	1,648,695	2,078,790
		1,648,695	2,078,790	1,648,695	2,078,790

Transactions with Subsidiaries

	Reported Under	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Statement of Financial Position					
Assets					
Investment in Equity Securities	Investment in Subsidiaries	**521,162**	921,998	**-**	-
Due from Subsidiaries	Other Financial Assets	**13,072**	1,150	**-**	-
		534,234	923,148	**-**	-
Income Statement					
Interest on Receivables	Interest Income	**1,072**	598	**1,072**	598
Other Operating Income	Other Income	**3,450**	11,673	**3,450**	11,673
		4,522	12,271	**4,522**	12,271
Other Transactions					
Counter Indemnity Issued to Banks for Guarantees	Contingent Liabilities	**293,900**	298,370	**293,900**	298,370
		293,900	298,370	**293,900**	298,370

3.1.6 Transactions with Group Entities

Transactions with Fellow Subsidiaries and Associate Companies of the Parent

	Reported Under	Company 2025 Rs. '000	Company 2024 Rs. '000	Group 2025 Rs. '000	Group 2024 Rs. '000
Statement of Financial Position					
Assets					
Investment in Equity Securities	Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	**4,984**	5,024	**4,984**	5,024
Investment in Equity Securities	Financial Assets Measured at Fair Value Through Other Comprehensive Income	**110,840**	102,916	**110,840**	102,916
		115,824	107,940	**115,824**	107,940
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	**515,048**	374,480	**515,048**	374,480
		515,048	374,480	**515,048**	374,480

	Reported Under	Company		Group	
		2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Income Statement					
Dividend Income	Other Operating Income	**1,306**	970	**1,306**	970
Interest Expense on Customer Deposits	Interest Expenses	**37,235**	36,000	**37,235**	36,000
Fair Value Adjustment	Net Trading Income	**(39)**	276	**(39)**	276
Fair Value Adjustment	Other Comprehensive Income	**7,925**	5,147	**7,925**	5,147
Operating Expenses	Other Operating Expenses	**1,697**	807	**1,697**	807
		48,124	43,200	**48,124**	43,200
Other Transactions					
Deposits Accepted During the Year	Financial Liabilities at Amortised Cost - Due to Depositors	**200,000**	250,600	**200,000**	250,600
Purchase of Property, Plant and Equipment	Property, Plant and Equipment	**37,265**	1,668	**37,265**	1,668
Dividend Paid on Shareholdings	Retained Earnings	**830,834**	1,047,574	**830,834**	1,047,574
		1,068,099	1,299,842	**1,068,099**	1,299,842

3.2 Capital

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Details of the regulatory capital requirements and compliance level are disclosed in Note 4.6 to these Financial Statements.

3.2.1 Capital Management

Objective

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

3.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 March	Company						Group					
	2025			2024			2025			2024		
	Within 12 Months Rs. '000	After 12 Months Rs. '000	Total Rs. '000	Within 12 Months Rs. '000	After 12 Months Rs. '000	Total Rs. '000	Within 12 Months Rs. '000	After 12 Months Rs. '000	Total Rs. '000	Within 12 Months Rs. '000	After 12 Months Rs. '000	Total Rs. '000
Assets												
Cash and Cash Equivalents	9,024,016	-	9,024,016	7,406,083	-	7,406,083	9,074,745	-	9,074,745	7,651,260	-	7,651,260
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718,402	-	718,402	1,923,016	-	1,923,016	718,402	-	718,402	1,923,016	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	127,567,009	70,199,682	197,766,691	107,946,903	53,344,583	161,291,486	128,986,740	70,284,307	199,271,047	109,126,657	53,395,076	162,521,733
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	165,024	118,587	-	118,587	165,024	-	165,024	118,589	-	118,589
Other Financial Assets	21,201,500	-	21,201,500	20,374,770	-	20,374,770	21,188,612	-	21,188,612	20,443,404	-	20,443,404
Other Non Financial Assets	439,475	-	439,475	430,651	-	430,651	480,168	-	480,168	495,796	-	495,796
Investment in Subsidiaries	-	521,162	521,162	-	698,935	698,935	-	-	-	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	-	9,725,513	9,725,513	-	8,984,363	8,984,363	-	9,751,574	9,751,574	-	9,034,106	9,034,106
Investment Properties	-	5,385	5,385	-	-	-	-	5,385	5,385	-	5,050	5,050
Intangible Assets	-	67,113	67,113	-	20,701	20,701	-	67,113	67,113	-	22,602	22,602
Deferred Tax Assets	-	1,255,960	1,255,960	-	927,914	927,914	-	1,262,343	1,262,343	-	932,330	932,330
Total Assets	159,115,426	81,774,815	240,890,241	138,200,010	63,976,496	202,176,506	160,613,691	81,370,722	241,984,413	139,758,722	63,389,164	203,147,886
Liabilities												
Due to Banks	17,984,028	19,427,654	37,411,682	10,433,819	11,268,193	21,702,012	18,372,053	19,427,654	37,799,707	10,687,664	11,268,193	21,955,857
Financial Liabilities at Amortised Cost - Due to Depositors	108,502,611	29,994,261	138,496,872	102,874,824	19,933,300	122,808,124	108,829,635	29,994,261	138,823,896	103,081,291	19,953,256	123,034,547
Debt Instruments Issued and Other Borrowed Funds	3,107,810	1,897,595	5,005,405	1,429,853	4,061,548	5,491,401	3,107,810	1,897,595	5,005,405	1,429,853	4,061,548	5,491,401
Other Financial Liabilities	2,687,705	1,615,717	4,303,422	2,310,419	1,447,357	3,757,776	2,689,669	1,615,717	4,305,386	2,348,178	1,467,719	3,815,897
Other Non Financial Liabilities	1,671,989	-	1,671,989	1,547,570	-	1,547,570	1,718,969	-	1,718,969	1,591,382	-	1,591,382
Current Tax Liabilities	2,182,738	-	2,182,738	2,770,496	-	2,770,496	2,188,770	-	2,188,770	2,775,700	-	2,775,700
Post Employment Benefit Liability	-	552,135	552,135	-	473,058	473,058	-	552,135	552,135	-	475,109	475,109
Total Liabilities	136,136,881	53,487,362	189,624,243	121,366,981	37,183,456	158,550,437	136,906,906	53,487,362	190,394,268	121,914,068	37,225,825	159,139,893
Maturity Gap	22,978,545	28,287,453	51,265,998	16,833,029	26,793,040	43,626,069	23,706,785	27,883,360	51,590,145	17,844,654	26,163,339	44,007,993
Cumulative Gap	22,978,545	51,265,998	-	16,833,029	43,626,069	-	23,706,785	51,590,145	-	17,844,654	44,007,993	-

3.4 Segmental Information

Accounting Policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Group is organised into four operating segments based on services offered and geographical operations as presented in the table below. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses. Income taxes are managed separately for the Company and its international operation and are allocated to operating segments.

The four reportable segments are:

- Leasing – Providing finance leases and operating lease facilities.
- Loans and Advances – Consisting of Gold Loans, Vehicle Loans, Personal and business loans.
- International Operation (Myanmar) – Serving low-income individuals and small enterprises.
- Others – Managing excess liquidity and investments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2025 or 2024.

There were no transactions between reportable segments in 2025 or 2024.

	Leases		Loans and Advances		Others		International Operation (Myanmar)		Total	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Interest Income	9,462,643	9,644,208	30,596,895	32,453,545	1,789,111	3,731,942	353,247	272,806	42,201,896	46,102,501
Less: Interest Expenses	2,730,167	3,895,742	12,330,625	14,159,720	1,634,831	3,346,124	88,084	59,045	16,783,707	21,460,631
Net Interest Income	6,732,476	5,748,466	18,266,270	18,293,825	154,280	385,818	265,163	213,761	25,418,189	24,641,870
Fee and Commission Income	680,013	631,778	3,919,352	2,555,834	5,530	1,157	38,019	28,691	4,642,914	3,217,460
Net Trading Income and Other Operating Income	5,332	5,522	128,611	105,645	177,174	204,749	333	(106)	311,450	315,810
Total Operating Income	7,417,821	6,385,766	22,314,233	20,955,304	336,984	591,724	303,515	242,346	30,372,553	28,175,140
Less: Impairment Charges/(Reversals)	(424,873)	(390,545)	144,431	591,078	9,164	61,137	10,247	8,423	(261,031)	270,093
Net Operating Income	7,842,694	6,776,311	22,169,802	20,364,226	327,820	530,587	293,268	233,923	30,633,584	27,905,047
Less: Other Costs	1,696,999	1,751,379	7,065,142	6,082,942	54,680	43,424	219,317	168,873	9,036,138	8,046,618
Less: Depreciation and Amortisation	158,552	164,983	828,919	719,464	6,982	2,817	7,075	6,497	1,001,528	893,761
Operating Profits Before Taxes	5,987,143	4,859,949	14,275,741	13,561,820	266,158	484,346	66,876	58,553	20,595,918	18,964,668
Less: Taxes	2,834,556	2,376,957	6,758,714	6,632,965	126,010	236,890	14,704	10,845	9,733,984	9,257,657
Profits for the Year	3,152,587	2,482,992	7,517,027	6,928,855	140,148	247,456	52,172	47,708	10,861,934	9,707,011
Less: Non-Controlling Interest									1,932	(6,906)
Profit Attributable to Equity Holders of the Company									10,860,002	9,713,917
Segmental Assets	37,639,838	31,422,342	168,933,351	138,273,646	34,317,056	32,922,858	1,628,402	1,229,125	242,518,647	203,847,971
Elimination	-	-	-	-	(534,234)	(700,085)	-	-	(534,234)	(700,085)
Total Segmental Assets	37,639,838	31,422,342	168,933,351	138,273,646	33,782,822	32,222,773	1,628,402	1,229,125	241,984,413	203,147,886
Segmental Liabilities	29,848,936	24,811,494	133,966,593	109,164,548	25,808,713	24,741,068	783,098	423,933	190,407,340	159,141,043
Elimination	-	-	-	-	-	-	(13,072)	(1,150)	(13,072)	(1,150)
Total Segmental Liabilities	29,848,936	24,811,494	133,966,593	109,164,548	25,808,713	24,741,068	770,026	422,783	190,394,268	159,139,893
Cash Flows from Operating Activities	(1,629,876)	922,232	(7,315,131)	4,058,268	(1,462,860)	945,724	(15,035)	(122,274)	(10,422,902)	5,803,950
Cash Flows from Investing Activities	23,253	(338,913)	104,364	(1,491,384)	20,870	(347,546)	(20,195)	(20,559)	128,292	(2,198,402)
Cash Flows from Financing Activities	1,793,683	(134,978)	8,050,326	(593,970)	1,609,882	(138,416)	137,075	229,351	11,590,966	(638,013)
Capital Expenditure										
Property, Plant and Equipment	(178,954)	(137,656)	(803,175)	(605,752)	(160,617)	(141,162)	(20,462)	(20,560)	(1,163,208)	(905,130)
Intangible Assets	(9,220)	(1,009)	(41,381)	(4,442)	(8,275)	(1,035)	-	-	(58,876)	(6,487)

3.5 Commitments and Contingencies

Accounting Policy

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Contingent Liabilities (Note 3.5.1)	307,693	303,870	60,768	52,920
Commitments (Note 3.5.2)	3,901,327	1,978,020	3,901,327	1,978,020
Total Commitments and Contingencies	4,209,020	2,281,890	3,962,095	2,030,940
Allowance for Impairment Losses	(15,981)	(14,269)	(15,981)	(14,269)
Net of Impairment	4,193,039	2,267,621	3,946,114	2,016,671

3.5.1 Contingent Liabilities

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Guarantees Issued to Banks and Other Institutions	6,600	5,500	6,600	5,500
Counter Indemnity Issued to Banks for Guarantees*	293,900	298,370	46,975	47,420
Import LC and Ordinary Guarantees	7,193	-	7,193	-
Total Contingent Liabilities	307,693	303,870	60,768	52,920

*The contingent liability as at 31 March 2025 includes a counter indemnity of Rs. 293,900,000/- for a letter of guarantee issued by Sampath Bank PLC on behalf of LB Microfinance Myanmar Company Limited, favouring UAB Bank, Myanmar. This relates to the term loan facility obtained by LB Microfinance Myanmar Company Limited, and the same contingent liability was also in place as at 31 March 2024. The facility remains outstanding as at the reporting date.

3.5.2 Commitments

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Commitment for Unutilised Facilities	3,901,327	1,978,020	3,901,327	1,978,020
Total Commitments	3,901,327	1,978,020	3,901,327	1,978,020

3.5.3 Litigation Against the Company and Group

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. Based on the information currently available, the Board of Directors is of the opinion that the ultimate resolution of the litigations would not likely to have a material impact on the Group.

	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Cases Pending Against the Company and Group (Values Claimed)	206,908	134,869	206,908	134,869

3.5.4 Tax Assessments against the Company

As disclosed in the previous year, the Company received a tax assessment amounting to Rs. 731,481,152/- in relation to Surcharge Tax for the year of assessment 2020/21. The Company lodged an appeal against this assessment during the prior year, and as at 31 March 2025, the appeal process is still ongoing. Based on the advice of tax consultants and the merits of the case, the management continues to be of the view that the Company is not liable for this tax.

3.6 Net Asset Value Per Share

	Company		Group	
As at 31 March	2025	2024	2025	2024
Amounts Used as the Numerators:				
Total Equity Attributable to Equity Holders (Rs. '000)	**51,265,998**	43,626,069	**51,590,145**	43,911,255
Number of Ordinary Shares Used as Denominators:				
Total Number of Ordinary Shares in Issue	**554,057,136**	554,057,136	**554,057,136**	554,057,136
Net Asset Value per Share (Rs.)	**92.53**	78.74	**93.11**	79.25

3.7 Assets Pledged

The following assets have been pledged as security for liabilities.

			Company		Group	
Nature of Assets	Nature of Liability	Included Under	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Loans and Receivables*	Debt Funding from Banks	Loans and Receivables	**46,995,805**	42,172,635	**46,995,805**	42,172,635
Securities under Reverse Repurchase Agreements	Debt Funding from Banks	Other Financial Assets	**119,149**	123,606	**119,149**	123,606
Investment in Fixed Deposits	Debt Funding from Banks	Other Financial Assets	**264,406**	295,382	**264,406**	315,382
Freehold Land and Building	Debt Funding from Banks	Property, Plant and Equipment	**819,126**	831,678	**819,126**	831,678
			48,198,486	43,423,301	**48,198,486**	43,443,301

*The receivables and cash flows that have been included in bank loans, overdrafts, term loans and securitisation loans are only available for payment of the debt and other obligations issued or arising in such transactions. However, the Group hold the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of such transactions.

3.8 Comparative Information

The classification and presentation of certain items in the Financial Statements have been amended during the current financial year to better reflect the substance of transactions and align with management's intent. Accordingly, comparative figures for the prior year have been reclassified to conform to the current year's presentation.

Reclassification of Unit Trust Investments

During the year, the Company reclassified investments in unit trusts previously classified under "Cash and Cash Equivalents" to "Financial Assets Recognised Through Profit or Loss – Measured at Fair Value" (FVTPL). This reclassification was made to appropriately reflect the Company's intention to hold these investments for trading purposes and to ensure compliance with Sri Lanka Financial Reporting Standard - SLFRS 09 (Financial Instruments).

The reclassification had no impact on previously reported profit, total assets, or equity. The comparatives have been restated accordingly as shown below:

3.8.1 Income Statement

During the current financial year, the Group reclassified prior year figures of the Interest Income and Net Trading Income in the Income Statement as reported below;

Company

Year ended 31 March 2024	Prior Classification Rs. '000	Re-Classification Rs. '000	Re-Classified Rs. '000
Interest Income	45,866,539	(136,686)	45,729,853
Net Trading Income	4,943	136,686	141,629
Total	45,871,482	-	45,871,482

Group

Year ended 31 March 2024	Prior Classification Rs. '000	Re-Classification Rs. '000	Re-Classified Rs. '000
Interest Income	46,239,187	(136,686)	46,102,501
Net Trading Income	4,943	136,686	141,629
Total	46,244,130	-	46,244,130

3.8.2 Statement of Financial Position

During the current financial year, the Group reclassified prior year figures of Cash and Cash Equivalents and Financial Assets Recognised Through Profit or Loss - Measured at Fair Value in the Statement of Financial Position as reported below;

Company

As at 31 March 2024	Prior Classification Rs. '000	Re-Classification Rs. '000	Re-Classified Rs. '000
Cash and Cash Equivalents	9,314,425	(1,908,342)	7,406,083
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	14,674	1,908,342	1,923,016
Total	9,329,099	-	9,329,099

Group

As at 31 March 2024	Prior Classification Rs. '000	Re-Classification Rs. '000	Re-Classified Rs. '000
Cash and Cash Equivalents	9,559,602	(1,908,342)	7,651,260
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	14,674	1,908,342	1,923,016
Total	9,574,276	-	9,574,276

3.8.3 Statement of Cash Flows

During the current financial year, the Group reclassified prior year figures of the Cash Flows From/(Used in) Investing Activities and Cash and Cash Equivalents in the Statement of Cash Flows as reported below;

Company

Year ended 31 March 2024	Prior Classification Rs. '000	Re-Classification Rs. '000	Re-Classified Rs. '000
Cash Flows From/(Used in) Investing Activities			
Sale/(Purchase) of Financial Investments - Held for Trading	-	(1,364,686)	(1,364,686)
Net Increase/(Decrease) in Cash and Cash Equivalents	4,245,705	(1,364,686)	2,881,019
Cash and Cash Equivalents at the Beginning of the Year	4,033,170	(543,656)	3,489,514
Cash and Cash Equivalents at the End of the Year	8,278,875	(1,908,342)	6,370,533

Group

Year ended 31 March 2024	Prior Classification Rs. '000	Re-Classification Rs. '000	Re-Classified Rs. '000
Cash Flows From/(Used in) Investing Activities			
Sale/(Purchase) of Financial Investments - Held for Trading	-	(1,364,686)	(1,364,686)
Net Increase/(Decrease) in Cash and Cash Equivalents	4,332,221	(1,364,686)	2,967,535
Cash and Cash Equivalents at the Beginning of the Year	4,188,936	(543,656)	3,645,280
Cash and Cash Equivalents at the End of the Year	8,521,157	(1,908,342)	6,612,815

3.8.4 Notes to the Financial Statements

Comparative information was reclassified in note 2.1, 2.3, 2.14, 2.15, 2.16, 3.3, 3.4, 4.2, 4.3 and 4.4 of these Financial Statements to conform with the current year's classification in order to provide better presentation.

3.9 Changes in Liabilities Arising from Financing Activities

Accounting Policy

Sri Lanka Accounting Standard - LKAS 07 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended are disclosed below.

The funds borrowed by the Company and the Group are given in Note 2.27.1 and Note 2.29.

	Company			
	Debt Funding from Banks		Debt Instruments Issued and Other Borrowed Funds	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	20,666,462	18,878,922	5,491,401	3,882,024
Net Cash Flows from Financing Activities	15,526,686	1,824,285	(950,587)	1,641,484
Non Cash Changes				
Net Accrual for Interest Expense	52,960	(36,745)	464,591	(32,107)
Balance as at the End of the Year	36,246,108	20,666,462	5,005,405	5,491,401
Within 12 Months	16,818,454	9,398,269	3,107,810	1,429,853
After 12 Months	19,427,654	11,268,193	1,897,595	4,061,548
Total	36,246,108	20,666,462	5,005,405	5,491,401

	Group			
	Debt Funding from Banks		Debt Instruments Issued and Other Borrowed Funds	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Balance as at the Beginning of the Year	20,917,412	18,900,517	5,491,401	3,882,024
Net Cash Flows from Financing Activities	15,667,787	2,055,781	(950,587)	1,641,484
Non Cash Changes				
Net Accrual for Interest Expense	48,934	(38,886)	464,591	(32,107)
Balance as at the End of the Year	36,634,133	20,917,412	5,005,405	5,491,401
Within 12 Months	17,206,479	9,649,219	3,107,810	1,429,853
After 12 Months	19,427,654	11,268,193	1,897,595	4,061,548
Total	36,634,133	20,917,412	5,005,405	5,491,401

3.10 Events Occurring after the Reporting Date

3.10.1 Final Dividend

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividend of Rs. 4.25 per share for the year ended 31 March 2025. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors for the final dividend which is to be approved at the Annual General Meeting to be held on 30 June 2025.

In accordance with the Sri Lanka Accounting Standard – LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31 March 2025.

3.10.2

The management has assessed events occurring after the reporting period and exercised judgment to determine whether they reflect conditions existing at the reporting date (adjusting events) or conditions arising subsequently (non-adjusting events). Only adjusting events have been incorporated into the financial statements, while significant non-adjusting events have been disclosed in the notes. No events have occurred subsequent to the reporting date that would require adjustments or additional disclosures, and the financial position and results of the Company remain unaffected by any such events.

4. FINANCIAL RISK REVIEW

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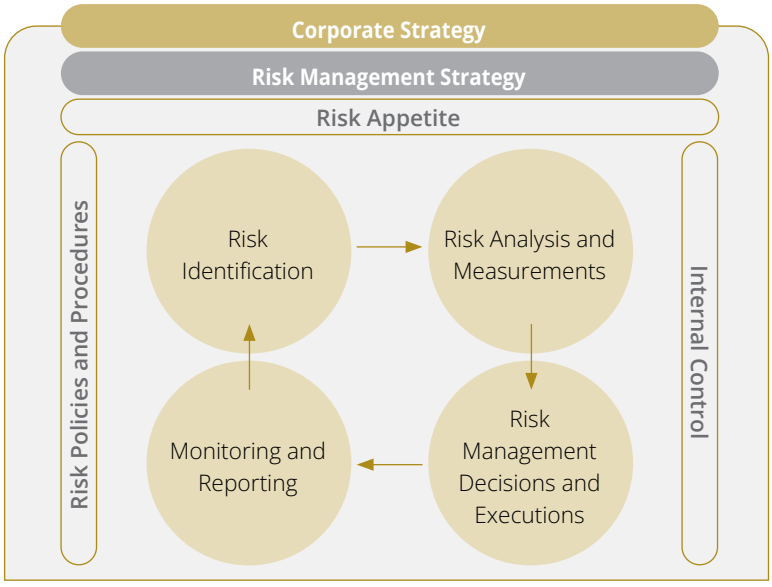
4.1 Introduction

As a financial institution engaged in a varied offerings of financial services, the Group is exposed to following key risks which are inherent in its operations.

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Proper management of these risks is essential for the Group's sustainability and is crucial to all of its activities. To achieve this, the risk management function aims to proactively identify potential risks, analyse them, and take preventive measures to manage the risks on continuous basis, while maximising risk-adjusted returns within the Group's risk appetite.

Risk Management Framework



The Risk Management Framework of the Group has been optimised through the application and the embedment of the risk management process which includes risk identification, risk analysis, risk measurement, risk management decision and execution, risk monitoring and reporting.

The overall responsibility of establishment and oversight of the Risk Management Framework of the Group is vested with the Board of Directors. The Board Integrated Risk Management Committee (BIRMC), a sub committee appointed by the Board, ensures that risk management strategies, policies and processes are in place to manage events/outcomes that could potentially impact earnings, performance, reputation and capital.

The Management Committees, namely Credit Committee, IT Steering and Security Committee, Operational Risk Management Committee, Sustainability Committee, Business Continuity Management Committee, each with a defined responsibility, facilitate the effective functioning of risk management framework by executing their respective risk management mandates. The adequacy and effectiveness of the management committees is reviewed by the BIRMC annually.

Risk management policies, procedures and risk appetite statement are reviewed regularly to be inline with the risk management capacities, business opportunities, Group's business strategy and regulatory requirements. Internal controls are a key element in the risk management framework. They ensure the integrity of financial and accounting information, promote compliance and operational efficiency, and prevent fraud. Clearly defined procurers, continuous trainings and code of conduct contribute to inculcate strong risk culture.

The Internal Audit department periodically carries out an independent review of the implementation of the risk management framework and risk policies covering different risk categories.

Risk Management Department (RMD)

Whilst the business units bear primary responsibility for risk management, the Risk Management Department (RMD) acts as the second line of defence, providing independent oversight. The Head of Risk Management leads the RMD, reporting directly to the BIRMC. The RMD works in harmony with other control functions in the Group, such as Internal Audit, Compliance, and Finance, which may uncover risk management issues. Each of these control functions has a unique focus, and overlap is minimised to ensure that their approaches are complementary and lead to consistent, effective, and timely escalation of risks.

4.2 Credit Risk

Credit risk is the risk of financial loss to the Group if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers/other companies and investments in debt securities. Credit risk constitutes the Group's largest risk exposure category. This can be broadly categorised into three types; default, concentration and settlement risk.

Default risk is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Group's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

Managing Credit Risk

Group manages credit risk by focusing on following steps;

- The credit risk management initiates at the beginning of the loan origination stage which includes the preliminary screening of the customer and credit appraisal of the particular facility. The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner. Credit appraisal process is further strengthened by the credit risk scoring model which assigns each individual facility a score based on the payment history, strength of the collaterals and guarantors.
- The Group has clearly defined guidelines for credit approvals where the approval limits have been delegated taking into consideration the factors such as maximum counterparty exposures, loan to value ratio and forced sale value.
- The Group uses collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, securities, letters of guarantees, real estate, receivables, inventories and other non financial assets. The fair value of collateral is generally assessed at the inception based on the guidelines issued by the Central Bank of Sri Lanka and the Central Bank of Myanmar.

- A comprehensive set of credit risk indicators are monitored monthly to review the credit quality of the portfolio, to avoid undue concentration to products, regions and stress industry sectors and to ensure the compliance with regulatory and prudent exposure limits that defines the risk appetite of the Group.
- Post disbursment monitoring and review is initially performed by the Credit Department. Early warnings system on problem loans is mainly based on the arrears position of the facilities. To address delinquencies, early and effective follow-ups and reminders are implemented. For critical exposures, swift recovery actions are taken. If a loan becomes overdue for a period that exceeds the tolerance period, responsibility for recovery and collections is transferred to the Recoveries Department.
- Impairment assessment is based on a Expected Credit Loss (ECL) approach where the assessment models are validated by independent external expertise. The methodology of the impairment assessment has been explained in the Note 2.18 to these Financial Statements.

Management of Large Exposures

The Credit Committee is primarily responsible for implementing the overall credit policy set out by the Board of Directors. This includes setting lending guidelines in conformity with the credit risk appetite set by the Board of Directors. Sanctioning of large exposures are primarily handled by the Credit Committee. Further, it is responsible for managing credit default risk and concentration risk. The Credit Committee consists of the Managing Director, Deputy Managing Director, Executive Directors, Senior Deputy General Manager-Credit, Chief Financial Officer and Assistant General Manager- Risk Management.

Impact Assessment of Stressed Economic Conditions:

The Group's Integrated Risk Management Framework aims to proactively manage the impact of unfavorable economic and market conditions while achieving the Company's risk-return objectives. This has been demonstrated by the Group's ability to maintain a lower level of non-performing loans (NPLs) compared to the industry average (LFCs and SLCs). The Group has always acted with due diligence and taken prudent measures to ensure effective and efficient repayment behavior from credit customers, while also safeguarding the interests of stakeholders.

4.2.1 Analysis of Credit Risk Exposure

The fair value of collateral for finance receivables is calculated based on the number of contracts multiplied by the loss severity and the Probability of Default (PD) percentage or the outstanding receivable balances multiplied by the Average Recovery Value (ARV) percentage to determine the fair value adjustment.

The following tables show the maximum exposure to credit risk by class of financial asset. It further shows the net exposure to credit risk.

4.2.1 (a) Company

As at 31 March	2025		2024	
	Maximum Exposure to Credit Risk Rs. '000	Net Credit Exposure Rs. '000	Maximum Exposure to Credit Risk Rs. '000	Net Credit Exposure Rs. '000
Cash and Cash Equivalents	**9,024,016**	**2,600,716**	7,406,083	1,934,329
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	**718,402**	**701,052**	1,923,016	1,908,342
Financial Assets at Amortised Cost - Loans and Receivables (Gross)	**204,879,323**	**12,811,901**	168,600,738	9,636,514
Financial Assets Measured at Fair Value Through Other Comprehensive Income	**165,024**	**-**	118,587	-
Other Financial Assets*	**21,201,500**	**11,170,783**	20,374,770	4,811,558
Total Financial Assets	**235,988,265**	**27,284,452**	198,423,194	18,290,743

*Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions. As at 31 March 2025, the net carrying value amount of those investments was Rs. 10,543,975,137/- (2024 - Rs. 4,202,401,264/-).

4.2.1 **(b) Group**

As at 31 March	2025		2024	
	Maximum Exposure to Credit Risk Rs. '000	Net Credit Exposure Rs. '000	Maximum Exposure to Credit Risk Rs. '000	Net Credit Exposure Rs. '000
Cash and Cash Equivalents	9,074,745	2,631,933	7,651,260	2,006,666
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718,402	701,052	1,923,016	1,908,342
Financial Assets at Amortised Cost - Loans and Receivables (Gross)	206,452,262	14,384,839	170,174,755	11,210,531
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	118,589	-
Other Financial Assets*	21,188,612	11,157,895	20,443,404	4,831,811
Total Financial Assets	237,599,045	28,875,719	200,311,024	19,957,350

*Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions. As at 31 March 2025, the net carrying value amount of those investments was Rs. 10,543,975,137/- (2024 - Rs.4,222,541,264/-).

4.2.2 **Collateral and Other Credit Enhancements - Loans and Receivables**

The below tables provide an analysis of the values of collateral held and credit enhancements for Stage 03 assets. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery.

4.2.2 **(a) Company**

As at 31 March 2025	Maximum Exposure to Credit Risk Rs. '000	Collateral Value Rs. '000	Exposure Subject to Collateral as a %	Collateral Nature
Financial Assets				
Cash and Cash Equivalents	9,024,016	3,908,338	43%	Secured by Government
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718,402	-	0%	
Financial Assets at Amortised Cost - Loans and Receivables				
Gold Loans	85,686,491	118,822,892	100%	Gold
Lease Receivables	37,528,687	104,176,299	100%	Vehicles and Machinary
Vehicle Loans	47,184,658	128,094,341	100%	Vehicles
Term Loans	12,280,805	7,129,268	58%	Guarantees and Other Collateral
Mortgage Loans	3,949,755	22,183,780	100%	Immovable Properties
Power Drafts	18,248,927	54,646,781	100%	Vehicles
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	0%	
Other Financial Assets	21,201,500	10,030,716	47%	Secured by Government

As at 31 March 2024	Maximum Exposure to Credit Risk Rs. '000	Collateral Value Rs. '000	Exposure Subject to Collateral as a %	Collateral Nature
Financial Assets				
Cash and Cash Equivalents	7,406,083	3,506,594	47%	Secured by Government
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,923,016	-	0%	
Financial Assets at Amortised Cost - Loans and Receivables				
Gold loans	74,602,448	102,253,478	100%	Gold
Lease Receivables	31,845,002	96,665,849	100%	Vehicles and Machinary
Vehicle Loans	39,735,969	108,749,448	100%	Vehicles
Term Loans	7,855,518	5,708,494	73%	Guarantees and Other Collateral
Mortgage Loans	3,894,578	22,856,574	100%	Immovable Properties
Power Drafts	10,667,223	34,219,244	100%	Vehicles
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	-	0%	
Other Financial Assets	20,374,770	15,563,212	76%	Secured by Government

4.2.2 (b) Group

As at 31 March 2025	Maximum Exposure to Credit Risk Rs. '000	Collateral Value Rs. '000	Exposure Subject to Collateral as a %	Collateral Nature
Financial Assets				
Cash and Cash Equivalents	9,074,745	3,908,338	43%	Secured by Government
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718,402	-	0%	
Financial Assets at Amortised Cost - Loans and Receivables				
Gold loans	85,686,491	118,822,892	100%	Gold
Lease Receivables	37,528,687	104,176,299	100%	Vehicles and Machinary
Vehicle Loans	47,184,658	128,094,341	100%	Vehicles
Term Loans	13,853,744	7,129,268	51%	Guarantees and Other Collateral
Mortgage Loans	3,949,755	22,183,780	100%	Immovable Properties
Power Drafts	18,248,927	54,646,781	100%	Vehicles
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	0%	
Other Financial Assets	21,188,612	10,030,716	47%	Secured by Government

As at 31 March 2024	Maximum Exposure to Credit Risk Rs. '000	Collateral Value Rs. '000	Exposure Subject to Collateral as a %	Collateral Nature
Financial Assets				
Cash and Cash Equivalents	7,651,260	3,647,723	48%	Secured by Government
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,923,016	-	0%	
Financial Assets at Amortised Cost - Loans and Receivables				
Gold loans	74,662,865	102,339,341	100%	Gold
Lease Receivables	31,904,780	96,801,534	100%	Vehicles and Machinary
Vehicle Loans	39,753,374	108,787,148	100%	Vehicles
Term Loans	9,199,280	5,708,494	62%	Guarantees and Other Collateral
Mortgage Loans	3,987,233	23,320,259	100%	Immovable Properties
Power Drafts	10,667,223	34,219,244	100%	Vehicles
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,589	-	0%	
Other Financial Assets	20,443,404	15,611,593	76%	Secured by Government

4.2.3 Credit Quality by Class of Financial Assets

4.2.3 (a) Company

As at 31 March 2025		Subject to ECL				
	Not Subject to ECL Rs. '000	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	ECL Rs. '000	Carrying Amount Rs. '000
Assets						
Cash and Cash Equivalents	9,024,016	-	-	-	-	9,024,016
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718,402	-	-	-	-	718,402
Financial Assets at Amortised Cost - Loans and Receivables	-	175,345,209	24,916,640	4,617,474	7,112,632	197,766,691
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	-	-	-	165,024
Other Financial Assets	10,657,524	10,545,740	-	-	1,764	21,201,500
Total Financial Assets	20,564,966	185,890,949	24,916,640	4,617,474	7,114,396	228,875,633

Age Analysis of Loans and Receivables

As at 31 March 2025	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000	
Current	144,697,340	97,042	196,378	144,990,760	70.77%
Overdue < 30 Days	30,647,869	632,175	139,194	31,419,238	15.33%
Overdue 30 to 90 Days	-	24,187,423	600,065	24,787,488	12.10%
Overdue > 90 Days	-	-	3,681,837	3,681,837	1.80%
Total	175,345,209	24,916,640	4,617,474	204,879,323	100.00%
	85.58%	12.17%	2.25%	100.00%	

As at 31 March 2024	Not Subject to ECL Rs. '000	Subject to ECL Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	ECL Rs. '000	Carrying Amount Rs. '000
Assets						
Cash and Cash Equivalents	7,406,083	-	-	-	-	7,406,083
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,923,016	-	-	-	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	-	141,430,755	20,706,127	6,463,856	7,309,252	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	-	-	-	-	118,587
Other Financial Assets	16,172,369	4,204,260	-	-	1,859	20,374,770
Total Financial Assets	25,620,055	145,635,015	20,706,127	6,463,856	7,311,111	191,113,942

Age Analysis of Loans and Receivables

As at 31 March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000	
Current	115,552,938	144,085	190,259	115,887,282	68.73%
Overdue < 30 Days	25,877,817	708,169	266,063	26,852,049	15.93%
Overdue 30 to 90 Days	-	19,853,873	1,184,866	21,038,739	12.48%
Overdue > 90 Days	-	-	4,822,668	4,822,668	2.86%
Total	141,430,755	20,706,127	6,463,856	168,600,738	100.00%
	83.89%	12.28%	3.83%	100.00%	

4.2.3 **(b) Group**

As at 31 March 2025	Not Subject to ECL	Subject to ECL Stage 01	Stage 02	Stage 03	ECL	Carrying Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and Cash Equivalents	9,074,745	-	-	-	-	9,074,745
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	718,402	-	-	-	-	718,402
Financial Assets at Amortised Cost - Loans and Receivables	-	176,805,434	24,917,910	4,728,918	7,181,215	199,271,047
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	-	-	-	165,024
Other Financial Assets	10,644,636	10,545,740	-	-	1,764	21,188,612
Total Financial Assets	20,602,807	187,351,174	24,917,910	4,728,918	7,182,979	230,417,830

Age Analysis of Loans and Receivables

As at 31 March 2025	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Current	146,156,303	97,043	196,378	146,449,724	70.94%
Overdue < 30 Days	30,649,131	632,175	139,194	31,420,500	15.22%
Overdue 30 to 90 Days	-	24,188,692	600,065	24,788,757	12.00%
Overdue > 90 Days	-	-	3,793,281	3,793,281	1.84%
Total	176,805,434	24,917,910	4,728,918	206,452,262	100.00%
	85.64%	12.07%	2.29%	100.00%	

As at 31 March 2024	Not Subject to ECL	Subject to ECL Stage 01	Stage 02	Stage 03	ECL	Carrying Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and Cash Equivalents	7,651,260	-	-	-	-	7,651,260
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,923,016	-	-	-	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	-	142,440,448	20,711,214	7,023,093	7,653,022	162,521,733
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,589	-	-	-	-	118,589
Other Financial Assets	16,220,863	4,224,400	-	-	1,859	20,443,404
Total Financial Assets	25,913,728	146,664,848	20,711,214	7,023,093	7,654,881	192,658,002

Age Analysis of Loans and Receivables

As at 31 March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000	
Current	116,671,286	144,085	190,538	117,005,909	68.76%
Overdue < 30 Days	25,769,162	696,267	403,634	26,869,063	15.79%
Overdue 30 to 90 Days	-	19,870,862	1,187,869	21,058,731	12.37%
Overdue > 90 Days	-	-	5,241,052	5,241,052	3.08%
Total	142,440,448	20,711,214	7,023,093	170,174,755	100.00%
	83.70%	12.17%	4.13%	100.00%	

4.2.4 Concentration of Credit Risk

By setting prudential concentration limits under different criteria within the established risk appetite framework, the Group ensures that an acceptable level of risk diversification is maintained. These limits are monitored and reviewed by the Risk Management Departments, Credit Committee, and BIRMC on a regular basis to capture the developments in market, regulatory and economic environment to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

An analysis of risk concentration of financial assets based on industry sector and geographical location is given below.

4.2.4 (a) Industry-wise Concentration - Company

Economic crisis and other dynamics in the operating environment has created stress circumstances for certain industries. LB Finance has set prudential limits to avoid undue concentration for such stressed industries.

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector-wise Breakdown

As at 31 March 2025	Cash and Cash Equivalents Rs. '000	Financial Assets Recognised Through Profit or Loss Rs. '000	Financial Assets at Amortised Cost - Loans and Receivables Rs. '000	Financial Assets Measured at Fair Value Through OCI Rs. '000	Other Financial Assets Rs. '000	Total Financial Assets Rs. '000
Agriculture, Forestry and Fishing	-	3,189	30,585,418	-	-	30,588,607
Manufacturing	-	7,267	28,942,991	16,385	-	28,966,643
Tourism	-	-	6,058,388	99,251	-	6,157,639
Transportation and Storage	-	-	11,744,510	-	-	11,744,510
Construction and Infrastructure Development	-	-	7,733,595	-	-	7,733,595
Wholesale and Retail Trade	-	-	31,123,216	-	-	31,123,216
Information Technology and Communication	-	-	3,696,997	-	-	3,696,997
Financial Services	9,024,016	707,946	5,058,542	49,388	21,201,500	36,041,392
Professional, Scientific and Technical Activities	-	-	8,649,399	-	-	8,649,399
Arts, Entertainment and Recreation	-	-	13,059,173	-	-	13,059,173
Education	-	-	5,838,951	-	-	5,838,951
Health Care, Social Services and Support Services	-	-	15,139,831	-	-	15,139,831
Consumption	-	-	30,135,680	-	-	30,135,680
Total	9,024,016	718,402	197,766,691	165,024	21,201,500	228,875,633

Sector-wise Breakdown

As at 31 March 2024	Cash and Cash Equivalents Rs. '000	Financial Assets Recognised Through Profit or Loss Rs. '000	Financial Assets at Amortised Cost - Loans and Receivables Rs. '000	Financial Assets Measured at Fair Value Through OCI Rs. '000	Other Financial Assets Rs. '000	Total Financial Assets Rs. '000
Agriculture, Forestry and Fishing	-	3,348	27,949,448	-	-	27,952,796
Manufacturing	-	6,392	17,813,502	13,189	-	17,833,083
Tourism	-	-	4,034,785	93,175	-	4,127,960
Transportation and Storage	-	-	7,832,436	-	-	7,832,436
Construction and Infrastructure Development	-	-	6,886,875	-	-	6,886,875
Wholesale and Retail Trade	-	-	22,350,610	-	-	22,350,610
Information Technology and Communication	-	-	3,108,595	-	-	3,108,595
Financial Services	7,406,083	1,913,276	4,632,338	12,223	20,374,770	34,338,690
Professional, Scientific and Technical Activities	-	-	6,998,590	-	-	6,998,590
Arts, Entertainment and Recreation	-	-	15,184,197	-	-	15,184,197
Education	-	-	4,242,066	-	-	4,242,066
Health Care, Social Services and Support Services	-	-	12,225,717	-	-	12,225,717
Consumption	-	-	28,032,327	-	-	28,032,327
Total	7,406,083	1,923,016	161,291,486	118,587	20,374,770	191,113,942

4.2.4 (b) Industry-wise Concentration - Group

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector-wise Breakdown

As at 31 March 2025	Cash and Cash Equivalents Rs. '000	Financial Assets Recognised Through Profit or Loss Rs. '000	Financial Assets at Amortised Cost - Loans and Receivables Rs. '000	Financial Assets Measured at Fair Value Through OCI Rs. '000	Other Financial Assets Rs. '000	Total Financial Assets Rs. '000
Agriculture, Forestry and Fishing	-	3,189	32,089,773	-	-	32,092,962
Manufacturing	-	7,267	28,942,991	16,385	-	28,966,643
Tourism	-	-	6,058,388	99,251	-	6,157,639
Transportation and Storage	-	-	11,744,510	-	-	11,744,510
Construction and Infrastructure Development	-	-	7,733,595	-	-	7,733,595
Wholesale and Retail Trade	-	-	31,123,216	-	-	31,123,216
Information Technology and Communication	-	-	3,696,997	-	-	3,696,997
Financial Services	9,074,745	707,946	5,058,542	49,388	21,188,612	36,079,233
Professional, Scientific and Technical Activities	-	-	8,649,399	-	-	8,649,399
Arts, Entertainment and Recreation	-	-	13,059,173	-	-	13,059,173
Education	-	-	5,838,951	-	-	5,838,951
Health Care, Social Services and Support Services	-	-	15,139,832	-	-	15,139,832
Consumption	-	-	30,135,680	-	-	30,135,680
Total	9,074,745	718,402	199,271,047	165,024	21,188,612	230,417,830

Sector-wise Breakdown

As at 31 March 2024	Cash and Cash Equivalents Rs. '000	Financial Assets Recognised Through Profit or Loss Rs. '000	Financial Assets at Amortised Cost - Loans and Receivables Rs. '000	Financial Assets Measured at Fair Value Through OCI Rs. '000	Other Financial Assets Rs. '000	Total Financial Assets Rs. '000
Agriculture, Forestry and Fishing	-	3,348	29,091,360	-	-	29,094,708
Manufacturing	-	6,392	17,820,679	13,189	-	17,840,260
Tourism	-	-	4,034,785	93,175	-	4,127,960
Transportation and Storage	-	-	7,834,138	-	-	7,834,138
Construction and Infrastructure Development	-	-	6,888,222	-	-	6,888,222
Wholesale and Retail Trade	-	-	22,357,920	-	-	22,357,920
Information Technology And Communication	-	-	3,108,595	-	-	3,108,595
Financial Services	7,651,260	1,913,276	4,633,104	12,225	20,443,404	34,653,269
Professional, Scientific and Technical Activities	-	-	7,001,137	-	-	7,001,137
Arts, Entertainment and Recreation	-	-	15,184,197	-	-	15,184,197
Education	-	-	4,244,138	-	-	4,244,138
Health Care, Social Services and Support Services	-	-	12,231,182	-	-	12,231,182
Consumption	-	-	28,092,276	-	-	28,092,276
Total	7,651,260	1,923,016	162,521,733	118,589	20,443,404	192,658,002

4.2.4 (c) Geographical Concentration - Loans and Receivables

Province/Country-wise Break Down	Company		Group	
As at 31 March	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Sri Lanka				
Central	**17,283,629**	14,013,131	**17,283,629**	14,023,319
Eastern	**15,387,398**	12,526,112	**15,387,398**	12,526,112
North Central	**7,369,015**	6,285,001	**7,369,015**	6,292,173
North Western	**17,423,041**	13,796,664	**17,423,041**	13,805,020
Northern	**12,730,996**	10,259,033	**12,730,996**	10,259,033
Sabaragamuwa	**9,666,989**	7,791,094	**9,666,989**	7,807,565
Southern	**19,040,644**	15,243,241	**19,040,644**	15,257,182
Uva	**7,313,584**	6,130,573	**7,313,584**	6,130,573
Western	**91,551,395**	75,246,637	**91,551,395**	75,281,113
	197,766,691	161,291,486	**197,766,691**	161,382,090
Overseas				
Myanmar	**-**	-	**1,504,356**	1,139,643
Total	**197,766,691**	161,291,486	**199,271,047**	162,521,733

4.3 Liquidity Risk and Funding Management

In the context of a financial institution, liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk.

Market Liquidity Risk is the inability to easily exit a position. Group's market liquidity risk is low if assets can be liquidated without moving the price too much.

Funding Liquidity Risk means the Group's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Group's credit quality is, or at least perceived to be, deteriorating, also because financial conditions as a whole are deteriorating.

Managing Liquidity Risk

The Group's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Group regularly monitors liquidity position and maintain an adequate buffer of liquid assets. Monitoring maturity mismatches of assets and liabilities and cashflow forecast under normal and stress scenarios are two key tools used in the liquidity risk management process. All statutory and prudent liquidity ratios are monitored against tolerance limits and stress testing is carried out regularly to assess the effectiveness of liquidity management. The Group has taken prudent measures to increase its liquidity buffers and maintained a satisfactory liquidity position throughout the year under review. The Group is comfortable with its existing buffer of liquid assets. Contingency funding planning serves as an action plan detailing the steps to take during liquidity shortfalls. Group maintains access to diverse funding sources to meet unforeseen liquidity requirements.

ALCO is primarily responsible for the effective management of assets and liabilities to minimise the maturity mismaches , there by manage the liquidity risk of the Group. ALCO is chaired by the Managing Director and comprises of Deputy Managing Director, Executive Directors, representatives from Treasury Department, Fixed Deposits, the Chief Financial Officer and the Assistant General Manager- Risk Management. The Committee meets regularly and make all policy decisions with regard to funding matters, duration management of assets and liabilities and investments, to keep the liquidity at healthy levels, whilst satisfying regulatory requirements.

4.3.1 Analysis of Liquidity Risk Exposure

4.3.1 (a) The table below summarises the remaining contractual maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2025.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances and renewal of fixed deposits.

As at 31 March 2025 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Cash and Cash Equivalents	5,115,678	3,934,945	-	-	-	9,050,623
Financial Assets Recognised Through Profit or Loss	718,402	-	-	-	-	718,402
Financial Assets at Amortised Cost - Loans and Receivables	14,007,566	58,740,783	80,514,609	87,365,135	7,870,771	248,498,864
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	-	-	-	165,024
Other Financial Assets	-	9,688,055	12,187,367	-	-	21,875,422
Total Financial Assets	20,006,670	72,363,783	92,701,976	87,365,135	7,870,771	280,308,335

As at 31 March 2025 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Liabilities						
Due to Banks	1,165,574	10,059,455	9,238,514	22,083,568	-	42,547,111
Due to Depositors	6,464,244	62,004,477	45,175,709	35,136,898	-	148,781,328
Debt Instruments Issued and Other Borrowed Funds	-	1,428,656	1,817,954	2,370,533	-	5,617,143
Other Financial Liabilities	-	2,522,705	388,468	1,662,365	827,674	5,401,212
Total Financial Liabilities	7,629,818	76,015,293	56,620,645	61,253,364	827,674	202,346,794
Total Net Financial Assets/(Liabilities)	12,376,852	(3,651,510)	36,081,331	26,111,771	7,043,097	77,961,541
Cumulative Net Financial Assets/(Liabilities)	12,376,852	8,725,342	44,806,673	70,918,444	77,961,541	-

4.3.1 **(b)** The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2024.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31 March 2024 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Cash and Cash Equivalents	3,899,489	3,515,209	-	-	-	7,414,698
Financial Assets Recognised Through Profit or Loss	1,923,016	-	-	-	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	15,525,996	47,804,783	65,968,762	70,661,133	4,858,581	204,819,255
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	-	-	-	-	118,587
Other Financial Assets	-	10,787,026	10,138,369	-	-	20,925,395
Total Financial Assets	21,467,088	62,107,018	76,107,131	70,661,133	4,858,581	235,200,951
Financial Liabilities						
Due to Banks	1,035,550	3,836,127	7,252,918	12,690,771	-	24,815,366
Due to Depositors	3,751,712	62,538,259	41,771,384	25,356,639	-	133,417,994
Debt Instruments Issued and Other Borrowed Funds	-	554,732	994,608	5,125,368	-	6,674,708
Other Financial Liabilities	-	1,576,997	349,903	1,602,533	622,931	4,152,364
Total Financial Liabilities	4,787,262	68,506,115	50,368,813	44,775,311	622,931	169,060,432
Total Net Financial Assets/(Liabilities)	16,679,826	(6,399,097)	25,738,318	25,885,822	4,235,650	66,140,519
Cumulative Net Financial Assets/(Liabilities)	16,679,826	10,280,729	36,019,047	61,904,869	66,140,519	-

4.3.1 **(c)** The table below summarises the remaining contractual maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2025.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances related events.

As at 31 March 2025 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Cash and Cash Equivalents	5,166,407	3,934,945	-	-	-	9,101,352
Financial Assets Recognised Through Profit or Loss	718,402	-	-	-	-	718,402
Financial Assets at Amortised Cost - Loans and Receivables	14,127,488	59,340,208	81,475,359	87,463,793	7,870,771	250,277,619
Financial Assets Measured at Fair Value Through Other Comprehensive Income	165,024	-	-	-	-	165,024
Other Financial Assets	-	9,675,167	12,187,367	-	-	21,862,534
Total Financial Assets	20,177,321	72,950,320	93,662,726	87,463,793	7,870,771	282,124,931
Financial Liabilities						
Due to Banks	1,165,574	10,059,455	9,238,514	22,083,568	-	42,547,111
Due to Depositors	6,791,268	62,004,477	45,175,709	35,136,898	-	149,108,352
Debt Instruments Issued and Other Borrowed Funds	-	1,428,656	1,817,954	2,370,533	-	5,617,143
Other Financial Liabilities	1,963	2,522,705	388,468	1,662,365	827,674	5,403,175
Total Financial Liabilities	7,958,805	76,015,293	56,620,645	61,253,364	827,674	202,675,781
Total Net Financial Assets/(Liabilities)	12,218,516	(3,064,973)	37,042,081	26,210,429	7,043,097	79,449,150
Cumulative Net Financial Assets/(Liabilities)	12,218,516	9,153,543	46,195,624	72,406,053	79,449,150	-

4.3.1 **(d)** The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2024.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31 March 2024 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Cash and Cash Equivalents	4,003,538	3,656,338	-	-	-	7,659,876
Financial Assets Recognised Through Profit or Loss	1,923,016	-	-	-	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	15,990,681	48,279,958	66,744,395	70,759,106	4,858,581	206,632,721
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,589	-	-	-	-	118,589
Other Financial Assets	68,634	10,787,026	10,138,369	-	-	20,994,029
Total Financial Assets	22,104,458	62,723,322	76,882,764	70,759,106	4,858,581	237,328,231
Financial Liabilities						
Due to Banks	1,038,446	3,836,127	7,503,868	12,690,771	-	25,069,212
Due to Depositors	3,978,135	62,538,259	41,771,384	25,356,639	-	133,644,417
Debt Instruments Issued and Other Borrowed Funds	-	554,732	994,608	5,125,368	-	6,674,708
Other Financial Liabilities	58,120	1,566,275	349,903	1,602,533	633,653	4,210,484
Total Financial Liabilities	5,074,701	68,495,393	50,619,763	44,775,311	633,653	169,598,821
Total Net Financial Assets/(Liabilities)	17,029,757	(5,772,071)	26,263,001	25,983,795	4,224,928	67,729,410
Cumulative Net Financial Assets/(Liabilities)	17,029,757	11,257,686	37,520,687	63,504,482	67,729,410	-

4.3.2 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by remaining maturity of the Company's/Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 March 2025 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent Liabilities						
Guarantees Issued to Banks and Other Institutions	-	1,800	3,300	1,500	-	6,600
Counter Indemnity Issued to Banks for Guarantees	-	-	293,900	-	-	293,900
Import LC and Ordinary Guarantees	-	7,193	-	-	-	7,193
Total Contingent Liabilities	-	8,993	297,200	1,500	-	307,693
Commitments						
Commitment for Unutilised Facilities	3,901,327	-	-	-	-	3,901,327
Total Commitments	3,901,327	-	-	-	-	3,901,327
Total Commitments and Contingencies	3,901,327	8,993	297,200	1,500	-	4,209,020

As at 31 March 2024 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent Liabilities						
Guarantees Issued to Banks and Other Institutions	-	1,000	3,000	1,500	-	5,500
Counter Indemnity Issued to Banks for Guarantees	-	-	-	298,370	-	298,370
Total Contingent Liabilities	-	1,000	3,000	299,870	-	303,870
Commitments						
Commitment for Unutilised Facilities	1,978,020	-	-	-	-	1,978,020
Total Commitments	1,978,020	-	-	-	-	1,978,020
Total Commitments and Contingencies	1,978,020	1,000	3,000	299,870	-	2,281,890

As at 31 March 2025 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent Liabilities						
Guarantees Issued to Banks and Other Institutions	-	1,800	3,300	1,500	-	6,600
Counter Indemnity Issued to Banks for Guarantees	-	-	46,975	-	-	46,975
Import LC and Ordinary Guarantees	-	7,193	-	-	-	7,193
Total Contingent Liabilities	-	8,993	50,275	1,500	-	60,768
Commitments						
Commitment for Unutilised Facilities	3,901,327	-	-	-	-	3,901,327
Total Commitments	3,901,327	-	-	-	-	3,901,327
Total Commitments and Contingencies	3,901,327	8,993	50,275	1,500	-	3,962,095

As at 31 March 2024 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent Liabilities						
Guarantees Issued to Banks and Other Institutions	-	1,000	3,000	1,500	-	5,500
Counter Indemnity Issued to Banks for Guarantees	-	-	-	47,420	-	47,420
Total Contingent Liabilities	-	1,000	3,000	48,920	-	52,920
Commitments						
Commitment for Unutilised Facilities	1,978,020	-	-	-	-	1,978,020
Total Commitments	1,978,020	-	-	-	-	1,978,020
Total Commitments and Contingencies	1,978,020	1,000	3,000	48,920	-	2,030,940

4.3.3 Liquidity Reserves

The table below sets out the components of the Company's liquidity reserves;

As at 31 March	2025		2024	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Notes and Coins Held	2,514,962	2,514,962	1,965,160	1,965,160
Balances with Banks	2,600,716	2,600,716	1,934,329	1,934,329
Securities under Reverse Repurchase Agreements (Less than 03 Months)	3,908,338	3,908,338	3,506,594	3,506,594
Securities under Reverse Repurchase Agreements (More than 03 Months)	2,541,436	2,541,436	4,568,918	4,568,918
Investment in Treasury Bills	7,489,281	7,517,610	10,994,294	11,052,693
Investment in Fixed Deposits	10,543,975	10,543,975	4,202,401	4,202,401
Total Liquidity Reserves	29,598,708	29,627,037	27,171,696	27,230,095

4.3.4 Financial Assets Available for Future Funding

The total financial assets recognised in the Statement of Financial Position as at 31 March 2025 and 2024 that can be use for the future funding is shown in the following tables;

As at 31 March 2025 - Company	Encumbered		Unencumbered		
	Pledged as Collateral Rs. '000	Other Rs. '000	Available as Collateral Rs. '000	Other Rs. '000	Total Rs. '000
Cash and Cash Equivalents	-	3,908,338	5,115,678	-	9,024,016
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	718,402	-	718,402
Financial Assets at Amortised Cost - Loans and Receivables	46,995,805	-	150,770,886	-	197,766,691
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	165,024	-	165,024
Other Financial Assets	383,555	2,422,287	10,279,569	8,116,089	21,201,500
Total	47,379,360	6,330,625	167,049,559	8,116,089	228,875,633

As at 31 March 2024 - Company	Encumbered		Unencumbered		
	Pledged as Collateral Rs. '000	Other Rs. '000	Available as Collateral Rs. '000	Other Rs. '000	Total Rs. '000
Cash and Cash Equivalents	-	3,506,594	3,899,489	-	7,406,083
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	1,923,016	-	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	42,172,635	-	119,118,851	-	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	118,587	-	118,587
Other Financial Assets	418,988	4,445,312	3,907,019	11,603,451	20,374,770
Total	42,591,623	7,951,906	128,966,962	11,603,451	191,113,942

4.4 Market Risk

Market risk refers to the possible losses to the Group that could arise from changes in market variables such as interest rates, exchange rates, equity prices and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

4.4.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Group due to adverse and unanticipated movements in future interest rate which arises from core business activities; disbursing of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Group, the impact of interest rate risk is mainly on the earnings of the Group rather than the market value of portfolios.

Excessive movements in market interest rate could result in severe volatility to Group's net interest income and net interest margin. Group's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio, where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimising interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Group conducts periodic reviews and reprices its assets accordingly. During the year, under the declining interest rate environment, the Company ensured timely repricing of deposit liabilities, following the market interest rate trend and strategically managed the downward pressure on the Net Interest Income by reducing the cost of funds.

4.4.2 Interest Rate Sensitivity

Impact on Net Interest Income due to a parallel rate shock of 100 basis points (bps) on rate sensitive assets and liabilities is shown below;

Net Interest Income (NII) Sensitivity by Interest Rate Change

As at 31 March	2025		2024	
Impact on Net Interest Income (Rs. '000)	Parallel Increase 100 bps	Parallel Decrease 100 bps	Parallel Increase 100 bps	Parallel Decrease 100 bps
Annual Impact	(+) 143,039	(-) 143,039	(+) 176,240	(-) 176,240

4.4.3 Interest Rate Risk Exposure on Financial Assets and Liabilities

4.4.3 (a) The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2025 - Company	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
Financial Assets							
Cash and Cash Equivalents	6,509,054	-	-	-	-	2,514,962	9,024,016
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	718,402	718,402
Financial Assets at Amortised Cost - Loans and Receivables	95,185,251	56,024,581	35,502,091	11,017,818	36,950	-	197,766,691
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	165,024	165,024
Other Financial Assets	8,989,570	11,585,122	-	-	-	626,808	21,201,500
	110,683,875	67,609,703	35,502,091	11,017,818	36,950	4,025,196	228,875,633
Financial Liabilities							
Due to Banks	21,554,666	3,743,746	8,822,850	3,290,420	-	-	37,411,682
Financial Liabilities at Amortised Cost - Due to Depositors	67,040,819	41,461,792	27,233,045	2,761,216	-	-	138,496,872
Debt Instruments Issued and Other Borrowed Funds	1,413,434	1,694,376	1,897,595	-	-	-	5,005,405
Other Financial Liabilities	99,810	192,938	552,317	433,055	630,345	2,394,957	4,303,422
	90,108,729	47,092,852	38,505,807	6,484,691	630,345	2,394,957	185,217,381
Interest Sensitivity Gap	20,575,146	20,516,851	(3,003,716)	4,533,127	(593,395)	1,630,239	43,658,252
Cumulative Interest Sensitivity Gap	20,575,146	41,091,997	38,088,281	42,621,408	42,028,013	43,658,252	

4.4.3 (b) The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2024 - Company	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
Financial Assets							
Cash and Cash Equivalents	5,440,923	-	-	-	-	1,965,160	7,406,083
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	1,923,016	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	80,837,245	42,927,643	29,370,568	8,127,720	28,310	-	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	118,587	118,587
Other Financial Assets	10,079,439	9,686,175	-	-	-	609,156	20,374,770
	96,357,607	52,613,818	29,370,568	8,127,720	28,310	4,615,919	191,113,942
Financial Liabilities							
Due to Banks	16,423,269	2,860,256	2,418,487	-	-	-	21,702,012
Financial Liabilities at Amortised Cost - Due to Depositors	64,691,861	38,182,963	14,320,235	5,613,065	-	-	122,808,124
Debt Instruments Issued and Other Borrowed Funds	542,232	887,621	3,371,967	689,581	-	-	5,491,401
Other Financial Liabilities	54,988	172,314	519,941	460,171	467,245	2,083,117	3,757,776
	81,712,350	42,103,154	20,630,630	6,762,817	467,245	2,083,117	153,759,313
Interest Sensitivity Gap	14,645,257	10,510,664	8,739,938	1,364,903	(438,935)	2,532,802	37,354,629
Cumulative Interest Sensitivity Gap	14,645,257	25,155,921	33,895,859	35,260,762	34,821,827	37,354,629	

4.4.3 **(c)** The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2025 - Group	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
Financial Assets							
Cash and Cash Equivalents	6,540,271	-	-	-	-	2,534,474	9,074,745
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	718,402	718,402
Financial Assets at Amortised Cost - Loans and Receivables	95,787,904	56,841,659	35,586,715	11,017,818	36,951	-	199,271,047
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	165,024	165,024
Other Financial Assets	8,976,682	11,585,122	-	-	-	626,808	21,188,612
	111,304,857	68,426,781	35,586,715	11,017,818	36,951	4,044,708	230,417,830
Financial Liabilities							
Due to Banks	21,554,666	4,131,771	8,822,850	3,290,420	-	-	37,799,707
Financial Liabilities at Amortised Cost - Due to Depositors	67,367,844	41,461,792	27,233,045	2,761,215	-	-	138,823,896
Debt Instruments Issued and Other Borrowed Funds	1,413,434	1,694,376	1,897,595	-	-	-	5,005,405
Other Financial Liabilities	101,774	192,938	552,317	433,055	630,345	2,394,957	4,305,386
	90,437,719	47,480,877	38,505,807	6,484,690	630,345	2,394,957	185,934,394
Interest Sensitivity Gap	20,867,138	20,945,904	(2,919,091)	4,533,128	(593,394)	1,649,751	44,483,436
Cumulative Interest Sensitivity Gap	20,867,138	41,813,043	38,893,951	43,427,079	42,833,685	44,483,436	

4.4.3 **(d)** The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2024 - Group	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
Financial Assets							
Cash and Cash Equivalents	5,654,389	-	-	-	-	1,996,871	7,651,260
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	1,923,016	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	80,907,217	44,080,557	29,377,271	8,128,378	28,310	-	162,521,733
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	118,589	118,589
Other Financial Assets	10,113,217	9,721,031	-	-	-	609,156	20,443,404
	96,674,823	53,801,588	29,377,271	8,128,378	28,310	4,647,632	192,658,002
Financial Liabilities							
Due to Banks	16,426,164	3,111,206	2,418,487	-	-	-	21,955,857
Financial Liabilities at Amortised Cost - Due to Depositors	64,879,301	38,202,028	14,340,153	5,613,065	-	-	123,034,547
Debt Instruments Issued and Other Borrowed Funds	542,232	887,621	3,371,967	689,581	-	-	5,491,401
Other Financial Liabilities	57,053	175,233	527,180	463,166	477,373	2,115,892	3,815,897
	81,904,750	42,376,088	20,657,787	6,765,812	477,373	2,115,892	154,297,702
Interest Sensitivity Gap	14,770,073	11,425,500	8,719,484	1,362,566	(449,063)	2,531,740	38,360,300
Cumulative Interest Sensitivity Gap	14,770,073	26,195,573	34,915,057	36,277,623	35,828,560	38,360,300	

4.4.4 Commodity Price Risk

Commodity price risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans business to Group's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk which is the primary source of credit risk associated with this product.

Group currently manages the credit and market risks arising from adverse movements in gold prices by adopting the following strategies;

- Shorter product life: Group, as a credit risk management strategy lends for shorter periods allowing it to initiate its recovery process faster.
- Frequent revisions to Loan-to-Value (LTV) Ratio: Group practices a process of revising advance offered per gold sovereign to reflect market value fluctuations to maintain the desired healthy Loan to Value Ratio.
- Timely auction of gold stocks: The gold stock of defaulted facilities are auctioned on frequent basis, avoiding pilling up of gold stock which would lead to larger losses at a sudden drop in the gold prices.

Further, stress tests are carried out regularly to assess the impact at decline in gold prices in varied levels.

Value at Risk (VaR) model is used as a key tool to asses the maximum estimated loss that can arise with a specified probability (confidence level) over a specified period of time due to adverse movement of gold price. The VaR model used is mainly on historical simulation and the model generates a wide range of plausible future scenarios for market price movements.

As at 31 March	2025	2024
3 months VaR of Global Gold Price at 95% Confidence Level	**10.28%**	9.64%
3 months VaR of Exchange Rate at 95% Confidence Level	**2.97%**	4.19%
Expected Credit Loss (Rs. '000)	**125,986**	364,303

4.4.5 Exchange Rate Risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies.

Group is exposed to two types of risk caused by currency volatility.

Transaction Risk – This risk arises whenever the Group has contractual cash flows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to a contract being denominated in a foreign currency. This type of exposure is short-term to medium-term in nature.

The contractual payable in foreign currency is fully hedged through a cross currency swap and the Company is not exposed to transaction foreign currency risk as at 31 March 2025.

Translation Risk – This exposure arises from the effect of currency fluctuations on the consolidated financial statements, particularly when it has foreign subsidiaries. This type of exposure is medium-term to long-term.

The Company's exposure to Translation foreign currency risk is at a minimal level.

Further, exchange risk could materialise as an indirect risk too, affecting local gold prices resulting in exaggerated commodity risk.

Exchange rate movement is closely monitored and asses the impact to local gold price. As presented in note 4.4.4 above, the historical movement of exchange rate is considered in the VaR approach of the commodity risk assessment.

4.4.6 Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Equity risk exposure to the Group is at a minimal level.

4.5 Operational Risk

Operational risk is inherent in all the products, activities, processes and systems of the Company, and the effective management of operational risk has always been a fundamental element of a group's risk management programme. Operational risk can arise from a wide range of different external events or internal events. A strong operational risk culture together with robust internal controls, effective monitoring and internal reporting, contingency planning, clear strategies and oversight by the Board of Directors and Senior Management are crucial elements of the effective Operational Risk Management Framework of the Company. Operational Risk Management process was further strengthened during the year with the establishment of the Operational Risk Management Committee (ORMC).

Following tools are utilised to identify and assess the operational risk the Group is exposed to and they may also be utilised to implement action plans and monitor their execution.

- Reporting, Collection and Analysis of Operational Risk Incidents and Loss Events
- Departmental Wise Risk and Control Self Assessement
- Risk Appetite and Tolerance Levels for Operational Risk
- Exception Monitoring
- Regular Monitoring of Key Risk Indicator
- Fraud Risk Assesment
- Branch Operational Risk Assessment

4.6 Capital Adequacy

For a financial institution, capital is a buffer against insolvency. It is available to absorb unforeseen losses which will assure the sustainability of the Group's operations so the Group can remain in business. The more capital the Group has relative to the risks it takes, the more confidence the stakeholders are that it will meet its obligations to them. Group's capital management process is steered with the aim of holding sufficient capital to support the Group's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements. The capital goals of the Company are related to the effective capital management. They focus on bringing a right balance between risk absorption capacity and return to shareholders.

Regulatory Capital - Company

As per the Finance Business Act Direction No. 3 of 2018, the Licensed Finance Companies (LFCs) with assets of Rs. 100 Bn and above required to maintain a minimum Capital Adequacy Ratio (Total Capital Ratio) of 14% and a Core Capital Ratio (Tier 1 Ratio) of 10%.

Components of Capital

As at 31 March	2025		2024	
	Actual Rs. '000	Required Rs. '000	Actual Rs. '000	Required Rs. '000
Tier 1 Capital	**49,654,357**	**16,304,696**	42,319,559	13,457,831
Total Capital	**51,046,073**	**22,826,575**	43,321,826	18,840,964
Total Risk Weighted Assets	**163,046,965**	**-**	134,578,311	-
Tier 1 Capital Ratio %	**30.45%**	**10.00%**	31.45%	10.00%
Total Capital Ratio %	**31.31%**	**14.00%**	32.19%	14.00%

As of 31 March 2025, the Company has maintained Capital Adequacy Ratios well above the Central Bank of Sri Lanka's (CBSL) minimum regulatory requirements.

In terms of Basel Framework for Risk Management, the Company currently uses the standardised approach for credit risk weighted assets quantification and basic indicator approach for operational risk weighted assets quantification for the purpose of regulatory capital adequacy assessment. Further, the Company has adopted the Internal Capital Adequacy Assessment Process (ICAAP) which is an integral part of Basel Framework. The capital consumption by pillar II risks is assessed under (ICAAP) and capital augmentation is considered in line with the Company's medium term corporate strategy.

SUPPLEMENTARY REPORTS

ENVISIONING THE FUTURE

With a clear, forward-thinking vision, we are poised to adapt to change and navigate uncertainty, confidently moving toward the unknown.

Lions possess exceptional eyesight, especially in low-light conditions, seeing up to eight times better than humans. Their keen peripheral vision allows them to swiftly detect and respond to changes in their environment. Similarly, mosaics are often used to convey visionary and pioneering concepts, serving as a medium that has long captured countless innovative ideas that have shaped the future as we know it.



SECTION 7

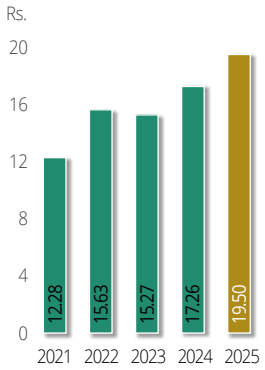
SUPPLEMENTARY INFORMATION

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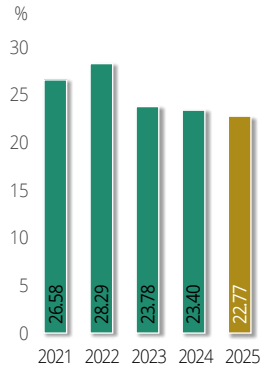
INVESTOR INFORMATION

KEY INVESTOR INDICATORS

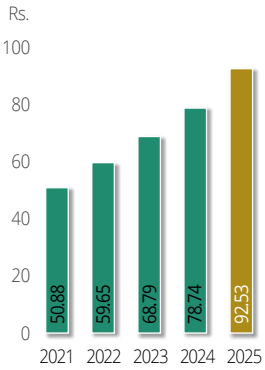
Earnings per Share



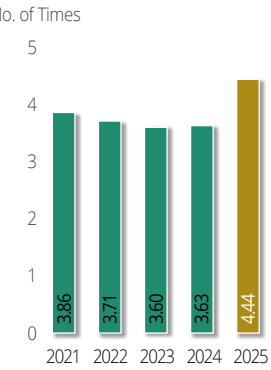
Return on Equity



Net Asset Value per Share



Price Earnings



Dear Investor,

At LB Finance PLC, we place our investors at the heart of our operations, striving to maximize your wealth through prudent risk management and strategic decision making. Your expectations guide our long-term, sustainable growth. We are proud of the trust and loyalty of our investors and are committed to delivering timely, transparent information to support informed decision making. Despite economic challenges, we have consistently delivered steady returns and remain focused on fulfilling our commitments.

Insights from Shareholders to LB

Engagement with shareholders is a key priority. Our AGM, financial reports, media releases, and disclosures enable open dialogue and transparency. This engagement has strengthened investor confidence and supported active trading in LBF shares.

Colombo Stock Exchange (CSE)

During the financial year 2024/25, the Colombo Stock Exchange (CSE) experienced mixed results, marked by growing investor confidence amid broader economic concerns. All Share Price Index (ASPI) rose significantly by 37.48%, reaching 15,814.22 points by the end of March 2025, indicating a bullish trend. Similarly, the S&P SL20 index, tracking major blue-chip stocks, climbed 42.23%, highlighting increased interest in fundamentally strong companies. This strong performance of key indices reflects a cautiously optimistic outlook among investors regarding Sri Lanka's economic trajectory and the resilience of leading domestic companies.

Dividends

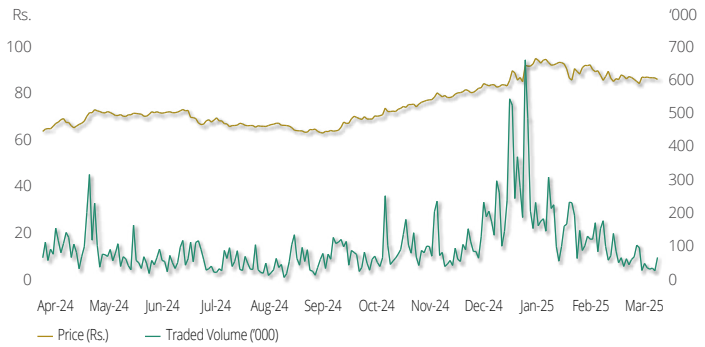
LBF maintains a stable dividend policy, distributing one-third of earnings to shareholders while balancing capital needs. For FY 2024/25, an interim dividend of Rs. 2.25 per share was declared and a proposed final dividend of Rs. 4.25 per share for FY 2024/25 will be submitted for the approval of shareholders at the upcoming AGM to be held on 30 June 2025.

Performance of Diversified Financial Sector and LBF

LBF's market turnover reflected overall market momentum, particularly aligning with ASPI and S&P SL 20 improvements in the final quarter. The diversified financial sector showed stronger investor sentiment, with its P/E and P/B ratios increasing to 6.91 and 0.92, respectively. The banking sector also saw a P/B recovery to 0.70, despite a slight decline in P/E to 4.44. Notably, LBF's beta value rose sharply from 0.42 to 1.17, indicating increased sensitivity to market movements and heightened investor interest.

As at 31 March	2025	2024
Diversified Financial Sector -P/E Ratio	6.91	5.70
Banking Sector – P/E Ratio	4.44	4.90
Diversified Financial Sector -P/B Ratio	0.92	0.81
Banking Sector – P/B Ratio	0.70	0.51
Beta Value against ASPI of LB Finance PLC	1.17	0.42

LBF Share Performance



Useful references for Investors

Quarterly Financial Statements: Page 486 to 487
Financial Statements in USD: Page 488 to 490

Share Trading Information

For the period ended	Quarterly Performance				Annual Performance		
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2024/25	2023/24	2022/23
Share Price							
Highest (Rs.)	73.80	71.50	91.50	95.20	**95.20**	73.00	61.70
Lowest (Rs.)	62.50	62.00	68.00	80.60	**62.00**	49.90	36.30
Last Traded (Rs.)	72.70	68.90	89.50	86.50	**86.50**	62.80	55.00
Share Trading Details							
Number of Transactions	4,721	3,708	7,366	8,108	**23,903**	14,084	13,177
Number of Shares Traded	15,700,445	5,439,458	33,926,443	19,284,902	**74,351,248**	63,588,580	14,022,399
Value of Shares Traded (Rs.Mn)	1,102	358	2,635	1,731	**5,826**	3,852	647
Number of Days Traded	57	63	62	56	**238**	238	235
Average Daily Turnover (Rs.Mn)	19.33	5.69	42.51	30.91	**24.48**	65.88	2.75

Market Capitalisation

As at 31 March	2025	2024	2023
Number of Shares in Issue	**554,057,136**	554,057,136	554,057,136
Equity (Rs. Bn)	**51.27**	43.63	38.12
LFIN Market Capitalisation (Rs. Bn)	**47.93**	34.79	30.47
CSE Market Capitalisation (Rs. Bn)	**5,606.37**	4,534.65	3,903.54
LFIN Market Capitalisation as a Percentage of CSE Market Capitalisation (%)	**0.85**	0.77	0.78

Public Shareholding

As at 31 March	2025	2024	2023
Public Shareholding Percentage (%)	**21.35**	21.70	21.73
Number of Shareholders Representing above Percentage	**5,337**	4,930	5,119

Float Adjusted Market Capitalisation

The Float adjusted market capitalisation as at 31 March 2025 – Rs. 10,149,354,415.20

The Float adjusted market capitalization of the Company falls under Option 1 of Rule 7.13.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

INVESTOR INFORMATION

Largest Shareholders of the Company

	Name		As at 31 March 2025		As at 31 March 2024	
			No. of Shares	%	No. of Shares	%
1	Vallibel One PLC		286,729,600	51.751	286,729,600	51.751
2	Royal Ceramics Lanka PLC	125,708,928				
	Commercial Bank of Ceylon PLC /Royal Ceramics Lanka PLC	18,784,000	144,492,928	26.079	144,492,928	26.079
3	Hatton National Bank PLC/Esna Holdings (Pvt) Ltd		15,248,000	2.752	-	-
4	Seylan Bank PLC/JN Lanka Holdings Company (Pvt) Ltd		8,314,886	1.501	1,000,000	0.180
5	Mr W.G.D.C. Ranaweera		6,381,928	1.152	8,868,376	1.601
6	Mr. K.R.E.M.D.M.B.Jayasundara		5,000,000	0.902	5,956,152	1.075
7	Mr. K.D.A. Perera		4,289,735	0.774	4,289,735	0.774
8	DFCC Bank PLC/J N Lanka Holdings Company (Pvt) Ltd		3,000,000	0.541	-	-
9	Mr N. Udage		2,861,235	0.516	2,861,235	0.516
10	Hatton National Bank PLC/JN Lanka Holdings Com pany (Pvt) Ltd		2,720,745	0.491	1,000,000	0.180
11	DFCC Bank PLC A/C No .02		2,227,260	0.402	-	-
12	Mr F.N. Herft		1,970,973	0.356	1,751,100	0.316
13	Rosewood (Pvt) Limited-Account No.1		1,963,807	0.354	-	-
14	Janashakthi Insurance PLC - Shareholders		1,952,700	0.352	1,952,700	0.352
15	Mr. Y.S.H.R.S. Silva		1,881,500	0.340	125,000	0.023
16	J.B. Cocoshell (Pvt) Ltd		1,635,407	0.295	3,340,958	0.603
17	Mr. M. Keil		1,300,000	0.235	-	-
18	Mr M.A.T. Raaymakers		1,270,922	0.229	1,267,245	0.229
19	Mr A.A. Page		1,259,200	0.227	1,259,200	0.227
20	DFCC Bank PLC A/C 1		1,186,099	0.214	-	-
			495,686,925	89.465	464,894,229	83.907
	Others		58,370,211	10.535	89,162,907	16.093
	Total		554,057,136	100.000	554,057,136	100.000

Distribution of Shareholdings

From	To	As at 31 March 2025			As at 31 March 2024		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	1,000	3,237	803,609	0.15	2,853	756,611	0.14
1,001	10,000	1,418	5,299,034	0.96	1,487	5,817,375	1.05
10,001	100,000	560	16,766,330	3.03	568	17,529,395	3.16
100,001	1,000,000	110	33,194,103	5.99	95	31,658,947	5.71
Over 1,000,000		23	497,994,060	89.88	20	498,294,808	89.94
Total		5,348	554,057,136	100.00	5,023	554,057,136	100.00

Composition of Shareholders

Category	As at 31 March 2025			As at 31 March 2024		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Local	5,314	548,249,314	98.95	4,988	550,325,723	99.33
Foreign	34	5,807,822	1.05	35	3,731,413	0.67
Total	5,348	554,057,136	100.00	5,023	554,057,136	100.00
Individuals	5,106	66,172,006	11.94	4,781	68,172,282	12.30
Institutions	242	487,885,130	88.06	242	485,884,854	87.70
Total	5,348	554,057,136	100.00	5,023	554,057,136	100.00

Share Prices for the Year

Market Price per Share	2024/25	Date	2023/24	Date
Highest During the Period	95.20	16 January 2025	73.00	21 August 2023
Lowest During the Period	62.00	03 September 2024	49.90	02 May 2023
Last Traded During the Period	86.50	28 March 2025	62.80	28 March 2024

Directors' Shareholdings

Names of Directors	As at 31 March 2025		As at 31 March 2024	
	No. of Shares	As a % of Total Shares	No. of Shares	As a % of Total Shares
Mr. G A R D Prasanna	-	-	-	-
Mr. M A J W Jayasekara	-	-	-	-
Mr. J A S S Adhihetty	424,480	0.077	424,480	0.077
Mr. N Udage	2,861,235	0.516	2,861,235	0.516
Mr. B D A Perera	-	-	-	-
Mr. R S Yatawara	8,593	0.002	8,593	0.002
Mrs. Y Bhaskaran	-	-	-	-
Mrs. A Natesan	-	-	-	-
Mr. D Rangalle	-	-	-	-
Mrs. Y Amarasekera	-	-	-	-
Mr. P D Hennayake (w.e.f. 18 Nov 2024)	25,000	0.005	N/A	N/A
Mr. P B Talwatte (w.e.f. 18 Nov 2024)	-	-	N/A	N/A

Credit Ratings

The Company has been assigned A-(lka) Stable by Fitch Ratings Lanka Limited

DECADE AT A GLANCE

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Key Indicators		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Operating Results											
Net Interest Margin (NIM)	%	12.17	10.91	11.15	11.87	11.96	12.15	13.28	11.88	13.72	**12.22**
Interest Spread	%	11.09	9.59	9.65	10.32	10.46	10.62	11.98	9.19	11.05	**10.35**
Cost to Income	%	35.89	39.01	37.37	34.22	33.44	30.56	29.28	32.42	31.13	**32.58**
Financial Position											
Total Assets to Equity	No. of times	8.07	8.21	7.87	7.40	6.26	4.99	4.97	4.78	4.63	**4.70**
Debt to Equity	No. of times	6.73	6.89	6.58	6.02	5.01	3.74	3.77	3.60	3.44	**3.53**
Equity to Deposits	%	19.63	20.71	21.04	22.14	25.77	32.83	37.07	33.43	35.52	**37.02**
Investor Information											
Return on Equity (ROE)	%	40.40	34.09	30.52	29.93	25.04	26.58	28.29	23.78	23.40	**22.77**
Return on Assets (ROA)	%	4.89	4.18	3.80	3.93	3.70	4.78	5.68	4.88	4.97	**4.88**
Equity to Assets	%	12.40	12.17	12.70	13.51	15.98	20.05	20.11	20.90	21.58	**21.28**
Net Assets Value per Share	Rs.	18.91	22.58	27.70	33.26	41.51	50.88	59.65	68.79	78.74	**92.53**
Earnings per Share (EPS)	Rs.	6.71	7.07	7.67	9.12	9.36	12.28	15.63	15.27	17.26	**19.50**
Dividend per Share (DPS)	Rs.	7.50	9.00	11.00	12.00	-	7.00	5.00	5.00	5.75	**6.50**
Dividend Cover	No. of times	3.58	3.14	2.79	3.04	-	1.75	3.13	3.05	3.00	**3.00**
Dividend Yield	%	7.07	7.60	9.25	9.99	-	14.77	8.62	9.09	9.16	**7.51**
Dividend Payout	%	27.94	31.82	35.84	32.88	-	57.01	31.98	32.74	33.31	**33.33**
Price Earning Ratio (PE)	No. of times	3.95	4.19	3.87	3.29	3.22	3.86	3.71	3.60	3.64	**4.44**
Price to Book Value (PBV)	No. of times	1.40	1.31	1.07	0.90	0.73	0.93	0.97	0.80	0.80	**0.93**
Market Price per Share	Rs.	106.10	118.40	118.90	120.10	120.50	47.40	58.00	55.00	62.80	**86.50**
Market Capitalisation	Rs. Million	14,696	16,400	16,469	16,636	16,691	26,262	32,135	30,473	34,795	**47,926**
Interest Cover	No. of times	1.92	1.72	1.56	1.60	1.56	1.81	2.35	1.57	1.71	**1.98**
Growth											
Income	%	5.81	23.76	29.35	16.90	6.64	(4.67)	1.32	41.77	15.14	**(5.08)**
Interest Income	%	5.42	24.13	30.62	16.97	6.57	(5.84)	0.19	44.10	15.70	**(8.56)**
Interest Expense	%	(2.96)	40.52	41.74	12.64	5.13	(15.37)	(23.23)	133.03	3.71	**(21.95)**
Net Interest Income	%	11.86	13.20	21.41	21.16	7.86	2.51	17.13	1.95	28.69	**3.19**
Profit before Taxation	%	59.81	10.33	10.26	19.50	(1.68)	22.29	27.98	(1.38)	29.23	**7.65**
Profit after Taxation	%	70.37	5.39	8.49	18.91	2.62	31.15	27.33	(2.33)	13.04	**12.99**
Total Assets	%	25.13	21.59	17.57	12.89	5.55	(2.35)	16.92	10.94	10.87	**19.15**
Lending Portfolio	%	27.87	24.59	14.80	10.85	4.78	(3.98)	17.75	8.03	11.09	**22.61**
Customer Deposits	%	17.50	13.16	20.76	14.08	7.26	(3.81)	3.82	27.90	7.72	**12.78**
Equity	%	32.20	19.37	22.70	20.06	24.81	22.56	17.23	15.34	14.46	**17.51**
Employee											
Profit before Tax per Employee	Rs. '000	1,940	1,823	1,883	2,139	2,110	2,631	3,116	3,298	3,674	**3,708**
Profit after Tax per Employee	Rs. '000	1,354	1,216	1,235	1,397	1,438	1,923	2,266	2,375	2,315	**2,452**
Total Assets per Employee	Rs. '000	30,800	31,904	35,112	37,697	39,923	39,755	43,005	51,192	48,929	**54,661**
No. of Branches		146	154	159	163	165	169	181	192	200	**216**
No. of Employees		2,744	3,221	3,441	3,618	3,606	3,536	3,822	3,562	4,132	**4,407**
Employees per Branch		19	21	22	22	22	21	21	19	21	**20**

Financial Statements - Company

	2015/16 Rs. '000	2016/17 Rs. '000	2017/18 Rs. '000	2018/19 Rs. '000	2019/20 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2022/23 Rs. '000	2023/24 Rs. '000	2024/25 Rs. '000
Income Statement										
Income	15,646,467	19,363,429	25,046,202	29,278,024	31,222,860	29,766,124	30,159,476	42,756,458	49,230,095	46,730,955
Interest Income	14,428,729	17,909,935	23,394,115	27,363,768	29,160,292	27,457,741	27,510,530	39,643,934	45,729,853	41,815,458
Interest Expenses	5,773,255	8,112,337	11,498,408	12,951,323	13,615,391	11,522,802	8,846,608	20,615,585	21,379,499	16,687,381
Net Interest Income	8,655,474	9,797,599	11,895,707	14,412,445	15,544,901	15,934,939	18,663,922	19,028,349	24,350,354	25,128,077
Other Operating Income	1,217,737	1,453,493	1,652,087	1,914,256	2,062,567	2,308,383	2,648,946	3,112,524	3,500,242	4,915,496
Total Operating Income	9,873,212	11,251,092	13,547,795	16,326,701	17,607,469	18,243,322	21,312,868	22,140,873	27,850,596	30,043,574
Impairment Charges/(Reversals)	411,793	(40,064)	670,623	983,154	1,831,057	1,691,734	1,025,981	545,744	373,236	(256,236)
Total Operating Expenses	3,543,352	4,389,212	5,062,788	5,587,279	5,887,565	5,575,890	6,239,874	7,178,002	8,669,531	9,788,427
Tax on Financial Services	593,452	1,027,101	1,336,693	2,015,619	2,278,560	1,669,323	2,136,551	2,670,575	3,627,622	4,169,710
Profit before Taxation	5,324,615	5,874,843	6,477,691	7,740,649	7,610,287	9,306,375	11,910,462	11,746,552	15,180,207	16,341,673
Income Tax Expense	1,606,822	1,956,639	2,226,969	2,685,989	2,423,234	2,503,778	3,248,604	3,286,221	5,616,569	5,536,039
Profit for The Year	3,717,792	3,918,204	4,250,721	5,054,660	5,187,053	6,802,597	8,661,858	8,460,331	9,563,638	10,805,634
Statement of Financial Position										
Assets										
Cash and Cash Equivalents	6,051,898	2,895,085	5,874,375	4,040,586	6,162,637	6,187,300	14,458,986	3,980,376	7,406,083	9,024,016
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	10,645	10,068	9,683	6,866	4,648	10,862	13,208	554,309	1,923,016	718,402
Financial Assets at Amortised Cost - Loans and Receivables	71,554,005	89,149,742	102,345,084	113,445,454	118,865,924	114,137,823	134,395,603	145,189,174	161,291,486	197,766,691
Financial Assets Measured at Fair Value Through Other Comprehensive Income	138,411	118,021	121,624	89,710	59,141	77,789	86,102	117,388	118,587	165,024
Other Financial Assets	4,142,716	6,721,526	6,772,554	10,804,517	9,119,681	10,453,903	5,598,624	21,685,834	20,374,770	21,201,500
Other Non Financial Assets	538,898	305,047	815,808	1,067,360	967,469	920,406	454,711	474,347	430,651	439,475
Investment in Subsidiaries	-	-	152,915	318,999	521,162	521,162	921,162	921,998	698,935	521,162
Property, Plant and Equipment	2,045,295	3,514,356	4,680,619	6,577,379	8,221,248	8,241,259	8,421,741	8,633,347	8,984,363	9,725,513
Investment Properties	-	-	-	-	-	-	-	-	-	5,385
Intangible Assets	34,765	49,189	48,119	39,847	41,809	26,021	14,875	22,628	20,701	67,113
Deferred Tax Assets	-	-	-	-	-	-	-	767,186	927,914	1,255,960
Total Assets	84,516,636	102,763,035	120,820,780	136,390,718	143,963,719	140,576,525	164,365,012	182,346,587	202,176,506	240,890,241
Liabilities										
Due to Banks	14,577,233	23,778,147	22,838,038	24,633,508	22,771,085	16,467,179	26,858,737	19,369,784	21,702,012	37,411,682
Financial Liabilities at Amortised Cost - Due to Depositors	53,379,801	60,401,955	72,943,833	83,214,949	89,256,435	85,860,070	89,143,982	114,011,699	122,808,124	138,496,872
Debt Instruments Issued and Other Borrowed Funds	2,601,282	2,044,216	5,152,832	3,107,783	3,111,186	3,113,916	8,564,617	3,882,024	5,491,401	5,005,405
Other Financial Liabilities	1,869,940	2,007,402	1,761,418	1,974,490	2,766,410	3,043,526	3,305,112	3,255,862	3,757,776	4,303,422
Other Non Financial Liabilities	597,806	673,436	852,715	2,070,632	909,266	1,028,054	1,134,771	1,090,091	1,547,570	1,671,989
Current Tax Liabilities	741,251	691,091	633,058	1,395,971	766,752	1,872,154	1,882,242	2,255,830	2,770,496	2,182,738
Deferred Tax Liabilities	143,142	503,488	1,058,750	1,309,722	1,037,580	637,073	111,486	-	-	-
Post Employment Benefit Liability	126,858	153,621	231,240	256,512	345,456	365,265	316,973	365,557	473,058	552,135
Total Liabilities	74,037,317	90,253,356	105,471,884	117,963,567	120,964,170	112,387,237	131,317,920	144,230,847	158,550,437	189,624,243
Equity										
Stated Capital	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282
Reserves	2,670,537	3,412,318	4,270,522	5,210,097	6,216,939	7,596,106	8,038,658	8,493,049	8,972,430	9,521,361
Retained Earnings	6,970,499	8,259,079	10,240,092	12,378,772	15,944,328	19,754,900	24,170,152	28,784,409	33,815,357	40,906,355
Total Equity	10,479,319	12,509,680	15,348,896	18,427,151	22,999,549	28,189,288	33,047,092	38,115,740	43,626,069	51,265,998
Total Liabilities and Equity	84,516,636	102,763,035	120,820,780	136,390,718	143,963,719	140,576,525	164,365,012	182,346,587	202,176,506	240,890,241

QUARTERLY FINANCIAL STATEMENTS

Income Statement - Company

For the 03 Months Ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2024 Rs. '000	30.06.2023 Rs. '000	30.09.2024 Rs. '000	30.09.2023 Rs. '000	31.12.2024 Rs. '000	31.12.2023 Rs. '000	31.03.2025 Rs. '000	31.03.2024 Rs. '000
Income	11,109,025	12,437,998	11,743,681	12,410,733	11,693,722	12,516,224	12,184,527	11,865,140
Interest Income	10,210,023	11,797,051	10,571,311	11,598,692	10,577,284	11,608,719	10,456,840	10,725,391
Less: Interest Expenses	4,297,570	6,112,844	4,138,906	5,543,510	4,146,272	5,061,174	4,104,633	4,661,971
Net Interest Income	5,912,453	5,684,207	6,432,405	6,055,182	6,431,012	6,547,545	6,352,207	6,063,420
Fee and Commission Income	830,799	606,080	1,136,041	754,800	1,054,250	853,231	1,583,351	972,311
Net Trading Income	46,572	24,212	23,594	36,915	28,978	26,959	1,957	53,543
Other Operating Income	21,631	10,655	12,735	20,326	33,210	27,315	142,379	113,895
Total Operating Income	6,811,455	6,325,154	7,604,775	6,867,223	7,547,450	7,455,050	8,079,894	7,203,169
Less : Impairment Charges/(Reversals)	131,506	99,483	25,687	157,521	17,277	277,736	(430,707)	(161,504)
Net Operating Income	6,679,949	6,225,671	7,579,088	6,709,702	7,530,173	7,177,314	8,510,601	7,364,673
Less: Operating Expenses								
Personnel Expenses	1,192,487	1,009,917	1,272,369	1,112,020	1,286,553	1,144,864	1,394,848	1,109,673
Depreciation of Property, Plant and Equipment	233,799	210,050	241,951	215,441	247,788	217,344	256,415	223,513
Amortisation of Intangible Assets	1,964	2,157	3,155	2,032	3,872	2,037	4,137	2,189
Other Operating Expenses	869,921	793,842	958,593	790,551	922,650	926,534	897,925	907,368
Total Operating Expenses	2,298,171	2,015,966	2,476,068	2,120,044	2,460,863	2,290,779	2,553,325	2,242,743
Operating Profit before Tax on Financial Services	4,381,778	4,209,705	5,103,020	4,589,658	5,069,310	4,886,535	5,957,276	5,121,930
Less: Tax on Financial Services	871,907	840,810	1,065,858	902,531	1,057,636	946,149	1,174,308	938,131
Profit before Taxation	3,509,871	3,368,895	4,037,162	3,687,127	4,011,674	3,940,386	4,782,968	4,183,799
Less: Income Tax Expense	1,321,150	1,269,211	1,538,025	1,385,506	1,525,901	1,478,500	1,150,963	1,483,352
Profit for the Year	2,188,721	2,099,684	2,499,137	2,301,621	2,485,773	2,461,886	3,632,005	2,700,447

Quarterly Key Performance Indicators

Profitability								
Return on Equity	20.01%	22.23%	20.83%	22.61%	20.67%	22.79%	22.77%	23.40%
Return on Assets	4.26%	4.66%	4.54%	4.87%	4.55%	4.98%	4.88%	4.97%
Capital Adequacy								
Tiet 1	28.90%	27.76%	27.83%	26.67%	25.79%	26.89%	30.45%	31.45%
Total	29.65%	28.40%	28.64%	27.31%	26.63%	27.52%	31.31%	32.19%
Asset Quality								
NPL Ratio - Gross	3.29%	6.69%	2.86%	6.39%	2.53%	4.53%	2.25%	3.54%
NPL Ratio - Net	-0.93%	1.37%	-1.19%	1.56%	-1.42%	-0.38%	-1.22%	-0.79%

Statement of Financial Position - Company

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2024 Rs. '000	30.06.2023 Rs. '000	30.09.2024 Rs. '000	30.09.2023 Rs. '000	31.12.2024 Rs. '000	31.12.2023 Rs. '000	31.03.2025 Rs. '000	31.03.2024 Rs. '000
Assets								
Cash and Cash Equivalents	11,101,443	6,804,892	6,324,223	5,115,760	5,138,336	8,093,438	9,024,016	7,406,083
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,953,991	1,023,521	819,467	24,578	1,117,445	939,475	718,402	1,923,016
Financial Assets at Amortised Cost - Loans and Receivables	169,782,705	143,481,784	178,411,375	146,654,223	185,713,608	152,284,625	197,766,691	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	164,503	112,496	161,296	109,282	200,682	98,767	165,024	118,587
Other Financial Assets	14,950,762	15,653,272	13,824,667	16,468,650	14,677,214	12,700,562	21,201,500	20,374,770
Other Non Financial Assets	457,008	574,524	597,951	653,132	574,039	582,118	439,475	430,651
Investment in Subsidiaries	698,935	921,998	521,162	921,998	521,162	921,998	521,162	698,935
Property, Plant and Equipment and Right-of-Use Assets	9,046,632	8,613,839	9,205,514	8,714,842	9,378,788	8,833,190	9,725,513	8,984,363
Investment Properties	-	-	5,050	-	5,050	-	5,385	-
Intangible Assets	19,605	20,472	56,126	18,424	52,701	22,859	67,113	20,701
Deferred Tax Assets	927,914	767,186	927,914	767,186	927,914	767,186	1,255,960	927,914
Total Assets	209,103,498	177,973,984	210,854,745	179,448,075	218,306,939	185,244,218	240,890,241	202,176,506
Liabilities								
Due to Banks	23,810,816	17,015,091	22,916,093	14,864,031	23,950,021	18,280,111	37,411,682	21,702,012
Financial Liabilities at Amortised Cost - Due to Depositors	125,269,286	111,999,687	127,609,664	114,836,202	132,294,577	115,404,940	138,496,872	122,808,124
Debt Instruments Issued and Other Borrowed Funds	5,821,261	2,616,962	5,993,023	2,704,739	5,301,303	1,509,076	5,005,405	5,491,401
Other Financial Liabilities	3,898,156	3,047,509	4,190,298	3,753,231	4,165,695	4,003,826	4,303,422	3,757,776
Other Non Financial Liabilities	3,428,999	3,255,709	1,679,496	1,554,352	1,546,322	1,546,557	1,671,989	1,547,570
Current Tax Liabilities	2,493,853	2,229,929	1,561,613	1,615,755	1,631,151	1,931,773	2,182,738	2,770,496
Post Employment Benefit Liability	497,408	368,852	524,911	381,113	513,065	377,910	552,135	473,058
Total Liabilities	165,219,779	140,533,739	164,475,098	139,709,423	169,402,134	143,054,193	189,624,243	158,550,437
Equity								
Stated Capital	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282
Reserves	9,089,995	8,593,141	9,211,743	8,705,008	9,375,418	8,817,588	9,521,361	8,972,430
Retained Earnings	33,955,442	28,008,822	36,329,622	30,195,362	38,691,105	32,534,155	40,906,355	33,815,357
Total Equity Attributable to Equity Holders of the Company	43,883,719	37,440,245	46,379,647	39,738,652	48,904,805	42,190,025	51,265,998	43,626,069
Total Liabilities and Equity	209,103,498	177,973,984	210,854,745	179,448,075	218,306,939	185,244,218	240,890,241	202,176,506

FINANCIAL STATEMENTS IN USD

Following Income Statement, Statement of Comprehensive Income and Statement of Financial Position have been presented in USD purely for the information purpose of stakeholders.

Income Statement (USD)

	Company			Group		
Year ended 31 March	2025 USD '000	2024 USD '000	Change %	2025 USD '000	2024 USD '000	Change %
Income	**157,876**	166,319	(5)	**159,313**	167,688	(5)
Interest Income	**141,269**	154,494	(9)	**142,574**	155,752	(8)
Less: Interest Expenses	**56,376**	72,228	(22)	**56,702**	72,502	(22)
Net Interest Income	**84,893**	82,266	3	**85,872**	83,250	3
Fee and Commission Income	**15,556**	10,765	45	**15,686**	10,870	44
Net Trading Income	**342**	478	(29)	**342**	478	(29)
Other Operating Income	**709**	582	22	**711**	588	21
Total Operating Income	**101,500**	94,091	8	**102,611**	95,186	8
Less: Impairment Charges/(Reversals)	**(866)**	1,261	(>100)	**(882)**	912	(>100)
Net Operating Income	**102,366**	92,830	10	**103,493**	94,274	10
Less: Operating Expenses						
Personnel Expenses	**17,386**	14,785	18	**17,797**	15,214	17
Depreciation of Property, Plant and Equipment	**3,311**	2,927	13	**3,335**	2,982	12
Amortisation of Intangible Assets	**44**	28	56	**48**	38	28
Other Operating Expenses	**12,328**	11,548	7	**12,731**	11,971	6
Total Operating Expenses	**33,069**	29,288	13	**33,911**	30,205	12
Operating Profit before Tax on Financial Services	**69,297**	63,542	9	**69,582**	64,069	9
Less: Tax on Financial Services	**14,087**	12,255	15	**14,133**	12,264	15
Profit before Taxation	**55,210**	51,287	8	**55,449**	51,805	7
Less: Income Tax Expense	**18,703**	18,975	(1)	**18,753**	19,012	(1)
Profit for the Year	**36,507**	32,312	13	**36,696**	32,793	12
Profit Attributable to:						
Equity Holders of the Company	**36,507**	32,312	13	**36,689**	32,816	12
Non-Controlling Interest	**-**	-	-	**7**	(23)	>100
Profit for the Year	**36,507**	32,312	13	**36,696**	32,793	12
Earnings per Share: Basic/Diluted (USD)	**0.07**	0.06	13	**0.07**	0.06	12
Dividend per Share (USD)						
Dividend per Share : Gross (USD)	**0.02***	0.02	13			
Dividend per Share : Net (USD)	**0.02***	0.02	13			

*Dividend per share is calculated based on the interim dividend paid and the proposed final dividend which is to be approved at the Annual General Meeting.

A common exchange rate LKR 296 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

Statement of Profit or Loss and Comprehensive Income (USD)

Year ended 31 March	Company			Group		
	2025 USD '000	2024 USD '000	Change %	2025 USD '000	2024 USD '000	Change %
Profit for the Year	36,507	32,312	13	36,696	32,793	12
Other Comprehensive Income that will be Reclassified to Income Statement						
Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	-	-	-	(45)	(247)	(82)
Less: Deferred Tax Charge/(Reversal) on above Items	-	-	-	-	-	-
Net Other Comprehensive Income that will be Reclassified to Income Statement	-	-	-	(45)	(247)	(82)
Other Comprehensive Income that will never be Reclassified to Income Statement						
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	29	4	>100	29	4	>100
Actuarial Gains/(Losses) on Defined Benefit Plans	55	(181)	>100	55	(184)	>100
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	17	(54)	>100	17	(54)	>100
Net Actuarial Gains/(Losses) on Defined Benefit Plans	38	(127)	>100	38	(128)	>100
Net Other Comprehensive Income that will never be Reclassified to Income Statement	67	(123)	>100	67	(124)	>100
Other Comprehensive Income for the Year, Net of Tax	67	(123)	>100	22	(371)	>100
Total Comprehensive Income for the Year, Net of Tax	36,574	32,189	14	36,718	32,422	13
Attributable to:						
Equity Holders of the Company	36,574	32,189	14	36,711	32,446	13
Non-Controlling Interest	-	-	-	7	(24)	>100
Total Comprehensive Income for the Year, Net of Tax	36,574	32,189	14	36,718	32,422	13

A common exchange rate LKR 296 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

Statement of Financial Position (USD)

As at 31 March	Company			Group		
	2025 USD '000	2024 USD '000	Change %	2025 USD '000	2024 USD '000	Change %
Assets						
Cash and Cash Equivalents	30,487	25,021	22	30,658	25,849	19
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2,427	6,497	(63)	2,427	6,497	(63)
Financial Assets at Amortised Cost - Loans and Receivables	668,131	544,904	23	673,213	549,060	23
Financial Assets Measured at Fair Value Through Other Comprehensive Income	558	401	39	558	401	39
Other Financial Assets	71,627	68,834	4	71,583	69,066	4
Other Non Financial Assets	1,484	1,452	2	1,622	1,674	(3)
Investment in Subsidiaries	1,761	2,361	(25)	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	32,856	30,353	8	32,945	30,521	8
Investment Properties	18	-	-	18	17	7
Intangible Assets	227	70	>100	227	76	>100
Deferred Tax Assets	4,243	3,135	35	4,265	3,150	35
Total Assets	813,819	683,028	19	817,516	686,311	19
Liabilities						
Due to Banks	126,391	73,318	72	127,702	74,175	72
Financial Liabilities at Amortised Cost - Due to Depositors	467,895	414,892	13	469,000	415,657	13
Debt Instruments Issued and Other Borrowed Funds	16,910	18,552	(9)	16,910	18,552	(9)
Other Financial Liabilities	14,539	12,695	15	14,545	12,892	13
Other Non Financial Liabilities	5,649	5,228	8	5,809	5,377	8
Current Tax Liabilities	7,374	9,360	(21)	7,394	9,377	(21)
Post Employment Benefit Liability	1,865	1,598	17	1,865	1,605	16
Total Liabilities	640,623	535,643	20	643,225	537,635	20
Equity						
Stated Capital	2,832	2,832	-	2,832	2,832	-
Reserves	32,167	30,312	6	32,544	30,735	6
Retained Earnings	138,197	114,241	21	138,915	114,782	21
Total Equity Attributable to Equity Holders of the Company	173,196	147,385	18	174,291	148,349	17
Non-Controlling Interest	-	-	-	-	327	-
Total Equity	173,196	147,385	18	174,291	148,676	17
Total Liabilities and Equity	813,819	683,028	19	817,516	686,311	19
Commitments and Contingencies	14,220	7,709	84	13,385	6,861	95
Net Asset Value per Share (USD)	0.31	0.27	18	0.31	0.27	17

A common exchange rate LKR 296 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE FINANCE BUSINESS ACT DIRECTION

Compliance with the Finance Business Act Direction No. 5 of 2021 Corporate Governance issued by Central Bank of Sri Lanka

Direction Reference	Governance Principal and Implementation	Compliance status
1	**BOARD'S OVERALL RESPONSIBILITIES**	
1.1	**Overall responsibility and accountability** The Board assumed overall responsibility and accountability for the Company's operations by setting the strategic direction, establishing a robust governance framework, and fostering a strong corporate culture. The Board actively ensured compliance with all applicable regulatory requirements while consistently promoting and reinforcing a sound governance culture. The availability and visible commitment of the Board has demonstrated through its continuous oversight, leadership engagement, and tone at the top to serve as a critical foundation in shaping ethical conduct, integrity, and accountability throughout the organization. The Board functions are listed in direction 1.2 to 1.7 on pages 491 to 494 and Corporate Governance Report on page 264.	Complied
1.2	**Business Strategy and Governance Framework**	
a)	**Approving and overseeing the implementation of strategic objectives and overall business strategy** The Board provides leadership, in approving and overseeing the implementation of strategic objectives and overall business strategy of the Company. The Board also ensures that the necessary financial and human resources are in place for the Company to meet its objectives. The Company's Vision and Mission have served as the foundation for developing Board-approved strategic objectives and corporate values, which have been effectively communicated across the organization. The Board is committed to ensuring that the Company fulfills its responsibilities to shareholders and other stakeholders by ensuring their expectations are comprehended and fulfilled. Amid rapidly evolving market conditions and ongoing developments in the business environment, the Board conducts an annual review of the Company's overall business strategy, ensuring it includes measurable goals. A strategic plan covering the period from 2023/24 to 2025/26 has been established and approved by the Board. This plan has been effectively communicated to all Directors and Senior Management personnel involved in the Company's various operations.	Complied
b)	**Approving and implementing Governance Framework** The company has implemented the Board approved Governance Framework which is in line with the Company's size, complexity, business strategy and regulatory requirements. The Governance Framework of the Company has been reviewed and approved by Board during the year.	Complied
c)	**Periodic assessment of the effectiveness of Governance Framework** A process is in place to periodically assess the effectiveness of the Governance Framework by the Board. Effectiveness of the governance process has been reviewed during the year and the results were presented to the Board for improvements.	Complied
d)	**Appointing the Chairperson and the CEO and define the roles and responsibilities** The Board has appointed the Chairman and MD/CEO and the role of LBF's Chairman is distinct and separate from the MD/CEO, with a clear division of responsibilities between the two. Board approved roles and responsibilities are available for Chairman and MD/CEO of the Company. A brief description of the roles and responsibilities of the Chairman and MD/CEO are given in Corporate Governance report on page 265.	Complied
1.3	**Corporate Culture and Values**	
a)	**Sound corporate culture** The Company has established a sound corporate culture which encourage ethical, prudent and professional behavior of employees of the Company. Various policies, procedures and processes such as HR Policy, Code of Conduct, Anti-Bribery and Corruption Policy, Whistleblowing Policy, Corporate Communication Policy, Share Trading Policy are in place by the Board to strengthen the corporate culture which encourage ethical, prudent and professional behaviors. Processes are in place to communicate the Company's corporate values and to effectively monitor compliance with them	Complied

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
b)	**Establishing the corporate culture and values, code of conduct and managing conflicts of interest** Board approved policy on Code of Conduct and policy on managing conflict of interest are in place to establish the corporate culture and values of the company. The Board believes that the establishment of a strong corporate culture, built on core values, is facilitated through the implementation of a comprehensive code of conduct. The Board approved Code of Conduct serves as a guiding framework for employees, outlining the expected behaviors and ethical standards that shape the Company's culture. The Company's Code of Conduct is reviewed and approved by the Board. Article 97 of Articles of Association on 'Restrictions on Voting' evidences the procedure for a Director to abstain from voting on any Board resolution when there is conflict of interest and he/ she is not to be counted in the quorum. The Company's Corporate Governance Framework and Board approved Policy on conflict of interest also clearly provide guidance on avoiding, managing and disclosing conflicts of interests. The Directors' interests are disclosed to the Board at the start of every meeting. If a Director has an interest in a particular matter, he/she abstains from voting at such meeting and he/she is not counted in the quorum.	Complied
c)	**Promoting sustainable finance** ESG factors are integrated into the Company's overall strategy, decision-making processes, and risk management. By considering ESG factors in decision-making processes, the Board ensures that the Company's actions contribute to sustainable growth and long-term value creation. Identifying the importance of promoting sustainable finance through appropriate ESG considerations, LBF has established a Board Sub-committee, Board Sustainability Committee to formulate a policy on sustainability and oversight the management committee functions. Refer Board Sustainability Committee report on page 302, Integrated Sustainability Report on page 98 for ESG initiatives executed by the Company during the period and Corporate Governance report on page 276.	Complied
d)	**Approving the policy of communication** A Board approved Corporate Communication Policy with all stakeholders including depositors, shareholders, borrowers and other creditors is in place. This policy has enabled effective communication with the public and regulators, contributing to the stability, growth and success of the Company. This policy is reviewed regularly in order to reflect the best practices in communications. The Company's Policy on Relations with Shareholders and Investors explicitly ensures effective and timely communication of material matters and performance updates to shareholders.	Complied
1.4	**Risk Appetite, Risk Management and Internal Controls**	
a)	**Establishing and reviewing the Risk Appetite Statement (RAS)** The Board is responsible for overseeing a strong risk management framework. The Board takes an active role in defining the risk appetite and ensuring its alignment with the Company's business strategy, Governance Framework and capital. A Board approved RAS is in place and regularly monitored through the Board Integrated Risk Management Committee (BIRMC). The risk management department submits a monthly report to the Board comparing the actual position against the risk appetites, highlighting breaches and near breaches along with respective justifications and action plans The RAS last reviewed and approved by the Board in January 2025.	Complied
b)	**Implementation of systems and controls to identify, mitigate and manage risks** The Board oversees the company's overall risk management process. The Board has appointed the BIRMC to review and recommend the company's risk policies and procedures defining the risk appetites, identifying principal risks, setting governance structures and implementing policies and systems in line with the Integrated Risk Management Framework to identify, manage and mitigate the principal risks of the company. Risk management policies, procedures and frameworks are reviewed and recommended by the BIRMC to the Board based on the internal and external regulations and industry best practices. The BIRMC submits a Risk Assessment Report to the Board within seven days of each meeting. The Integrated Risk Management Report on pages 311 provides further insight in this regard.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
c)	**Adequacy and Effectiveness of the internal control systems and Management Information Systems (MIS)** The Board ensures that the management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Internal Controls are designed, among other things to ensure that, each key operations have a policy, process or other measures as well as a control to ensure that such policy, process or other measure is being applied and works as intended. The Board Audit Committee (BAC) has been delegated to regularly review the Company's internal control systems and Management Information Systems (MIS). The BAC has put a process in place to periodically ensure the adoption of sound internal control systems and MIS. The Chief Internal Auditor provides independent assurance to the BAC on the integrity of the Internal Control Systems and the MIS through their annual review of Control Assessment Forms and routine internal audit engagements. Related reports were tabled at the monthly BAC meetings. System and observations were monitored by the Board through BAC, which confirmed that the internal control system and the Management Information System provide a reasonable assurance.	Complied
d)	**Approving and overseeing Business Continuity Plan and Disaster Recovery Plan** The Board approved Business Continuity management policies are in place for business continuity planning and disaster recovery planning. The Business Continuity Management Committee (BCMC) is appointed to provide strategic direction and support in establishing, implementing, operating, monitoring, reviewing and improving the business continuity management systems of the Company. A frequent BCM drills are conducted covering core business units of the organization to ensure the effectiveness of the Company's business continuity and disaster recovery planning. Board approved business continuity plan and disaster recovery plan is in place and regularly reviewed by the Board to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Complied
1.5	**Board Commitment and Competency**	
a)	**Devoting sufficient time on matters relating to affairs of the Company** The Board of Directors devote sufficient time on dealing with the matters relating to affairs of the Company. The Board meets on monthly intervals and Board Sub Committees meet monthly, every other month or quarterly intervals as stipulated in the respective Terms of Reference of each Sub Committee.	Complied
b)	**Qualifications, skills, knowledge, and experience of Board of Directors** Appointments to the Board are recommended by the Board Nomination and Governance Committee (BNGC). The Directors including Non-Executive Directors possess necessary qualifications, adequate skills, knowledge and experience to discharge their duties. Refer the detailed profiles of the Board of Directors on pages 254 to 259.	Complied
c)	**Training and development needs of the Board of Directors** A process is in place to provide an appropriate induction and ongoing training to every Director of the Board. The Board reviews the training and development needs through Board's annual performance evaluation. The details of the training provided to Board members are stated in the corporate governance report on page 273.	Complied
d)	**Self-assessment of the Directors, Sub Committees and the Board** Annual self-assessments are performed at the end of each financial year which cover individual performance of each Director and performance of Board as a whole and of Board Sub Committees. The self-evaluation of the Board and Sub-Committees are minuted by respective Secretaries and such records are maintained for effective usage of self-assessment process. The process followed to perform the self-evaluation of the Board members are detailed in the corporate governance report on page 275.	Complied
e)	**External independent professional advice** A Board approved procedure is in place in this regard. Governance Framework of the Company includes provisions in obtaining independent professional advice to the Board of Directors as and when necessary at Company's expenses to discharge their duties. However, no such instances have occurred during the year when discharging their duties effectively	Complied

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
1.6	**Oversight of Senior Management**	
a)	**Identifying and designating Senior Management** The positions that can be significantly influenced the Company's policies, direct activities, exercise control over business operations and risk management, have been identified by the Board and designated as Senior Management of the Company. Refer Company's organization chart on page 544.	Complied
b)	**Areas of authority and key responsibilities for the Senior Management** Accountability and responsibility are delegated to Senior Management officers through the implementation of various policies, procedures, and Job Descriptions (JD). Board approved areas of authority and key responsibilities are available for Senior Management.	Complied
c)	**Qualifications, skills, experience and knowledge of Senior Management** The Company adopts a stringent procedure in recruiting all Senior Management positions as described in the HR Policy. Predefined qualifications, skills, knowledge and experience are stated in the respective JDs. Independent functions related recruitments are referred to the respective Sub Committee for their inputs. The approval for Key Responsible Persons (KRPs) are obtained from CBSL. All the Senior Management personnel possess necessary qualifications, skill, experience and knowledge to perform their assigned functions. Refer the profiles of Senior Management on corporate website	Complied
d)	**Oversight of the affairs of the Company by Senior Management** Oversight of the affairs of the Company by its Senior Management takes place at the regular Board meetings and Sub-Committee meetings. Senior Management personnel make regular presentations to the Board on matters under their purview.	Complied
e)	**Succession plan for Senior Management** A Board approved one to one succession plan is available for Senior Management personnel including MD and Executive Directors. A process is in place to regularly review and update the plan with Board approval.	Complied
f)	**Regular meetings with Senior Management** The Senior Management are regularly invited to make presentations and participate in discussions on their areas of responsibility at the Board and its Sub Committee meetings and progress towards corporate strategic objectives is a regular agenda item for the Board where Senior Management Personnel are involved regularly.	Complied
1.7	**Adherence to the Existing Legal Framework**	
a)	**Protecting the Interests of Depositors, Shareholders, and Stakeholders** Well-established systems and controls are in place for the Board to ensure that Company carries out its activities to the best interest of and obligations to depositors, Shareholders and other stakeholders The Board affirms that the Company has not acted in a manner that is detrimental to the interest of and obligations to any stakeholder.	Complied
b)	**Compliance with relevant laws, regulations, directions and ethical standards.** Fully fledged Compliance department is established to ensure whether company carries out its activities in adherence to the relevant laws, regulations, directions and ethical standards. The compliance officer report periodically to BIRMC and BAC on status of the compliance. The Board Audit Committee obtains periodic independent assurance from the internal audit department when discharging their duties. Procedures are in place to obtain periodic assurance by the Board and the Board affirms that the Company adheres to relevant laws, regulations, directions and ethical standards to the best of their knowledge.	Complied
c)	**Acting with due care and prudence, and with integrity and avoid potential civil and criminal liabilities that may arise from Board's failure to discharge the duties diligently** The Board of Directors act with due care, prudence and with integrity to drive the company for a sustainable growth.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
2	**GOVERNANCE FRAMEWORK**	
2.1	**Development of a Governance Framework** The Board has developed and implemented comprehensive Governance Framework including, but not limited, to the following key aspects of good governance. The governance framework was last reviewed and approved by the Board in March 2025 a. Roles and responsibilities of the Board on page 264 b. Matters assigned for the Board on page 264 c. Delegation of authority on page 273 d. Board Composition on page 253 e. Board independence on page 253 f. Nomination, election, appointment of Directors and Senior Management on page 271 g. Management of conflict of interest on page 273 h. Access to information and obtaining independent advice on pages 269 and 270 i. Capacity building of Board members on page 277 j. Board's performance evaluation on page 274 k. Role and responsibilities of Chairman and CEO/MD on page 265 l. Role of Company Secretary on page 266 m. Board's Sub-Committees, their role and performance evaluation on pages 266 and 274 n. Limits on related party transactions on pages 274, 299 and 506	Complied
3	**COMPOSITION OF THE BOARD**	
3.1	**Ensuring the Board composition appropriate for the size, complexity and risk profile of the company** Appointments to the Board are recommended by the BNGC. Before recommending to the Board, the nominations to the Board are evaluated by the BNGC providing due reference to the size, complexity and current risk profile of the Company. The Directors including Non-Executive Directors are eminent persons with necessary qualifications, adequate skills and knowledge, expertise and experience to bring an independent judgment and their detailed profiles are on pages 256 to 259.	Complied
3.2	**Number of Directors on the Board** As at 31 March 2025, the Board of Directors comprised twelve (12) members which is within the statutory limit required by the direction. The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors.	Complied
3.3/ 3.4	**Service period of Non-Executive Directors** The service period of all Non-Executive Directors has not exceeded nine years, except for Ms. Yogadinusha Bhaskaran, a Non-Executive Director representing a shareholder holding more than 10% of the voting rights in the Company. Ms. Bhaskaran has completed nine-year term during the financial year and an extension was granted to her by the Director of the Department of Supervision of Non-Bank Financial Institutions, under the provisions of Section 3.4 Service period of all Directors are disclosed on page 269.	Complied
3.5	**Executive Directors**	
a)	**Criteria for Executive Directors** The responsibility of nominating, electing and appointing of Executive Director to the Board was delegated to the BNGC. Four (4) out of the twelve (12) Directors are Executive Directors as at 31.03.2025.	Complied
b)	**Shareholding of Executive Directors and Senior Management** Executive Directors or Senior Management does not hold more than 10% of the voting rights of the Company.	Complied
c)	**Appointment of an Executive Director as MD/CEO** Mr. Sumith Adhihetty is an Executive Director and is designated as MD/ CEO of the Company.	Complied
d)	**Availability of Functional reporting lines of Executive Directors** All four (4) Executive Directors are assigned to specific functional areas in the Company where there are clear functional reporting lines. Refer the organization chart on page 544 for more details.	Complied

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
e)	**Reporting lines of Executive Directors to Board of Directors** The Deputy Managing Director and two (2) Executive Directors are reported to the Board of Directors through the MD/CEO of the Company. Refer the organization chart on page 544 for more details	Complied
f)	**Holding Executive Directorships and Senior Management positions by Executive Directors.** All the Executive Directors including MD has declared that they do not hold any Executive Directorships or Senior Management positions in any other entity.	Complied
3.6	**Non-Executive Directors**	
a)	**Skills, experience and credible track records of Non- Executive Directors** All appointments to the Board are recommended by the BNGC. Directors including Non-Executive Directors are eminent persons who possess credible track records and have necessary knowledge, skills, expertise and experience to bring an independent judgment on the issues of strategy, performance, resources and standards of business conducts. All Non-Executive Directors are actively engaged in providing their independent judgment on various matters under discussion through Board Sub-committees. Refer detailed profiles of the Board on pages 256 to 259.	Complied
b)	**Separation of Roles Between Executive and Non-Executive Directors** An Executive Director functions as the MD/CEO of the Company. No Non-Executive Director has been appointed or functioned as MD/ CEO or Executive Director of the Company.	Complied
3.7	**Independent Directors**	
a)	**Minimum number of Independent Directors** Four (4) out of twelve (12) Directors are Independent Directors.	Complied
b)	**Qualifications and experience of Independent Directors** The Independent Non-Executive Directors of the Company bring a diverse range of skills and experience to the Board, contributing to effective governance and decision-making. Their collective expertise encompasses various fields, including finance, risk management, legal, regulatory compliance, technology, strategy, and industry knowledge. This diverse skill set enables them to provide valuable insights, independent judgment, and constructive challenge to executive management. The Independent Non-Executive Directors' extensive professional backgrounds and experience in different sectors strengthen the Board's ability to navigate complex challenges, anticipate emerging trends, and drive the Company's long-term success while upholding the highest standards of Corporate Governance. The Board's detailed profiles are on pages 256 to 259 and collective experties are given in Corporate Governance Report on page 272.	Complied
c)	**Independent criteria of Independent Directors** The Board annually evaluates the independence of the Directors based on the Directors' self-declarations. The independence of each Non-Executive Director is assessed with reference to the criteria set out in this direction, along with applicable regulatory requirements and code of best practices on corporate governance issued by CASL. As at 31.03.2025, the Board determined five (5) out of eight (8) Non-Executive Directors are as independent.	Complied
d)	**Determining any other factors affecting to the independence of the Directors** The BNGC and the Board assess whether there are any circumstances or relationships, beyond those specified in the direction, that could potentially influence the independence of a director or create a perception that their independence may be compromised at the annual evaluation process. However, no such incidents were occurred during the year.	Complied
e)	**Immediate disclosure of circumstances that affect the independence of the Directors** A process is in place to disclose immediately to the Board on any change in circumstance that may affect the independence of an Independent Non-Executive Director. No such changes in the status of the independence were reported to the Board during the year.	Complied
3.8	**Alternate Directors**	
a,b,c,d	**Appointment of Alternate Directors** No Alternate Directors were appointed by the Directors during the year. No Director on the Board was unable to perform their duties as a result of illness, nor did any Director miss three consecutive Board meetings due to being overseas.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
e)	**Independent requirement for Alternate Director appointed for an Independent Director** When Alternate Director is appointed for Independent Non-Executive Director, the Board ensures that the person so appointed shall meet the criteria that apply to an Independent Director. However, there were no Alternate Directors appointed during the year 2024/25.	Complied
3.9	**Cooling off Periods**	
a)	**Cooling off period for Directors** BNGC monitors the requirement of cooling off period as per this direction. However, no such appointments were made during the year 2024/25.	Complied
b)	**Cooling off period for Independent Directors** BNGC and the Board monitor the requirement of cooling off period as per this direction. However, no such appointments were made during the year 2024/25.	Complied
3.10	**Appointment of a Director or a Senior Management of the Company as a Director of another LFC** No Director or member of Senior Management has been nominated, elected or appointed as a Director of another LFC during the financial year.	Complied
3.11	**Limit on holding Directorships by a Director of the Company** No Director hold Directorships or any equivalent positions in more than 20 companies/societies, bodies including Subsidiaries of the Company. Directorships hold by Board Members are disclosed in Profiles of the Board of Directors in pages 256 to 259	Complied
4	**ASSESSMENT OF FIT AND PROPER CRITERIA**	
4.1	**Fitness and Propriety of Directors** Fitness and Propriety of Directors are assessed annually in terms of the requirements of the Finance Business Act Direction no. 6 of 2021- Assessment of Fitness and Propriety of Key Responsible Persons.	Complied
4.2	**Maximum age of new Directors** The Age of the MD/CEO has exceeded 70 years and necessary approvals were obtained from Central Bank of Sri Lanka for such appointment in compliance with section no. 4.3 of this direction.	Complied
4.3	**Maximum age of existing Directors** The Age of the MD/CEO has exceeded 70 years and necessary approvals were obtained from Central Bank of Sri Lanka for such appointment as per this direction.	Complied
5	**APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT**	
5.1	**The appointments, resignations or removals of Directors and Senior Management** All the appointments and resignations to the Board and Senior Management positions were made in accordance with the Finance Business Act direction no. 6 of 2021- Assessment of Fitness and Propriety of Key Responsible Person. All Board members have completed their fitness and propriety assessments during the year.	Complied
6	**THE CHAIRPERSON AND THE CHIEF EXECUTIVE OFFICER**	
6.1	**Clear division of responsibilities between the Chairperson and CEO** Board approved Governance Framework provide clear division of responsibilities between the Chairperson and the MD. Refer Corporate Governance report on page no. 265 for more details.	Complied
6.2/6.3	**Independence of Chairperson and Appointment of a Senior Director** The Chairman is a Non-Independent non-executive Director. Independent Non-Executive Director, Mr. Ashane Jayasekara was appointed as Senior Director with the Board approved TOR to ensure a greater independent element in the Board. Non-executive Directors and Senior Director assess the Chairman's performance annually.	Complied
6.4	**Responsibilities of the Chairperson**	
a)-j)	**Responsibilities of Chairperson** The Chairman is responsible to provide leadership, guidance, and oversight to the Board, ensuring that it operates effectively, fulfills its responsibilities, and acts in the best interests of the organization and its stakeholders. Board approved Governance Framework includes the comprehensive set of responsibilities of the Chairman including the responsibilities set out in this direction. Refer page 265 for more details on the Chairman's responsibilities	Complied

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
6.5	**Responsibilities of the MD/ CEO**	
a)-g)	**Responsibilities of the MD/CEO** In terms of duties and responsibilities of the MD/CEO, he is the apex executive who is responsible for day-to-day operations of the Company with the assistance of Deputy Managing Director, Executive Directors and members of the Senior Management and is accountable to the Board to recommend the Company's strategy implementation and ensure appropriate internal controls are in place to assess and manage risks. Board approved Governance Framework includes a comprehensive set of responsibilities of the MD / CEO including the responsibilities stated in this direction. Refer page 265 for more details on the MD/ CEO's responsibilities.	Complied
7	**Meetings of the Board**	
7.1	**Regular Board meetings** The Board meets regularly approximately at monthly intervals and special Board meetings are convened whenever necessary. The Board met on twelve (12) occasions during the year 2024/25. The consent of the Board is usually obtained at meetings with due notice given with Board papers. Consent obtained by circulation has been kept at minimal.	Complied
7.2	**Directors to include matters and proposals in the agenda** The Board approved process is in place which enable equal opportunities for all the Directors to include matters and proposals in the agenda for regular Board meetings. Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals to the agenda.	Complied
7.3	**A notice of Board Meetings** Board meeting dates were agreed by the Board members in advance for the calendar year. Agenda and all Board papers are uploaded through a secured link to iPad for Directors to remotely access seven (7) days prior to the Board meetings.	Complied
7.4	**Directors to devote sufficient time to prepare and attend to Board meetings** The agenda and Board papers are uploaded through a secured link to ipad in advance and Directors have suffient time to prepare for the meetings. All the Directors actively contribute at the Board meetings by providing views and suggestions to the best interest of the Company.	Complied
7.5	**Quorum of the Board meetings** All Board meetings held during the financial year were duly constituted with one half (1/2) of the number of Directors present and one fourth (1/4) of the number of Directors constituting the quorum being Independent Directors.	Complied
7.6	**Board meetings without the presence of Executive Directors** Two (2) meetings were held by the Chairperson without the presence of the Executive Directors to facilitate effective communication, engagement, and collaboration within the Board. This process supports the smooth functioning of the Board and enhance the overall Governance and decision-making processes.	Complied
7.7	**Director abstain from voting relating to matters of relating to him** Board approved conflict of interest Policy is in place where a Director is required to abstain from voting in relation to a matter in which such Director or his/her relatives or a concern in which he/she has substantial interest.	Complied
7.8	**Attendance of Directors at Board meetings** All Directors have attended at least two-third (2/3) of the meetings held during the year and no Director has been absent from three consecutive regular Board meetings during the financial year 2024/25. Refer page 269 for details of individual Directors' attendance at Board meetings	Complied
7.9	**Scheduled Board Meetings and Ad Hoc Board Meetings** Participation in person is encouraged for all scheduled Board Meetings. All twelve (12) Board meetings were held physically. Directors attendance details of the Board meetings are disclosed on page 269.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
8	**COMPANY SECRETARY**	
8.1	**a) appointment of a Company Secretary** In house company secretary was appointed who is in the Senior Management grade to handle the secretarial services to the Board and shareholder meetings, other functions specified in the statutes and other regulations.	Complied
	b) Qualifications of Company Secretary The Company Secretary is an employee of the Company and holds the qualifications prescribed under Section 222 of the Companies Act, No. 07 of 2007.	Complied
8.2	**Access to advice and services of the Company Secretary** A Board-approved Governance Framework is in place enabling all Directors to access the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed. Directors have separate and independent access to the Company Secretary.	Complied
8.3	**Delegating responsibilities to the Company Secretary** Preparation of the agenda is delegated to the Company Secretary and is approved by the Chairman.	Complied
8.4	**Maintaining minutes of the Board** The Company Secretary maintains meeting minutes and circulates them to all Board members which shall be open for inspection at any reasonable time to any Director. Additionally, the Directors have access to past Board papers and minutes through a secure electronic link. The Company Secretary maintains minutes with all submissions for a minimum period of six (6) years.	Complied
8.5	**Maintenance of Board minutes in an orderly manner** The Company Secretary maintains meeting minutes in an orderly manner and in accordance with the procedures outlined in the Company's Articles of Association.	Complied
8.6	**Recording minutes of Board meetings with sufficient details** The Company Secretary maintains Board minutes with sufficient details. The Board meeting minutes included the minimum of the following to assess whether the Board has acted with due care and prudence in performing its duties; a) Data and information used by the Board in its deliberations, b) Matters considered by the Board, c) Fact-finding discussions and issue of contentions or dissent including contribution of each Director, d) Explanations and confirmations from relevant parties on compliance of strategies, policies, laws, regulations and directions, e) Board's understanding and knowledge on company related risks and risk management measures adopted, f) Decisions and Board resolutions.	Complied
8.7	**Inspection of minutes** The Board approved Governance Framework includes provisions to inspect Board minutes by Directors.	Complied
9	**DELEGATION OF FUNCTIONS BY THE BOARD**	
9.1	**Delegation of authority** The Board approved Policy on Delegation of Authority is in place to give clear directions to the Senior Management, as to the matters that can be approved by the Board before decisions are made by the Senior Management, on behalf of the Company.	Complied
9.2	**Absence of Board Sub Committees** All the required Sub Committees are in place with Board approved TOR as required by the direction.	Complied
9.3	**Senior Management Committees** The Board has established management level committees such as ALCO, Credit Committee, ITSSC, Sustainability Committee, Business Continuity Management Steering Committee, Operational Risk Management Committee to assist Board in effective decision making. Refer Management Committees, related tasks and composition on page 267.	Complied

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Direction Reference	Governance Principal and Implementation	Compliance status
9.4	**Delegation of matters to Sub Committees, Executive Directors or Senior Management** Board approved Governance Framework includes key areas assigned for the Board which cannot be delegated to Board Sub Committees, Executive Directors or Senior Management. Refer the Corporate Governance report on page 264 for details.	Complied
9.5	**Periodic review of authority delegation process** Delegation arrangements are reviewed periodically to ensure that they remain relevant to the needs of the Company. The Policy on delegation of authority was last reviewed and approved by Board in January 2024.	Complied
10	**BOARD SUB-COMMITTEES**	
10.1	**Board Sub-Committees on asset base**	
	FCs with asset base of more than Rs. 20 bn	
a)	**Establishment of Board Sub Committees** Sub-committees The Following Sub Committees have been appointed by the Board and each such committee is required to report to the Board. 1. Board Audit Committee on page 289 2. Board Integrated Risk Management Committee on page 294 3. Board Nomination and Governance Committee on page 297 4. Board Human Resource and Remuneration Committee on page 298 5. Board Related Party Transactions Review Committee on page 299 6. Board Information Security Committee on page 301 7. Board Sustainability Committee on page 303 Recommendations of these committees are addressed directly to the Board and minutes of meetings are tabled and discussed at the Board meeting. Meetings Meetings are held as defined in the direction or more frequently as per the respective TOR of the Sub-Committee. BAC meetings are held on monthly basis and BIRMC meetings are held on every other month. All other committees met more frequently than mandated in this direction.	Complied
b)	**Terms of reference** Board Approved TOR is available for each Board Sub Committee which clearly specified its authorities and duties.	Complied
c)	**Report on performance of duties and functions of Sub Committees** The Company has presented reports on the performance, duties and functions of each Board sub committee in the Annual report for the financial year 2024/25 Refer respective Board Sub-Committee reports for more details on pages 289 to 303	Complied
d)	**Appointment of a Secretary to Sub Committees** Company Secretary functions as the Secretary for the Board Sub Committees except for BAC and BIRMC where Chief Internal Auditor and AGM – Risk Management function as the secretary to the committees respectively. Meetings for each committee are scheduled and informed to the committee members at the beginning of each calendar year. The minutes and submissions are maintained by the secretary under the supervision of the chairperson of each committee.	Complied
e)	**Minimum number of Directors of each Sub Committee** Each Committee comprises at least three (3) Board members who possess skills, knowledge and experience relevant to the responsibilities of the Board Sub Committees. Composition of the Board Sub Committees are disclosed in the page 267 of the annual report.	Complied
f)	**Occasional rotation of members** Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required.	Complied
10.2	**Board Audit Committee**	
a)	**The Chairperson of the Board Audit Committee** The Committee is chaired by an Independent Non-Executive Director who is a fellow of the Institute of Chartered Accountants of Sri Lanka (CASL) and the Chartered Institute of Management Accountants (CIMA), UK, with over 20 years of experience in diverse areas including accounting and auditing.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
b)	**Composition of BAC** All three (3) members of the Committee are Non-Executive Directors out of which two (2) of them are Independent. All committee members carry necessary qualifications and experience relevant to the scope of BAC. Refer profiles of the board of directors on page 256 to 259.	Complied
c)	**Secretary of the Board Audit Committee** Chief Internal Auditor functions as the Secretary to the Committee.	Complied
d)	**External Audit Function**	
I)	**Appointment of the External Auditor** The BAC has recommended the appointment of M/S KPMG Sri Lanka, Chartered Accountants as External Auditor for audit services for the period of 2024/25 subject to the provisions stipulated in this direction. The BAC made recommendations on matters relating to the application of accounting standards in consultation with the Chief Financial Officer and External Auditors, the service period, audit fees, resignation or dismissal of an auditor, re-engaging the audit partner in line with the regulatory requirements.	Complied
II)	**Service period of the External Audit firm and audit partner** Engagement period of the External Audit firm and audit partner commenced from the current financial year.	Complied
III)	**The External Audit Partner** Audit Partner is not a Director or employee and does not hold any Senior Management position of the Company. A declaration has been obtained confirming that the audit partner does not hold any shares of the Company.	Complied
IV)	**Independence and objectivity of External Auditor and effectiveness of the audit process** The External Auditor has provided a confirmation on their independence in compliance with the guidelines for appointment of auditors of listed companies. Also, self-declaration was provided by the auditor on their independence at before commencement and after completion of the audit. In order to safeguard the objectivity and independence of the External Auditor, the BAC reviewed the nature and scope taking in to account of the applicable regulations, guidelines and best practices	Complied
V)	**Provision of non-audit services by the External Auditor** The BAC with the approval of the Board of Directors developed and implemented a policy for engagement of externa auditors to provide non-audit services in order to ensure that the non-audit services do not impair the independence and objectivity of the External Auditor. The said policy addresses the skills and experience of the auditor, treatments to independence, objectivity and fee for the non-audit services was last reviewed and approved by the Board in August 2024.	Complied
VI)	**Determine the nature and scope of the audit** The Auditors make a presentation at the BAC meeting with details of the proposed audit plan and the scope including assessment of company's compliance with regulatory requirements and internal controls over financial reporting, preparation of financial statements in conformity with relevant accounting principles and reporting obligations, and co-ordination between the other Auditor of the group. Members of the BAC obtain clarifications in respect of the contents of the presentation, if deemed necessary.	Complied
VII)	**Review of financial information of the company by the Board Audit committee** Annual and quarterly financial statements are circulated well in advance to the BAC. A detailed discussion focused on major judgement areas, changes in accounting policies and practices, significant audit judgements in the financial statements, going concern assumptions and compliance with accounting standards and other legal requirements takes place and required clarifications are obtained in respect of all areas before being recommended for Board approval.	Complied
VIII)	**Meetings with External Auditor without Senior Management being present** The BAC met the External Auditors without the presence of the Executive Directors and Senior Management in two (2) times during the financial year 2024/25 to discuss issue, problems and reservations arose during the audit.	Complied
IX)	**Review of external Auditor's management letter and management response** The BAC has reviewed the management letter for year 2023/24 and Senior management responses thereto at very next BAC monthly meeting, but not later than three months of its submission, and reported to the Board.	Complied
e)	**Review of effectiveness of the system of internal controls** A process is in place to obtain self-declaration from the respective process owners on the internal controls put in place to mitigate the potential risks. Risk management department reviews the control assessment forms prepared by each process owner, and the BAC through Internal Audit Department validated the compliance and effectiveness of the Internal control system of the Company. A report of such review is included in the pages 306 to 307 in the annual report of the Company.	Complied

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Direction Reference	Governance Principal and Implementation	Compliance status
f)	**Senior Management taking necessary corrective actions on findings made by auditors and supervisory bodies** The Committee continuously follows up the Management letter and other reports issued by the regulatory bodies, internal and external auditors to ensure that necessary corrective actions are taken to address any internal control weaknesses, non-compliance with policies, laws and regulations.	Complied
g)	**Internal Audit function:**	
I)	**Establishment of an independent Internal Audit function** A fully-fledged Internal Audit Department (IAD) is in place to provide independent assurance to the committee on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and processes.	Complied
II)	**Mandate, independence and reporting line of Internal Audit Function** The Chief Internal Auditor directly reports to the BAC. Internal Audit function have a clear mandate to carry out its functions within the Company. The BAC reviews and ensures that Internal Audit function has sufficient expertise and authority to carry out its work independently, effectively and objectively. A Board approved Internal Audit procedure manual is in place for effective discharging of its duties. The Internal Audit procedure manual was last reviewed and approved by the Board in June 2024.	Complied
III)	**Review of internal audit function** The BAC has reviewed the information provided in the risk- based audit plan and concluded that scope, functions, skills and resources of the Internal Audit Department (IAD) are sufficient to carry out its functions. The Committee ensured that the internal audit function is independent of the activities it audits and provided necessary authority to perform its duties effectively and objectively. The BAC has reviewed and approved the Internal Audit Plan for the Financial Year. The Committee meets at monthly intervals to effectively discharge its duties. The Committee reviewed and discussed the Internal Audit programmes and reports tabled by the Chief Internal Auditor and ensured that appropriate action is taken by the management on the Internal Audit recommendations. Relevant Senior Management personnel are invited for such discussions. The Committee follows up through the IAD until the matters are being remediated as per the action plan. BAC has evaluated the performance of Chief Internal Auditor and senior staff members who are one level below Chief Internal Auditor during the year. The BAC ensured the independence of the Internal Audit function from the activities it audits and ensured that audits are conducted with impartiality, proficiency, and due professional care and confidentiality was maintained throughout the audit process. The Internal Audit Department staff reports directly to the Chief Internal Auditor, who in turn reports directly to the BAC. All these aspects are clearly covered in the Internal Audit Procedure manual to establish uniformity in all engagements. The IAD team conducts periodic reviews of regulatory reporting submitted to authorities such as the CBSL, FIU, and IRD. The annual audit plan also included a review of the Compliance function during the year. Whenever a need arises, the BAC and Senior Management assign special internal investigations on certain matters to the Internal Audit Department and reviews major findings with the management responses thereto and ensures that the recommendations are implemented.	Complied
h)	**Review of statutory examination reports of CBSL** The progress of implementing the time-bound action plan on statutory investigation report issued by CBSL (on-site investigation report) has been reviewed at its monthly meetings by BAC and ensured whether corrective actions are taken in a timely and effective manner	Complied
i)	**Meetings of the Committee**	
I)	**Meetings of the Board Audit Committee** The BAC meeting dates were agreed to by Committee members in advance for the calendar year. The Committee meets regularly, at least monthly, and the agenda, minutes and all other Committee papers are uploaded through a secure link to iPad for Committee members to access seven days prior to the BAC meetings Chief Internal Auditor functions as the Secretary to the committee. All matters discussed are duly recorded in detail including the conclusions made in discharging Committees duties and responsibilities The Committee met thirteen (13) times during the year and the attendance at those meetings is set out on page 269 in the Board attendance report.	Complied
II)	**Participants of the Board Audit Committee meetings** In addition to the Members of the BAC, MD/ CEO, DMD, Executive Directors, Chief Internal Auditor and Chief Financial Officer attended to the meetings by invitation. Other Senior Management personnel are attended to the meeting by invitation, as when a related matter is taken up for discussion.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
III)	**Private Meetings with the External auditor** Two (2) meetings were held with the External Auditors during the year without the presence of any other Directors, Senior Management or employees.	Complied
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
a)	**Composition of Board Integrated Risk Management committee** The Chairman of the Committee is an Independent Non-Executive Director. The Committee consists of three (3) Non-Executive Directors with sufficient knowledge and experience in banking, finance, risk management and practices. Majority of the Committee members are Independent Non-Executive Directors. The CEO/MD, DMD, Executive Directors, Assistant General Manager – Risk Management (AGM-RM) and relevant Senior Management personnel attend by invitation. The Committee closely work with Senior Management personnel and makes decisions on behalf of the Board within the Board approved Terms of Reference of the Committee.	Complied
b)	**Secretary of the Board Integrated Risk Management Committee** AGM-RM functions as the Secretary to the Committee.	Complied
c)	**Risk Assessment** The Committee has Board approved policies on key risk types including credit risk management, operational risk management, liquidity risk management, technology risk management and overall enterprise risk management which provide a framework for management and assessment of risk. Reports on quantitative as well as qualitative risks are presented on every other month to the Board through BIRMC incorporating appropriate risk indicators, management information and make recommendations on risk strategies and risk appetites. Refer the BIRMC report on page 294 for more details.	Complied
d)	**Development of a Risk Appetite Statement** Board approved RAS is in place which identifies the risk tolerance limits of the Company. RAS includes quantitative measures in relation to earnings, capital, liquidity etc. The RAS defined the boundaries and business considerations which the Company expected to operate. Risk appetite is monitored by the AGM-RM regularly and reports to the BIRMC any identified risks. A dedicated Compliance Officer is in place at Senior Management level to provide assurance to the Board through BIRMC on statutory, regulatory and other compliance related matters.	Complied
e)	**Review of Risk policies and Risk Appetite statement** Risk policies and RAS are reviewed by the BIRMC on an annual basis. All risk related policies including RAS recommended by BIRMC have been reviewed and approved by the Board during the year.	Complied
f)	**Review the adequacy and effectiveness of Senior Management level Committees** The Committee reviews the adequacy and effectiveness of Senior Management level committees to address specific risks and manage those risks within quantitative and qualitative risk limits as specified by the committee. Refer Senior Management level Committees and its' scope and composition on page 268.	Complied
g)	**Assessing of all aspects of risk management including business continuity and disaster recovery plans** The Committee has reviewed all risk management aspects of the Business Continuity Plan and Disaster Recovery Plan during the year. Refer BIRMC Report on page 294 for more details.	Complied
h)	**Assessment of performance of Compliance Officer and Chief Risk Officer** The Committee assessed the performance of the Compliance Officer and AGM - RM during the year.	Complied
i)	**Compliance function**	
I)	**Independent Compliance function** Independent Compliance function is in place with adequate resources to assess the Compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved policies on the Business operations.	Complied
II)	**Appointment of a dedicated Compliance Officer (LFCs with assets base more than Rs. 20 Bn)** A Senior Management Officer with appropriate seniority has been designated as the Company's Compliance Officer. This Compliance Officer reports directly to the BIRMC and does not engage in any management, operational activities, or income-generating functions while fulfilling his role as the Compliance Officer. The Board approved Compliance Policy is in place to govern the Compliance function of the Company.	Complied

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Direction Reference	Governance Principal and Implementation	Compliance status
III)	**Appointment of a dedicated Compliance Officer (LFCs with assets base less than Rs. 20 Bn)** Not applicable	Not applicable
IV)	**Responsibilities of the Compliance Officer** The Job Description (JD) of the Compliance Officer has been reviewed by the BIRMC in Compliance with in this direction and best practices. The Compliance Officer's JD and Compliance Policy cover mainly, but not limited to the following; • Minimizing the regulatory risk by developing and implementing policies and procedures. • Establishing Compliance culture through proper communication • Regular reviews on regulatory rules and internal Compliance standards • Applying new legal and regulatory developments applicable to the Company • Early involvement in ensuring conformity with regulatory, internal Compliance and ethical standard requirements when designing new products or systems. • Addressing serious or persistent compliance issues within acceptable timeline, in concurrence with the management • Maintaining good working relationship with the regulators.	Complied
j)	**Risk management function**	
I)	**Establishment of an independent risk management function** The BIRMC has established an independent risk management function for managing risk-taking activities across the Company.	Complied
II)	**Risk Management department and dedicated Chief Risk Officer** Separate risk management department is established with a dedicated AGM – RM to carry out risk management function and reports to the BIRMC directly.	Complied
III)	**Implementing the risk management policies and processes including RAS** The AGM – RM of the Company has taken measures to implement the Risk management policies and monitor the Risk Appetite based on the Board approved RAS. The AGM – RM ensures that Company's risk management function is robust and effective to support the strategic objectives to fulfill stakeholder objectives.	Complied
IV)	**Developing and implementing a Board approved integrated risk management framework** The Committee has a Board approved Integrated Risk Management Framework, which provides guidance for the management and assessment of all material risks, that the company is exposed toAccordingly, regular reports on quantitative as well as qualitative risks are being reviewed by the Committee in discharging its responsibilities as per the terms of reference. The risk management framework covers: potential risks and frauds, possible sources of such risks and frauds, process of identifying, assessing, monitoring and reporting such risks, controls and mitigating factors and accountabilities. The BIRMC reviews and updates the framework at least on annual basis.	Complied
V)	**AGM – RM participating in decision making related to capital and liquidity planning and new product/service development** The AGM – RM actively participates in ALCO meetings where key decisions on capital and liquidity planning are made. Additionally, a structured process exists for the development and implementation of new products and services, with the AGM – RM playing a key role in risk identification and mitigation.	Complied
VI)	**Maintaining an updated risk register** The updated risk register is submitted to the BIRMC on each BIRMC meeting which will be held on every other month.	Complied
VII)	**Submission of risk assessment report by BIRMC to the Board meeting.** The Committee had kept the Board informed of their risk assessment of the Company by forwarding a risk report for upcoming Board meeting seeking Board's views and directions.	Complied
10.4	**Board Nomination Committee (BNC)**	
a)	**Composition of the BNC** The Board has established Board Nomination and Governance Committee (BNGC) which comprised three (3) Non-Executive Directors out of whom majority are independent. Independent Non-Executive Director was appointed as the Chairman of the Committee. The CEO/MD attended the meeting by invitation.	Complied
b)	**Secretary of the BNC** The Company Secretary functions as the Secretary to the BNGC	Complied
c)	**Formal and transparent procedure to select/appoint new Directors and Senior Management.** A formal and transparent procedure to select/appoint new Directors and Senior Management is in place. The Senior Management are appointed with the recommendation of relevant Executive Directors and the CEO/MD, except CIA, AGM – RM and Compliance Officer.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
d)	**Fitness and propriety of Directors and Senior Management** Fitness and propriety for Board of Directors are evaluated on an annual basis and for Senior Management fitness and propriety is evaluated at the time of appointment, promotion, renewal of contracts or on lateral moves. Process of reviewing fit and propriety of Directors and Senior Management are closely monitored by the BNGC.	Complied
e)	**The selection process of Directors** The criteria set out in this direction are duly considered during the selection and recommendation process of Directors by the BNGC and the Board, including: (i) possession of the necessary knowledge, skills, experience, independence, and objectivity to fulfill the responsibilities of the role; (ii) integrity and good repute; and (iii) the ability to dedicate sufficient time to effectively carry out the assigned duties.	Complied
f)	**Board composition is not dominated by any individual or a small group of individuals** The Committee regularly reviewed and ensured that the composition of the Board does not dominate by any individual or a group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.	Complied
g)	**Setting off of criteria on qualification, experience and key attributes required to be appointed to the post of CEO and Senior Management** Qualifications, experience and key attributes required for eligibility for the appointment to the post of MD/CEO and Senior Management positions are in place.	Complied
h)	**Disclosures to shareholder upon the appointment of a new Director** During the year, the Company appointed two (2) Independent Non-Executive Directors to the Board. Immediate market announcements were made for each appointment, providing the following information, i. A brief resume ii. Nature of expertise in relevant functional areas iii. Names of the companies in which the Director holds directorship iv. Confirmation of independence of the Directors	Complied
i)	**Re-election of current Directors** The Committee makes recommendations to the Board considering that the combined knowledge of the Board existed, performance towards strategic demand faced by the Company and contribution made by each Director towards discharge of Board's overall responsibilities.	Complied
j)	**Additional/new expertise and the succession arrangements for retiring Directors and Senior Management** Board approved succession plan for MD/CEO, Executive Directors and Senior Management is in place. The committee periodically reviews and updates plan where necessary.	Complied
k)	**Participating in decision making relating to own appointment/reappointment** The members of the BNGC do not participate in decision making relating to own appointments or reappointments. Further, Chairman of the Board abstains from the meeting when matters related to his successor is discussed.	Complied
10.5	**Board Human Resources and Remuneration Committee:**	
a)	**Composition of the Board Human Resources and Remuneration Committee (BHRRC)** The Board has established BHRRC of which all the three (3) members are Non-Executive Directors and two (2) out of three committee members are Independent Directors. The Committee is chaired by an Independent Non-Executive Director.	Complied
b)	**Secretary of the BHRRC** The Company Secretary functions as the Secretary to the Committee.	Complied
c)	**Remuneration policy for Directors and Senior Management** The Committee determines the remuneration policy relating to Executive Directors and Senior Management. Fees and allowances of Non-Executive Directors are decided by the Board of Directors as a whole. Refer BHRRC Report on page 298 for more details on the remuneration policy of the Company	Complied
d)	**Formal and transparent procedure in developing the remuneration policy.** The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines. The policy was recommended by the Human resource and remuneration committee and approved by the Board of Directors. Refer BHRRC Report on page 298 for more details.	Complied

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
e)	**Remuneration policy for employees of the Company** The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries, allowances and other financial incentives for employees of the Company.	Complied
f)	**Remuneration structure to be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company** The remuneration structure is in line with the business strategy, objectives, values, Long-term interests and cost structure of the Company and it also incorporated measures to avoid conflict of interest. The Committee is mindful to abstain from incentivizing employees for taking excessive risks or act in self-interests.	Complied
g)	**Review of performance of Senior Management** The Committee review the performance of the Senior Management (excluding CIA, Compliance Officer and AGM - RM) against the set targets and goals and recommend the basis for revising remuneration and other performance-based benefits for the Senior Management.	Complied
h)	**Senior Management abstain from attending meetings when matters related to them are being discussed** Respective Senior Management Personnel shall abstain from attending meetings, when matters related to them are discussed. The Committee reviewed and ensured the Compliance of such requirement.	Complied
11	**INTERNAL CONTROLS**	
11.1	**Adoption of well-established internal control system** Well established internal control system is in place which includes Board approved organization structure and segregation of duties, clear reporting lines for management and operational procedures and policies for all the required areas of the Company in order to mitigate the operational risks. A process is in place to ensure the effectiveness of the Company's internal control system. Refer the Directors' Statement on Internal Control on page 306. Refer the organisation structure on page 544 for further details.	Complied
11.2	**Outcomes of a strong internal control system** The Board has established a comprehensive internal control system which ensured the promoting effective and efficient operation, providing reliable financial information, safeguarding the company's assets, minimizing the operational risks, ensuring effective risk management system and ensuring compliance with laws, regulations, directions and internal policies and procedures. The Board ensured the effectiveness and compliance of the internal control mechanism through various processes as discussed in Directors' Statement on Internal Control on page 306 and the External Auditor has provided an independent assurance on the Directors' Statement on Internal Control over Financial Reporting on page 308 in the Annual Report.	Complied
11.3	**Responsibilities of employees on internal control** All employees were made accountable and responsible for internal controls as part of their routine functions through the various policies and procedures of the Company. Adherence to the Board established internal controls are monitored by the BAC through IAD.	Complied
12	**RELATED PARTY TRANSACTIONS**	
12.1	**Policy and procedures for Related Party Transactions** A Board approved policy for Related Party Transactions is available for govern the related party transactions.	Complied
a)	**Composition of the Board Related Party transactions review committee (BRPTRC)** The Board has appointed a BRPTRC in conformity with the direction. The Committee comprised of three (3) Non-Executive Directors of which majority are Independent. The Committee is also chaired by an Independent Non-Executive Director.	Complied
b)	**Prior review and approval of related party transactions** The Board approved policy is in place to govern the Related Party Transactions. As defined in the Policy, all Related Party Transactions are prior reviewed and recommended by BRPTRC.	Complied
c)	**Types of related party transactions** Board approved RPT Policy outlines the transactions that can be carried out by the Company to avoid any non-compliance and conflicts of interest. The RPT policy includes a comprehensive list of transaction types including the type of transactions listed in this direction.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
12. 2	**Avoiding conflicts of interest with list of identified related parties** The BRPTRC ensures that the transactions with Related Parties are in accordance with best practices. The RPT Policy is in place which describes the related parties, types of related party transactions and stipulates that no Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party, provided however he or she may participate in discussion to express, propose and providing information concerning to Related Party Transaction to the committee. A system for monitoring and reporting of data pertaining to such transactions has been established and through that system, the Company ensures that no favorable transaction has been entered in to with such parties. All transactions carried out with Related Parties are reviewed by the committee and ensured that they are in the ordinary course of business (Recurrent transactions). Such transactions are disclosed in the financial statements on 'Related Party Disclosures' under Note 3.1 on page 445. The BRPTRC has identified a list of related parties in compliance with this direction and periodic reviews are conducted as and when need arises.	Complied
12.3	**Refrain from conducting related party transactions under preferential terms** The Board-approved Related Party Transactions Review Policy contains provisions to ensure compliance and the BRPTRC ensures that all the transactions with related parties are on arm's length basis. The Company has developed a separate system to monitor related party transactions to ensure that related party transactions are not entered into on more favorable terms than those offered to others, and approvals of the BRPTRC/ Board are obtained for all transactions before entering in to the transactions.	Complied
13	**GROUP GOVERNANCE**	
13.1	**Responsibilities of the FC as a Holding Company**	
a)	**Exercising adequate oversight over subsidiaries and associates** The Group consist one subsidiary company, LB Microfinance Myanmar Company Limited. The Board approved Governance Framework provide guidelines on the responsibilities of the Company to oversight the affairs of Subsidiary Company. Adequate oversight in place to ensure the compliance with independent legal, regulatory and governance responsibilities applicable to them.	Complied
b)	**Responsibility of Board of the LBF as Parent Company**	
I)	Group Governance Framework The Board approved Governance Framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.	Complied
II)	Content of the group Governance Framework The differences in the operating environment including geographical, legal and regulatory requirements of the Subsidiary Company are properly understood by the Board and included in the Group Governance framework.	Complied
III)	Reporting arrangements that promote the understanding and management of material risks and developments The reporting arrangement that promote the understanding and management of material risks and developments are included in the Group Governance Framework.	Complied
IV)	Group internal control framework The Board assessed whether the internal control framework of the group has adequately addressed the risks across the group including intra-group transactions. Group IAD ensures the compliance of policies and procedures established across the group.	Complied
V)	Adequate resources are allocated to effectively monitor compliance at the group The compliance team of the parent company overlooks the effectiveness and the compliance of legal and regulatory requirements in both parent and subsidiary companies.	Complied
c)	**Group Structure Oversight and Risk Governance** As apex entity, the LBF ensured that group structure does not undermine the ability to exercise effective oversight. The Board has established clearly defined process through group governance framework to effectively discharge this direction.	Complied
d)	**Alignment of Group Objectives Strategies, policies and Governance Framework with Regulatory Obligations** The Board approved objectives, strategies, policies and governance framework are fully consistent with the regulatory obligations of the Company. Further, through the BIRMC, the Board ensure that company specific risks are identified and addressed adequately	Complied
e)	**Avoiding setting up complicated structures** The Company has not set up complicated group structure that lack economic substance or business purpose that can considerably increase the complexity of the operations.	Complied

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
13.2	**Responsibilities as a Subsidiary** Company is not a subsidiary of another financial institution	Not applicable
14	**CORPORATE CULTURE**	
14.1	**Code of Conduct** Board approved Code of Conduct and Policy on Managing Conflict of Interest are in place which include guidelines on appropriate conduct on confidentiality, conflict of interest, integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Complied
14.2	**Records of breaches of code of conduct** The Company maintains records of any reported breaches of the Code of Conduct	Complied
14.3	**Whistleblowing Policy** The Company has a Board-approved Whistleblowing Policy whereby employees of the Company are entitled to raise concerns in confidence about the malpractices in the Company. The BAC ensures that a proper process is in place in line with the Board approved policy for a fair and independent investigation and appropriate follow-up action on such matters. The Compliance Officer reports confidentially on quarterly basis to the BAC on incidents reported together with action taken. The Whistleblowing Policy has been reviewed and revised by the Board on September 2024 and communicated to the staff in all three languages.	Complied
15	**CONFLICTS OF INTEREST**	
15.1	**Avoiding conflict of interest**	
a)	**Avoiding conflicts of interest by Directors** A Board approved Policy on Managing conflict of interest is in place that covers the stipulated requirements. Article 97 of Articles of Association on 'Restrictions on Voting' evidences the procedure for a Director to abstain from voting on any Board resolution when there is conflict of interest and he/ she is not to be counted in the quorum. The Company Secretaries obtained disclosure of interest from Directors at every Board meeting and conflict of interest (if any) is managed based on this statement. Directors abstain from voting in such a situation and they are not counted in the quorum.	Complied
b)	**Conflict of Interest Policy** A Board approved Policy on Managing conflict of Interest is in place covering all aspects of this directions and best practices.	Complied
16	**DISCLOSURES**	
16.1	**Preparation and publishing of periodic financial statements** Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Further, such statements are published in the newspapers in Sinhala, Tamil and English.	Complied
	Minimum disclosures in the Annual Report of the Company	
I)	**Financial statements** Compliance with applicable accounting standards and regulatory requirements have been reported under the Annual Report of the Board of Directors on the Affairs of the Company on page 282 and Statement of Directors' Responsibility for Financial Reporting on page 305.	Complied
II)	**Chairperson, CEO and Board related disclosures** Details of the Directors are given in the profiles of the Board of Directors on pages 256 to 259. Details of the Senior Director is stated on page 256 Attendance of Board Meetings and Sub-Committee meetings are given on page 269.	Complied

Direction Reference	Governance Principal and Implementation	Compliance status
III)	**Appraisal of Board performance** The performance evaluations of the Board and the Sub-Committees have been completed based on the pre-agreed objectives. Details on performance evaluation of Board and Sub-Committees are disclosed in Corporate Governance report on page 274.	Complied
IV)	**Remuneration policy** A statement on remuneration policy has been disclosed in BHRRC Report appeared on page 298 of the Annual report. Aggregate remuneration paid to Directors and Senior Management	Complied

	2024/25
Directors	746,676,287
Senior Management	173,158,030

V)	**Related Party Transaction** Nature of any relationship between chairman and MD/CEO and the relationships among the members of the Board Refer the Annual report of the Board of Directors on the affairs of the Company on page 282. Net accommodations granted to related parties

Category of related party transactions	2024/25 (Rs.'000)		
	Net Accommodation granted	Net accommodation outstanding as at 31 March 2025	Percentage of the core capital
1. Directors and Senior Management	4,052	9,331	0.01
2. Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company	-	-	
3. Subsidiaries, Associates, Affiliates, Holding Company, Ultimate parent Company and any other party that Company exert control over or vice versa	-	-	
4. Directors and Senior Management of legal persons above 2 &3	-	-	
5. Relatives of a natural person described in 1, 2 and 4	3,592	3,579	0.007
6. Any concern in which any of the Director, Senior Management or a relative of any of the company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest	6,000	6,031	0.01

Aggregate value of transactions with Senior Management

For the year ended	2024/2025 Rs. '000
Accommodations granted	13,644
Deposits/investments made	150,470

CORPORATE GOVERNANCE

Direction Reference	Governance Principal and Implementation	Compliance status
VI)	**Board appointed Committees** Details of Chairperson, members and the attendance of the below mentioned Board Sub-Committees are stated in respective Sub-Committee reports as follows. Board Audit Committee Report – page 289 Board Integrated Risk Management Committee Report – page 294 Board Nomination and Governance Committee Report – page 297 Board Human Resources and Remuneration Committee Report – page 298 Board Related Party Transaction Review Committee Report – page 299 Board Information Security Committee Report – page 301 Board Sustainability Committee Report – page 303	Complied
VII)	**Group structure** The Group Structure of the Company is stated on page 31. The Group Governance Framework is disclosed in Corporate Governance report on page 282 of the annual report.	Complied
VIII)	**Director's report** Refer Annual Report of the Board of Directors on the Affairs of the Company on pages 282 to 288 for the following disclosures; • Declaration on not engaging in any activity, which contravenes laws and regulations • Director's declaration on all RPT with the Company and abstained voting • Fair treatments to all stakeholders, in particular the depositors • Going concern supporting assumptions • Review of internal controls covering material risks to the Company and have obtained reasonable assurance	Complied
IX)	**Statement on Internal Control** Report by the Board on internal control mechanism of the Company that confirms the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting – Directors' Statement on Internal Control on page 306. External Auditor's Assurance statement on effectiveness of the internal control mechanism – Independent Assurance Report to the Board of Directors on page 308. Report on compliance with prudential requirements, regulations, laws and internal controls – Directors' Statement on Internal Control on page 306 A statement on regulatory and supervisory concerns – Directors' Statement on Internal Control on page 306	Complied
X)	**Corporate Governance report** The Corporate Governance Report is set out on pages 246 to 281 of the Annual Report of the Company. The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance	Complied
XI)	**Code of Conduct** A Board approved Code of Conduct for Directors and for all employees are in place. Refer Corporate Governance Report on page 279 for more details. There were no violations of any of the provisions of this code by the Company. Refer "Chairman's statement" on pages 46 to 48 for details.	Complied
XII)	**Management report** Refer "Management Discussion and Analysis" on page 56 of this annual report.	Complied
XIII)	**Communication with shareholders –** The Policy and methodology for communication with shareholders / The contact person for such communication. A Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders through CSE. The Company Secretary communicates with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders. More details on communications with shareholders are stated Corporate Governance Report on page 276.	Complied

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Compliance with the Code of Best Practice on Corporate Governance 2023 (Code) issued by The Institute of Chartered Accountants of Sri Lanka

Code Ref.	Governance Principal and Implementation	Compliance status
SECTION I	**THE COMPANY**	
A	**DIRECTORS**	
A.1	**The Board** The Board comprised twelve (12) Directors as at 31st March 2025, eight (8) of whom functioned in Non-Executive capacity, having the required professional competence, skills and experience in the fields of entrepreneurship, banking, finance, legal, IT, economics and marketing to lead and control the Company. The Board gives leadership in setting the strategic direction and implement sound control environment for the successful functioning of the Company. Directors are elected by shareholders at the AGMs with the exception of the Executive Directors who are appointed by the Board and remain as Executive Directors until retirement, resignation or termination of such appointment. The Board has appointed several Sub Committees to assist in discharging Board's collective responsibilities.	Complied
A.1.1	**Board Meetings** The Board meets at monthly intervals and special Board Meetings are convened whenever necessary. The Board met twelve (12) times during the year. The frequency of Board Meetings, along with the structure and process for submitting information, is formally agreed and documented. Attendance at meetings is summarised on page 269.	Complied
A.1.2	**Role & Responsibilities of the Board** The Board of Directors of the Company operates under a clearly defined governance framework, which outlines their roles, responsibilities, and powers. This includes following that ensures clarity in governance and decision-making, A well-defined strategy of the Company provides a clear vision and direction for the business and enabled to align the efforts and work towards common goals. The Board engages in providing direction in formulating a sound business strategy and closely monitors the implementation of the strategy effectively. A strategic plan has been developed covering three years from 2024/25 to 2026/27 and was approved by the Board. Mr. Ashane Jayasekara, Independent Non-Executive Director functions as the Senior Independent Director and provides strong leadership to the independent element of the Board. BHRRC ensures that the MD/CEO and the Key Management Personnel (KMP) have the required skills, experience and knowledge to implement and sustain the strategy. An effective succession plan has been reviewed and approved by the Board during the year. To enable the effective discharge of its stewardship, except matters explicitly reserved, the Board has delegated its authorities to Sub Committees to overlook the specific responsibilities under the pre-agreed terms of references and operational responsibilities have been delegated to Senior Management led by MD/CEO within preapproved limits. The Board ensures the availability of effective systems to secure integrity of information, internal controls, business continuity planning, risk management, cybersecurity and compliance with laws, regulations and ethical standards. The Board is mindful about the all stakeholder interests and corporate values of the LBF when corporate decisions are made.	
	The Corporate Strategy, decisions and activities are aligned recognising the sustainable business development and ESG related risks and opportunities. Refer following reports for further insights in this regard. The Directors Statement on Internal Controls over Financial Reporting - page 305 The Corporate Governance Report - page 248 The Integrated Risk Management Report - page 311 The Board Audit Committee Report - page 289 The Board Sustainability Committee Report - page 303 Integrated Sustainability Report - page 98	Complied

CORPORATE GOVERNANCE

Code Ref.	Governance Principal and Implementation	Compliance status
A.1.3	**Act in accordance with laws and seek professional advice** The Board collectively and Directors individually, recognize their duty to comply with laws, regulations and guidelines issued by different regulators, and best practices. The Board of Directors ensures that procedures and processes are in place to ensure that the LBF complies with all applicable laws and regulations. In order to preserve the independence of the Board and to strengthen the decision-making, the Board seeks independent professional advice when deemed necessary. The Governance Framework outline the procedure to be followed in obtaining independent professional advice.	Complied
A.1.4	**Access to advice and services of Company Secretary** The Company Secretary functions independently of the Company's day-to-day business activities, ensuring an objective and impartial approach to Governance matters. This independence allows the Company Secretary to effectively support the Board. All Directors have access to the Company Secretary. Services of the Company Secretary are available to all Directors and she advises the Board on Corporate Governance matters, Board procedures and applicable rules and regulations.	Complied
A.1.5	**Independent Judgement** All Directors are responsible for bringing independent judgment on issues of strategy, performance, resource allocation, risk management, statutory and regulatory compliance and standard of business conduct. Non-Executive Directors also provide independent judgment on the proposals made by the MD/CEO and Executive Directors.	Complied
A.1.6	**Dedicate adequate time and effort** Every Director has dedicated, adequate time and effort to the meetings of the Board and Sub Committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. All the Board papers are uploaded through a secured link to the iPad at least seven days prior to the Board meetings for the Directors to access prior to the Board Meeting. Additional information and clarification requirements are made through the Company Secretary and all matters that require follow ups are discussed at the immediately succeeding Board meeting. The current process facilitates adequate time to familiarise with Business Operations, Risks and controls.	Complied
A.1.7	**Calling of a resolution by 1/3 (one third) of the Directors** If necessary, in the best interest of the Company, one-third (1/3) of the Directors can call for a resolution to be presented to the Board. However, Necessity did not arise during the year.	Complied
A.1.8	**Board induction and training** Every Director was given appropriate induction when first appointed to the Board with regard to the affairs of the Company and laws and regulations applicable to the Company. The Board regularly reviews and agrees on the training and development needs of the Directors, to effectively discharge their duties. The Senior Management and external experts make presentations with regard to the business environment to update the knowledge. Further strengthening the knowledge in discharging the responsibilities of board members' comprehensive knowledge sharing sessions have been conducted as referred in page 273 of the annual report. Due consideration is given for the newly appointed Directors on responsibilities of the role, ability to commit time, any existing or potential conflict of interest and required competencies.	Complied
A.2/ A.2.1	**Chairman and Chief Executive Officer** The positions of Chairman and MD/CEO have been separated in line with the best practices and there is a clear division of responsibilities between two designations to ensure a balance of power and authority, such that no one individual has unfettered powers of decision. The Chairman of the Company is a Non-Independent Non-Executive Director and Independent Non-Executive Director, Mr. Ashane Jayasekara was appointed as Senior Independent Director with documented TOR to ensure a greater independent element in the Board.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
A.3/ A.3.1	**Chairman's Role in Preserving Good Corporate Governance** The Chairman provides leadership to the Board, ensures that the Board works effectively and discharges its responsibilities and ensures that all key and appropriate issues are discussed by the Board in a timely and effective manner. The Chairman, in consultation with the MD/CEO, Directors, and Company Secretary, approves the detailed agenda for each meeting and facilitates effective participation and a balanced distribution of power between Executive and Non-Executive Directors to enable their fullest contribution for the benefit of the Company. All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of the meetings. The views of the Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes. Further, the Board is in complete control of the LBF's affairs and mindful of their obligations towards all stakeholders including shareholders.	Complied
A.4	**Availability of Financial Acumen** The Chairman of the BAC is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and CIMA (UK), possessing extensive experience in finance and audit. Additionally, one of the BAC members is also a Fellow Member of CIMA (UK) with a strong background in finance. Further, an Executive Director is also a qualified finance professional with experience in finance and management. The remaining members of the Board comprise individuals with expertise in finance and banking. Thus, there is sufficient financial acumen and knowledge within the Board to offer guidance on matters of finance. The profiles of the Board of Directors are given on page 256 to 259.	Complied
A.5	**Board Balance** LBF set up a Board which has a balance of Executive and Non-Executive Directors that no individual or small group of individuals can dominate its decision making.	Complied
A.5.1	**Balance of Executive and Non-Executive Directors in the Board** The Board includes a strong presence of Non-Executive Directors of sufficient calibre. During the financial year under review, the Board comprised eight (8) Non-Executive Directors and four (4) Executive Directors, With Non-Executive Directors constituting the majority, the Board maintained the required balance in its composition.	Complied
A.5.2	**Strong independent element in the Board** The Board has determined five (5) out of eight (8) Non-Executive Directors are independent as at 31.03.2025 as per this Code.	Complied
A.5.3	**Evaluating independence of Directors** The Board evaluates the independence yearly using annual declarations submitted by the Directors according to the criteria detailed in this Code. This process ensures whether such Directors are independent of the management and free of any business or other relationship that could interfere with the exercise of their unfettered and independent judgment.	Complied
A.5.4	**Signed declaration of independence by the Non-Executive Directors** All NEDs Directors provided the signed declarations of independence for the Financial Year 2024/25 as per Schedule C of the Code. Based on the annual declarations submitted by the Directors, there are eight (8) Non-Executive Directors and out of them, five (5) are independent as at 31 March 2025.	Complied
A.5.5	**Determination of the Independence and Non-Independence of each Non-Executive Director annually** Independence of each NED has been reviewed by the Board during the year 2024/25 and has determined that the submission of the declaration by the NEDs, as to their independence is a fair representation. The process of evaluating the independence of NED has considered all criteria set out in the code and this will continue as an annual event.	Complied
A.5.6	**Appointing an Alternate Director** No Alternate Directors were appointed during the year.	Complied
A.5.7	**Appointing Senior Independent Director (SID) and confidential discussion with other Directors by the SID** The roles of the Chairman and the CEO are held by two different individuals. Independent Non-Executive Director, Mr. Ashane Jayasekara was appointed as a Senior Independent Director since Chairman of the Board is a Non-Independent Non-Executive Director. Board approved TOR is available for the Senior Independent Director. SID met Non-Executive and Executive Directors at the Sub-Committee meetings and discussed matters related to Governance Framework of the Company and updated the Chairman on the outcome of the discussions.	Complied

CORPORATE GOVERNANCE

Code Ref.	Governance Principal and Implementation	Compliance status
A.5.8	**Availability of SID for confidential discussion with other Directors** The SID makes himself available for confidential discussions with other Directors who may have concerns which they believed have not been properly considered by the Board as a whole. Also, the SID participates in all meetings with majority, significant and minority shareholders as and when necessary. However, no such incidents were occurred during the year. Refer the report of Senior Independent Director on page 247 of this annual report.	Complied
A.5.9	**Meetings held by the Chairman with Non-Executive Directors, without the Executive Directors being present** The Chairman held two (2) meetings with NEDs without the Executive Directors being present.	Complied
A.5.10	**Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved** There were no instances where the Directors could not unanimously resolve matters and accordingly no such matters were recorded in the minutes.	Not applicable
A.6	**Provision of Appropriate and Timely Information** The Company provides timely and appropriate information to the Board enabling them in discharging their duties.	Complied
A.6.1	**Effective Board Communication and Information Flow** Timely and accurate information is provided by the Management to the Board generally seven days prior to the Board meetings. The members of Senior Management make presentations to the Directors on important issues relating to the financial performance, strategy, risk, systems and procedures, corporate governance matters, information technology developments, cybersecurity measures, legal and regulatory compliance. The Directors make further inquiries from management team, where necessary, to obtain further clarity on matters scheduled for discussions. Requested clarifications are obtained prior to the Board meetings to make effective decision making. The Chairman ensures that all Directors are properly briefed on matters arising at the Board Meetings.	Complied
A.6.2	**The minutes, agenda and papers required for a Board meeting should be provided before seven (7) days** The minutes of the previous Board meeting, agenda and Board papers are uploaded through a secured link to the iPad, for the Directors, to access seven (7) days prior to the Board meeting.	Complied
A.7	**Appointments to the Board** The Board has established a formal and transparent procedure for the appointment of new Directors to the Board.	Complied
A.7.1	**Nomination Committee** The BNGC makes recommendations to the Board on all new appointments to the Board. The Committee was set up in compliance with the requirements set out in this code and terms of reference of the committee is reviewed and approved by the Board. The Committee comprised 3 Non-Executive Directors of whom majority are independent. The Senior Independent Director serves as Chairman of the Committee. The BNGC composition and the activities performed during the year are discussed in the report of the Board Nomination and Governance Committee is given on page 297 of the Annual Report.	Complied
A.7.2	**Assessment of Board composition by the Nomination Committee** A process is in place to assess the existing Board composition against pre-defined criteria of skills, diversity and knowledge to ensure that Board appointees are fit and proper. The Committee has actively prioritised diversity in Board composition, taking into account gender, age and any other factors that are relevant to the Finance Industry. The Committee reviewed the new appointments and re-elections to the Board with strategic direction of the Company to attract and retain Board members with relevant experience and qualifications and to ensure that Board appointees are fit and proper. The Committee complied with all the requirements stipulated in the section A.7.2 of this code.	Complied
A.7.3	**Succession Plan** Board approved succession plan is in place for CEO/MD and all KMPs. Necessary training and development requirements are identified for successors.	Complied
A.7.4	**Disclosure requirements when appointing of new Directors to the Board** During the year two (2) Independent Non-Executive Directors, Mr. Piyal Hennayake and Mr. Priyantha Talwatte were appointed to the Board. Details of these Directors were disclosed to the shareholders at the time of their appointment by way of announcements made to the CSE as well as in this Annual Report. Prior approval for appointments of new directors was obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
A.7.5	**Report of the Nomination Committee in the Annual Report** Requirements stipulated in this code are disclosed in the "Report of the Board Nomination and Governance Committee in page 297 of this annual report.	Complied
A.7.6	**Terms of Reference of Nomination Committee** A Board approved Terms of Reference is in place for BNGC.	Complied
A.8	**Re-election of Directors** A process is in place requiring all NEDs to submit themselves for re-election at regular intervals and at least once in every three years.	Complied
A.8.1	**Appointment and re-election of Non-Executive Directors** Non-Executive Directors are appointed for a specified term subject to re-election and to the provisions in the Companies Act in relation to the removal of a Director. Their Re-appointment is not automatic; at each AGM, one-third of the NEDs due for retirement are re-elected by the shareholders.	Complied
A.8.2	**Re-election of Chairman and other Directors** The provisions of the Company's Articles of Association also require directors appointed by the Board to hold office until the next AGM and seek appointment by the shareholders at that meeting. When the Chairman and other Directors submit themselves for re-election or reappointment, minimal disclosures as defined in this code are made to all shareholders to make informed decisions on their election. The fitness and proprietary of each Director are reviewed by the BNGC and make recommendations for re-election.	Complied
A.8.3	**Resignation** A process is in place, if a Director who wish to resign prior to completion of appointed term. However, there were no such resignations during the year.	Complied
A.9	**Appraisal of Board & Sub Committees' Performance** A process is in place for Board and Sub Committees to appraise their own performance through annual self-evaluation process in order to ensure that Board responsibilities are satisfactorily discharged.	Complied
A.9.1	**Appraisal of Board Performance** The Board and Board appointed Sub-Committees annually appraise their own performance to ensure that they are discharging their responsibilities satisfactorily. This process requires each Director to fill Board performance evaluation forms in line with the key responsibilities assigned to the Board in this code. The responses are reviewed by the Company Secretary who collates them and submits it to the Chairman for necessary action as appropriate as decided by the Board.	Complied
A.9.2	**Annual Self-Evaluation by the Board** A formal process is in place for the Board and its Sub-Committees to carry out self-evaluations to determine the effectiveness of their performance. The Board as a whole performed an annual self-assessment to evaluate the overall effectiveness of the Board according to the criteria set out alongside. The feedback from Directors is collated and reviewed by the Board and BNGC and conveyed to the Chairman of the Board for discussion at the Board meeting. All Sub-Committees have performed self-evaluations of their performance during 2024/25 and areas identified for improvements are also discussed at their respective meetings and updated the Board by respective Chairperson.	Complied
A.9.3	**Review of each Director at the time of Re-election** The Board has a process to review the participation, contribution and engagement of each Director at the time of re-election.	Complied
A.9.4	**Disclosure in the Annual Report about the Board's performance evaluation methodology** Board approved procedure is in place to evaluate the performance of Chairman, CEO/MD and other members of the Board and its Sub-Committees. The process adopted by the LBF is detailed on page 274 of this report.	Complied
A.10	**Annual Report to Disclose Specified Information Regarding Directors** Shareholders are kept informed about the relevant details in respect of Directors.	Complied
A.10.1	**Annual Report disclosure in respect of Directors** Profiles of the Board of Directors are given on pages 256 to 259 including other Directorships held by the Directors and memberships of Board Committees. Directors' attendance on Board and Sub-Committee meetings is disclosed on page 269.	Complied
A.11	**Appraisal of CEO/MD** As required in this code, the Board assesses the performance of CEO/MD at least annually.	Complied

CORPORATE GOVERNANCE

Code Ref.	Governance Principal and Implementation	Compliance status
A.11.1/ A.11.2	**Targets for CEO at the commencement of each financial year and Performance Evaluation** CEO/MD's performance targets are aligned with business strategies of the Company. Financial and non-financial targets are set at the beginning of every financial year by the Board which is in line with the short- medium- and long-term objectives of the Company. At the end of each financial year the Board evaluates the set targets and the actual performance.	Complied
B	**DIRECTORS' REMUNERATION**	
B.1	**Remuneration Procedure** The Company established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Directors involved in deciding his/her own remuneration.	Complied
B.2	**Remuneration Committee** The remuneration levels for both Executive and Non-Executive Directors are adequate to attract and retain the necessary talent to run the Company successfully. Proportion of the Executive Director's remuneration is designed to link rewards to corporate and individual performance, ensuring a balanced consideration of short, medium, and long-term performance outcomes.	Complied
B.2.1	**Setting up of Remuneration Committee** The Board has established a BHRRC, in accordance with the agreed terms of reference, to oversee the Company's remuneration framework for Executive and Non-Executive Directors, as well as to ensure fair and transparent procedures for remunerating Senior Management, including post-employment and terminal benefits. No Director is involved in setting his/her own remuneration.	Complied
B.2.2	**Composition of Remuneration Committee** Composition of BHRRC is in line with the code. This Committee consists of 3 NEDs of whom 2 are independent in accordance with the code. Independent NED has been appointed as Chairperson of the Committee.	Complied
B.2.3	**Consultation and Advisory Responsibilities of BHRRC** The Committee consults the Chairman and MD/CEO when recommending the remuneration of other EDs and Senior Management. Further, the Committee has the access to professional advice when deemed necessary.	Complied
B.2.4	**Competitive and Responsible Executive Compensation** A process is in place to offer packages that attract, retain and motivate MD/CEO, EDs and Senior Management. The BHRRC reviews the information relating to competitors and due care is taken to ensure that remuneration is on par with industry standards and the relative performance.	Complied
B.2.5	**Performance-Oriented Remuneration for Executive Directors** MD/CEO and ED's remunerations are designed to link rewards to corporate and individual performance, ensuring a balanced consideration of short, medium, and long-term performance of the Company.	Complied
B.2.6	**Remuneration packages in line with industry practices** The BHRRC reviews the information relating to comparable competitors and due care is taken to ensure that remuneration is on par with industry standards and the relative performance. The committee is mindful of the risk that they can result in an increase of remuneration with no corresponding improvements in performance.	Complied
B.2.7	**Remuneration packages in line with other Companies in the Group** Size and scale of the Company's operations are not comparable with other Companies of the Group and therefore guidance could not be drawn from them.	Complied
B.2.8	**Performance-related payments to MD/CEO and EDs** A transparent, stretching and rigorously applied performance-related elements of remuneration is available for MD/CEO and EDs with the objective of providing appropriate incentives to those Directors to perform at the highest level. The committee annually reviews the performance of MD/CEO and EDs against the set targets approved by the Board. Further, the Committee ensures that the fair and transparent procedure recommended by the Board are followed when evaluating the performance of Senior Management.	Complied
B.2.9	**Executive Share Option** There are no share option schemes offered by the Company.	Not applicable
B.2.10	**Designing Schemes of Performance related Remuneration** In deciding the remuneration of the MD/CEO, EDs and Senior Management, the Company takes note of the provisions set out in Schedule G of this code.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
B.2.11/ B.2.12	**Early Termination of Service of Directors** Consideration of termination of service of the MD/CEO and EDs will be in accordance with their contract of service. Further, the committee takes in to consideration the provisions stipulated in section B.2.11 and B.2.12 of this code.	Complied
B.2.13/ B.2.14	**Remuneration of Non-Executive Directors** The Board as a whole determines the remuneration of NEDs including the members of BHRRC considering the time commitment, responsibilities of the role and the market practices which are reviewed periodically. The Company has not offered any Share Option Plans to either EDs or NEDs.	Complied
B.2.15	**Chairman and Members of the BHRRC** Details of the Chairperson and members of the Committee are disclosed in the report of the Board Human Resource and Remuneration Committee on page 298 of this annual report.	Complied
B.2.16	**TOR of the BHRRC** A Board approved TOR is in place to govern the BHRRC. Refer the report of the Board Human Resource and Remuneration Committee on page 298 of this annual report.	Complied
B.3	**Disclosure of Remuneration** Annual Report of the Company contains a statement of Remuneration Policy and details of remuneration of the Board as a whole.	Complied
B.3.1	**Disclosure of Remuneration Committee Composition and Policies in the Annual Report** Report of the Board Human Resource and Remuneration Committee is given on page 298 which sets out the details on the composition, scope, number of meetings held by the committee and the remuneration policy. The aggregate remuneration paid to the EDs and NEDs are disclosed in Note 3.1 to the Financial Statements on page 445.	Complied
B.3.2	**Aggregate remuneration paid to Senior Management** The aggregate remuneration paid to the Senior Management who directly reporting to MD/CEO and EDs are disclosed in Note 3.1 to the Financial Statements on page 445.	Complied
C.	**RELATIONS WITH SHAREHOLDERS**	
C.1	**Constructive use of the AGM & Other General Meetings** The Company uses AGM to communicate with Shareholders and encourages their participation.	Complied
C.1.1	**Notice for the AGM to the shareholders** The Annual Report including Financial Statements and the Notice of the Meeting are sent to shareholders 15 working days prior to the date of the AGM as stipulated by the Companies Act.	Complied
C.1.2	**Separate Resolutions for Substantially Separate Issues** Separate resolutions are placed before Shareholders for each substantial matters that require approval of Shareholders at the Annual General Meetings (AGM). LBF propose a separate resolution for the adoption of Company's Annual Report and accounts during the AGM. It is treated as a distinct agenda item, giving the shareholders a dedicated opportunity to review and evaluate the contents of the report. Proxy appointment forms are provided to shareholders with the option to direct their proxy to vote either "for" or "against" any resolution or to withhold their vote.	Complied
C.1.3	**Use of Proxy Votes** The Company has recorded and counted all proxy votes for each resolution prior to the General Meeting. For each resolution where a vote has been taken on a show hands, the Company ensures the requirements stipulated in this code are complied with.	Complied
C.1.4	**Availability of all Board Sub-Committee Chairpersons and SID at the AGM** The Chairman of the Board ensures the presence of the Chairpersons of all Sub Committees; the BAC, BHRRC, BNGC, BIRMC, BRPTRC, BISC, BSC and Senior Independent Director, during the AGM. This arrangement allows the Chairpersons to be available and ready to address any inquiries or concerns raised by the Shareholders.	Complied

CORPORATE GOVERNANCE

Code Ref.	Governance Principal and Implementation	Compliance status
C.1.5	**Procedures of Voting at General Meetings** Company circulate along with every notice of AGM and a summary of procedures governing voting at general meetings to all shareholders prior to 15 working days as stipulated in the Companies Act no. 7 of 2007. Shareholders right to appoint a proxy for voting at AGM appears on Notice of Meeting and on the Form of Proxy. Voting procedures at general meetings appear on the Form of Proxy.	Complied
C.2	**Communication with Shareholders** The Board has implemented processes for effective communication with Shareholders.	Complied
C.2.1	**Channel to reach all shareholders to disseminate timely information** The Company engages with shareholders through multiple communication channels, including press releases, notices, and mandatory disclosures published on the CSE website. Quarterly financial statements are submitted to the CSE within 45 days, except for the final quarter, which is allowed up to 60 days for publication. Half-yearly financial statements are published in daily newspapers in all three languages in accordance with Finance Companies Guidelines No. 2 of 2006. The Notice of the AGM, along with the Annual Report and Accounts, is circulated to shareholders and includes details of any special business. Extraordinary General Meetings are held as needed with due statutory notice. The AGM serves as a forum for shareholders to discuss and clarify Company activities.	Complied
C.2.2	**Policy and Methodology of Communicating** The Company provides fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided. The Company has implemented a Policy on Relations with Shareholders & investors and Corporate Communication Policy that outlines various communication channels aimed at reaching all shareholders of the LBF effectively. These policies ensure the timely dissemination of important information to shareholders, utilizing multiple channels of communication. Refer Stakeholder engagement on pages 62 to 72 in the Annual Report for further details.	Complied
C.2.3	**Implementation of the Communication Policy and Methodology** Shareholders receive the Annual Report from the Company either by way of digital means or in hard copy form. Shareholders may at any time elect to receive the Annual Report from the Company in printed form without any charge. The Company's methodology for shareholder communication is outlined in the Policy on Relations with Shareholders, which is publicly available on the Company's corporate website. Refer Stakeholder engagement on pages 62 to 73 in the Annual Report for further details.	Complied
C.2.4	**Disclosure of the contact person as per Communication Policy** Shareholders have the freedom to raise questions, request publicly available information, and provide comments and suggestions to the Directors or Senior Management of the Company at any time. To facilitate this, they are encouraged to direct their inquiries, requests, and comments to the Company Secretary, who will ensure that they are appropriately addressed. Key spokespersons are discussed in details in the Corporate Communication Policy which was reviewed and approved by the Board.	Complied
C.2.5	**Awareness of Directors on Major Issues and Concerns of Shareholders** Process to make all Directors aware on major issues and concerns of shareholders has been established through the Corporate Communication Policy. The Company Secretary maintains a record of all correspondence received and will deliver as soon as practicable such correspondence, which require Board attention to the Board or individual Director/s as applicable.	Complied
C.2.6	**Contact Person for Shareholders in relation to Shareholders' matters** Company Secretary can be contacted for any queries of shareholders.	Complied
C.2.7	**Process for responding to Shareholders** Process has been formulated through a Board approved Policy in responding shareholder matters. The Corporate Communication Policy and Policy on Relations with Shareholders were reviewed and approved regularly by the Board.	Complied
C.3	**Major and Material Transactions** Directors disclose all proposed corporate transactions which would materially alter/vary the net asset base of the Company or the Group.	Complied
C.3.1	**Disclosure of Major and Material Related Party Transactions** During the year, the Company did not engage in or commit any major related party transactions which materially affected the Company's/Group's net asset base.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
C.3.2	**Disclosure of Major Transactions in Terms of Companies Act No. 7 of 2007** During the year, the Company did not engage in or commit any major transactions as stipulated in section 185 (1), (2), and (3) of the Companies Act.	Complied
C.3.3	**Disclosure to SEC and CSE** The Company did not engage in or commit any major and material related party transactions during the year which materially affected the Company's/Group's net asset base to make a disclosure to SEC and CSE.	Complied
D	**ACCOUNTABILITY AND AUDIT**	
D.1	**Financial and Business Reporting (The Annual Report)** The Board presents a balanced and an understandable assessment of the Company's financial position and prospects.	Complied
D1.1/ D.1.2/ D.1.3	**Presenting true, fair, balanced and understandable Annual Report with financial statements in conformity with relevant laws and regulations** The Company has reported a true and fair view of its financial position and performance for the year ended on 31st March 2025 and at the end of each quarter, the financial year and all price sensitive information has been disclosed in a timely manner. The Board obtained declarations from CEO and CFO that Company's interim and annual financial statements are prepared in conformity with applicable accounting standards, relevant laws and regulations and gives true and fair view of the financial position and performance, risk management and effectiveness of the internal controls.	Complied
D.1.4	**Directors' Report in the Annual Report** Annual Report of the Board of Directors on the Affairs of the Company is given on page 282 covering all areas of this section.	Complied
D.1.5	**Annual Report disclosure stating Board's and Auditors' responsibility** Statement of Directors' Responsibility for Financial Reporting is given on page 305 and Auditors Reporting Responsibility is given in the Independent Auditor's Report on page 351 respectively.	Complied
D.1.6	**Management discussion and analysis** Management discussion and analysis is given on page 56 Business model on page 54 Industry structure and developments on page 56 Opportunities and threats on pages 222 to 240 Risks and concerns - Risk Management report on page 311 Internal control systems and their adequacy on page 306 Corporate and enterprise governance on page 246 Stakeholder relationships on page 62 Social and environmental protection activities carried out by the Company on pages 99 to 122 Financial performance on page 124 Investment in physical and intellectual capital on page 172 Human Resource Management on page 159 Prospects for the future on page 96	Complied
D.1.7	**Serious Loss of Net Assets** The probability of such an event occurring is highly unlikely. Nonetheless, in the event that such a situation does arise, an EGM will be promptly scheduled, and Shareholders will receive timely notifications regarding the meeting.	Not applicable
D.1.8	**Disclosure of Related Party Transactions** A detailed Board-approved documented process is available in the Company for monitoring and reporting of Related Party Transactions. The Company Secretary makes necessary disclosures of any Related Party Transactions which require disclosure as per this Code. All related party transactions as defined in Sri Lanka Accounting Standard –24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 3.1 to the Financial Statements on pages 445. The Company maintains a comprehensive record of related parties and related party transactions. This record is designed to capture the necessary information to ensure compliance with the related party disclosure requirements mandated by regulatory bodies such as CBSL, SEC, SLAASMB and other relevant regulations Refer the CBSL CG table on page 506 for more details on the process adopted.	Complied

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Code Ref.	Governance Principal and Implementation	Compliance status
D.2	**Risk Management and Internal Control** The Board has set up processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company.	Complied
D.2.1	**Risk Management Framework** Board approved integrated risk management framework is in place to identify, assess, monitor and managing the risks with clear accountabilities to ensure the achievement of strategic, operational and financial objectives of the Company.	Complied
D.2.1.1	**Robust Assessment of Principal Risks** A fully fledged risk management department which reports to the Board through BIRMC is established by the Company. AGM-RM periodically carries out robust risk assessment of the principal risks facing by the Company which may impact Company's business model, future performance, solvency and liquidity.	Complied
D.2.1.2	**Disclosure of risk management framework in Annual report** The risk management framework, processes and responsibilities are disclosed in the Report of the Board Integrated Risk Management Committee on page 294 of this annual report.	Complied
D.2.1.3/ D.2.1.4	**Establishment of Risk Management Committee** The Board has established BIRMC to oversee the risk management function and a Board approved TOR is in place to govern the Committee functions. Refer the Report of the Board Integrated Risk Management Committee on page 294 of this annual report.	Complied
D.2.1.5	**Composition of the BIRMC** The Committee comprised 3 NEDs of whom majority are independent. The Chairperson of the Committee is an Independent Non-Executive Director.	Complied
D.2.1.6	**TOR of the BIRMC** A Board approved TOR is in place which governs the functions of the BIRMC. The TOR was last reviewed and approved by the Board on September 2024.	Complied
D.2.1.7/ D.2.1.8	**Report of the BIRMC** The composition, scope, roles and responsibilities of the BIRMC determined in conformity with relevant laws and regulations applicable and detail report of the committee is disclosed in the annual report. Refer the Report of the Board Integrated Risk Management Committee on page 294 of this annual report.	Complied
D.2.2	**Design of the internal control system** The Board has set up a process to ensure that the internal controls are designed, implemented and monitored, to provide reasonable assurance on reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations.	Complied
D.2.2.1/ D.2.2.2/ D.2.2.3	**Effectiveness of the internal control system** A process has been setup to provide reasonable assurance on reliability of internal controls over financial reporting, operational and compliance system, processes and practices. A fully fledged Internal Audit department is in place to ensure the effectiveness of Governance, internal control and risk management practices of the Company. The BAC annually reviews the effectiveness of internal controls and risk management process through IAD to ensure effective discharge of their duties.	Complied
D.2.2.4	**Sound system of internal control** Processes are in place to maintain the sound and effective system of internal control to achieve the corporate objectives of the Company. Refer the "Directors Statement on Internal Control" on page 305 of this annual report for more details.	Complied
D.3	**Board Audit Committee** The Board has established a formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determining structures and content of corporate reporting, internal control and risk management principles, compliance with laws and regulations and maintaining an appropriate relationship with the Company's Auditors.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
D.3.1	**Composition of the Board Audit Committee** The BAC comprises with three NEDs of whom majority are independent. The Chairman of the Committee is an Independent Non-Executive Director who is also a member of a professional accounting body. The composition, scope and profiles of the BAC members are stated in Board Audit Committee report on page 289. The Board is satisfied that the members of the Committee has recent and relevant experience in financial reporting and internal controls.	Complied
D.3.2	**The TOR of the Committee** The Board approved TOR is in place which covered the minimum requirements stipulated in this Code. The Committee acts according to the TOR and assists Board in discharging its duties. The Committee responsibilities and activities performed during the period are given in Board Audit Committee report on page 289.	Complied
D.3.3	**Disclosures made in the Annual Report about BAC** Refer the Board Audit Committee report given on page 289 of the Annual Report.	Complied
D.4	**Risk Committee** The Board has established a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk.	Complied
D.4.1	**Composition of BIRMC** Board has established BIRMC which comprised 3 NEDs of whom majority are independent. The Chairperson of the Committee is an Independent Non-Executive Director. MD/CEO, EDs, CFO, CIO and heads of strategic business units are invited to attend BIRMC meetings where necessary. The AGM - Risk Management functions as the Secretary to BIRMC.	Complied
D.4.2	**The TOR of the Committee** The Board approved TOR is in place which covered the minimum requirements stipulated in this code. The Committee acts according to the TOR and assists Board in discharging its duties. The Committee responsibilities and activities performed during the period are given in Report of BIRMC on page 294	Complied
D.4.3	**BIRMC Meetings** The Committee met 6 times during the financial year as stipulated in the TOR. The AGM - Risk Management functions as the Secretary to BIRMC.	Complied
D.4.4	**Seeking External Professional Advice** The Committee sought external professional advice as and when required.	Complied
D.4.5	**Disclosures made in the Annual Report about BIRMC** Refer the Board Integrated Risk Management Committee Report given on page 294 of the Annual Report	Complied
D.5	**Related Party Transactions Review Committee** A Board approved policy and procedure are in place to ensure that the Company does not engage in transactions with related parties in a manner that would grant "more favourable treatment" to such parties.	Complied
D.5.1	**Related Parties and Related Party Transactions** All related party transactions as defined in Sri Lanka Accounting Standard –24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 3.1 to the Financial Statements on pages 445. Refer D.1.8 on page 519 of this code for more details.	Complied
D.5.2	**Composition of BRPTRC** Board has established BRPTRC which comprised 3 NEDs of whom majority are independent. The Chairperson of the committee is an Independent Non-Executive Director. MD/CEO, EDs and heads of strategic business units are invited to attend BRPTRC meetings where necessary. The Committee met 5 times during the financial year.	Complied
D.5.3	**The TOR of the Committee** The Board approved TOR is in place which covered the minimum requirements stipulated in this Code. The Committee acts according to the TOR and assists Board in discharging its duties. The Committee responsibilities and activities performed during the period are given in BRPTRC report on page 299	Complied

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Code Ref.	Governance Principal and Implementation	Compliance status
D.6	**Code of Business Conduct and Ethics** The Board has adopted a Code of Conduct for Directors, KMPs and other Employees including but not limited to dealing with shares of the Company, compliance with listing rules, bribery and corruption, confidentiality, reporting of any illegal, fraudulent and unethical behaviours.	Complied
D.6.1	**Code of Conducts / Whistleblowing Policy / Anti-Bribery and Corruption policy (ABC)** The Board approved policies on Code of Conduct, whistleblowing and ABC for Directors, KMPs and all staff members are in place covering the major areas of; conflict of interest, bribery and corruption, entertainments and gifts, accurate accounting and record keeping fair and transparent procurement practices, corporate opportunities, confidentiality , fair dealing, protection and proper use of Company assets, sexual harassment, discrimination and abuse, compliance with laws, rules and regulations and encouraged to report of any illegal, fraudulent and unethical behaviour.	Complied
D.6.2	**Reporting of Material and Price Sensitive Information** A process in place to ensure that material and price sensitive information is promptly identified and reported to the CSE.	Complied
D.6.3	**Policy on trading of shares by Directors, KMPs and Employees** A Board approved Share Trading Policy is in place to govern the process for monitoring and disclosure of shares by Directors, KMPs or any other employee involved in financial reporting. The said policy is regularly reviewed and approved by the Board.	Complied
D.6.4	**Whistleblowing arrangements** A Board approved Whistleblowing Policy is in place to establish a procedure to deal with complaints received from Employees, Customers, Suppliers or any other parties in relation to non-compliance with Company's Code of Conduct. The BAC follows up the incidents reported in quarterly basis through the Compliance Officer.	Complied
D.6.5	**Training on Code of Conducts** All new employees are provided with a comprehensive training on the Code of conduct of the Company at the orientation. Periodic trainings are conducted and confirmations on awareness and compliance on Company's Code of Conduct are obtained from all Employees.	Complied
D.6.6	**Dissemination of the Policy** A process is in place to report to the Board on regular basis about the dissemination of the policy among the staff in all 3 languages, training arrangements, violation/ non-compliances with respective action taken. No any waivers or exceptions are allowed in deviating code of business conduct and ethics.	Complied
D.6.7	**Chairman's confirmation on implementing Code of Conduct and Ethics.** The Chairman and the Board affirm that all Directors and KMPs have declared compliance with this Code and the Chairman is not aware of any violation of any of the provisions in these Codes.	Complied
D.7	**Corporate Governance Disclosures** The Board has disclosed on the extent of compliance with good corporate governance principles and practices.	Complied
D.7.1	**Disclosure of Corporate Governance Compliance** The requirement is met with the presentation of this Corporate Governance Report from pages 246 to 281 of the Annual Report.	Complied
SECTION II	**SHAREHOLDERS**	
E	**INSTITUTIONAL INVESTORS**	
E.1	**Shareholder Voting** Institutional shareholders who invested directly in shares of the Company are encouraged to perform adequate analysis on governance arrangements, Board structure, composition in addition to the other financial factors. All investors are encouraged to ensure their voting intentions are translated into practice.	Complied
E.1.1	**Regular and structured dialogues with Shareholders** The Company has 5,348 ordinary voting shareholders of which above 88% are institutional shareholders. The Company conducts regular structured dialogue with the large institutional shareholders and any concerns of these institutional shareholders expressed at the meetings is communicated to the Board as a whole.	Complied
E.2	**Evaluation of Governance Disclosure** The Company encourages all institutional investors to give due weight on the Company's governance arrangements and practices particularly relating Board structure and composition when evaluating the Company.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
F	**OTHER INVESTORS**	
F.1	**Investing / Divesting Decisions** Individual shareholders are encouraged to carry out comprehensive analysis or seek independent advice in investing or divesting decisions.	Complied
F.2	**Shareholder Voting** Individual shareholders are encouraged to participate in General Meetings of the Company and exercise their voting rights. Company circulate along with every notice of AGM and a summary of procedures governing voting at general meetings to all shareholders prior to 15 working days to make informed decisions.	Complied
SECTION III	**OTHER MATTERS**	
G	**INTERNET OF THINGS & CYBERSECURITY**	
G.1	**Identify connectivity and related cyber risks** A process is in place to identify how in the Company's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business. The risk management department and Chief Information Security Officer (CISO) continuously monitor the potential risks and the mitigation factors to minimize the cyber security risks. Refer Intellectual Capital in page 172 of this annual report for more details.	Complied
G.2	**Appoint a CISO and allocate budget to implement a Cybersecurity Policy** A dedicated CISO with sufficient skills and authority is appointed to oversee the implementation of Information Security Policy which was approved by the Board. Information Security Policy which was reviewed and approved in July 2024 included all aspects stipulated in this code. Refer page - 280 - IT Governance	Complied
G.3	**Include Cyber Risk Management on Board agenda** The BISC oversee the Information and cybersecurity risk management process to mitigate any potential risks. At the BISC meetings extensive discussions are carried out on matters relating to potential cybersecurity risks to the business model, CISO's security strategies and status of current projects, compliance with regulations. A comprehensive update is given to the Board by the Chairperson at the next Board meeting. Refer the report of Board Information Security Committee on page 301 of this annual report.	Complied
G.4	**Obtain periodic assurance to review effectiveness of cybersecurity risk management** Effectiveness of the cybersecurity risk management process is reviewed in regular intervals through independent expertise to identify and address potential threats. Outcomes of the reviews together with the action plans are updated to the Board through BISC. Refer page - 281 - Information Security Governance.	Complied
G.5	**Disclosures in Annual Report** The process followed to identify and manage the information and cybersecurity risk are disclosed in report of the Board Information Security Committee on page 301 of this annual report.	Complied
H	**SUSTAINABILITY : ESG RISK AND OPPORTUNITIES**	
H.1	**ESG Risk and Opportunities** The Board has considered the ESG risks and opportunities within LBF's business model, operations, short- and medium-term planning, and long-term strategy to ensure Company's resilience and ability to deliver sustainable value over the short, medium, and long term. This approach is aimed at maintaining the confidence and continued engagement of shareholders and all significant stakeholders. Refer sustainability related risks and opportunities on page 337 of this annual report.	Complied
H.1.1	**Impact of ESG Risks and Opportunities** The BSC oversees the impact of sustainability related risks and opportunities. The impact of ESG risks and opportunities of the Company's business plans and strategic plans are submitted to the Board through BSC on a regular basis. Refer the Report of BSC on page 303 of this annual report and Integrated Risk Management Report on page 311 of this annual report.	Complied

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Code Ref.	Governance Principal and Implementation	Compliance status
H.2	**Views of Stakeholders** The Board and Key Management Personnel have engaged with stakeholders and considered their views to understand and manage LBF's ESG risks and opportunities, given the increasing expectations regarding environmental protection and other ESG issues. Refer the Report of BSC on page 303 of this Annual Report and Integrated Sustainability report on page 98 of this annual report.	Complied
H.2.1	**Process to recognise significant stakeholders** The Company has a process in place to recognise significant stakeholders and material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence. Refer the Report of BSC on page 303 of this Annual Report and Integrated Sustainability report on page 98 of this annual report.	Complied
H.3	**Governance Framework** The Board has established a governance framework and structure through BSC which includes conformance, performance and ESG factors. Refer the Report of BSC on page 303 of this Annual Report and Integrated Sustainability report on page 98 of this annual report.	Complied
H.3.1	**Sustainability Factors** The Board has addressed sustainability factors through an environmental, social and governance framework. Refer the Report of BSC on page 303 of this Annual Report and Integrated Sustainability report on page 98 of this annual report.	Complied
H.3.1.1	**Environmental Governance** The Company has adopted an integrated approach in relation to Environmental Governance which takes into account the direct and indirect economic, social, health and environmental implications on business strategies, plans, decisions and operations. Refer the Report of BSC on page 303 of this Annual Report and Integrated Sustainability report on page 98 of this annual report.	Complied
H.3.1.2	**Social Governance** The Company has implemented an integrated approach to Social Governance to engage with community representatives, customers, employees, suppliers, outsourced providers, and other parties that could influence the business model in areas crucial to the Company's sustainable growth. Relationship with community The Company has adopted an integrated strategy for building community relationships to promote sustainable development. Relationship with Customers The Company has adopted an integrated approach in building relations with the customers. The Company has a policy in place for customer feedback through engagement, efficient service delivery, standards for product responsibility and product recall and other matters that are material and relevant to the Company's business model and customer experience. Labour Practice Governance The Company's labour practice related governance encompasses all policies and practices in relation to work performed by or on behalf of the Company. The governance also contains policies and practices such as health and safety, equal opportunity, gender balance, career development and training, reward and recognition, conditions of work, work life balance and industrial relations. Suppliers and Outsourced Providers The Company has policies and procedures in place to ensure that suppliers and outsourced providers comply with social and governance norms of the Company.	Complied
H.4	**Establishment of a Governance Structure to Support ESG Factors** The Board has established a governance structure to support ESG factors.	Complied
H.4.1	**Recognition of Key Resources/Capital** The Board has recognised its key resources/ capital deployed in its business and stakeholders.	Complied
H.4.2	**Process in Ascertaining, Assessing and Managing ESG Factors** The Board has implemented a process to ascertain, assess and manage ESG factors which has an impact on the sustainability of the Company.	Complied

Code Ref.	Governance Principal and Implementation	Compliance status
H.4.3	**Establishment of Financial and Non-Financial Measures** The Board has established financial and non-financial measures in respect of all material matters relating to significant stakeholders, environmental and social factors.	Complied
H.5	**Disclose ESG Risks and Opportunities** The Board has disclosed how all its ESG risks and opportunities are recognised, managed, measured and reported in the annual report. Refer Integrated Risk Management report on page 311 of this annual report.	Complied
H.5.1 - H.5.4	**ESG Reporting** The Board has implemented ESG policies and practices into the Company's strategy, business model, governance and risk management and reports on its likely impacts and implications. The Board has disclosed on how the Company has complied with the mandatory and voluntary codes of corporate governance. The Company's leadership structure, organisational culture, code of conduct and business model supports the sustainability of the Company in the short, medium and long term. Refer pages 98 to 122 for more information on the Company's Commitment to Sustainability.	Complied
I	**SPECIAL CONSIDERATIONS FOR LISTED ENTITIES**	
I.1	**Establishment and Maintenance of Policies and Other Requirements** Company establishes and maintains policies relating to its governance and discloses the details relating to the implementation of such policies.	Complied
I .1.1 - I.1.4	**Establishment of Policies** Being a listed entity, the Company is cognizant of the requirement to establish and maintain the 12 mandatory policies and disclosing its existence in the Company's website.	Complied
I.2	**Policy on Matters Relating to the Board of Directors** The Board has established and maintained of formal policy governing matters relating to Board of Directors.	Complied
I.2.1 – I.2.2	**Establishing Policies Relating to the Board of Directors** The Company's existing Corporate Governance Code enshrines good governance principles in relation to the Board and is supported by the Articles of Association and several other governance related policies adopted by the Board of Directors. Noting that this requirement arises under the Listing Rules as well, a review and revision of the existing policies will be carried out to ensure compliance with the Listing Rules within the timelines stipulated therein.	Complied

CORPORATE GOVERNANCE

COMPLIANCE WITH LISTING RULES

Compliance with the Rule 7.6 of Listing Rule – Section 7 (Continuing Listing Requirements) issued by the Colombo Stock Exchange.

Section	Governance Principle	Compliance Status	Page Reference
7.6	**CONTENTS OF ANNUAL REPORT**		
7.6 (i)	**Names of persons who were Directors of the Company during the financial year**	Complied	269
7.6 (ii)	**Principal activities of the Company and its subsidiaries during the year**	Complied	282
7.6 (iii)	**Information on 20 largest shareholders at the end of the year**	Complied	482
7.6 (iv)	**The public holding percentage**	Complied	481
7.6 (v)	**Directors' and Chief Executive Officer's holding in shares**	Complied	483
7.6 (vi)	**Information pertaining to material foreseeable risk factors**	Complied	287
7.6 (vii)	**Details of material issues pertaining to employees and industrial relations**	Complied	287
7.6 (viii)	**Information on buildings/land holdings and investment properties as at the end of the year**	Complied	424
7.6 (ix)	**Number of shares representing the stated capital as at the end of the year**	Complied	286
7.6 (x)	**A distribution schedule of the number of holders in each class of equity securities and related information**	Complied	482
7.6 (xi)	**Ratios and market price information on equity, debt, change in credit rating**	Complied	483
7.6 (xii)	**Significant changes in the Company's or Subsidiaries' fixed assets**	Complied	287
7.6 (xiii)	**Details of funds raised through a public issue, Rights Issue and a Private Placement during the year** There were no share issues, rights issues or private placements during the year	Complied	N/A
7.6 (xiv)	**Information in respect of Employee Share Ownership or Stock Option schemes** The Company does not have any Employee Share Ownership or Stock Option Schemes at present.	Complied	N/A
7.6 (xv)	**Disclosure pertaining to Corporate Governance practice in terms of Section 9 of the Listing Rules**	Complied	527
7.6 (xvi)	**Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity -** The Company did not have any Related Party Transactions exceeding this threshold during the year.	Complied	N/A

COMPLIANCE WITH LISTING RULES

Compliance with the Rule No. 9 of Listing Rules – issued by the Colombo Stock Exchange.

Section	Governance Principal and Implementation	Compliance status
9.1	**Applicability of Corporate Governance Rules**	
9.1.1/ 9.1.2	Applicability The company is complied with the rules set out in section 9.2 to 9.16 on continuous basis.	Complied
9.1.3	**Publishing a statement confirming extent of compliance with these Corporate Governance Rules** The disclosures given in this annexure fulfill this requirement.	Complied
9.2	**Policies**	
9.2.1	**Establish and maintain policies mandated in this rule and disclose them on the company website,** Following board approved policies are implemented and published in the official website of the Company, - Policy on the matters relating to the Board of Directors - Policy on Board Committees - Policy on Corporate Governance, Nominations and Re-election - Policy on Remuneration - Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities - Policy on Risk management and Internal controls - Policy on Relations with Shareholders and Investors - Policy on Environmental, Social and Governance Sustainability - Policy on Control and Management of Company Assets and Shareholder Investments - Policy on Corporate Disclosures - Policy on Whistleblowing - Policy on Anti-Bribery and Corruption	Complied
9.2.2	**Waivers or exemptions for Internal Code of Business Conduct and ethics** The Company has fully complied with the Internal Code of Business Conduct and ethics and no waivers/ exemptions were granted	Complied
9.2.3	**(i) List of policies that are in place with the reference to its website** **(ii) Any changes to policies adopted** As specified in rule no. 9.2.1 the board approved policies have been disclosed in the company website and no changes have been made to the policies adopted during the year.	Complied
9.2.4	**Policies available to shareholder upon request** A process is in place to make available all policies referred in section 9.2.1, to the Shareholders upon making a written request to the company.	Complied
9.3	**Board Committees**	
9.3.1	**Establish minimum of following Board committees** **(a) Nominations and Governance Committee** **(b) Remuneration Committee** **(c) Audit Committee** **(d) Related Party Transactions Review Committee** The board has established seven (7) board sub-committees including above four (4) Committees and Board Integrated Risk Management Committee (BIRMC), Board Information Security committee (BISC) and Board Sustainability committee (BSC) to overlook risk function, information security and sustainability function respectively. Refer Governance Structure in page 250 of this Annual Report.	Complied
9.3.2	**Compliance with the composition, responsibilities and disclosure requirements** The composition, responsibilities, and disclosures required in respect of the above-Board committees have been disclosed in Section 9.11, 9.12,9.13,9.14 of this report on pages 530, 531 and 532. Refer respective committee reports on pages 297, 298, 289 and 299 of this annual report.	Complied

CORPORATE GOVERNANCE

Section	Governance Principal and Implementation	Compliance status
9.3.3	**The Chairperson of the Board cannot also serve as the Chairperson of Board Committees.** The Chairperson of the Board of Directors does not hold the position of Chairperson for any Board Committees mentioned in Rule 9.3.1 above. Refer respective committee reports on pages 297, 298, 289 and 299 of this annual report.	Complied
9.4	**Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders**	
9.4.1	**Maintain records of all resolutions and other information stipulated in section 9.4.1 of the listing rules and provide copies at the request of SEC/CSE.** Company Secretary maintains all records of resolutions and information upon a resolution being considered at a general Meeting including valid appointment of proxy and their votes, votes in favour, against and abstained for the resolutions. A process in place to provide copies of above information to SEC or exchange upon request.	Complied
9.4.2	**Communication and relations with shareholders and investors** (a) The company has established a corporate communication policy and policy on relations with shareholders and investors to effectively communicate and maintain relationships with shareholders and investors, which is outlined in both the annual report and on the website. (b) The company secretary is designated as the contact person for communication purposes. The policy ensures that all Directors are informed of any significant concerns or issues raised by shareholders and these concerns are transparently addressed and communicated where necessary. (c) Furthermore, this process has been disclosed in Financial Capital of this annual report on page 124 and on the company website. (d) The company has not conducted any shareholder meetings through virtual or hybrid means.	Complied
9.5	**Policy on matters relating to the Board of Directors**	
9.5.1	**Policy on governing matters relating to the Board of Directors** The requirements stipulated in section 9.5.1 of the listing rule were captured in Board approved Policy on matters relating to the Board of Directors and Governance Framework of the Company.	Complied
9.5.2	**Compliance Confirmation with Section 9.5.1 requirements** The Board-approved policy on matters relating to the Board of Directors incorporates all requirements outlined in Section 9.5.1 and is published on the corporate website.	Complied
9.6	**Chairperson and CEO**	
9.6.1	**The Chairperson of the Company shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.** Chairperson of the company is Non-Executive Director. The roles of Chairperson and CEO/MD are held by separate individuals, ensuring a clear separation of responsibilities. Refer the Page 250 of this Annual report.	Complied
9.6.2	**Immediate market disclosure in the case of non-compliance with section 9.6.1 of the listing rules.** The Chairperson of the company is a non-executive director and the positions of Chairperson and MD/CEO are not held by the same person.	Not applicable
9.6.3	**The requirement for Senior Independent Director (SID)** The requirement for SID does not arise as the positions of Chairperson and MD/CEO are not held by the same person and Chairperson and MD/CEO are not close family members or related parties. The Chairman of the Board is a Non-Independent Director. In accordance with Finance Business Act Direction 5 of 2021 on Corporate Governance, issued by the Central Bank of Sri Lanka, a Senior Independent Director was designated in conformity with regulatory requirements. Refer the report of the Senior Independent Director given on page 247 for further details	Not applicable
9.6.4	**Annual report disclosure to explain the reasons for non-Compliance with Section 9.6.1 of the Listing rules.** The Chairperson of the company is Non-Executive Director. The positions of Chairperson and CEO are not held by the same person.	Not applicable
9.7	**Fitness of Directors and CEOs**	
9.7.1	**Fit and proper assessments of Directors and MD/CEO.** The Board has established a formal and transparent process for evaluating the fitness and propriety of Directors and the CEO/MD.	Complied
9.7.2	**Recommendations by the Nominations and Governance Committee as Directors are fit and proper** A process is in place to obtain a declaration from persons whose names are recommended by the Board Nomination and Governance Committee as directors confirming they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	Complied

Section	Governance Principal and Implementation	Compliance status
9.7.3	**Fit and proper assessment criteria** All Directors and the CEO/Managing Director have confirmed their compliance with the fit and proper criteria outlined in Section 9.7.3 of the Listing Rules, which include: a) Honesty, integrity, and reputation; b) Competence and capability; and c) Financial soundness.	Complied
9.7.4	**Fit and proper declarations from directors and MD/CEO** Annual declarations were obtained from all Directors and the CEO/Managing Director, confirming their continuous compliance with the fit and proper assessment criteria stipulated in the CSE Listing Rules as at 31.03.2025.	Complied
9.7.5	**Disclosures in the annual report on Fit and proper** Refer the "annual report of the board of directors on the affairs of the company" in page 282 in this Annual report.	Complied
9.8	**Board Composition**	
9.8.1	**Minimum number of directors on the board** The Board of Directors of the Company consist of 12 Directors.	Complied
9.8.2	**Minimum Number of Independent Directors:** As at 31 March 2025, the Company's Board of Directors comprised five (5) Independent Non-Executive Directors, representing more than one-third of the total Board membership.	Complied
9.8.3/ 9.8.4	**Criteria for determining independence** The Company determines the independence of Directors by considering the criteria set out in the revised CSE Listing Rules, Direction No. 5 of 2021 on Corporate Governance issued under the Finance Business Act by the CBSL and the Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023). All the Independent Non-Executive Directors of the company fulfilled the independent criteria stipulated as at 31.03.2025.	Complied
9.8.5	**Annual declaration of independence of the directors / disclosure of independence of the directors** Signed declaration is obtained from all the independent directors of the company confirming their independence. The annual declarations and other available information were reviewed by Board to verify the adherence to the criteria for assessing independence During the year the board has not identified any director whose independence is impaired against the criteria set out in the section 9.8.3 of the listing rules.	Complied
9.9	**Alternate Directors** None of the Directors of the Board has appointed alternate director during the year	Complied
9.10	**Disclosures relating to Directors**	
9.10.1	**Maximum number of directorships** As per the Policy on matters relating to the Board of Directors and Governance framework of the Company, the maximum number of directorships a director can hold is twenty (20). Accordingly, No Directors hold Directorships of more than twenty (20) companies, entities, institutions inclusive of Subsidiary Company of the LBF.	Complied
9.10.2	**Appointment of a new director to the board** The BNGC reviews and recommends all new appointments to the Board. During the year, the Company appointed two (2) Independent Non-Executive Directors to the Board. Immediate market announcements were made for each appointment, providing the following information, i. A brief resume ii. Capacity of directorship; and, iii. Statement indicating the review performed by the Nominations and Governance Committee	Complied
9.10.3	**Market Announcement on changes to the composition of the board sub committees.** During the year under review the company reconstituted several board sub committees and necessary market announcements were made with the relevant information.	Complied
9.10.4	**Disclosure of information relating to directors** Refer the board profiles in page 256 of this Annual report. Refer Board and sub-committee attendance in page 269 of this Annual report Refer sub-committee reports in pages 289 to 304 in this Annual report. Refer Board Meeting attendance in page 269 of this annual report. Refer Terms of Reference of Senior Independent Director in page 266 of this annual report.	Complied

CORPORATE GOVERNANCE

Section	Governance Principal and Implementation	Compliance status
9.11	**Nominations and Governance Committee (BNGC)**	
9.11.1	**Availability of Nomination and Governance committee** The board has appointed a BNGC that conforms the requirements set out in rule 9.11 of listing rules. Refer Board Nomination and Governance Committee report on page 297 in this annual report.	Complied
9.11.2	**Board appointments through Nomination and Governance Committee** A formal process is in place for the appointment of new Directors and re-election to the Board through the BNGC.	Complied
9.11.3	**Terms of reference of Nominations and Governance Committee** Board approved Terms of Reference for BNGC is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer Report of the BNGC on page 297 of this annual report.	Complied
9.11.4	**Composition of the Board Nomination and Governance Committee** (1) The committee consists of 3 non-executive directors out of which 2 of them are independent. (2) The Chairperson of the Committee is an Independent Non-Executive Director. (3) Refer Report of the BNGC on page 297 of this Annual report.	Complied
9.11.5	**Functions of the Board Nomination and Governance Committee** Refer the report of BNGC report in the page 297 of this annual report.	Complied
9.11.6	**Disclosures in Annual Report** Refer the report of Board Nomination and Governance Committee report in the page 297 of this annual report.	Complied
9.12	**Remuneration Committee (BHRRC)**	
9.12.1/ 9.12.2	**Availability of Remuneration Committee** The board has appointed a BHRRC that conforms the requirements set out in rule 9.12 of listing rules. Refer Board Remuneration Committee report on page 298 in this annual report.	Complied
9.12.3	**Remuneration Policy for Executive Directors** A formal and transparent procedure is in place for fixing the remuneration of individual Executive Directors. Refer the report of the BHRRC report in the page 298 of this annual report.	Complied
9.12.4	**Remuneration Policy for Non-Executive Directors** A policy which adopts the principle of non-discriminatory pay practices is in place in determining the remuneration of Non–Executive Directors to ensure that their independence is not impaired. Refer the Report of the BHRRC in page 298 of this annual report.	Complied
9.12.5	**Terms of Reference of Remuneration Committee** Board approved Terms of Reference for Remuneration committee is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer the Report of the BHRRC in page 298 of this annual report.	Complied
9.12.6	**Composition of the Remuneration Committee** The Committee consists of 3 Non-Executive Directors out of which 2 of them are independent. The Chairperson of the Committee is an Independent Non-Executive Director. Refer the Report of the BHRRC in page 298 of this annual report.	Complied
9.12.7	**Functions of Remuneration Committee** Board approved Terms of Reference of BHRRC covers the functions highlighted in section 9.12.7 of the listing rules. Refer the Report of the BHRRC in page 298 of this annual report.	Complied
9.12.8	**Disclosures in the Annual report.** Refer the report of BHRRC on page 298 of this annual report. The aggregate remuneration of the Executive and Non-Executive Directors are disclosed in Page 445 of this annual report.	Complied
9.13	**Board Audit Committee (BAC)**	
9.13.1	**Availability of Committee to perform audit and risk function** The audit functions specified in section 9.13.4 are performed by BAC while a separate committee, BIRMC has been formed to perform risk function of the company including risk related functions specified in section 9.13.4. Refer Report of the BAC on page 289 and report of BIRMC on page 294 of this annual report.	Complied

Section	Governance Principal and Implementation	Compliance status
9.13.2	**Terms of Reference of Board Audit Committee** Board approved Terms of Reference for BAC is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer Report of the Board Audit Committee on page 289 of this annual report.	Complied
9.13.3.	**Composition of the Board Audit Committee** (1) The Committee comprise 3 NEDs out of which 2 of them are independent. Further, the committee does not comprise ED. (2) As per the TOR of the BAC, Quorum for a meeting require that the majority of attendees shall be Independent Directors. (3) The BAC meets at least on monthly intervals. which is in compliance with the requirements. (4) The Company does not have any listed subsidiaries (5) Independent NED functions as a Chairman of the committee. (6) The MD/CEO and CFO of the Company attend the BAC/BIRMC meetings by invitation. (7) The Chairman of the BAC is a fellow Member of "The Institute of Chartered Accountants of Sri Lanka and The Chartered Institute of Management Accountants of UK" and also possesses sufficient experience in finance and banking industry. Refer the BAC report on page 289 of this annual report.	Complied
9.13.4	**The functions of the Audit Committee** A Board approved Terms of reference of BAC includes the audit related functions specified in section 9.13.4 of the listing rules. The risk related functions specified in section 9.13.4 are included in the Terms of Reference of BIRMC. Refer Report of the BAC on page 289 and Report of BIRMC on page 294 of this annual report	Complied
9.13.5	**Disclosures in Annual Report** Refer Report of the BAC on page 289 of this annual report.	Complied
9.14	**Board Related Party Transactions Review Committee (BRPTRC)**	
9.14.1	**Availability of Board Related Party Transactions Review Committee** The board has appointed a BRPTRC that conforms the requirements set out in rule 9.14 of listing rules. Refer BRPTRC report on page 299 in this annual report.	Complied
9.14.2	**Composition of Board Related Party Transactions Review Committee** The committee comprise of Three (3) non-executive Directors of which 2 of them are independent. Executive Directors are invited to the meetings as and when required. The chairperson of the committee is an independent director. Refer the report of BRPTRC on page 299 of this annual report.	Complied
9.14.3	**Functions of the Board Related Party Transactions Review Committee** Board approved Terms of Reference of BRPTRC covers the functions highlighted in section 9.14.3 of the listing rules. Refer the Report of BRPTRC on page 299 of this annual report.	Complied
9.14.4	**General Requirements of Board Related Party Transactions Review Committee**	
	(1) The committee met 5 times during the year. Refer the report of BRPTRC on page 299 of this annual report. (2) The members of the BRPTRC have enough knowledge and expertise to assess all aspects of proposed Related Party Transactions. Where necessary, Committee obtain appropriate professional and expert advice from an approp0riately qualified person. (3) The Committee requests the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors obtained prior to entering into the relevant Related Party Transaction. No such instances occurred during the year Refer the report of the BRPTRC on page 299 of this annual report. (4) As stipulated the RPT policy, no director has participated or voted in any discussion of a proposed related party transaction for which he or she is a related party. Refer the report of the BRPTRC on page 299 of this annual report.	Complied

CORPORATE GOVERNANCE

Section	Governance Principal and Implementation	Compliance status
9.14.5	**Review of Board Related Party Transactions by the Board Related Party Transactions Review Committee** (1) All proposed related Party transactions are reviewed and recommended prior to entering in to transactions by BRPTRC. (2) In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes are also reviewed by the BRPTRC to the completion of the transaction. (3) LBF Senior Management provides all the facts and circumstances of the proposed Related party transactions to the BRPTRC to facilitate the review of such Related Party transactions. (4) In determining whether to obtain the approval of the Board of directors for a related party transaction, the BRPTRC takes into account the factors stipulated in section 9.14.5 (4) of the listing rules. (5) No Director shall participate in any discussion of a proposed related party transaction in which he or she is a related party, except that the Director, at the request of the committee, may participate in discussions for the express purpose of providing information concerning the BRPTRC. (6) Processes are in place where all proposed related Party transactions are reviewed and recommended by the Related Party Transaction review committee prior to entering in to transactions.	Complied
9.14.6	**Shareholder Approval** (1)/(2)/(3) A process is in place to obtain shareholder approval by way of a special resolution for RPTs stipulated in section 9.14.6 (1) of the listing rules. However, there were no such transactions occurred during the year.	Complied
9.14.7	**The Company shall make an immediate Market Announcement to the Exchange for Related Party Transactions listed in Section 9.14.7 (a) and (b)** The RPT policy of the company include provisions to make immediate market announcements with regard to the related party transactions listed in section 9.14.7 of the listing rules. There were no transactions which required immediate market announcements as set out in section 9.14.7 of the listing rules.	Complied
9.14.8	**Disclosures in the Annual Report**	
	(1) There were no non recurrent related party transactions which exceed 10% of the equity or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules. Refer the RPT Note No. 3.1 to the Financial Statements in page 445 of this annual report. (2) There were no recurrent related party transactions which exceed aggregate value 10% of gross revenue/income or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules. (3) Refer the BRPTRC on page 299 of this annual report. (4) Refer Annual report of the board of directors on the affairs of the company on page 282 of this annual report.	Complied
9.14.9	**Acquisition and disposal of Assets from / to Related Parties** During the year there were no acquisition or disposals of substantial assets from / to related parties.	Complied
9.14.10	**Exempted Related Party Transactions** Exemptions mentioned in this section has not been considered as all the related party transactions are reviewed and recommended by the Related Party Transactions Review committee.	Complied
9.16	**Additional Disclosures** Additional disclosures stipulated in the section 9.16 are declared by the Board of Directors in Annual report of the affair Refer Annual report of the board of directors on the affairs of the company on page 282 of this annual report.	Complied

GRI CONTENT INDEX

Statement of use - LBF PLC has reported in accordance with the GRI Standards for the period 01st of April 2024 to 31st of March 2025.

GRI Standard	Disclosure	Page	Explanation
GRI 1	**GRI 1: Foundation 2021**		
GRI 2	**General Disclosures 2021**		
2-1	Organisational details	5, 14	
2-2	Entities included in the organisation's sustainability reporting	16	
2-3	Reporting period, frequency and contact point	19, 22	
2-4	Restatements of information	19	
2-5	External assurance	19	
2-6	Activities, value chain and other business relationships	222-223	
2-7	Employees	170-171	
2-8	Workers who are not employees	171	
2-9	Governance structure and composition	253	
2-10	Nomination and selection of the highest governance body	271	
2-11	Chair of the highest governance body	264	
2-12	Role of the highest governance body in overseeing the management of impacts	273	
2-13	Delegation of responsibility for managing impacts	273	
2-14	Role of the highest governance body in sustainability reporting	273, 277	
2-15	Conflicts of interest	273	
2-16	Communication of critical concerns	273	
2-17	Collective knowledge of the highest governance body	272	
2-18	Evaluation of the performance of the highest governance body	274-275	
2-19	Remuneration policies	275	
2-20	Process to determine remuneration	170, 298	
2-21	Annual total compensation ratio		Does not disclose due to confidential reasons
2-22	Statement on sustainable development strategy	84	
2-23	Policy commitments	62, 81, 124-221	
2-24	Embedding policy commitments	62, 81	
2-25	Processes to remediate negative impacts	167	
2-26	Mechanisms for seeking advice and raising concerns	197, 541-543	
2-27	Compliance with laws and regulations	18	
2-28	Membership associations	549	
2-29	Approach to stakeholder engagement	62-63	
2-30	Collective bargaining agreements		N/A
GRI 3	**Material Topics 2021**		
3-1	Process to determine material topics	74	
3-2	List of material topics	75-80	
3-3	Management of material topics	124-221	
GRI 200	**ECONOMIC**		
GRI 201	**Economic Performance 2016**		

GRI CONTENT INDEX

201-1	Direct economic value generated and distributed	35, 40	
201-2	Financial implications and other risks and opportunities due to climate change	341-344	
201-3	Defined benefit plan obligations and other retirement plans	158	
201-4	Financial assistance received from government		None
GRI 202	**Market Presence 2016**		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage LBF pays above minimum wages as stipulated by law or applicable collective agreements (There is no gender differences). According to legislation to be presented in Parliament of Sri Lanka, the national minimum monthly wage for all workers in any industry or service will be Rs. 10,000/- while the national minimum daily wage of a worker will be Rs. 400/-		
202-2	Proportion of senior management hired from the local community		Locally hired
GRI 203	**Indirect Economic Impacts 2016**		
203-2	Significant indirect economic impacts	33-36	
GRI 205	**Anti-Corruption 2016**		
205-1	Operations assessed for risks related to corruption	541-543	
205-2	Communication and training about anti-corruption policies and procedures	541-543	
205-3	Confirmed incidents of corruption and actions taken		No incident was reported
GRI 206	**Anti-competitive Behavior 2016**		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No incident was reported
GRI 207	**Tax 2019**		
207-1	Approach to tax	380-381, 432	
207-2	Tax governance, control, and risk management	380-381	
207-3	Stakeholder engagement and management of concerns related to tax	380-381, 432	
207-4	Country-by-country reporting	363	
GRI 300	**ENVIRONMENT**		
GRI 305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	110	
305-2	Energy indirect (Scope 2) GHG emissions	110	
305-3	Other indirect (Scope 3) GHG emissions	110	
305-4	GHG emissions intensity	40, 109	
305-6	Emissions of ozone-depleting substances (ODS)		N/A
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	111	

GRI 400	SOCIAL		
GRI 401	**Employment 2016**		
401-1	New employee hires and employee turnover	170	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	159	
401-3	Parental leave	160	
GRI 403	**Occupational Health and Safety 2018**		
403-1	Occupational health and safety management system	161	
GRI 404	**Training and Education 2016**		
404-1	Average hours of training per year per employee	171	
404-2	Programmes for upgrading employee skills and transition assistance programmes	171	
404-3	Percentage of employees receiving regular performance and career development reviews	157	
GRI 405	**Diversity and Equal Opportunity 2016**		
405-1	Diversity of governance bodies and employees	171	
405-2	Ratio of basic salary and remuneration of women to men	160, 170	
GRI 406	**GRI 406: Non-discrimination 2016**		
406-1	Incidents of discrimination and corrective actions taken		No incident was reported
GRI 413	**Local Communities 2016**		
413-1	Operations with local community engagement, impact assessments, and development programmes	200-204, 214-219	
413-2	Operations with significant actual and potential negative impacts on local communities		No incident was reported
GRI 418	**Customer Privacy 2016**		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		No incident was reported

INTEGRATED REPORTING - CONTENT INDEX

IR Reference	Paragraph Reference	Description	Page No. / Explanation
1. Using the <IR> Framework			
1A	1.2	An integrated report should be prepared in accordance with the <IR> Framework	18
1C	1.7	The primary purpose of an integrated report	15
1D	1.11	Quantitative and qualitative information	17
1G	1.2	An integrated report should include a statement from those charged with governance	20
2. Fundamental Concepts			
2A	2.3	An integrated report aims to provide insight about external environment, resources and the relationships used and affected by the organisation and how the organisation interacts with the external environment and the capitals to create	56, 124-221
2B	2.4	Value created, preserved or eroded by an organisation over time manifests	128, 144, 152, 174, 186, 210
2C	2.17 - 2.19	Categories and descriptions of the capitals	124-221
2D	2.23	Business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs	54
3. Guiding Principles			
3A	3.3	Strategic focus and future orientation	81-95, 96
3B	3.6	Connectivity of information - An integrated report should show a holistic picture	Maintained throughout the report
3C	3.10	Stakeholder relationships	62-73
3D	3.17	Materiality	74-80
3E	3.37	An integrated report includes sufficient context to understand organisation's strategy, governance, performance and prospects without being burden with less relevant information	81-95, 246-281, 124-221
3F	3F	Reliability and completeness	540
4. Content Elements			
4A	4.4, 4.5, 4.6, 4.7	Organisational overview and external environment	24-32, 56-61
4B	4.8, 4.9	Governance	246-281
4C	4.10, 4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18. 4.19	Business model	54
4D	4.24, 4.25, 4.26	Risks and opportunities	311-345
4E	4.28, 4.29	Strategy and resource allocation	81-95
4F	4.31, 4.32, 4.33	Performance	38-41, 484-485
4G	4.35, 4.36, 4.37, 4.38, 4.39	Outlook	46-48, 50-53, 96
4H	4.41, 4.42, 4.43, 4.44, 4.45, 4.46, 4.47	Basis of preparation and presentation	16-18, 74-80

SLFRS S1 AND S2 DISCLOSURES CONTENT INDEX

Section	SLFRS S1 & S2 Reference	Summary of Requirements	Page Reference
Governance	S1: 26–27, S2: 5–6	Disclosures on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor,manage and oversee sustainability-related risks and opportunities and Climate related risk and oppotinities.	276-277
Strategy	S1: 28–42, S2: 8–23	Disclosures on how sustainability-related and climate-related risks and opportunities impact the business model, strategy, and financial planning over the short, medium, and long term, including: • Identification of risks and opportunities • Impact on business model and value chain • Effects on strategy and decision-making • Effect on financial performance, position, and cash flows • Resilience - Disclose a qualitative and quantitative assessment of the resilience of its strategy andbusiness model • Climate transition plan	83-94
Risk Management	S1: 43–44, S2: 24–26	Disclose the processes used to identify, assess, prioritize, and monitor sustainability-related and climate-related risks and opportunities, including integration with the overall risk management process	336-345
Metrics and Targets	S1: 45–53, S2: 27–28	Disclose the metrics and targets used to assess performance in relation to sustainability-related and climate-related risks and opportunities, including progress toward targets entity has set and level of achivenment	105-111, 141, 149, 169, 183, 206, 221
GHG Emissions & Climate Metrics	S2: 29	Disclose Scope 1, 2, and 3 greenhouse gas (GHG) emissions, including methodologies, assumptions, and intensity ratios used. Should align with GHG Protocol.	105-111
Scenario Analysis & Climate Resilience	S2: 22	Disclose the resilience of strategy and business model to climate-related changes and uncertainties, considering defined climate-related risks and opportunities. Scenario analysis should be applied	345 (Non-financial content)
Materiality*	S1: 17–18	Disclose material sustainability-related and climate-related risks and opportunities that could influence the assessments and decisions of primary users of financial reports	76

Quantitative disclosures were not provided to be in-line with the transitional provision of SLFRS S1 paragraph 34 (b), that quantitative information need not be provided in the first year of adoption of the Standard.

The Company did not receive any information after the end of the reporting period, but before the date on which the sustainability-related financial disclosures were authorised for issue that required an update to the disclosures in respect of conditions that existed at the end of the reporting period.

*Based on the sustainability-related risks and opportunities identified in accordance with SLFRS S1:35(a), the Company has not identified any risks or opportunities that give rise to a significant risk of a material adjustment to the carrying amounts of assets or liabilities reported in the financial statements within the next annual reporting period.

DISCLOSURES RELATING TO SUSTAINABILITY ACCOUNTING STANDARD BOARD (SASB) FOR CONSUMER FINANCE

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE	DISCLOSURE/ PAGE REFERENCE
Customer Privacy	Number of account holders whose information is used for secondary purposes 1	Quantitative	Number	FN-CF-220a.1	No such incidents were reported
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy 2	Quantitative	Presentation currency	FN-CF-220a.2	No such incidents were reported
Data Security	Number of data breaches, percentage that are personal data breaches, (3) number of account holders affected 3	Quantitative	Number, Percentage (%)	FN-CF-230a.1	No such incidents were reported
	Card-related fraud losses from (1) card- not-present fraud and (2) card-present and other fraud	Quantitative	Presentation currency	FN-CF-230a.2	No such incidents were reported
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	FN-CF-230a.3	Intellectual Capital Page 179-180
Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold 4	Quantitative	Percentage (%)	FN-CF-270a.1	
	In the dynamic world of LBF, a vibrant performance-based culture fuels the drive for excellence. Here, marketing officers navigate their roles with clear, ambitious targets, both individually tailored and collectively embraced by their teams. Each goal set is a beacon guiding their efforts, promising lucrative incentives for those who reach the summit. This system transforms targets into motivational milestones, sparking a competitive yet collaborative spirit. However, the stakes are high—missing a target means the incentive remains an unclaimed reward, a constant reminder of the relentless pursuit of success that defines LBF's ethos.				
	Approval rate for (1) credit and (2) pre- paid products for applicants 5	Quantitative	Percentage (%)	FN-CF-270a.2	N/A
	Average fees from add-on products, average APR of credit products, average age of credit products, average number of credit accounts, and (5) average annual fees for pre-paid products	Quantitative	Presentation currency, Percentage (%), Months, Number	FN-CF-270a.3	N/A
	Number of customer complaints filed, percentage with monetary or non- monetary relief	Quantitative	Number, Percentage (%)	FN-CF-270a.4	No such incidents were reported
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products 6	Quantitative	Presentation currency	FN-CF-270a.5	No such incidents were reported

THE TEN PRINCIPLES OF THE UN GLOBAL IMPACT

PRINCIPLE	DESCRIPTION	PAGE NO
Human Rights		
Principle 1 :	Businesses should support and respect the protection of internationally proclaimed human rights	115
Principle 2 :	Businesses should make sure that they are not complicit in human rights abuses	115
Labour		
Principle 3 :	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining Declarations of the International Labor Organisation (ILO), including the employee right to the freedom of association and the right to engage in collective bargaining, LBF's strong relationships with employees has meant there is no need for any collective agreement. During the year under review, the Company has not faced any type of industrial disputes.	
Principle 4 :	Businesses should uphold the elimination of all forms of forced and compulsory labour	No such incidents were reported
Principle 5 :	Businesses should uphold the effective abolition of child labour	No such incidents were reported
Principle 6 :	Businesses should uphold the elimination of discrimination in respect of employment and occupation	No such incidents were reported
Environment		
Principle 7 :	Businesses should support a precautionary approach to environmental challenges	33, 60
Principle 8 :	Businesses should undertake initiatives to promote greater environmental responsibility	33, 60
Principle 9 :	Businesses should encourage the development and diffusion of environmentally friendly technologies	150
Anti-Corruption		
Principle 10 :	Businesses should work against corruption in all its forms, including extortion and bribery	355

INDEPENDENCE ASSURANCE

<IR 3F>

Deloitte Partners
100 Colombo 2
Braybrooke Place
Sri Lanka

Tel: +94 11 771 9700,
+94 11 771 9838
Fax: +94 11 230 7237
www.deloitte.com

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF THE DIRECTORS OF LB FINANCE PLC ON THE INFORMATION PRESENTED WITH REFERENCE TO THE GRI, SLFRS S1 and S2, SASB STANDARDS AND THE INTEGRATED REPORTING <IR> FRAMEWORK IN THE INTEGRATED ANNUAL REPORT -2025.

SCOPE

We have been engaged by the management of LB Finance PLC ("the Company") to perform an independent limited assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative), SLFRS S1 and S2, SASB (Sustainability Accounting Standards Board) Standards and the integrated reporting <IR> framework ("Information") in its Integrated Annual Report for the year ended 31 March 2025 (the "Report").

MANAGEMENT'S RESPONSIBILITY

Management of the Company is responsible for preparation and presentation of the information with reference to the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> framework. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the information that is free from material misstatement, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The firm applies Sri Lanka Standard on Quality Managament and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the information presented in Report with reference to the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> framework. We conducted our limited assurance engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information ("SLSAE 3000") issued by the Institute of Chartered Accountants of Sri Lanka. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the information is free from material misstatement.

A limited assurance engagement undertaken in accordance with SLSAE 3000 involves assessing the risks of material misstatement of the information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the information.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and were included,

- Comparing of the content of the Report against the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> framework.
- Inquiring relevant organization's personnel to understand the process for collection, analysis, aggregation, and presentation of data.
- Cross checking the non-financial data / information presented in the Report with the supporting documents and schedules maintained by the Company.
- Checking the calculations performed by the organization on a sample basis through recalculation.
- Cross checking the financial information presented in the Report with the audited financial statements of the Company for the financial reporting period ended 31 March 2025.

CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information, as defined above, for the year ended 31 March 2025, is not presented, in all material respects, with reference to the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> framework.

OTHER MATTER

Our assurance is not extending to the prospective/ comparative information, or any other information presented in the Report other than based on the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> framework. Further, we do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Deloitte Partners.

Deloitte Partners
Chartered Accountants
Colombo

30 May 2025

C S Manoharan FCA, **T U Jayasinghe** FCA, **M D B Boyagoda** FCA, **H A C H Gunarathne** FCA, **M P M T Gunasekara** FCA, **N R Gunasekera** FCA, **M S J Henry** FCA, **M M R Hilmy** FCA, **H P V Lakdeva** FCA, **K M D R P Manatunga** ACA, **M M M Manzeer** FCA, **L A C Tillekeratne** ACA, **D C A J Yapa** ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

REPORTING ON ANTI-CORRUPTION PROGRAMMES

GRI: 2-26, 205-1, 205-2

TRANSPARENCY IN CORPORATE REPORTING ASSESSMENT, ISSUED BY TRANSPARENCY INTERNATIONAL SRI LANKA

1. Does the company have a publicly stated commitment to anti-corruption?

Commitment to anti-corruption with Anti-bribery and corruption policy

At LBF, we committed to act ethically and with integrity in everything we do. Through our approach, we seek to build long term relationships with stakeholders based on trust. LBF Board of Directors set the tone from the top to promote a culture of ethics and transparent behaviour across the Company. This is supported by a range of policies that specify the ethical conduct expected from all employees including specific actions to deal with anti-corruption and bribery, guidelines on receiving and giving gifts and the exclusion of political party sponsorships. According to ABC policy of the Company;

- Enhanced due diligence should be carried out where any payment is made to a Politically Exposed Person (PEP) as defined in Company's Anti-Money Laundering Policy
- No political contribution to a candidate for public office, an elected official, a political party or political action committee, can be made, on behalf of LB Finance PLC.

Frequently we communicate these policies to our employees and also continuously reiterate the importance of legal and regulatory compliance. The Anti-bribery and corruption policy is published in the corporate web site of the Company

2. Does the company publicly commit to be in compliance with all relevant laws including anti-corruption laws?

Internal processes are in place to ensure that the Company comply with all laws regulations, directions and internal policies of the Company. The Board affirms that the Company complies with all relevant laws, regulations, directions and internal policies of the Company.

3. Does the company leadership (senior membership or board) demonstrate support for anti-corruption?

The Board approved Anti-Bribery and Corruption (ABC) Policy is in place. Operationalization and compliance of the policy is ensured through the Compliance Officer.

4. Does the company code of conduct/anti-corruption policy explicitly apply to all employees and directors?

The Board approved Code of Conduct, ABC policy are in place. These policies have been duly communicated to all employees including Directors of the Company in all three languages and employee acknowledgements have been obtained. Further, periodic e-flyers related to ABC have been circulated through e-mails among all employees aiming continuous awareness and compliance.

5. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorised to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?

The Company's ABC Policy explicitly applies for all stakeholders including agents, advisors, representatives and all other intermediaries. The Anti-bribery and corruption policy is published in the corporate web site of the Company

6. Does the company require external entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers) to abide by the company's anti-corruption programme or supplier code?

The Company's ABC Policy explicitly applies for external entities that provide goods and services under contracts to comply with company's ABC policy requirements.

Regular AML and ABC Due diligence are conducted on all business partners including external entities that provide goods and services under contracts.

7. Does the company have in place an anti-corruption training programme for its employees and directors?

The Board and Senior Management participated in a comprehensive training session, focusing on Anti-Bribery and corruption. The training addressed current and potential risks, aiming to enhance the Company's anti-bribery and corruption programmes. Further, periodic e-flyers related to ABC have been circulated through e-mails among all employees aiming continuous awareness and compliance.

ABC Policy was communicated to all employees of the Company. Refer page 272.

8. Does the company have a policy on gifts, hospitality and expenses?

These guiding principles are supported by a company ABC policy, Policy on Managing Conflicts of Interests and code of conduct dealing with anti-bribery and corruption, including conflicts of interests, gifts and hospitality, facilitation payments, hosting of customer events, marketing sponsorships, and due diligence of third party service providers. In addition, receiving or giving/ offering gifts and hospitality that is excessive, inappropriate, in breach of applicable laws and LBF policies, can be damaging to LBF's reputation, create conflicts of interests, and harm our business relationships. Suppliers shall not use third parties to perform illegal and improper activities, whether directly or indirectly on their behalf like paying bribes or making facilitation payments.

9. Does the policy on gift and hospitality or expenses include a definition of threshold (descriptive or quoted as amounts) as well as procedures and reporting requirements?

The ABC policy, Policy on Managing Conflicts of Interests and code of conduct set out definitions of descriptive thresholds and outline the procedures to be followed when such situation is arose. Additionally, these documents specify the obligations for reporting such incidents and the channels through which they should be reported.

REPORTING ON ANTI-CORRUPTION PROGRAMMES

10. Is there a policy that explicitly prohibits facilitation payments?

Refer point 8 above

11. Does the company provides a mechanism/channel through which employees can report suspected act of corruption or breaches of anti corruption policies, and does mechanism/channel allow for confidential and/or anonymous reporting (whistle blowing) ?

Board approved whistle blowing policy is in place. Frequent awareness campaigns are conducted through various means to encourage the reporting of suspected wrongdoings, acts of corruption or breaches of anti-corruption policies. It allows for confidential and/or anonymous reporting (whistle-blowing) and there is a two-way communication with the whistle blower for any needed follow up on the disclosure.

The compliance officer submitted a confidential report on quarterly basis to the members of the BAC on of any whistleblowing and actions taken in compliance with the policy.

Awareness programmes were carried out to build employee capacity and help them to develop a sensitivity to situations of real or perceived conflict of interest and learn how to deal with them when they arise.

12. Does the whistle blowing mechanism/ channel enable employees and other to raise concerns and report suspected acts of corruption or breaches of anti corruption policies without of risk of reprisal?

The policy on whistleblowing clearly outlines the process for reporting or raising concerns about suspected acts of corruption or violations of anti-corruption policies, ensuring that individuals can do so without fear of retaliation.

No incidents have been reported during the year.

The BAC remains committed to follow-up on any future complaints/incidents, should they occur. No employee would suffer demotion, penalty or other reprisals for raising concerns or reporting violation.

13. Does the mechanism/ channel provide for two way communication with the whistle blower for any needed follow up on the concern/s raised?

Regular awareness campaigns are implemented using diverse methods to promote the reporting of suspected misconduct, corruption, or violations of anti-corruption policies. These campaigns enable individuals to report confidentially and/or anonymously (whistleblowing), and establish a two-way communication channel with whistleblowers for any necessary follow-up on the information disclosed.

14. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?

A process is in place to carry out annual review of anti-corruption programme to ensure the suitability, adequacy and effectiveness of the ABC programme.

The process of mitigating the ABC risk through three (3) lines of defense are stated below,

Assessing Bribery and Corruption Risk (BC Risk)

- Bribery and corruption risks to business operations of the company where applicable shall be identified, periodically assessed, monitored and managed effectively by the respective process owners in order to maintain a strong control system.

  Role of the Risk Department: Each business unit should assess the BC risk when carrying out their respective Risk Assessment which is rolled out and reviewed by the Risk Department.

- Role of Compliance Department: Compliance being an independent function will monitor non-compliance of this policy with relevant reporting by the respective business unit or the Human Resource Department or as detected by the Internal Audit Department and with the related Risk assessment reviewed by the Risk Department and company takes appropriate action to address policy violations.

- Head of Compliance being the subject policy owner will report any Non-compliance of this policy to the Board Audit Committee (BAC) on a Quarterly basis.

- Role of Internal Audit: Internal Audit being an independent function from the business operations, will carry out the audit function in line with the Board approved Audit methodology for providing the assurance. As per board approved annual plan, required verifications/tests are conducted to assess the adequacy of the controls established within the entity.

15. Does the company have a policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?

The Company has a policy on political contribution that prohibits political sponsorships/contributions. This aspect clearly covers in the ABC policy.

16. Does the company disclose its ultimate beneficial owner/s?

A process is in place to identify Ultimate Beneficial Owners of the company and is disclosed in the Annual report of the Company.

Which of the following information does the company disclose for all of its fully consolidated subsidiaries?

17 full list with names

Refer Principal Business Activity, nature of operations of the group and ownership by the company in its subsidiary on pages 31 and 549.

18 percentages owned in each of them

Refer Principal Business Activity, nature of operations of the group and ownership by the company in its subsidiary on page 549.

19 Countries of incorporation (for each entity)

Refer Investment in Subsidiary on page 358 Refer Annual report of the Board of Directors on the Affairs of the Company on page 282.

20 countries of operations

Refer Investment in Subsidiary on page 358 Refer Annual report of the Board of Directors on the Affairs of the Company on page 282.

Which of the following information does the company disclose for all of its non fully consolidated holdings, such as associates, joint-ventures?

21 full list with names

N/A

22 percentages owned in each of them

N/A

23 country of incorporation

N/A

24 country of operations

N/A

25. Does the company disclose its revenue/ sales in Sri Lanka?

LB Microfinance Myanmar Limited - Rs. 353 Mn. (Refer segmental information in Notes to the financial statements on page 452)

26. Does the company disclose its capital expenditure in Sri Lanka?

LB Microfinance Myanmar Limited - Rs. 20.5 Mn. (Refer segmental information in Notes to the financial statements on page 452)

27. Does the company disclose its pre-tax income in Sri Lanka?

LB Microfinance Myanmar Limited - Rs. 68.9 Mn. (Refer segmental information in Notes to the financial statements on page 452)

28 Does the company disclose its income tax in Sri Lanka?

LB Microfinance Myanmar limited has not paid any taxes during the financial year owing to a carried forward tax over payment made in the previous financial year. Total tax payable for current financial year Rs. 14.7 Mn. Tax paid Rs. 15.7 Mn.

29. Does the Company disclose its community contribution in Sri Lanka?

Refer social and relationship capital on page 184.

30 Does the Company have a publicly stated policy against sexual harassment?

Board approved HR policy of the company include the zero tolerance against sexual harassments or equivalents. The company is committed to fight any form of harassment at the work place.

31 Does the company have an explicit, publicly stated commitment to non-discrimination based on gender?

Board approved HR policy of the company include the company's commitment to non discrimination based on the gender.

32. Does the Company adopt a gender inclusive/equal opportunity recruitment policy?

An explicit commitment to non-discrimination on the basis of gender is in place when recruiting new employees to the company. 47% (2023/24 - 46%) of the workforce is females which shows a continuous improvement. Refer Human Capital in the Annual report on page 150.

33. Does the Company adopt a gender inclusive/equal opportunity promotion policy?

There is an explicit commitment in the HR policy on non-discrimination on the basis of gender when promoting employees. 50% of the employees promoted during 2024/25 are female employees.

34. Does the company have a policy for bidding on government contracts/ tenders?

Not Applicable.

The company does not engage for bidding on government contracts/tenders

35. Does the company disclose its current contracts with local and/or foreign governments?

Not Applicable.

The company does not engage in any contract with local and/ or any foreign government

36. Does the company publish tendering and post award documents for government contracts and awarded tenders?

Not Applicable.

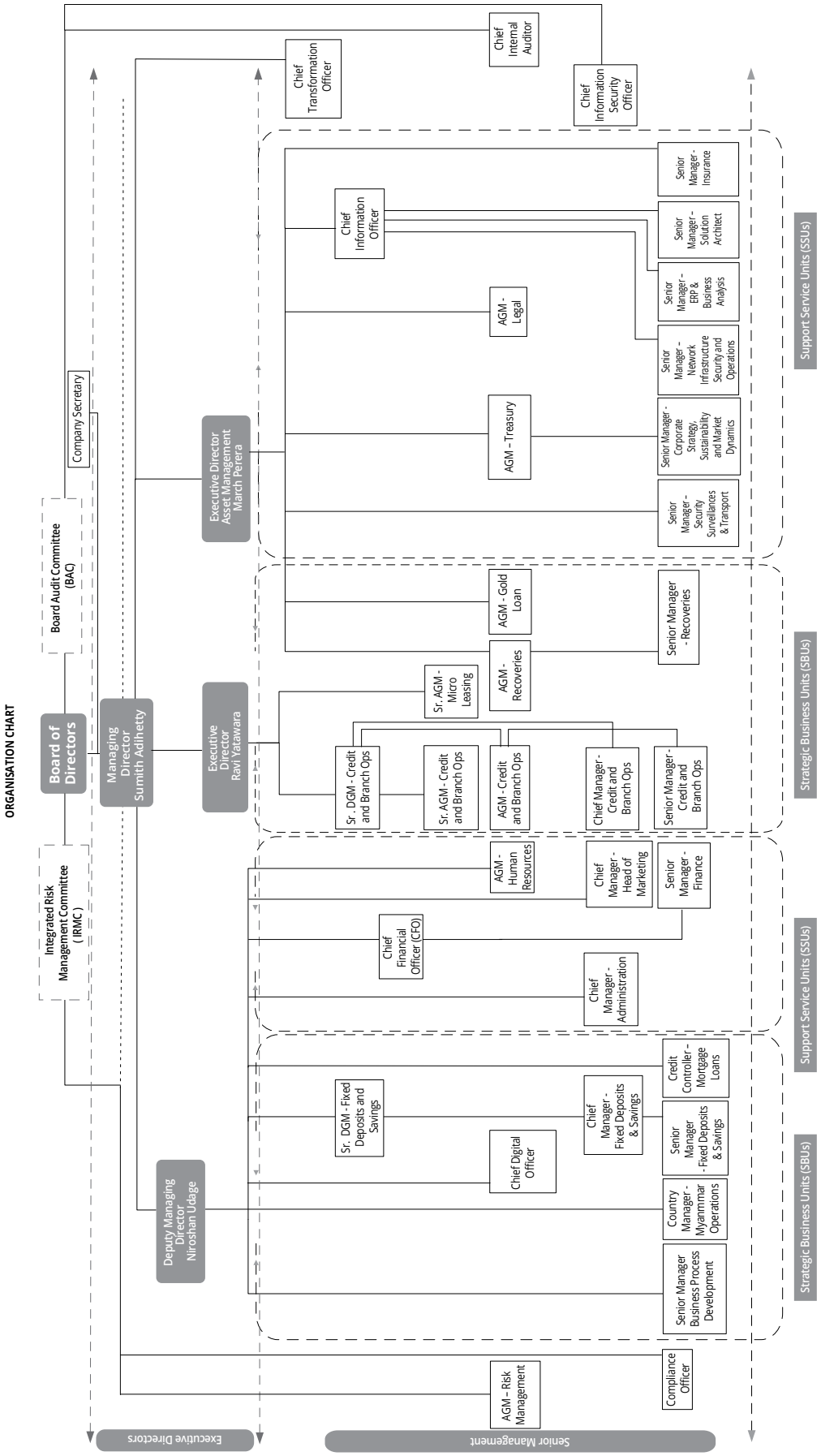
The company does not engage in any business transactions with the Government

37. Does the company disclose audited financial accounts for government contracts and awarded tenders?

Not Applicable.

The company does not engage in any business transactions with the Government

ORGANISATION CHART



LIST OF ABBREVIATIONS

AFS	Available for Sale
AGM	Annual General Meeting
ALCO	Assets and Liabilities Management Committee
APSP	Average Petroleum Spot Price
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWDR	Average-Weighted Deposit Rate
AWFDR	Average-Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
BFI	Banking Finance Insurance
BN	Billion
BOD	Board of Directors
BPO	Business Process Outsource
BPS	Basis Points
CAR	Capital Adequacy Ratio
CBSL	Central Bank of Sri Lanka
CDS	Central Depository System
CDM	Cash Deposit Machine
CMU	Customer Management Unit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CRO	Chief Risk Officer
CRM	Customer Relationship Management
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DR	Disaster Recovery
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings per Share
ERP	Enterprise Resource Planning System
ESC	Economic Service Charge
ETF	Employees' Trust Fund
FVPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HFT	Held for Trading
HODs	Head of Departments
HP	Hire Purchase
HTM	Held to Maturity
ICASL	The Institute of Chartered Accountants of Sri Lanka
IFA	Investment Fund Account
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
BIRMC	Board Integrated Risk Management Committee
IRMU	Integrated Risk Management Unit
ISO	International Standard Organisation
IT	Information Technology
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
L&R	Loans and Receivables
LRA	Lanka Rating Agency
LBF	L B Finance PLC
LBMF	LB Microfinance Myanmar Company Limited
LCB	Licensed Commercial Bank
LFC	Licensed Finance Company
LKAS	Lanka Accounting Standards
LKR	Sri Lankan Rupees
LTV	Loan to Value
MN	Million
M3	Cubic Meter
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MRMR	Monthly Risk Management and Reporting
NBFI	Non-Bank Financial Institutions
NBT	Nation Building Tax
NCRE	Non-Conventional Renewable Energy
NPA	Non-Performing Advances
NII	Net Interest Income
NIM	Net Interest Margin
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAT	Profit after Tax
PAYE	Pay As You Earn
PDC	Product Development Committee
PER	Price Earnings Ratio
PLC	Public Limited Company
RMD	Risk Management Department
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RWA	Risk-Weighted Assets
SBUs	Strategic Business Units
SEC	Securities and Exchange Commission
SLC	Specialised Leasing Company
SLA	Statutory Liquid Assets
SLAR	Statutory Liquid Asset Ratio
SLAS	Sri Lanka Accounting Standard
SLCF	Sri Lanka Carbon Fund
SLFRS	Sri Lanka Financial Reporting Standard
SLIPS	Sri Lanka Inter-Bank Payment System
SME	Small and Medium Enterprises
UOM	Unit of Measurement
USD	US Dollar
VAR	Value at Risk
VAT	Value Added Tax
WHT	Withholding Tax

GLOSSARY OF TERMS

A

Accounting policies

Accounting policies The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual basis

The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

Allowance for impairment

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life. Amortised cost Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any deduction for impairment or uncollectability.

Asset and Liability Committee (ALCO)

The committee that is responsible for managing assets and liabilities of the Company.

Average weighted deposit rate (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates. Average weighted prime lending rate (AWPLR) AWPLR is calculated by the Central Bank weekly based on commercial bank's lending rates offered to their prime customers during the week

B

Basis Point (BP)

One hundred of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

C

Capital adequacy ratio

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

Cash equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash equivalents are short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value.

Collective impairment

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at the reporting date.

Commercial paper (CP)

An unsecured, debt instrument issued by a company, to finance short-term funding requirements. The debt is usually issued at a discount, reflecting prevailing market interest rate.

Commitments

Credit facilities approved but not yet utilised by the clients as at the reporting date. Compounded annual growth rate (CAGR) The rate at which it would have grown if it grew at an even rate compounded annually.

Contingencies

A condition or situation existing at reporting date where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Cost method

A method of accounting where by the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profiles of the investee rising subsequent to the date of acquisition.

Corporate governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Corporate Sustainability

Business approach that creates long-term consumer and employee value by creating a 'green' strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural and economic environment.

Cohort Method

A study design where one or more samples (called Cohorts) are followed prospectively and subsequent status evaluation with or outcome are conducted to determine which initial participants exposure characteristics (risk factors) are associated with it.

Cost to income ratio

Operating expenses excluding impairment charge/gold loan auction losses as a percentage of total operating income (net of interest expenses).

Credit rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit risk

Risk of financial loss, if a customer or counterparty fails to meet an obligation under a contract.

Credit risk mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or liability from an entity's Statement of Financial Position.

Discount rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend cover

Profit attributable to ordinary shareholders as a percentage of gross dividends; indicates number of times dividend is covered by current year's distributable profits.

Dividend pay-out ratio

Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

Dividend per share (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number

of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Dividend yield

Dividend expressed as a percentage of market value of a share. In absence of any capital gains, this shows the return on investing on a share relative to its market price.

E

Earnings per share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's earnings attributable to an ordinary share in issue.

Economic value added (EVA)

A measure of performance considering cost of total invested equity.

Effective interest rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Effective tax rate

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Equity method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee

Events after the reporting period

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to the contingencies and commitments.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value through profit or loss

A financial asset or financial liability that is held-for trading or upon initial recognition designated by the entity as fair value through profit or loss.

Finance lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all risks and rewards of ownership to the lessee.

Financial assets

Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial liabilities

A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

G

Global reporting initiative (GRI)

GRI is a leading organisation in the sustainability filed. GRI promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Gross dividend

The proportion of profit distributed to shareholders including the tax withheld.

Guarantees

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation

H

Hire purchase

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

Impaired loans

Impaired loans are loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment

This occurs when the recoverable amount of an asset is less than its carrying amount.

Impairment charge/(reversal)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

Individual impairment

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

Individual significant loans

Exposures which are above a certain threshold decided by the management which should be assessed for objective evidence, measurement and recognition of impairment on an individual basis.

Intangible asset

An identifiable non-monetary asset without physical substance.

Integrated reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

Interest cover

Earnings before interest and taxes divided by interest cost. This indicates the number of times interest expenses is covered by earnings before interest and tax; ability to cover interest expenses.

Interest spread

Represents the difference between the average interest rate earned on average interest earning assets and the average interest rate paid on average interest bearing liabilities.

GLOSSARY OF TERMS

K

Key management personnel (KMP)

People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

L

Lending portfolio

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Letter of credit (LC)

Written undertakings by a Bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Liquid assets

Assets that are held in cash or in a form that can be converted to cash readily.

Loss given default (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

Loan to value ratio (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

M

Market capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statement.

N

Net assets value per share (NAV)

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net interest income

The difference between interest income earned from interest earning assets and interest expenses incurred on interest-bearing liabilities.

Net interest margin (NIM)

Net interest income expressed as a percentage of average interest earning assets.

Non-performing loans/advances (NPL)

The aggregate value of the advances portfolio that has been delinquent for a period of more than 90 days.

Non-Performing Loans Cover

Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense)

NPL ratio

Total non-performing loans as a percentage of the total lending portfolio.

Non-recurring profit

A one time or highly infrequent profit.

O

Off-balance sheet transactions

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to the commitment and contingencies in future.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Price earnings ratio (P/E ratio)

Market price of a share divided by earnings per share; reflects number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

Probability of default (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

R

Related party

Parties have the ability to control or exert a significant influence over the company's financial and operating decisions.

Return on assets (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

Return on equity (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average shareholders' funds/equity.

Repurchase agreement (Repo)

Contract to sell and subsequently repurchase government securities at a specified date and price.

Risk-weighted assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

Shareholders' funds

Total of issued and fully paid share capital and revenue reserves.

T

Tier I capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II capital

Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

Total shareholder return

Combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

U

Useful life

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Value added

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

Yield to maturity

Discount rate at which the present value of future cash flows would equals the security's current price.

CORPORATE INFORMATION

As at 31st March 2025

NAME OF COMPANY

L B Finance PLC

LEGAL FORM

Public Limited Liability Company Incorporated in Sri Lanka under the provisions of the Companies Ordinance No.51 of 1938 (Cap 145) and re-registered as per the Companies Act No. 07 of 2007 on 06th June, 2008.

A Licensed Finance Company under the Finance Business Act No. 42 of 2011.

A Registered Financed Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.

STOCK EXCHANGE LISTING

The Company was admitted to the official list of the Colombo Stock Exchange on 30th December, 1997, in which the Company's Ordinary Shares are listed currently.

DATE OF INCORPORATION

30th May 1971

COMPANY REGISTRATION NUMBER

PQ 156

TAX PAYER IDENTIFICATION NUMBER

104033431

VAT REGISTRATION NUMBER

104033431 7000

CENTRAL BANK REGISTRATION NUMBER

RFC 1003

PRINCIPAL ACTIVITIES

The Company provides a comprehensive range of financial services encompassing acceptance of Fixed Deposits, maintenance of Savings Accounts, providing Finance Leases and Vehicle Loan Facilities, Mortgage Loans, Gold Loans, Personal Loans, other Credit Facilities, Digital Financial Services and Value Added Services.

Principal Activities of the Company's Subsidiaries

L B Microfinance Myanmar Company Limited - carries on Microfinance lending in Myanmar.

Multi Finance PLC – Multi Finance PLC which was a subsidiary of the Company was amalgamated with the Company on 25th July 2024.

REGISTERED OFFICE

No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07.

Tel: 011- 2 200 000 Fax: 011-5 345 327

CORPORATE OFFICE

No. 20, Dharmapala Mawatha, Colombo 03.

Tel: 011-2 155 000 Fax: 011-2 575 098

OUTLETS

Two Hundred and Sixteen (216) Branches

WEBSITE

www.lbfinance.com

FINANCIAL YEAR END

31 March

CREDIT RATING

The Company has been assigned a national long-term rating of A- (lka) with a Stable Outlook by Fitch Ratings Lanka Limited.

BOARD OF DIRECTORS AND BOARD APPOINTED COMMITTEES

Board of Directors

Mr. G A R D Prasanna
(Chairman)

Mr. Ashane Jayasekara
(Independent Non-Executive Director/ Senior Director)

Mr. Sumith Adhihetty
(Managing Director)

Mr. Niroshan Udage
(Deputy Managing Director)

Mr. B D A Perera
(Executive Director)

Mr. Ravindra Yatawara
(Executive Director)

Ms. Yogadinusha Bhaskaran
(Non-Executive Director)

Ms. Ashwini Natesan
(Independent Non-Executive Director)

Mr. Dharmadasa Rangalle
(Non-Executive Director)

Ms. Yanika Amarasekera
(Independent Non-Executive Director)

Mr. Priyantha Talwatte
(Independent Non-Executive Director)

Mr. Piyal Hennayake
(Independent Non-Executive Director)

Board Audit Committee

Mr. Ashane Jayasekara
(Chairman)

Ms. Yogadinusha Bhaskaran

Ms. Ashwini Natesan

Board Human Resource and Remuneration Committee

Ms. Yanika Amarasekera
(Chairperson)

Mr. G A R D Prasanna

Mr. Ashane Jayasekara

Board Nomination and Governance Committee

Mr. Ashane Jayasekara
(Chairman)

Mr. G A R D Prasanna

Ms. Ashwini Natesan

Board Related Party Transactions Review Committee

Mr. Piyal Hennayake
(Chairman)

Mr. Dharmadasa Rangalle

Mr. Priyantha Talwatte

Board Integrated Risk Management Committee

Ms. Ashwini Natesan
(Chairperson)

Mr. Ashane Jayasekara

Ms. Yogadinusha Bhaskaran

CORPORATE INFORMATION

GRI: 2-28

Board Information Security Committee

Ms. Ashwini Natesan
(Chairperson)

Mr. Ashane Jayasekara

Mr. B D A Perera

Board Sustainability Committee

Ms. Yanika Amarasekera
(Chairperson)

Mr. G A R D Prasanna

Mr. Niroshan Udage

Ms. Ashwini Natesan

Mr. Piyal Hennayake

COMPANY SECRETARY

Ms. Tharanga Nandasena

EXTERNAL AUDITORS

KPMG Sri Lanka
Chartered Accountants

INTERNAL AUDITORS

Internal Audit Department of the Company under the scrutiny of the Chief Internal Auditor.

BANKERS

Bank of Ceylon

Commercial Bank of Ceylon PLC

DFCC Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Muslim Commercial Bank

Pan Asia Banking Corporation PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

Union Bank of Colombo PLC

Habib Bank Limited

Public Bank Berhad

SUBSIDIARY COMPANY

L B Microfinance Myanmar Company Limited
(Company incorporated in the Union of the Republic of Myanmar)

Company Registration Number of Subsidiary

844FC of 2016 - 2017 (YGN)

Registered Office of Subsidiary

Myawaddy Bank Luxury Complex,
4th Floor
Apt 401 Bo Gyoke Road Cnr,
W A Dan Street
Lanmadaw Township
Yangon, Myanmar.

Board of Directors of Subsidiary

Mr. Sumith Adhihetty

Mr. Niroshan Udage

Mr. B D A Perera

Mr. Ravindra Yatawara

CORPORATE MEMBERSHIPS AND ASSOCIATIONS

The Finance Houses Association of Sri Lanka

Leasing Association of Sri Lanka

The Ombudsman Sri Lanka (Guarantee) Limited

Mercantile Cricket Association

Mercantile Football Association

UN Global Compact Network Sri Lanka

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Second (52nd) Annual General Meeting of L B Finance PLC will be held at the Auditorium of the Corporate Office of the Company, No. 20, Dharmapala Mawatha, Colombo 3 on Monday, 30th June 2025 at 8.30 a.m to conduct the following business:

1. To receive the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Financial Statements for the year ended 31st March 2025 and the Report of the Auditors thereon.

2. To declare a final dividend of Rs. 4.25 per ordinary share as recommended by the Board of Directors.

3. To re-elect Mr. Dharmadasa Rangalle as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.

4 To re-elect Mr. B. D. A. Perera as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.

5 To re-elect Mr. Piyal Hennayake as a Director in terms of Article 93 of the Articles of Association of the Company.

6. To re-elect Mr. Priyantha Talwatte as a Director in terms of Article 93 of the Articles of Association of the Company.

7. To pass the ordinary resolution set out below to re-appoint Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 74 years on 4th July 2024, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 74 years on 4th July 2024 and that he be and is hereby re-appointed a Director of the Company from the date of the Annual General Meeting until 3rd July 2025."

8. To re-appoint the retiring Auditors Messrs. KPMG, Sri Lanka, Chartered Accountants, as the Company's Auditors and to authorize the Directors to determine their remuneration.

9. To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By Order of the Board
LB Finance PLC



Tharanga Nandasena
Company Secretary

May 30, 2025

Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.

NOTES

FORM OF PROXY

I/We* .....

(holder of NIC/ Passport/Company Registration No. .....) of .....

..... shareholder/s of LB FINANCE PLC hereby appoint

..... (holder of NIC No. .....)

of ..... or failing him/her*

Mr. Godewatta Arachchige Rasika Dimuth Prasanna	or failing him *
Mr. Moderage Ashane Joseph Waas Jayasekara	or failing him*
Mr. John Anthony Sunil Sumith Adhihetty	or failing him*
Mr. Niroshan Udage	or failing him*
Mr. Biyanwilage Dudley Auburn Perera	or failing him*
Mr. Ravindra Shanaka Yatawara	or failing him*
Mrs. Yogadinusha Bhaskaran	or failing her*
Mrs. Ashwini Natesan	or failing her*
Mr. Dharmadasa Rangalle	or failing him*
Mrs. Yanika Amarasekera	or failing her*
Mr. Piyal Dushantha Hennayake	or failing him*
Mr. Lakshitha Priyantha Bandara Talwatte	

as my/our* proxy to represent me/us* to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Fifty Second (52nd) Annual General Meeting of the Company to be held on 30th June 2025 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1	To receive the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Financial Statements for the year ended 31st March 2025 and the Report of the Auditors thereon.	☐	☐
2	To declare a final dividend of Rs. 4.25 per ordinary share as recommended by the Board of Directors.	☐	☐
3	To re-elect Mr. Dharmadasa Rangalle as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.	☐	☐
4	To re-elect Mr. B. D. A. Perera as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.	☐	☐
5	To re-elect Mr. Piyal Hennayake as a Director in terms of Article 93 of the Articles of Association of the Company.	☐	☐
6	To re-elect Mr. Priyantha Talwatte as a Director in terms of Article 93 of the Articles of Association of the Company.	☐	☐
7	To pass the ordinary resolution set out below to re-appoint Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 74 years on 4th July 2024, as a Director of the Company;		
	"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 74 years on 4th July 2024 and that he be and is hereby re-appointed a Director of the Company from the date of the Annual General Meeting until 3rd July 2025."	☐	☐
8	To re-appoint the retiring Auditors Messrs. KPMG, Sri Lanka, Chartered Accountants, as the Company's Auditors and to authorize the Directors to determine their remuneration.	☐	☐
9	To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.	☐	☐

In witness my/our* hands this ..... day of ..... Two Thousand and Twenty Five.

.....

Signature of Shareholder/s

*Please delete what is inapplicable.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The Full name, National Identity Card / Passport / Company Registration number (as applicable) and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy [Full name, National Identity Card / Passport No. and the address] should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be deposited at the Registered Office of the Company, No.275/75, Professor Stanley Wijesundera Mawatha, Colombo 07, by 8.30 a.m. on 30th June 2025.

3. The Proxy shall –

(a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

(b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

5. Articles 59 to 62 of the Articles of Association of the Company dealing with voting are quoted below for information of the shareholders.

59 METHOD OF VOTING

At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by-

i. the Chairman of the meeting; or

ii. not less than three persons present in person or by Attorney or representative or by proxy and entitled to vote; or

iii. a Member or Members present in person or by Attorney or representative or by proxy and representing not less than one tenth of the total voting rights of all the Members having the right to vote at the meeting; or

iv. a Member or Members present in person or by attorney or representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

A demand for a poll may be withdrawn, unless a poll be demanded (and the demand be not withdrawn) a declaration by the Chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

60 HOW A POLL IS TO BE TAKEN

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the results of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall) appoint scrutinisers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

61 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

62 A poll demanded on the election of a Chairman of the meeting or on a question of a adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately."

FEEDBACK FORM

We would like to hear thoughts, concerns or problems about this report so that we may take measures for improvement.

Please mention your relationship with L B Finance – Please tick (✓) the appropriate box.

Shareholder		Employee		Customer	
Business Partner		Regulators/Government		Society	

Select the preferred communication method to contact you – Please tick (✓) the appropriate box.

Phone		Website		Letter	
Email		Other			

Your views on Annual Report 2024/25 - Please tick (✓) the appropriate box.

Indicator	Excellent	Good	Bad	Poor
Design and layout				
Content and Disclosures				
Theme and focus				

Please write details of your feedback here:

.....

.....

.....

.....

Comments/Suggestions

.....

.....

.....

.....

Please provide your contact details

Name :

Tel :

Email :

Thanking you for taking your time. You can post or Email your feedback to:

Senior Manager – Corporate Strategy and Sustainability
LB Finance PLC

Corporate office
No. 20, Dharmapala Mawatha, Colombo 3.
Email : thusithaw@lbfinance.lk
Tel : 0112155504

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